

## PRESS-RELEASE

### **KMG EP announces operating results for the full year 2013**

**Astana, 22 January 2014.** JSC KazMunaiGas Exploration Production (“KMG EP” or “the Company”) today announces its full year operating results for 2013 and dividends received from joint ventures and associate in 2013.

- Overall, KMG EP, including the Company’s stakes in Kazgermunai (KGM), CCEL (CCEL) and PetroKazakhstan Inc. (PKI), produced 12,387 thousand tonnes of crude oil (251kbopd), a 2% increase year on year, which is in line with expectations;
- 2014 production at Ozenmunaigas JSC (OMG) and Embamunaigas JSC (EMG) is expected to be 5,350 thousand tonnes (108kbopd) and 2,820 thousand tonnes (57kbopd), respectively. The Company’s share of 2014 production at KGM, CCEL and PKI is estimated at 4,093 thousand tonnes (84kbopd);
- The construction of the second gas utilization unit at EMG was completed. Also two production bases for KMG EP’s servicing company were launched;
- In 2013, KMG EP received US\$27m as priority payment from CCEL, US\$219m from PKI and US\$200m from KGM in dividends.

### **Operating activity in 2013**

KMG EP, including the Company’s stakes in Kazgermunai (KGM), CCEL (CCEL) and PetroKazakhstan Inc. (PKI), produced 12,387 thousand tonnes of crude oil (251kbopd), which is 196 thousand tonnes or 2% more than in 2012, in line with expectations.

#### *Ozenmunaigas JSC and Embamunaigas JSC*

Ozenmunaigas JSC (OMG) produced 5,208 thousand tonnes (105kbopd), an increase of 5% compared with 2012. Embamunaigas JSC (EMG) produced 2,841 thousand tonnes (57kbopd), a 1% increase compared with 2012. The total volume of oil produced at OMG and EMG in 2013 was 8,049 thousand tonnes (162kbopd), which is a 4% increase compared with 2012.

In 2013, the Company’s combined export sales from OMG and EMG were 6,017 thousand tonnes (119kbopd), or 75% of the total sales volume from core assets. Domestic sales amounted to 1,968 thousand tonnes (39kbopd), or 25% of total sales volume.

#### *Joint ventures and associate*

The Company’s share in production from KGM, CCEL and PKI in 2013 amounted to 4,338 thousand tonnes of crude oil (89kbopd), 2% lower than in 2012, mainly due to 5% lower production at PKI due to the natural decline of production.

The Company’s share in the sales from KGM, CCEL and PKI was 4,319 thousand tonnes of crude oil (88kbopd), including 3,829 thousand tonnes (78kbopd), or 89% supplied to export markets.

### *2014 outlook*

As previously announced, 2014 production at OMG and EMG is expected to be 5,350 thousand tonnes (108kbopd) and 2,820 thousand tonnes (57kbopd), respectively. The Company's share of 2014 production at KGM, CCEL and PKI is estimated at 4,093 thousand tonnes (84kbopd), which is 6% lower compared with 2013, mainly due to the natural decline of production at KGM and PKI.

### **Results of exploration activities at Fedorovskiy block**

Drilling of three pre-salt wells (U-11, U-26, U-24) at Rozhkovskoye field at the Fedorovskiy block was completed in 2013. Production testing of U-11 well resulted in a flow rate of 156 thousand cubic meters per day of gas and 152 cubic meters per day of condensate. As announced, the production testing of U-26 well resulted in a flow rate of 239 thousand cubic meters per day of gas and 247 cubic meters per day of condensate. The third well is expected to be tested in the first half of 2014.

“NIPINeftgas” JSC has prepared a report on reserves at Rozhkovskoye field based on the results of exploration activities carried out on the block since 2010. The report is currently being revised by the State Reserves Committee of the Republic of Kazakhstan. It is expected that the Company will receive the approved reserves report in Q1 2014.

Since 2003, ten exploration wells have been drilled at Fedorovskiy block, of which eight were successful, one is currently awaiting testing and one was dry.

### **Ongoing results of modernisation programme**

In 2013, the construction of the second gas utilization unit at Embamunaigas JSC was completed and production bases for KMG EP's servicing company were launched.

#### *Gas utilization units at Embamunaigas JSC*

In December 2013, the gas utilization unit at the Makat East field at Embamunaigas JSC (EMG) was accepted by the State Committee. As announced, the construction of the Gas utilization unit with a designed capacity of 40 million cubic meters per year was completed in July.

Construction of the second Gas utilization unit, with a designed capacity of 20 million cubic meters per year, at EMG, at the S. Balgimbayev field, was completed in October 2013.

The facilities will make it possible to stop the flaring of associated gas in accordance with environmental legislation requirements. A share of the processed gas will be used for the Company's own needs while the rest will be sold to the domestic market at a subsidized price. In total, 2.6bn Tenge (US\$17m) was invested into construction of the Gas utilization units.

#### *Production bases for servicing company*

In the second half of 2013, two production bases for transportation vehicles at Karazhanbas and Kalamkas fields at “Support Service Vehicles and Well Servicing Division LLP” (UTTiOS) were launched. The production bases will allow KMG EP to conduct centralized quality service of transportation vehicles with the use of modern technologies, as well as improve working conditions.

## **Dividends from joint ventures and associate**

In December 2013, KMG EP received US\$10m as a priority payment from CCEL. In total, KMG EP received US\$27m in priority payments from CCEL during 2013.

In accordance with the resolution by PKI shareholders as of December 2013, PKI distributed a dividend of US\$300m, of which KMG EP's share in accordance with its ownership interest amounted to US\$99m. In total, KMG EP received US\$219m in dividends (after tax) from PKI during 2013.

As announced, KMG EP received US\$200m in dividends from KGM in 2013.

## **NOTES TO EDITORS**

KMG EP is among the top three Kazakh oil and gas producers. The overall production in 2013 was 12.4mt (an average of 251kbopd) 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 2012 was 204 mt (1.5bn bbl), out of which 148 mt (1.1bn bbl) relates to Ozenmunaigas and Embamunaigas. 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. The International rating agency Standard & Poor's (S&P) confirmed KMG EP's "BBB-" corporate credit rating in May 2013.

**"Support Service Vehicles and Well Servicing Division LLP" (UTTios)** was set up in 2012 as KMG EP's subsidiary providing pipeline and well workover and servicing operations.

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