

JSC NC KazMunayGas financial and operating results for the first half of 2018

Astana, September 10, 2018 – JSC National Company KazMunayGas (“**KMG**” or the “**KMG Group**”), Kazakhstan's vertically integrated oil and gas company, announces its IFRS financial and operating results for the first half of 2018.

Financial Highlights¹ for the first half of 2018:

- Revenue was up 62% year-on-year to 3,356 bln tenge (USD 10,279 mln);
- Net profit was up 32% year-on-year to 359.7 bln tenge (USD 1,102 mln);
- Capital expenditure was down 33% year-on-year to 177 bln tenge (USD 542 mln);
- EBITDA² was up 49% year-on-year to 909 bln tenge (USD 2,784 mln);
- Net debt amounted to 2,163 bln tenge (USD 6,344 mln).

Operating Highlights³ for the first half of 2018:

- Oil and gas condensate production was up 1% year-on-year to 11,769 thous. tonnes (494 thous. barrels of oil per day⁴);
- Natural and associated gas production was up 2% year-on-year to 4,123 mln m³;
- Oil transportation was up 2% year-on-year to 37,107 thous. tonnes;
- Gas transportation was up 15% year-on-year to 54.9 bln m³;
- Refinery volume was up 11% year-on-year to 9,829 thous. tonnes. Volume includes refinery volume in Kazakhstan of 6,549 thous. tonnes and KMG International (“KMG I”) of 3,281 thous. tonnes;
- Oil and condensate sales were up 9% year-on-year to 9,330 thous. tonnes;
- Gas sales including purchased gas were up 37% year-on-year to 12,003 mln m³.

Business and Corporate Events:

Corporate

- In April 2018, Mr. Alik Aidarbayev was elected to the KMG Board of Directors as a JSC SWF Samruk-Kazyna (“Samruk-Kazyna”) representative;
- KMG EP’s LSE and KASE delisting occurred on May 10, 2018. KMG owns 99.6% of KMG EP’s common equity;
- In June 2018, Mr Philip John Dayer was elected to the KMG Board of Directors as an independent director;
- The transaction between KMG and CEFC China Energy on sale of 51% interest in KMG I was terminated. KMG will continue to own and operate KMG I with full consolidation of activities results;
- In July 2018, the share capital of Air Liquide Munay Tech Gases LLP (KMG - 25% and Air Liquide Eastern Europe SA - 75%) was increased by KZT 5,869 mln, of which KMG’s share accounted for KZT

¹ For reader convenience, amounts in US Dollars throughout the press-release were converted at the average exchange rate for the applicable period for amounts taken from the consolidated statement of income and consolidated statement of cash flows and the period-end rates for amounts taken from the consolidated balance sheet (average rates for 1H 2018 and 1H 2017 were 326.49 and 318.75 KZT/USD, respectively; period-end rates as at 30 June 2018 and 31 December 2017 were 341.08 and 332.33 KZT/USD, respectively).

² Earnings before interest, taxes, depreciation and amortisation (EBITDA) is a measure of profit before the deduction of interest expenses, taxes, depreciation and accrued amortisation.

³ Operating highlights are represented as net of KMG’s share in those respective assets.

⁴ A conversion rate of 7.6 barrels of oil and gas condensate per tonne was applied for information purposes only. The actual number of barrels may vary from the barrel equivalents of crude oil represented here.

1,467 mln. The main goal of transaction is to purchase a hydrogen production unit from the Pavlodar Refinery;

- In July 2018, KMG took KPI Inc. LLP in a trust management (a subsidiary of United Chemical Company LLP (a subsidiary of Samruk-Kazyna) for construction of a polypropylene production facility) to control this investment project, taking into account KMG's accumulated experience and expertise in this area of business.

Operating

- In the first half of 2018 Kashagan oil production was up by 76% year-on-year to 6,173 (KMG share was 511 thous. tonnes) or 270 kbopd. Kashagan oil production was positively impacted by commissioning of crude gas reinjection system in August 2017, reliability improvement of equipment and production efficiency increase;
- JSC Intergas Central Asia launched "Construction of three compressor stations on the Beineu-Bozoi-Shymkent gas pipeline" to increase gas pipeline capacity for Kazakhstan gas exports to China to 10 bln m³ per year;
- Full operating capacity at Atyrau refinery will be reached after commissioning in the second half of 2018;
- In January 2018, Pavlodar and Shymkent refineries switched to K4 and K5 standard fuel production.

Financial

- In January and April 2018, in accordance with an amendment to Tengizchevroil⁵ (TCO) oil supply agreement signed in December 2017, KMG received two additional prepayment tranches totalled USD 500 mln;
- In April and September 2018, KMG received dividends from TCO of USD 102 mln and USD 85 mln, respectively;
- In April 2018, JSC Kaztransgas (KTG) raised a syndicated loan of USD 200 mln to finance the "Construction of three compressor stations on the Beineu-Bozoi-Shymkent gas pipeline " project;
- In May 2018, KMG made an early redemption of Eurobonds with nominal value of US\$ 3.1 bln by issuing Eurobonds in the amount of US\$ 3.25 bln;
- On July 2, 2018, KMG repaid bonds issued in 2008 in the amount of USD 1.6 bln;
- On August 6, 2018, in accordance with an amendment to Kashagan oil supply agreement signed in July 2018, KMG Kashagan B.V. received an additional tranche of USD 600 mln and repaid final debt tranche to consortium members for 8.44% stake in the North Caspian project in the amount of USD 844 mln;
- On August 13, 2018, KMG EP announced the intention to repurchase up to 1,905,209 (100% of outstanding preferred shares in free float) preferred shares from the Kazakhstan Stock Exchange at 12,800 tenge per share, representing a premium of 24.4% on the 30-day volume-weighted average preferred share price of 10,292 tenge as at 10 August 2018. The repurchase programme is being launched starting from August 13 until November 16 of 2018. As at September 10, 2018, KMG EP repurchased 294,702 preferred shares in the amount of KZT 3.8 bln.

First half of 2018 Financial Results⁶

For the first half of 2018 revenue increased by 62% year-on-year to 3,356 bln tenge (USD 10,279 mln), mainly due to higher global oil prices along with increase in KMG I's sale of crude oil and hydrocarbon. KMG I's sale of crude oil and hydrocarbons amounted to 855 bln tenge (USD 2,619 mln) and 1,070.5 bln tenge (USD 3,279 mln), respectively. Sales volumes of crude oil and LPG pursuant to TCO Advanced Oil Sale transaction amounted to 778.5 bln tenge (USD 2,384 mln). Gas export to China started in October 2017 reflected an increase of gas sales for the first half of 2018, and amounted to KZT 231.6 bln tenge (USD 709 mln).

⁵In 2016 KMG entered into long-term TCO crude oil and liquefied petroleum gas (LPG) supply agreement, which involve the prepayment. The total minimum delivery volume approximates 38 mln tonnes of crude oil and 1 mln tonne of LPG in the period from the date of the contract to March 2021.

⁶As at June, the Group ceased to classify KMG I as a discontinued operation as participants had not completed sale and purchase agreement (SPA) procedures to sell a 51% interest in KMG I and the transaction was terminated. Accordingly, KMG I assets and liabilities were transferred from discontinued operations to continuing operations; comparative figures were adjusted in accordance with IFRS requirements.

Cost of sales increased by 66% year-on-year to 2,614 bln tenge (USD 8,008 mln). Growth was mainly due to higher global oil prices and KMG I's increased purchase of crude oil volumes and hydrocarbons. KMG I's cost of sales of crude oil and hydrocarbons amounted to KZT 702 bln tenge (USD 2,151 mln) and 226 bln tenge (USD 693 mln), respectively. Cost of crude oil relating to the TCO Advanced Oil Sale transaction increased to 556.5 bln tenge (USD 1,704 mln) due to higher global oil prices.

For the six months of 2018, KMG's operating profit increased by 21% year-on-year to 289 bln tenge (USD 885 mln), up 21%.

KMG's earnings from shares in the net profit of joint ventures and associates increased by 88% year-on-year to 337 bln tenge (USD 1,033 mln). Increase is mainly attributable to TCO's profit increase by 57% year-on-year. KMG's share amounted to 220 bln tenge (USD 673 mln).

Net profit increased by 32% year-on-year to 360 bln tenge (USD 1,102 mln) vs. 272 bln tenge (USD 854 mln).

Taxes and other obligatory payments amounted to 630 bln tenge (USD 1,930 mln), which is 42% higher year-on-year.

In the first half of 2018, capital expenditures were reduced by 33%, to 177 bln tenge (USD 542 mln) due to completion of intensive capital investments.

KMG's gross debt as at June 30, 2018 increased by 5% to 4,528 bln tenge (USD 13,275 mln), compared to 31 December 2017, due to debt drawdowns under existing facilities at Atyrau refinery, KMG I, new loan of USD 200 mln raised by KTG to finance investment project and Eurobonds refinance. Taking into account USD 1.6 bln Eurobond redemption on July 2, 2018 gross debt decreased by 10% as compared to 31 December 2017.

KMG's net debt as at June 30, 2018 increased by 61% to 2,163 bln tenge (USD 6,344 mln) mainly due to KMG EP's shares buyback, compared to 31 December 2017.

Cash and cash equivalents balance including cash in deposits decreased by 20% to 2,364 bln tenge (USD 6,932 mln) mainly due to KMG EP's shares buyback.

First half of 2018 Operating Results

Hydrocarbon production

In the first half of 2018, KMG Group's oil and condensate production increased by 1% year-on-year to 11,769 thous. tonnes. Total natural and associated gas production increased by 2% to 4,123 mln m³.

In the first half of 2018, KMG's share in Kashagan (North Caspian Operating Company N.V. – NCO) production increased by 76% year-on-year to 511 thous. tonnes of oil and 297 mln m³ of gas as the result of commissioning of crude gas reinjection system in August 2017, reliability improvement of equipment and production efficiency increase.

KMG's share in TCO oil production increased by 1% year-on-year to 2,948 thous. tonnes due to steady production of plant performance. Gas production decreased by 1% year-on-year to 1,615 mln m³.

Ozenmunaigas JSC oil and condensate production reached 2,728 thous. tonnes, reflecting an increase of 1%, year-on-year. Gas production decreased by 1% year-on-year to 307 mln m³.

KMG's share in Mangistaumunaigaz JSC oil production increased by 1% year-on-year to 1,580 thous. tonnes. Gas production increased by 3% year-on-year to 197 mln m³.

KMG's share in Kazakhoil Aktobe LLP oil production was 141 thous. tonnes, reflecting a decrease of 19%, primarily as a result of reduction in gas limits in 2018. The same limits reflected 27% decrease in gas production year-on-year to 109 mln m³.

KMG's share in JV Kazgermunai LLP oil production decreased by 6% year-on-year to 885 thous. tonnes. Gas production was 175 mln m³, reflecting a decrease of 10%, primarily as a result of shutoff of high gas factor wells in connection with summer gas acceptance limitations in Kyzylorda.

In the first half of 2018, a decline in production was observed at the mature fields of PetroKazakhstan Kumkol Resources JSC, Turgai Petroleum JSC and Kazakhturkmunai LLP mature fields due to natural oil production decreases and watercut increases.

Hydrocarbon sales

In the first half of 2018, KMG Group's sales of oil and condensate were down 9% year-on-year to 9,330 thous. tonnes.

Gas sales turnover rose by 37% year-on-year, to 12,003 mln m³. Gas export and domestic sales increased by 122% to 4,414 mln m³ and by 12% to 7,589 mln m³, respectively

Oil and gas transportation

In the first half of 2018, KMG transported 33,661 thous. tonnes⁷ (net of the KMG's share) of oil by pipeline, which is 1% increase year-on-year. Increase in oil transportation volumes is mainly attributable to oil transportation growth at the Caspian Pipeline Consortium and NWPC MunaiTas LLP impacted by oil production increase at Kashagan. In the first half of 2018, KMG's share in two companies increased by 11% and 5% year-on-year to 6,292 thous. tonnes and 1,078 thous. tonnes of oil, respectively.

Oil volumes transported by marine fleet were 3,446 thous. tonnes, reflecting an increase of 11%, due to reorientation of routes and transportation growth in Caspian and Mediterranean seas.

Gas transportation volumes increased by 15% year-on-year to 54.9 bln m³ due to export volumes growth.

Gas export was 12.7 bln m³, reflecting an increase of 60%, primarily due to gas export to China started in October 2017 under an export agreement between KazTransGas and PetroChina International Company Limited.

Refining

Hydrocarbons refinery volumes were up 13% year-on-year to 9,829 thous. tonnes.

Hydrocarbon refining volumes in Kazakhstan refineries increased 5% year-on-year to 6,549 thous. tonnes in line with domestic supply obligations for oil producers and production capacity increase at the refineries:

- 2,604 thous. tonnes at the Atyrau Refinery, up 4%;
- 2,785 thous. tonnes at the Pavlodar Refinery, up 5%;
- 973 thous. tonnes at the Shymkent Refinery, up 3%;
- 242 thous. tonnes at Caspi Bitum, up 30%.

Refining at KMG I refineries increased by 27% year-on-year to 3,281 thous. tonnes:

- Petromidia refining volumes were up 27% to 3,087 thous. tonnes. Increase is attributable to favourable weather conditions and the implementation of plant upgrade initiatives in the first half of 2018 as well as the suspension of production operations in the first half of 2017;
- Vega refining volumes were up 28% to 194 thous. tonnes due to increased supplies of raw materials from Petromidia refinery.

⁷ Crude oil transportation volume includes crude oil transportation volume of each individual pipeline company in accordance with KMG operating share. Some volumes can be transported by two or three pipeline companies.

For further information, please visit <http://www.kmg.kz/> or contact:

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About JSC National Company KazMunayGas:

JSC National Company KazMunayGas (KMG) is Kazakhstan's leading vertically integrated oil and gas company, operating assets across the entire production cycle from the exploration and production of hydrocarbons to transportation, refining and specialised services. Established in 2002, the company represents the government's interests in the national oil and gas industry.