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NC KazMunaiGas's financial and operational results for 1H 2017

Astana, September 20, 2017 – JSC National Company KazMunaiGas ("NC KMG", or "the Company"), Kazakhstan's leading vertically integrated oil and gas company, reports on its IFRS financial results and operational highlights for the six months ended 30 June 2017.

1H 2017 Financial Highlights:

- Revenue up 65% y-o-y to KZT 1,144 billion
- EBITDA up 58.1% y-o-y to KZT 588 billion
- Net profit up 163% y-o-y to KZT 274 billion
- Capital expenditure up 1% y-o-y to KZT 266 billion
- Net debt amounted to KZT 1,130 billion (USD 3.5 billion). Decrease by 0.5% over 1H 2017

1H 2017 Operational Highlights:

- Oil and gas condensate production up 2.6% y-o-y to 11,617 thousand tonnes (484 kbopd)¹
- Natural and associated gas production up 9.7% y-o-y to 4,032 mcm
- Transportation of oil up 1% y-o-y to 31,989 thousand tonnes
- Transportation of gas up 6.2% y-o-y, amounting to 47,667 million cubic meters
- Refining volumes at Kazakhstan assets up 10% y-o-y to 6,249 thousand tonnes, whereas KMG I volume down 22% to 1,929 thousand tonnes

Corporate Highlights and Subsequent Events:

- On 19 April 2017, NC KMG successfully completed a USD 2.75 billion Eurobond issue
- In May 2017, JSC KazMunaiGas Exploration Production, 63% owned by NC KMG, received KZT 27 billion in prepaid tax payments, as a result of an appeal regarding the company's 2009-2012 tax audit results
- On 30 June 2017, Phase 1 of the modernisation of the Shymkent refinery was completed
- On 3 August 2017, Moody's revised its outlook on NC KMG's credit rating from "Negative" to "Stable"

1H 2017 Financial Results

Revenue in 1H 2017 amounted to KZT 1,144 billion, up 65% year-on-year. This is a result of a combination of factors: a 30% year-on-year increase in the average price of Brent oil and increased oil sales under the Company's long-term oil supply agreement. Sales as part of this agreement amounted to KZT 538 billion (a 207% increase year-on-year) in 1H 2017. Sales under the agreement began in 2Q 2016.

Cost of sales increased to KZT 978 billion, up 55% year-on-year. This was largely due to the cost of oil purchased from TCO for deliveries under the long-term oil supply agreement, which totalled KZT 375 billion in 1H 2017 (vs. KZT 119 billion in 1H 2016); another factor was the cost of materials and supplies used in production, amounting to KZT 170 billion in 1H 2017 (up from KZT 147 billion in 1H 2016).

NC KMG's share in the net result of its associated companies and joint ventures amounted to KZT 179 billion, a 76% increase year-on-year. The main growth driver was Tengizchevroil (TCO). In 1H 2017, TCO's profit rose 49% year-on-year, NC KMG's share amounted to KZT 140 billion.

NC KMG recorded a foreign exchange gain of KZT 18.7 billion.

¹ For information purposes only, the following conversion rate applied: 7.6 barrels of oil and gas condensate per ton. The actual number of barrels may vary from the barrel equivalents of crude oil presented herein

The Company's net profit² increased by 163% year-on-year to KZT 274 billion vs KZT 105 billion in 1H 2016.

Taxes and other mandatory payments amounted to KZT 433 billion in 1H2017.

Capital expenditure amounted to KZT 266 billion, an increase of 1% year-on-year.

The company's net debt at the end of 1H 2017 amounted to KZT 1,130 billion (USD 3.5 billion), and increased by 0.1% over 1H 2017.

Cash and cash equivalents, including cash as deposits, totalled KZT 2,875 billion, 34% higher than the balance as at YE2016.

1H 2017 Operational Results

Crude oil and gas condensate production

In 1H 2017, the consolidated volume of oil and gas condensate production across the NC KMG group of companies amounted to 11,617 thousand tonnes, a 2.6% increase year-on-year.

JSC KazMunaiGas Exploration Production, in which NC KMG holds a 63% stake, produced 5,885 thousand tonnes of oil, a 3% decline year-on-year.

The Company's share in production volume from Tengizchevroil LLP (20% stake) was 2,918 thousand tonnes of crude oil, a 1.4% increase year-on-year.

The Company's share in production volume from JSC Mangistaumunaigas (50% stake) was 1,566 thousand tonnes of crude, a 0.2% increase year-on-year.

The Company's share in production volume from KMG Kashagan BV (8.44% stake) was 291 thousand tonnes of oil. Commercial production started in November 2016.

The Company's share in production volume from KMG Karachaganak LLP (10% stake) was 566 thousand tonnes of crude oil, a 16.6% increase year-on-year. This comes as a result of planned preventive works held at production facilities in 2016.

The Company's share in production volume from Kazakhoil Aktobe LLP (50% stake) was 175 thousand tonnes of crude oil, a 10.4% decline year-on-year.

Kazakhturkmunai LLP produced 201 thousand tonnes of oil, up 82.7% year-on-year. In the second half of 2016, a program of additional geological and technical measures was developed and implemented, which led to an increase in oil production.

Natural and associated gas production

In 1H 2017, the consolidated production of natural gas amounted to 4,032 Mcm, a 9.7% increase year-on-year.

JSC KazMunaiGas Exploration Production (Kazakh Gas Refinery LLP) produced 150 Mcm in 1H2017, a 3.1% decrease year-on-year. This slight reduction occurred due to natural production decline, as the field is in its final stage of development.

The Company's share in production volume from Tengizchevroil LLP (20% stake) was 1,627 Mcm, a 3.5% increase year-on-year.

The Company's share in production volume from JSC Mangistaumunaigas (50% stake) was 192 Mcm, a negligible 0.01% increase year-on-year.

² Net profit includes the net profit of KMG International N.V., which is classified in the consolidated financial report as part of discontinued operations. 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.

The Company's share in production volume from KMG Karachaganak LLP (10% stake) was 956 Mcm in the 1H 2017, a 15.2% increase year-on-year. The difference was due to planned preventative maintenance works at the production facilities in 2016.

The Company's share in gas production volume from Kazakhoil Aktobe LLP (50% stake) was 149 Mcm, a decrease of 4.2% year-on-year due to lower crude production levels.

Kazakhturkmunai LLP produced 95 Mcm in 1H 2017, a 16.7% increase year-on-year. In the second half of 2016, a program of additional geological and technical measures was developed and implemented, which led to an increase in oil and associated gas production.

JSC KazTransGas (Amangeldygas LLP) produced 170 Mcm of natural gas, a 6.0% rise year-on-year due to the commissioning of new wells at the Amangeldy field and the adjustment of production levels at the Zharkum field.

Oil and gas transportation

In 1H 2017, the total volume of oil transported through NC KMG pipelines amounted to 28,894 thousand tonnes, a 2.2% increase year-on-year.

The volume of oil transported by JSC KazTransOil pipelines amounted to 22,732 thousand tonnes, a 3.7% increase year-on-year.

The Company's share in Kazakhstan-China Pipeline LLP shipments (50%) was 3,992 thousand tonnes of oil, a 10.5% increase year-on-year.

Oil transported by sea amounted to 3,096 thousand tonnes, a 8.5% decline year-on-year.

The volume of gas transported through KMG pipelines in 1H 2017 totalled 47.7 Bcm, a 6.2% increase year-on-year. This included international gas transit of 30.5 Bcm, a 0.7% increase year-on-year.

Total gas export sales grew by 25% year-on-year and amounted to 7.9 Bcm, while domestic gas shipments amounted to 9.2 Bcm, a 12% increase year-on-year.

Refining and Marketing

In 1H 2017, NC KMG processed a total of 6,249 thousand tonnes of crude oil, representing a 9.6% increase year-on-year. This included:

- 2,509 thousand tonnes at the Atyrau refinery, a 20% increase year-on-year.
- 2,649 thousand tonnes at the Pavlodar refinery, a 13% increase year-on-year.
- NC KMG's 50% share in the processing volume of Shymkent refinery amounted to 947 thousand tonnes. This represents a 20% decrease year-on-year.
- NC KMG's 50% share in the processing volume of Caspi Bitum amounted to 143 thousand tonnes. This represents an 83% increase year-on-year.

Currently, the three refineries are undergoing modernisation and reconstruction works, which are progressing according to schedule. Renovation of the equipment is being carried out and new facilities have been commissioned. The completion of the modernisation works is expected in 2017-2018.

KMG I processed 1,929 thousand tonnes of crude oil, a 22% decrease year-on-year. This is due to severe weather conditions in 1H 2017, which forced Petromidia's plant to operate at minimum capacity.

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

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About JSC National Company KazMunaiGas:

JSC National Company KazMunaiGas (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. 90% of KazMunaiGas' shares are owned by JSC Samruk-Kazyna National Welfare Fund, with the remaining 10% owned by the National Bank of the Republic of Kazakhstan.