

March 20, 2018

## 2017 financial and operational results of NC KazMunayGas

**Astana, March 20, 2018** – JSC National Company KazMunayGas (“**NC KMG**”, or “**the Company**”), Kazakhstan's vertically integrated oil and gas company, announced its IFRS financial results and operational highlights for the year ended 31 December 2017.

### 2017 Financial Highlights:

- Revenue up 32% y-o-y to KZT 2,459 bln (USD 7,542 mln<sup>1</sup>).
- Net profit up 44% y-o-y to KZT 520 bln (USD 1,594 mln).
- Capital expenditure up 15% y-o-y to KZT 637 bln (USD 1,954 mln), including cash capital expenditures of KZT 464 bln (USD 1,424 mln).
- Net debt amounted to KZT 1,341 bln (USD 4,036 mln).

### 2017 Operational Highlights<sup>2</sup>:

- Oil and gas condensate production up 3% y-o-y to 23,362 thousand tonnes (486 kbopd<sup>3</sup>).
- Natural and associated gas production up 8% y-o-y to 7,997 mcm.
- Oil transportation up 3% y-o-y to 65,489 thousand tonnes; Gas transportation up 15% y-o-y, amounting to 100.9 bcm.
- Refining volumes in Kazakhstan up 3% y-o-y to 14,874 thousand tonnes. The net share of NC KMG amounted to 12,173 thousand tonnes, up 3% y-o-y.
- KMG I's (Petromidia) refining volume up 5% y-o-y to 5,662 thousand tonnes.

### Corporate Highlights and Subsequent Events:

- In December 2017, the term for the exercise of NC KMG's option to buy back a 50% stake in PCLL KMG Kashagan B.V. was extended from 2018-2020 until 2020-2022.
- In October 2017, the Caspian Pipeline Consortium (“CPC”) completed all works under the CPC Capacity Expansion Project increasing throughput of Kazakhstan segment to 53.7 mln tonnes per year.
- In October 2017, “KazTransGas” JSC (“KTG”) started exporting gas of Kazakh origin to China under the sale and purchase agreement between KTG and PetroChina for 5 bcm per year gas supplies.
- In 2017, the throughput capacity of the Kazakhstan-China and Beineu-Shymkent gas pipelines were increased to 52 bcm and 10 bcm per year, respectively.
- In September 2017, Kazakhstan and Uzbekistan signed a Framework Agreement for the transportation of up to 5 mln tonnes of oil per year from Russia to Uzbekistan through Kazakhstan and development of appropriate pipeline capacities.
- In April 2017, NC KMG issued a new Eurobond for USD 2.75 bln, which represented the largest corporate transaction in CIS since 2013.
- NC KMG completed modernisation works at Atyrau and Pavlodar refineries in 2017. The first phase of the modernisation of the Shymkent refinery was completed in June 2017; the second phase is to be completed in 2018, aiming at increasing the depth of refining and increasing capacity from 5.2 to 6 mln tonnes.

<sup>1</sup> For readers' convenience amounts in US dollars throughout the press-release (“USD”) were converted at the average exchange rate over the applicable period for the figures derived from the consolidated statement of income and consolidated statement of cash flows and the end of period exchange rates for the data derived from the consolidated balance sheet (average rates for 2017 and 2016 were 326 and 342.16 KZT/USD, respectively; period-end rates as at December 31, 2017 and December 31, 2016 were 332.33 and 333.29 KZT/USD, respectively).

<sup>2</sup> Operational highlights are presented net to the share of NC KMG in respective assets.

<sup>3</sup> For information purposes only, the following conversion rate applied - 7.6 barrels of oil and gas condensate per tonne. The actual number of barrels may vary from the barrel equivalents of crude oil presented herein.

## 2017 Financial Results

Revenue in 2017 amounted to KZT 2,459 bln (USD 7,542 mln), up 32% y-o-y. This is a result of a combination of factors: a 23.5% y-o-y increase in the average price of Brent oil and increased oil sales under the Company's long-term oil and LPG supply agreement<sup>4</sup>. Sales as part of this agreement amounted to KZT 1,153 bln (USD 3,537 mln), up by +68% y-o-y in 2017. Sales under this agreement began in 2Q 2016.

Cost of sales increased to KZT 2,380 bln (USD 7,300 mln), up 52% y-o-y. This was largely due to the cost of oil purchased from Tengizchevroil LLP (TCO) for deliveries under the long-term oil and LPG supply agreement and change in the oil purchasing scheme, which altogether amounted to KZT 1,316 bln (USD 4,037 mln) in 2017 vs. KZT 685 bln (USD 2,100 mln) in 2016. Another factor was an increase in the mineral extraction tax by 130% YoY, amounting to KZT 94 bln (USD 287 mln) in 2017 due to the 23.5% increase in the average price of Brent.

NC KMG's operating loss in 2017 amounted to KZT 401 bln (USD 1,230 mln) vs. KZT 25 bln (USD 72 mln) in 2016. The operating profit of NC KMG does not include revenues from the sale of oil and oil products through KMG International ("KMG I"), due to the fact that KMG I is in the process of sale, and therefore accounted as discontinued operations in the consolidated financial statements of NC KMG under IFRS. However, the cost of sales related to the purchase of oil and oil products for KMG I trading purposes is accounted for in the operating profit of NC KMG starting from Q3 2017, due to a change in the purchasing scheme and amounted to KZT 280 bln (USD 858 mln). As a result, NC KMG's operating profit decreased on y-o-y basis. In turn, the net profit of KMG I is accounted for in the consolidated profit of NC KMG as profit from discontinued operations<sup>5</sup>.

NC KMG's share in the net profit of its associated companies and joint ventures amounted to KZT 415 bln (USD 1,272 mln), a 53% increase y-o-y. The main growth driver was TCO. In 2017, TCO's profit increased by 96% y-o-y, NC KMG's share amounted to KZT 290 bln (USD 890 mln).

In 2017, NC KMG recorded a foreign exchange gain of KZT 67 bln (USD 206 mln).

The Company's net profit<sup>6</sup> increased by 44% y-o-y to KZT 520 bln (USD 1,594 mln) vs KZT 360 bln (USD 1,053 mln) in 2016.

Taxes and other mandatory payments amounted to KZT 1,027 bln (USD 3,150 mln) in 2017.

Capital expenditure amounted to KZT 637 bln (USD 1,954 mln), an increase of 15% y-o-y, including cash capital expenditures of KZT 464 bln (USD 1,424 mln).

The Company's net debt at the end of 2017 amounted to KZT 1,341 bln (USD 4,036 mln).

Cash and cash equivalents, including cash as deposits, amounted to KZT 2,960 bln (USD 8,908 mln), 38% higher than the balance as at YE2016.

## 2017 Operational Results

### Crude oil and gas condensate production

In 2017, the consolidated volume of oil and gas condensate production across the NC KMG group of companies amounted to 23,362 thousand tonnes, a 3% increase y-o-y.

In 2017, JSC KazMunaiGas Exploration Production ("KMG EP") produced 11,876 thousand tonnes of oil, a 2% decline y-o-y, mainly due to a decrease in oil production at the fields of JV Kazgermunai and PetroKazakhstan Inc. as a result of the natural decline in oil production at mature oilfields.

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<sup>4</sup> The Company entered into a long-term agreement for the supply of crude oil and LPG in 2016. According to the terms of the agreement, the Company will deliver a minimum volume of oil and LPG of approximately 30 mln tonnes and 1 mln tonnes, respectively, between the time of the conclusion of the agreement and March 2020.

<sup>5</sup> After the completion of the sale of a 51% stake in KMG International N.V., the remaining 49% will be accounted for using the equity method in the consolidated financial statements of NC KMG as continuing operations.

<sup>6</sup> Net profit includes the net profit of KMG International N.V., which is classified in the consolidated financial report as part of discontinued operations.

NC KMG's share in the production volume of TCO (in which it owns a 20% stake) was 5,739 thousand tonnes of crude oil, a 4% increase y-o-y. The increase was due to stable and reliable operations at the SGP /KTL / SGI plants and successful completion of capital repairs and maintenance.

NC KMG's share in the production volume of JSC Mangistaumunaigas (50% stake) was 3,178 thousand tonnes of crude, up 1%.

NC KMG's share in the production volume from North Caspian Operating Company N.V. (NCOC) (8.44% stake) was 686 thousand tonnes of oil. Commercial production started in November 2016.

NC KMG's share in production volume from Karachaganak Petroleum Operating B.V. (KPO) (10% stake) was 1,125 thousand tonnes of crude oil, a 7% increase y-o-y. The increase was due to stable and reliable operation of process units and successful planned overhauls, as well as the commissioning of new production wells ahead of schedule.

NC KMG's share in production volume from Kazakhoil Aktobe LLP (50% stake) was 351 thousand tonnes of crude oil, an 8% decline y-o-y. The decrease in production is mainly due to the increase in the gas factor and postponement of the construction of the Kozhasai gas processing plant.

Kazakhturkmunay LLP produced 387 thousand tonnes of oil, up 33% y-o-y. In the reporting period, a programme of additional geological and technical measures was developed and implemented, which led to an increase in oil production.

### **Natural and associated gas production**

In 2017, NC KMG's total production of natural gas amounted to 7,997 mcm, an 8% increase y-o-y.

KMG EP produced 1,339 mcm, a 2% decrease y-o-y.

NC KMG's share in production volume from TCO (20% stake) was 3,171 mcm, a 5% increase y-o-y.

NC KMG's share in production from JSC Mangistaumunaigas (50% stake) was 378 mcm, flat y-o-y.

NC KMG's share in production volume from KPO (10% stake) was 1,892 mcm, up 7% y-o-y. The increase was due to stable and reliable operation of process units and successful planned overhauls, as well as the commissioning of new production wells ahead of schedule.

NC KMG's share in production volume from NCOC (8.44% stake) was 397 mcm. Commercial production started in November 2016.

NC KMG's share in gas production volume from Kazakhoil Aktobe LLP (50% stake) was 301 mcm, a decrease of 2% y-o-y.

Kazakhturkmunay LLP produced 175 mcm, a 6% decrease y-o-y.

JSC KazTransGas (Amangeldygas LLP) produced 344 mcm of natural gas, a 5% rise y-o-y.

### **Oil and gas transportation**

The volume of oil transported through NC KMG pipelines amounted to 58,538 thousand tonnes (net to NC KMG share), a 3% increase y-o-y.

The throughput volume of oil transported by JSC KazTransOil ("KTO") pipelines amounted to 46,293 thousand tonnes, a 6% increase y-o-y.

NC KMG's share in Kazakhstan-China Pipeline LLP shipments (50%) was 8,269 thousand tonnes of oil, up 17% y-o-y. The rise of oil transportation throughput of KTO and Kazakhstan-China Pipeline was due to an increase in the volume of transportation of Russian oil to China under an agreement between KTO and PJSC Rosneft, as well as an increase in oil production at Kashagan.

Oil transported by sea amounted to 6,951 thousand tonnes, a 2% decline y-o-y.

The volume of gas transported through NC KMG's main gas pipelines in 2017 amounted to 100.9 bcm, a 15% increase y-o-y. This included international gas transit of 65.8 bcm, up 13% y-o-y. The increase was mainly due to growth in gas production and increased demand in the Kazakhstan domestic market. The growth in international transit was due to an increase in Gazprom's gas flows via Intergas Central Asia, as well as an increase in Central Asian transit through Asian Gas Pipeline LLP.

Total gas export sales grew by 34% y-o-y and amounted to 17.7 bcm, while domestic gas shipments amounted to 17.3 bcm, a 5% increase y-o-y. This significant growth occurred in the result of increased volumes of gas transportation from the Shogyrly-Shomyshty, Tengiz, and Kashagan fields due to increased demand for supplies in the domestic market, as well as beginning of sales of Kazakh gas to China starting from October 2017, in accordance with the export contract signed between KTG and PetroChina International Company Limited.

### **Refining and Marketing**

Refining volumes in Kazakhstan up 3% y-o-y to 14,874 thousand tonnes. The net share of NC KMG amounted to 12,173 thousand tonnes, up 3% y-o-y, including the following:

- 4,724 thousand tonnes at the Atyrau refinery, a 1% decrease y-o-y.
- 4,747 thousand tonnes at the Pavlodar refinery, a 3% increase y-o-y.
- NC KMG's 50% share in the processing volume of Shymkent refinery amounted to 2,343 thousand tonnes, up 4% y-o-y.
- NC KMG's 50% share in the processing volume of Caspi Bitum amounted to 359 thousand tonnes, up 15% increase y-o-y.

KMG I (Petromidia refinery) processed 5,662 thousand tonnes of hydrocarbon feedstock, a 5% increase y-o-y.

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### **About JSC National Company KazMunayGas:**

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