

PRESS - RELEASE

Operating results for the first quarter of 2017

Astana, 25 April 2017. JSC KazMunaiGas Exploration Production (“KMG EP” or “Company”) announces its operating results for the first quarter of 2017.

Production

Overall, KMG EP, including its stakes in Kazgermunai (“KGM”), CCEL (“Karazhanbasmunai”) and PetroKazakhstan Inc. (“PKI”), produced 2,904 thousand tonnes of crude oil (238 kbopd) for the first quarter of 2017, a 5% decrease on the same period of 2016. The lower levels of production were largely due to natural decline in production of oil at PKI and fewer wells drilled at Ozenmunaigas JSC (“OMG”), which is in line with the current Company's plan. In order to achieve the consolidated production plan of 12.2 million tonnes, which is higher than the actual production in 2016, additional geological and technical measures at existing wells are provided for at OMG.

OMG produced 1,335 thousand tonnes (109 kbopd), a 4% decrease as compared to the same period of 2016, mainly due to a lower daily production rate as at the beginning of the year, fewer wells drilled and less geological and technical measures performed. Embamunaigas JSC (“EMG”) produced 691 thousand tonnes (57 kbopd), which is 2% less than in the same period of 2016. The total volume of oil OMG and EMG produced was 2,026 thousand tonnes (166 kbopd), which is 3% lower compared to the same period of 2016.

The Company's share in production from KGM, CCEL, and PKI for the first quarter of 2017 amounted to 878 thousand tonnes of crude oil (72 kbopd), which is 8% less than in the same period of 2016, mainly due to a natural decline in production of oil at PKI.

Crude oil supplies and sales of oil products

In the first quarter of 2017, the Company's combined sales from OMG and EMG were 1,939 thousand tonnes (156 kbopd), of which 66% or 1,284 thousand tonnes (103 kbopd) of oil were exported and 655 thousand tonnes (53 kbopd) of oil were sold to the domestic market. The share of domestic supplies from the resources of OMG and EMG was 34% in the first quarter of 2017 as compared to 40% in the same period of 2016.

Out of 655 thousand tonnes (53 kbopd) of crude oil supplied by OMG and EMG to the domestic market, 520 thousand tonnes (42 kbopd) were supplied to Atyrau Refinery and 135 thousand tonnes (11 kbopd) were supplied to Pavlodar Refinery.

During the first quarter of 2017 sales of oil products were 641 thousand tonnes as per the oil processing scheme. For more details about volumes of sales of oil products please see Table No.2.

The Company's share in the sales from KGM, CCEL, and PKI was 871 thousand tonnes of crude oil (72 kbopd), including 375 thousand tonnes (30 kbopd) supplied to the export markets, or 43% of the total sales volume. The domestic sales volume was 496 thousand tonnes (42 kbopd).

Total 2P reserves of liquid hydrocarbons

The Company's share in Proved and Probable (2P) reserves of KGM (50% stake), CCEL (50% stake) and PKI (33% stake) as at the end of 2016 was 37 million tonnes (266 million barrels) or 21% of the total consolidated reserves of the Company. This compares with 41 million tonnes (294 million barrels) as at the end of 2015 or 21% of the total consolidated reserves of the Company. The reserves assessment of 2P reserves of joint ventures were made separately by independent auditors¹.

As announced, according to the report by DeGolyer and MacNaughton, 2P reserves of liquid hydrocarbons as at 31 December 2016 excluding the Company's stakes in KGM, CCEL and PKI were 145 million tonnes (1,061 million barrels).

Thus, the total 2P reserves of liquid hydrocarbons of KMG EP including its stakes in KGM, CCEL, and PKI as at the end of 2016 amounted to 182 million tonnes (1,327 million barrels).

Table No.1. Production and sales of oil for the first quarter of 2017

	ktonnes			kbopd	
	3M2016	3M2017	y/y, %	3M2016	3M2017
Oil production volumes					
OMG	1 387	1 335	-4%	113	109
EMG	702	691	-2%	57	57
Total from OMG and EMG	2 089	2 026	-3%	171	166
KGM, 50%	365	346	-5%	31	30
CCEL, 50%	265	261	-2%	20	19
PKI, 33%	324	271	-16%	28	23
Total from joint ventures	954	878	-8%	79	72
Total oil production	3 043	2 904	-5%	250	238
Crude oil and oil product sales					
OMG and EMG					
Uzen-Atyrau-Samara	639	719	13%	51	58
CPC	581	565	-3%	47	45
Export	1 220	1 284	5%	98	103
Atyrau Refinery	580	520	-10%	47	42
Pavlodar Petrochemical Plant	250	135	-46%	20	11
Domestic market	830	655	-21%	67	53
Total from OMG and EMG	2 050	1 939	-5%	165	156
Export, %	60%	66%			
Domestic market, %	40%	34%			
KGM (50%)					
Export	144	66	-54%	12	6
Domestic market	220	279	27%	19	24
Total from KGM	364	345	-5%	31	30
CCEL (50%)					
Export	283	230	-19%	21	17
Domestic market	0	23	100%	0	2
Total from CCEL	283	253	-11%	21	19
PKI (33%)					
Export	132	79	-40%	11	7
Domestic market	187	194	4%	16	17
Total from PKI	319	273	-14%	27	24

¹ The assessment of reserves as at 31 December 2016 of KGM was made by Neftegazconsult Kazakhstan, assessment of reserves of PKI was made by McDaniel and Associates, assessment of reserves of CCEL was made by Miller&Lents.

Total from joint ventures					
Export	559	375	-33%	45	30
Domestic market	406	496	22%	35	42
Total from joint ventures	965	871	-10%	80	72
Export, %	58%	43%			
Domestic market, %	42%	57%			

Table No.2. Production and sales of oil products for the first quarter of 2017

Petroleum products ktonnes	Production			Sales		
	Atyrau Refinery	Pavlodar Refinery	Total	Atyrau Refinery	Pavlodar Refinery	Total
80 RON gasoline	8,19	5,81	14,00	8,16	7,53	15,69
92 RON gasoline	53,73	33,99	87,72	54,14	36,74	90,88
95 RON gasoline	5,42	2,59	8,00	11,59	2,78	14,36
Diesel fuel	138,83	50,51	189,34	136,83	48,61	185,44
Aviation fuel	4,24	-	4,24	3,38	-	3,38
Total light petroleum products	210,41	92,89	303,30	214,09	95,67	309,76
Vacuum gas oil	92,00	-	92,0	84,09	-	84,09
Mazut	154,37	24,50	178,88	159,17	25,01	184,18
Bitum	-	-	-	-	-	-
Total dark petroleum products	246,37	24,50	270,88	243,25	25,01	268,26
Liquefied gas	6,53	8,74	15,27	6,53	10,19	16,72
Furnace oil	7,32	-	7,32	7,48	-	7,48
Sulfur	0,27	0,92	1,19	0,66	-	0,66
Coke	15,08	6,50	21,59	14,11	22,29	36,40
Benzol	1,14	-	1,14	1,23	-	1,23
Others	-	0,19	0,19	-	-	-
Total other petroleum products	30,35	16,36	46,71	30,01	32,48	62,49
Losses	32,87	16,41	49,28	-	-	-
Total	520,00	150,16	670,16	487,35	153,16	640,51

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.

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