

## PRESS RELEASE

### Update on Domestic Pricing for 2015 and 2016

**Astana, 24 February 2016.** JSC KazMunaiGas Exploration Production (“KMG EP” or “the Company”) updates on domestic pricing for 2015 and 2016.

Until 2015, the Company supplied oil to the domestic market in line with the volumes outlined in the IPO Prospectus (2006-2010: up to 1.9 million tonnes; 2011-2015: in line with volumes outlined in the Company’s business plan, which was approved by the Company’s Board of Directors). The IPO Prospectus states that the domestic price equals to cost plus 3%, whereby the cost equals cost of producing one tonne of crude oil, plus the cost of transportation, plus general and administrative costs. Between 2012 and 2014, KMG EP supplied oil to the domestic market at a margin to cost of production above 3%.

During 2015, JSC “KazMunaiGas – Refining and Marketing” (KMG RM) made payments at an average price per annum of 21,288 Tenge per tonne at the Atyrau refinery (ANPZ) and 31,923 Tenge per tonne at the Pavlodar refinery (PNHZ). These prices were not approved by KMG EP’s Independent Directors. Following extensive negotiations between KMG EP’s management and KMG NC<sup>1</sup> / KMG RM, an agreement was reached to set the price for domestic supplies in 2015 at 37,000 Tenge per Tonne at both ANPZ and PNHZ. This price is approximately equal to the estimate of cost plus 3%, in accordance with the terms of the Relationship Agreement that KMG EP and KMG NC entered into at the time of KMG EP’s IPO.

KMG EP’s management is now negotiating the terms of domestic supplies for 2016 with KMG RM in order to achieve the most beneficial solution. The 2016 domestic market supply volume is budgeted at 2.4 million tonnes. The budget assumes that the price for domestic supply in 2016 is of 17,100 Tenge per tonne at ANPZ and 28,802 Tenge per tonne at PNHZ. The prices for 2016 have not yet been approved by the Company’s Independent Directors.

#### *The Relationship Agreement*

The Company’s Independent Directors and KMG NC continue to discuss NC’s proposal to amend the Relationship Agreement. A further announcement will be made once discussions have concluded.

#### **Notes to editors**

**KMG EP** is among the top three Kazakh oil producers. The overall production in 2015 was 12.4 million tonnes (251 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.

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