

December 6, 2017

## NC KazMunayGas's financial and operational results for 9M 2017

**Astana, December 6, 2017** – JSC National Company KazMunayGas (“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 nine months ended 30 September 2017.

### 9M 2017 Financial Highlights:

- Revenue up 46% y-o-y to KZT 1,716 bln (USD 5,306 mln<sup>1</sup>)
- EBITDA up 49% y-o-y to KZT 940 bln (USD 2,908 mln)
- Net profit up 104% y-o-y to KZT 444 bln (USD 1,373 mln)
- Capital expenditure up 20% y-o-y to KZT 434 bln (USD 1 342 mln)
- Net debt amounted to KZT 1,500 bln (USD 4,397 mln). An increase by 33% over 9M 2017

### 9M 2017 Operational Highlights:

- Oil and gas condensate production up 4% y-o-y to 17,445 thousand tonnes (487 kbopd<sup>2</sup>)
- Natural and associated gas production up 11% y-o-y to 5,930 mcm
- Transportation of oil up 2% y-o-y to 48,711 thousand tonnes
- Transportation of gas up 17% y-o-y, amounting to 73.9 bln cubic meters
- Refining volumes at Kazakhstan assets up 7% y-o-y to 9,231 thousand tonnes, whereas KMG I volume down 4% to 3,282 thousand tonnes

### Corporate Highlights and Subsequent Events:

- In August 2017 KMG Kashagan B.V. received an additional prepayment in the amount of USD 600 mln and made early repayment of the second tranche of deferred obligation under the 2008 PSA
- In September 2017, KazTransGas JSC (KTG) issued Eurobond for the total amount of USD 750 mln
- In October 2017, NC KMG conducted consent solicitation, which resulted in alignment of the terms of both the 2023 Notes and the 2044 Notes with terms of notes issued in April 2017

### 9M 2017 Financial Results

Revenue in 9M 2017 amounted to KZT 1,716 bln (USD 5,306 mln), up 46% y-o-y. This is a result of a combination of factors: a 24% y-o-y increase in the average price of Brent oil and increased oil sales under the Company's long-term oil and liquefied gas supply agreement<sup>3</sup>. Sales as part of this agreement amounted to KZT 809 bln (USD 2,502 mln), a 107% increase y-o-y in 9M 2017. Sales under the agreement began in 2Q 2016.

<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 at the end of period exchange rates for the data derived from the consolidated balance sheet (average rates for 9M 2017 and 9M 2016 were 323.30 and 343.99 KZT/USD, respectively; period-end rates as of September 30, 2017 and December 31, 2016 were 341.19 and 333.29 KZT/USD, respectively).

<sup>2</sup> 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.

<sup>3</sup> The Company entered into a long-term agreement for the supply of crude oil and liquefied gas in 2016. According to the terms of the agreement, the Company will deliver a minimum volume of oil and liquefied gas of approximately 30 million tons and 1 million tons, respectively, between the time of the conclusion of the agreement and March 2020.

Cost of sales increased to KZT 1,611 bln (USD 4,983 mln), up 57% 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 liquefied gas supply agreement, which totalled KZT 556 bln (USD 1,720 mln) in 9M 2017 (vs. KZT 255 bln (USD 789 mln) in 9M 2016); another factor was the cost of materials and supplies used in production, amounting to KZT 262 bln (USD 810 mln) in 9M 2017 (up from KZT 218 bln (USD 673 mln) in 9M 2016).

Operating profit amounted to KZT -171 bln (USD - 529 mln), down 98% y-o-y. The operating profit of NC KMG doesn't include revenues from sale of oil and oil products through KMG International 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 recognized in the operating profit of NC KMG starting from Q3 2017 due to change in the purchase scheme. As a result 9M 2017 operating profit decreased on y-o-y basis. In turn, the net profit of KMG I is accounted in the consolidated profit of NC KMG as a profit from discontinued operations.

NC KMG's share in the net profit of its associated companies and joint ventures amounted to KZT 285 bln (USD 881 mln), a 138% increase y-o-y. The main growth driver was TCO. In 9M 2017, TCO's profit rose 151% y-o-y, NC KMG's share amounted to KZT 207 bln (USD 641 mln).

NC KMG recorded a foreign exchange gain of KZT 83 bln (USD 256 mln).

The Company's net profit<sup>4</sup> increased by 104% y-o-y to KZT 444 bln (USD 1,373 mln) vs KZT 217 bln (USD 631 mln) in 9M 2016.

Taxes and other mandatory payments amounted to KZT 699 bln (USD 2,161 mln) in 9M 2017.

Capital expenditure amounted to KZT 434 bln (USD 1,342 mln), an increase of 20% y-o-y.

The Company's net debt at the end of 9M 2017 amounted to KZT 1,500 bln (USD 4,397 mln), and increased by 33% over 1H 2017.

Cash and cash equivalents, including cash as deposits, totalled KZT 3,041 bln (USD 8,912 mln), 42% higher than the balance as at YE2016.

## **9M 2017 Operational Results**

### **Crude oil and gas condensate production**

In 9M 2017, the consolidated volume of oil and gas condensate production across the NC KMG group of companies amounted to 17,445 thousand tonnes, a 4% increase y-o-y.

JSC KazMunayGas Exploration Production (63% stake) produced 8,884 thousand tonnes of oil, a 3% decline y-o-y mainly due to a decrease in oil production at the fields of JSC Ozenmunaigas (OMG) and PetroKazakhstan Inc. (PKI). The decline in production at the OMG fields is mainly due to lower level of production from the existing well stock. PKI produced 13.5% per day less than in the same period of 2016 that was mainly driven by a natural decline in oil production at mature oilfields.

NC KMG's share in production volume TCO (20% stake) was 4,287 thousand tonnes of crude oil, a 7% increase y-o-y. The increase was due to the stable and reliable operation of SGP /KTL / SGI plants and favourable weather conditions.

NC KMG's share in production volume from JSC Mangistaumunaigas (50% stake) was 2,374 thousand tonnes of crude, a 1% increase y-o-y.

NC KMG's share in production volume from North Caspian Operating Company N.V. (NCOC) (8.44% stake) was 480 thousand tonnes of oil. Commercial production started in November 2016.

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<sup>4</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. 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.

NC KMG's share in production volume from Karachaganak Petroleum Operating B.V. (KPO) (10% stake) was 840 thousand tonnes of crude oil, a 11% increase y-o-y. This comes as a result of planned preventive works held at production facilities in 2016.

NC KMG's share in production volume from Kazakhoil Aktobe LLP (50% stake) was 263 thousand tonnes of crude oil, a 9% decline y-o-y.

Kazakhturkmunay LLP produced 296 thousand tonnes of oil, up 69% y-o-y. In the reporting period, 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 9M 2017, the consolidated production of natural gas amounted to 5,930 Mcm, a 11% increase y-o-y.

JSC KazMunaiGas Exploration Production (Kazakh Gas Refinery LLP) produced 226 Mcm in 9M 2017, a 4% decrease y-o-y. This slight reduction occurred due to natural production decline, as some of the mature fields are in their final stage of development.

NC KMG's share in production volume from TCO (20% stake) was 2,377 Mcm, a 8% increase y-o-y.

NC KMG's share in production volume from JSC Mangistaumunaigas (50% stake) was 280 Mcm, a negligible 1% decrease y-o-y.

NC KMG's share in production volume from KPO (10% stake) was 1,407 Mcm in the 9M 2017, a 11% increase y-o-y. The difference was due to planned preventative maintenance works at the production facilities in 2016.

NC KMG's share in production volume from NCOC (8.44% stake) was 277 Mcm. Commercial production started in November 2016.

NC KMG's share in gas production volume from Kazakhoil Aktobe LLP (50% stake) was 225 Mcm, a decrease of 2% y-o-y due to lower crude production levels.

Kazakhturkmunay LLP produced 132 Mcm in 9M 2017, a 2% increase y-o-y.

JSC KazTransGas (Amangeldygas LLP) produced 236 Mcm of natural gas, a 3% rise y-o-y 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 9M 2017, the total volume of oil transported through NC KMG pipelines amounted to 43,706 thousand tonnes, a 3% increase y-o-y.

The volume of oil transported by JSC KazTransOil pipelines amounted to 34,522 thousand tonnes, a 5% increase y-o-y.

NC KMG's share in Kazakhstan-China Pipeline LLP shipments (50%) was 6,148 thousand tonnes of oil, a 14% increase y-o-y. The rise of oil transportation volume of KazTransOil and Kazakhstan-China Pipeline was due to an additional agreement between JSC KazTransOil and PJSC NC Rosneft for increasing of oil transit, as well as the resumption of oil production at Kashagan.

Oil transported by sea amounted to 5,005 thousand tonnes, a 3% decline y-o-y.

The volume of gas transported through KMG main gas pipelines in 9M 2017 totalled 73.9 Bcm, a 17% increase y-o-y. This included international gas transit of 50.1 Bcm, a 17% increase y-o-y. The increase in

the total volume of gas transportation was associated with gas production growth and increased demand for supplies in the domestic market of Kazakhstan, and the growth in international transit was due to an increase in Gazprom's gas flows through Intergas Central Asia, as well as an increase Central Asian transit through Asian Gas Pipeline LLP.

Total gas export sales grew by 29% y-o-y and amounted to 12 Bcm, while domestic gas shipments amounted to 11.8 Bcm, a 10% increase y-o-y. The significant growth occurred thanks to increased volumes of gas transportation from Shogyrly-Shomyshty, Tengiz, Kashagan fields.

## **Refining and Marketing**

In 9M 2017, NC KMG processed a total of 9,231 thousand tonnes of crude oil and naphtha, representing a 7% increase y-o-y. This included:

- 3,469 thousand tonnes at the Atyrau refinery, a 2% increase y-o-y.
- 3,831 thousand tonnes at the Pavlodar refinery, a 19% increase y-o-y.
- NC KMG's 50% share in the processing volume of Shymkent refinery amounted to 1,652 thousand tonnes. This represents a 10% decrease y-o-y.
- NC KMG's 50% share in the processing volume of Caspi Bitum amounted to 280 thousand tonnes. This represents an 31% increase y-o-y.

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 3,282 thousand tonnes of crude oil, a 4% decrease y-o-y.

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

Tel: +7 7172 78 62 27

Email: [ir@kmg.kz](mailto:ir@kmg.kz)

## **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. 90% of KazMunayGas' shares are owned by JSC Samruk-Kazyna National Welfare Fund, 10% owned by the National Bank of the Republic of Kazakhstan.