KMG EP approves 2018 Budget and 2018-2022 Business Plan

Astana, 04 December 2017. JSC KazMunaiGas Exploration Production ("KMG EP" or the "Company") announces that its Board of Directors ("the Board") has approved the Company's 2018 budget and 2018-2022 business plan.

KMG EP's Independent Directors abstained from voting on approval of the 2018 budget and 2018-2022 business plan.

The budget for 2018 assumes a Brent price of US$55 per barrel and an exchange rate of 340 Tenge per US dollar.

The Company is planning free cash flows to be positive in the 2018-2022 period mainly due to the continued success of the independent crude oil processing scheme, partially offset by increased capital expenditures.

The Company's budget may be revised subject to material changes of the macroeconomic parameters applicable to the Company's activities.

Production

Planned production in 2018 is 5.6 million tonnes (113 kbopd) from JCS OzenMunaiGas (OMG) and 2.9 million tonnes (58 kbpod) from JSC EmbaMunaiGas (EMG). The total planned production volume in 2018 from OMG and EMG is 8.5 million tonnes (171 kbopd), a 2% decrease on the approved production plan in 2017 mainly due to a reduction in the base production level at OMG in 2017.

The Company's share in the planned production of Kazgermunai (KGM), CCEL and PetroKazakhstan Inc. (PKI) in 2018 is 3.4 million tonnes (68 kbopd), 5% less than the approved production plan in 2017 due to an anticipated natural decline in production at PKI and KGM.

By 2022 the Company plans annual oil production volumes at OMG and EMG to increase to 6.2 million tonnes and 3.0 million tonnes, respectively, 6% higher than approved production plan in 2017. This increase in production is a result of the comprehensive measures with existing well stock and additional geological and technical measures. Meanwhile, production from KGM, CCEL and PKI is planned to be 1.9 million tonnes by 2022, 46% lower than the the approved production plan in 2017, due to the natural decline of production at KGM and PKI by 64% and 66% respectively.

Overall, by 2022 the total combined production of the Company, including its stakes in KGM, CCEL and PKI, is planned to be 9% lower than approved production plan in 2017.

Domestic supplies

In 2018 the Company plans that OMG and EMG will supply approximately 36% of total sales, or 3.0 million tonnes of oil (60 kbopd) directly to the Atyrau Refinery (ANPZ) and Pavlodar Refinery (PNHZ) for processing into oil products, which will then be sold in accordance with the independent crude oil processing scheme effective from April 2016.

Of the 3.0 million tonnes of oil supplied to the domestic market, 1.9 million tonnes (38 kbopd) will go to ANPZ and 1.1 million tonnes (22 kbopd) will go to PNHZ in 2018.

The annual average share of oil supply to the domestic market in 2019-2022 from OMG and EMG is planned to account for approximately 33% of total sales.

Net revenue achieved from the sale of refined oil products (net of all processing and marketing costs[1]) in 2018 is planned to be 62,616 Tenge per tonne at ANPZ and 65,072 Tenge per tonne at PNHZ. Net revenue from these sales will be affected by the prices of oil products (except for government-regulated petrol AI-80) and the output of oil products from refineries.

As announced, it is expected that after the planned completion of the modernization programme at ANPZ and PNHZ in 2018, output of light oil products will increase and additionally beginning from 4Q18 production of petrochemicals will increase at ANPZ. The 2018 budget assumes an increase of the processing fees by approximately 28% at ANPZ and 5% at PNHZ compared to their current level. The current processing fee, in effect since April 2017, is 24,512 Tenge per tonne at ANPZ and 16,417 Tenge per tonne at PNHZ, effective since August 2017. A matter of concluding related party agreements is subject to a separate consideration by the Company's Board.

These Company's expectations may be adjusted to account for changes in the domestic fuel market situation of the Republic of Kazakhstan.

It is planned that the Company's share in the volume of oil supply to the domestic market in 2018 from KGM, CCEL and PKI will amount to 1.6 million tonnes (34 kbopd) or roughly 49% of total sales from these companies. Between 2019-2022 the volume of oil supply to the domestic market from KGM, CCEL and PKI is planned to account for no more than 50% of these companies' total sales.

Capital expenditure

Capital expenditure in 2018 is planned to be 142 billion Tenge (US$418m[2]), 4% higher than the planned capital expenditure for 2017. This increase is mainly due to an increase in purchases of fixed and intangible assets and higher expenditures on production drilling, partially offset by lower expenditures on exploratory drilling and construction and assembling operations.

The company plans to drill 213 wells in 2018 compared to 191 wells as per 2017 plan.

Annual average capital expenditure in 2019-2022 is planned to be around 118 billion Tenge (US$347m[2]).

Notes to Editors

KMG EP is among the top three Kazakh oil producers based on the 2016 results. The overall production in 2016 was 12.2 million tonnes (245 kbopd) of crude oil, including the Company's share in Kazgermunai, CCEL and PKI. The Company's volume of proved and probable reserves excluding shares in the associates, at the end of 2016 was 182 million tonnes (1,327 mmbbl). 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 at its IPO in September 2006.

For further details please contact us at:

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

[1] Except cost of production of crude oil and oil transportation expenses to the refineries.
[2] Amounts shown in US dollars ("US$" or "$") have been translated solely for the convenience of the reader at the budgeted rate of 340 Tenge per US dollar for 2018. Including the budget of Karpovskiy Severnyi LLP.

KMG EP. Public Relations (+7 7172 97 7887)
Bakdaulet Tolegen
e-mail: pr@kmgep.kz

Finsbury (+44 (0)20 7251 3801)
Dorothy Burwell
e-mail: KMGEP@finsbury.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.