KMG EP approves 2016 Budget and 2016-2020 Business Plan

Astana, 3 December, 2015. JSC KazMunaiGas Exploration Production ("KMG EP" or the "Company") announces the approval by the Board of Directors ("the Board") of the Company's 2016 budget and 2016-2020 business plan which assume the average annual Brent price of US$40.1 per barrel in 2016-2017, US$50.1 per barrel in 2018-2020 and an average annual exchange rate of 300 Tenge per US dollar.

Production

Planned production in 2016 is expected to be 5,612 thousand tonnes (113 kbopd) from JCS OzenMunaiGas (OMG) and 2,822 thousand tonnes (57 kbpod) from JSC EmbaMunaiGas (EMG). Thus, the total planned production volume in 2016 from OMG and EMG is expected to be 8,434 thousand tonnes (170 kbopd) or 1% more than planned production in 2015 due to improving the efficiency of geological and technical measures.

The Company's share in the planned production of Kazgermunai (KGM), CCEL and PetroKazakhstan Inc. (PKI) in 2016 is expected to be 3,777 thousand tonnes (77 kbopd), which is 211 thousand tonnes or 5% less than expected production in 2015 due to a natural decline of production at PKI.

The Company expects that by 2020 the annual volume of oil production at OMG and EMG will be 4% higher than planned production in 2015 including a 7% increase up to 5.9 million tonnes at OMG. Meanwhile, production of KGM, CCEL and PKI will decrease by 17% by 2020 compared to the planned production in 2015 due to a decline of production at PKI and KGM by 37% and 13% respectively. Thus, the total combined production of the Company, including its stakes in KGM, CCEL and PKI, in 2020 is expected to be 3% lower than planned production in 2015.

Export and domestic supply volumes

The Company expects that in 2016 OMG and EMG will supply 2,380 thousand tonnes (47 kbopd) to the domestic market, or 28% of OMG and EMG's total sales. It is expected that domestic market supplies in 2015 will be 2,680 thousand tonnes (53 kbopd) which is 340 thousand tonnes more than the approved budget at 2,340 thousand tonnes. In 2016, OMG will supply 1,900 thousand tonnes (38 kbopd) to the Atyrau refinery and EMG will supply 480 thousand tonnes (10 kbopd) to the Pavlodar refinery.

It is expected that in 2016-2020 the domestic supply volume will gradually increase up to approximately 45% of OMG and EMG's total sales. The Company expects that in 2016 and onwards there will be no deliveries to Russia as well as to the Atyrau refinery for the Company's own use.

The price for domestic supply in 2016 in the budget is set at 17,100 Tenge per tonne (US$7.9 per barrel) at the Atyrau refinery and 28,802 Tenge per tonne (US$13.3 per barrel) at the Pavlodar refinery. Prices for domestic supply have yet to be approved by independent directors.

It is expected that the Company's share in the volume of oil supply to the domestic market in 2016 from KGM, CCEL and PKI will amount to 1.9 million tonnes (39 kbopd) or roughly 50% of total sales from these companies. In 2017-2020 the volume of oil supply to the domestic market from KGM, CCEL and PKI is expected to remain at 50% of total sales from these companies. KGM will supply oil to the Pavlodar refinery in 2016 and to the Shymkent refinery starting from 2017, PKI to the Shymkent refinery and CCEL to the Aktau bitumen plant. The average domestic supply price in 2016 is expected to be 28,802 Tenge per tonne (US$12.5 per barrel) for KGM, 38,075 Tenge per tonne (US$16.5 per barrel) for PKI and 18,870 Tenge per tonne (US$9.4 per barrel) for CCEL.

Capital expenditure

Capital expenditure in 2016 is planned at 85 billion Tenge (US$282m[1]), 21% lower than the approved capital expenditure plan for 2015. Reduction is mainly due to the decrease of production drilling from 274 wells in 2015 to 171 wells in 2016. Cumulative capital expenditure in 2016-2020 is expected to be 414 billion Tenge (US$1.4bn).

Based on the assumptions used in the current business-plan for 2016-2020 it is expected that the Company's free cash flows in 2016-2020 will be negative. Thus, the business plan assumes a decrease in net cash position of the Company from 938 billion Tenge as of 30 September 2015 to approximately 600 billion Tenge at the end of 2020 before payment of dividends and acquisitions.

The Board of Directors approved the additional 45 bn Tenge of financial aid to OMG in 2016. Taking into account 37 billion Tenge provided in 2015, the financial aid in 2015-2016 will amount to 82 billion Tenge. Under the terms of Financial Aid Agreement OMG must pay back the entire amount by 31 December 2017.

Approved budget and business plan require further work with the aim of achieving at least a neutral level of KMG EP's profitability. For this, KMG EP together with NC KMG will take joint actions, including cost reduction and increase of domestic supply prices, to improve the performance of KMG EP.

Domestic supply volumes in 4Q2015

In 4Q2015, supplies to the Atyrau refinery are paid at 16,600 Tenge per tonne. Supplies to Pavlodar refeniriy are paid at 21,100, 35,400 and 35,900 Tenge per tonne in October, November and December, respectively.

Taking into account the expected in 4Q2015 volume of oil supplies from OMG and EMG, the domestic supplies in 2015 will amount to 2,680 thousand tonnes, which is 340 thousand tonnes more than the 2,340 thousand tonnes announced by the Company earlier.

Notes to editors

KMG EP is among the top three Kazakh oil producers. The overall production in 2014 was 12.3 million tonnes (250 kbopd) of crude oil, including the Company's share in Kazgermunai, CCEL and PKI. The Company's total consolidated volume of proved and probable reserves including shares in the associates, as at the end of 2014 was 177 million tonnes (1,303 mmbbl), out of which 132 million tonnes (981 mmbbl) relates to Ozenmunaigas, Embamunaigas, and Ural Oil and Gas (Rozhkovskoye field, Fyodorovskiy block). The Company's shares are listed on the Kazakhstan Stock Exchange and the GDRs are listed on The London Stock Exchange. The Company raised over US$2bn in its IPO in September 2006.

[1] Amounts shown in US dollars ("USD" or "$") have been translated solely for the convenience of the reader at the average rate of 300 KZT/USD.

For further details please contact us at:

KMG EP. Investor Relations (+7 7172 97 5433)
Asel Kaliyeva
e-mail: ir@kmgep.kz

KMG EP. Public Relations (+7 7172 97 79 08)
Elena Pak
e-mail: pr@kmgep.kz

Brunswick Group (+44 207 404 5959)
Carole Cable
e-mail: KMGEP@brunswickgroup.com

Forward-looking statements

This document includes statements that are, or may be deemed to be, ''forward-looking statements''. These forward-looking statements can be identified by the use of forward-looking terminology including, but not limited to, the terms ''believes'', ''estimates'', ''anticipates'', ''expects'', ''intends'', ''may'', ''target'', ''will'', or ''should'' or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They include, but are not limited to, statements regarding the Company's intentions, beliefs and statements of current expectations concerning, amongst other things, the Company's results of operations, financial condition, liquidity, prospects, growth, potential acquisitions, strategies and as to the industries in which the Company operates. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that may or may not occur. Forward-looking statements are not guarantees of future performance and the actual results of the Company's operations, financial condition and liquidity and the development of the country and the industries in which the Company operates may differ materially from those described in, or suggested by, the forward-looking statements contained in this document. The Company does not intend, and does not assume any obligation, to update or revise any forward-looking statements or industry information set out in this document, whether as a result of new information, future events or otherwise. The Company does not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved.