PRESS – RELEASE

JSC KazMunaiGas Exploration Production

Financial Results for the first three months of 2018

Astana, 26 April 2018. JSC KazMunaiGas Exploration Production ("KMG EP" or "the Company") announces its consolidated interim financial results for the first three months ended 31 March 2018.

- Revenue for the first quarter of 2018 was up 27% year-on-year at 270bn Tenge (US$837m[1]). This was largely a result of a 24% increase in the price of Brent and an increase in the price of oil products.
- Net profit for the first quarter of 2018 was 21bn Tenge (US$63m) compared to 2bn Tenge (US$7m) in the same period of 2017. Net cash generated from operating activities was 57bn Tenge (US$177m), up 3% compared to the same period of 2017.
- Net cash position[2] as at 31 March 2018 was 703bn Tenge (US$2.2bn) compared to 1,339bn Tenge (US$4.0bn) as at 31 December 2017.
- As a result of the Tender Offer and the Share Offer, KMG EP and JSC "National Company "KazMunayGas" together now hold 99.5% of common shares (including common shares represented by GDRs) in issue.

Production

KMG EP, including its stakes in Kazgermunai ("KGM"), Karazhanbasmunai ("CCEL") and PetroKazakhstan Inc. ("PKI"), produced 2,898 thousand tonnes of crude oil (238 kbopd) for the first quarter of 2018, at the same level compared to the same period of 2017.

In the first quarter of 2018, Ozenmunaigas JSC ("OMG") produced 1,350 thousand tonnes (110 kbopd), a 1% increase as compared to the first quarter of 2017. Embamunaigas JSC ("EMG") produced 695 thousand tonnes (57 kbopd), a 1% increase on the same period of 2017. The total oil production volume of OMG and EMG amounted to 2,046 thousand tonnes (167 kbopd), a 1% increase compared to the same period of 2017.

The Company's share in production from KGM, CCEL and PKI for the first quarter of 2018 amounted to 852 thousand tonnes (71 kbopd) of crude oil, which is 3% less than in the first quarter of 2017. This was mainly driven by the natural decline in oil production at PKI and KGM.

Crude oil supplies and sales of oil products

In the first quarter of 2018, the Company's combined sales from OMG and EMG were 2,002 thousand tonnes (161 kbopd). Of these crude oil sales, 1,265 thousand tonnes (102 kbopd) were exported and 737 thousand tonnes (59 kbopd) were sold to the domestic market, equivalent to 37% of the total sales volume. In the same period of 2017, the Company sold 34% of crude oil in the domestic market.

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[1] Amounts shown in US dollars ("US$" or "$") have been translated solely for the convenience of the reader at the average rate over the applicable period for information derived from the consolidated statements of income and consolidated statements of cash flows and the end of the period rate for information derived from the consolidated balance sheets (average rates for 1Q2018 and 1Q2017 were 323.15 and 322.52 Tenge/US$, respectively; period-end rates at March 31, 2018 and December 31, 2017 were 318.31 and 323.33 Tenge/US$, respectively).

[2] Cash, cash equivalents and other financial assets less borrowings.

Out of 737 thousand tonnes (59 kbopd) of crude oil supplied by OMG and EMG to the domestic market, 535 thousand tonnes (43 kbopd) were supplied to Atyrau Refinery (ANPZ) and 202 thousand tonnes (16 kbopd) were supplied to Pavlodar Refinery (PNHZ).

Under the independent oil-processing scheme, sales of oil products for the first quarter of 2018 were 669 thousand tonnes, a 5% increase on the same period of 2017.

The Company's share in the sales from KGM, CCEL, and PKI amounted to 834 thousand tonnes (69 kbopd) of crude oil. Of this, 318 thousand tonnes (24 kbopd) were exported with the remaining 515 thousand tonnes (44 kbopd) supplied to the domestic market, equivalent to 62% of total sales volume. In the first quarter of 2017, sales volume of KGM, CCEL and PKI equaled to 57% of total supplied to the domestic market.

Net Profit for the Period

Net profit for the first quarter of 2018 was 21bn Tenge (US$63m), compared to 2bn Tenge (US$7m) in the same period of 2017. The increase in net profit was due to higher revenue resulting from a 24% rise in the Brent price, partially offset by an increase of taxes other than on income, production expenses and selling, general and administrative expenses.

In the first three months of 2018, the Company recorded a foreign exchange loss of 44bn Tenge (US$136m) due to a 4% reduction of the Tenge – US dollar exchange rate (as at 31 March 2018 compared with the exchange rate as at 31 December 2017).

Revenue

The Company's revenue for the first quarter of 2018 was 270bn Tenge (US$837m), up 27% compared to the same period of 2017. This increase is the result of a 24% rise in the price of Brent and an increase in the price of oil products, which was partially offset by a lower share of export sales.

Net revenue achieved from the sale of refined oil products (net of all processing and marketing costs[3]) in the first quarter of 2018 was 60,428 Tenge per tonne at ANPZ and 78,131 Tenge per tonne at PNHZ. In the same period of 2017, net revenue was 57,196 Tenge per tonne and 56,596 Tenge per tonne for ANPZ and PNHZ, respectively.

Production Expenses

Production expenses in the first quarter of 2018 were 83bn Tenge (US$257m), up 19% compared to the same period of 2017. This was mainly due to an increase in processing expenses, higher repair and maintenance expenses, as well as a 5% increase in employee benefit expenses.

Starting from 1 January 2018, the processing fee increased from 24,512 Tenge per tonne to 31,473 Tenge per tonne at ANPZ and from 16,417 Tenge per tonne to 17,250 Tenge per tonne at PNHZ, which is in line with the approved budget. In the first quarter of 2017, the processing fee was 20,501 Tenge per tonne at ANPZ and 14,895 Tenge per tonne at PNHZ.

Repair and maintenance expenses were up due to an increased number of well workovers performed by third parties.

[3] Except cost of production of crude oil and oil transportation expenses to the refineries.

Employee benefit expenses were up by 5% mainly due to a 7% salary indexation of production units' personnel since January 2018.

Selling, General and Administrative Expenses

Selling, general and administrative expenses in the first three months of 2018 amounted to 32bn Tenge (US$99m), up 26% compared to the same period of 2017. This was largely a result of reversal of accruals for fines and penalties related to the 2009-2012 tax audit after reduction of the tax charge by the tax authorities in the first quarter of 2017.

Taxes other than on Income

Taxes, other than on income, in the first quarter of 2018 were 88bn Tenge (US$272m), up 34% compared to the same period of 2017. This was largely due to an increase in the rent tax, Export Customs Duty (ECD), Mineral Extraction Tax (MET) and other taxes. This was a result of a rise in the average price of Brent.

Rent tax in the first three months of 2018 averaged at 22,334 Tenge per tonne of export volume versus 13,801 Tenge per tonne of export volume in the same period of 2017. This was driven by a higher rent tax rate, which correlates with the price of Brent.

The average ECD rate in the first quarter of 2018 was at US$61 per tonne of crude oil compared to US$49 per tonne of crude oil in the first quarter of 2017.

Capital expenditures

Capital expenditures[4] for the first three months of 2018 totaled 25bn Tenge (US$79m), up 43% from the first quarter of 2017. This was primarily due to an increase in costs relating to the acquisition of fixed assets at OMG and an increase in volumes of production and exploration drilling at EMG.

As previously announced, the Company plans capital expenditures for 2018 at the level of 142bn Tenge (US$418m[5]) compared to 111bn Tenge (US$341m) spent in 2017.

Cash Flows from Operating Activities

Net cash generated from operating activities in the first three months of 2018 was 57bn Tenge (US$177m), up 3% compared to the same period of 2017.

Expiry of the Tender Offer and the Share Offer

As announced, the Tender Offer by the Company to purchase its global depositary receipts (GDRs) and the Share Offer to purchase its common shares expired in March 2018, as a result of which KMG EP has repurchased a total of outstanding 135,454,910 GDRs and 336,584 common shares. The Company has made a total payment[6] of US$1,925mn (624bn Tenge), of which US$1,904mn

[4] The Company revised its approach to calculation of capital expenditure. Starting from 4Q 2013 the Capex represents the amount of additions to property, plant and equipment. Formerly it represented purchases of property, plant and equipment and intangible assets according to the Cash Flow Statement.

[5] Amounts shown in US dollars ("USD" or "$") have been translated solely for the convenience of the reader at the budget rate of 340 KZT/USD.

[6] Including withheld amount and any other applicable taxes and other governmental charges.

(617bn Tenge) was paid on the first settlement date (19 February 2018) and US$21mn (7bn Tenge) on the final settlement date (5 April 2018).

As a result, KMG EP and JSC “National Company “KazMunayGas” together now hold 99.5% of common shares (including common shares represented by GDRs) in issue. On 11 April 2018, the Company submitted applications for the delisting of GDRs and common shares from the London Stock Exchange and the Kazakhstan Stock Exchange.

Net cash

The net cash position as at 31 March 2018 was 703bn Tenge (US$2.2bn), compared with 1,339bn Tenge (US$4.0bn) as at 31 December 2017. 96% of cash and financial assets were denominated in foreign currencies (predominantly US dollars) and 4% were denominated in Tenge.

Finance income accrued on cash, financial, and other assets for the first quarter of 2018 totaled 7bn Tenge (US$23m), which is almost at the same level as in the first quarter of 2017.

Share of results of associate and joint ventures

In the first quarter of 2018, KMG EP reported a profit of 8.6bn Tenge (US$27m) in its share of results of associate and joint ventures, up 2% from the first quarter of 2017.

Kazgermunai

In the first three months of 2018, KMG EP recognized 7.1bn Tenge (US$22m) income from its share in KGM compared to a profit of 7.3bn Tenge (US$23m) in the first quarter of 2017. This amount represents the Company’s 50% share in KGM’s net profit, which amounts to 7.8bn Tenge (US$24m) adjusted for 0.7bn Tenge (US$2m) amortization of the fair value of licenses and the related deferred tax benefit.

KGM’s revenue in US dollars for the first quarter of 2018 increased by 7% compared with the same period in 2017. This was largely driven by a 24% increase in the price of Brent and higher domestic prices, which partially offset a lower share of export sales and sales volumes resulting from lower production levels.

PetroKazakhstan Inc.

In the first three months of 2018, KMG EP recognized a profit of 2.7bn Tenge (US$8m) from its share in PKI, compared to a profit of 1.5bn Tenge (US$5m) in the first quarter of 2017. This amount represents the Company’s 33% share in PKI’s net profit, which amounted to 4.4bn Tenge (US$14m), adjusted for the 1.7bn Tenge (US$5m) amortization of the fair value of licenses.

PKI’s revenue in US dollars for the first quarter of 2018 increased by 6% compared with the same period in 2017. This was largely driven by a 24% increase in the price of Brent and higher domestic prices, which partially offset a lower share of export sales and sales volumes resulting from lower production levels.

CCEL

As of 31 March 2018, the Company had 38bn Tenge (US$119m) in receivables from CCEL, a jointly controlled entity with CITIC Resources Holdings Limited. The Company has accrued 1.6bn

Tenge (US$5m) of finance income in the first quarter of 2018, which is a part of the annual priority return in an amount of US$26.9m from CCEL.

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The condensed consolidated interim financial statements for the three months ended March 31, 2018, the notes thereto, and the operating and financial review for the period is available on the Company's website (www.kmgep.kz).

APPENDIX

Consolidated Interim Statement of Comprehensive Income (unaudited)

Tenge million	Three months ended March 31,	
	2018	**2017**
Revenue	270,426	213,726
Share of results of associate and joint ventures	8,582	8,406
Finance income	7,389	7,320
Total revenue and other income	**286,397**	**229,452**
Production expenses	(83,108)	(70,079)
Selling, general and administrative expenses	(31,982)	(25,432)
Exploration expenses	(375)	(48)
Depreciation, depletion and amortization	(10,227)	(8,356)
Taxes other than on income	(87,947)	(65,595)
(Loss) / gain on disposal of property, plant and equipment	(544)	397
Finance costs	(1,555)	(1,269)
Foreign exchange loss, net	(43,932)	(58,653)
Profit before tax	**26,727**	**417**
Income tax (expense) / benefit	(6,213)	1,854
Profit for the period	**20,514**	**2,271**
Foreign currency translation difference	(15,890)	(29,723)
Other comprehensive loss for the period to be reclassified to profit and loss in subsequent periods	**(15,890)**	**(29,723)**
Total comprehensive income / (loss) for the period, net of tax	**4,624**	**(27,452)**
EARNINGS PER SHARE – Tenge thousands		
Basic and diluted	0.35	0.03

Consolidated Interim Statement of Financial Position

Tenge million

	March 31, 2018	December 31, 2017
	Unaudited	**Audited**
ASSETS		
Non-current assets		
Property, plant and equipment	390,498	377,160
Intangible assets	17,308	16,296
Investments in joint ventures	128,407	127,548
Investments in associate	116,604	116,970
Receivable from a jointly controlled entity	12,575	11,519
Loans receivable from joint ventures	27,841	28,049
Other financial assets	34,900	34,778
Deferred tax asset	50,033	53,215
Other assets and advances	15,710	6,085
Total non-current assets	**793,876**	**771,620**
Current assets		
Inventories	33,260	30,697
Income taxes prepaid	8,407	2,483
VAT recoverable, net of allowance	21,781	21,574
Export customs duty and other taxes prepaid	14,691	20,717
Prepaid expenses	19,707	16,190
Trade and other receivables	123,129	132,680
Receivable from a jointly controlled entity	25,378	26,496
Other financial assets	357,480	889,687
Cash and cash equivalents	316,824	421,643
Total current assets	**920,657**	**1,562,167**
Total assets	**1,714,533**	**2,333,787**
EQUITY		
Share capital	263,095	263,095
Treasury shares	(715,985)	(97,677)
Other capital reserves	2,347	2,347
Retained earnings	1,639,980	1,619,466
Foreign currency translation reserve	305,598	321,488
Total equity	**1,495,035**	**2,108,719**
LIABILITIES		
Non-current liabilities		
Borrowings	1,335	1,807
Deferred tax liability	184	138
Other liabilities	1,662	–
Provisions	52,984	51,845
Total non-current liabilities	**56,165**	**53,790**
Current liabilities		
Borrowings	5,139	5,669
Provisions	31,809	31,795
Income taxes payable	2,227	3,888
Mineral extraction tax and rent tax payable	49,668	52,181
Trade and other liabilities	74,490	77,745
Total current liabilities	**163,333**	**171,278**
Total liabilities	**219,498**	**225,068**
Total liabilities and equity	**1,714,533**	**2,333,787**

Consolidated Interim Statement of Cash Flows (unaudited)

Tenge million

	Three months ended March 31,	
	2018	**2017**
Cash flows from operating activities		
Profit before tax	26,727	417
Adjustments to add / (deduct) non-cash items		
Depreciation, depletion and amortisation	10,227	8,356
Share of result of associate and joint ventures	(8,582)	(8,406)
Loss / (gain) on disposal of property, plant and equipment (PPE)	544	(397)
Unrealised foreign exchange loss on non-operating activities	40,426	53,656
Change in provisions	41	(4,086)
Accrual of allowance on doubtful receivables	1,169	–
Other non-cash income and expense	1,966	527
Add finance costs	1,555	1,269
Deduct finance income	(7,389)	(7,320)
Working capital adjustments		
Change in other assets	(982)	(158)
Change in inventories	(2,998)	(678)
Change in export customs duty, VAT recoverable and other taxes prepaid	5,819	(5,503)
Change in prepaid expenses	(3,517)	(1,607)
Change in trade and other receivables	8,607	2,107
Change in trade and other payables	(3,365)	(3,301)
Change in mineral extraction and rent tax payable and prepaid	(2,513)	29,871
Income tax paid	(10,439)	(9,382)
Net cash generated in operating activities	**57,296**	**55,365**
Cash flows from investing activities		
Purchases of PPE and advances paid for PPE	(32,506)	(24,152)
Proceeds from sale of PPE	–	1,445
Purchases of intangible assets	(1,346)	(50)
Loans provided to joint ventures	(126)	(619)
Dividends received from joint ventures and associate, net of withholding tax	1,115	675
Withdrawal / (placement) of deposits	498,013	(17,750)
Interest received	6,965	3,139
Net cash generated from / (used in) investing activities	**472,115**	**(37,312)**
Cash flows from financing activities		
Share buyback	(618,308)	–
Repayment of borrowings	(590)	(602)
Dividends paid to Company’s shareholders	(93)	(27)
Net cash used in financing activities	**(618,991)**	**(629)**
Net change in cash and cash equivalents	(89,580)	17,424
Cash and cash equivalents at the beginning of the period	421,643	162,091
Net foreign exchange difference on cash and cash equivalents	(15,239)	(9,169)
Cash and cash equivalents at the end of the period	**316,824**	**170,346**

The following tables show the Company's realized sales prices adjusted for oil transportation and other expenses for the three months ended March 31, 2018[7].

3M2018 (US$/bbl.)	UAS	CPC	ANPZ	PNHZ
Benchmark end-market quote	66,8	66,8	-	-
Quality bank	-	(2,9)	-	-
Price differential	(2,6)	(0,7)	-	-
Realized price	**64,2**	**63,2**	**25,9**	**33,4**
Rent tax	(9,4)	(9,7)	-	-
Export customs duty	(8,6)	(8,4)	-	-
MET	(7,8)	(7,8)	(1,3)	(0,8)
Transportation	(6,4)	(7,2)	(1,4)	(3,6)
Netback	**32,0**	**30,1**	**23,2**	**29,0**
Premium of bbl. difference	-	6,3	-	-
Effective netback incl. premium of bbl. difference	**32,0**	**36,4**	**23,2**	**29,0**

3M2017 (US$/bbl.)	UAS	CPC	ANPZ	PNHZ
Benchmark end-market quote	53,7	53,7	-	-
Quality bank	-	(1,4)	-	-
Price differential	(3,1)	(2,5)	-	-
Realized price	**50,6**	**49,8**	**24,5**	**24,3**
Rent tax	(6,0)	(6,1)	-	-
Export customs duty	(6,8)	(6,8)	-	-
MET	(6,1)	(6,4)	(1,2)	(0,6)
Transportation	(6,3)	(7,9)	(1,2)	(2,0)
Netback	**25,4**	**22,6**	**22,1**	**21,7**
Premium of bbl. difference	-	5,0	-	-
Effective netback incl. premium of bbl. difference	**25,4**	**27,6**	**22,1**	**21,7**

Reference information	3M2017	3M2018
Average exchange US$/KZT rate	322,52	323,15
End of period US$/KZT rate	313,73	318,31
Coefficient barrels to tonnes for KMG EP crude (production)		7.36
Coefficient barrels to tonnes for KMG EP crude (sales)		7.23
Coefficient barrels to tonnes for Kazgermunai crude		7.70
Coefficient barrels to tonnes for CCEL crude		6.68
Coefficient barrels to tonnes for PKI crude		7.75

[7] As of first quarter 2015 the netback calculation methodology has been amended and now includes a subtraction pertaining to the netback MET.

Notes to Editors

KMG EP is among the top three Kazakh oil producers based on the 2017 results. The overall production in 2017 was 11.9 million tonnes (240 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 2017 was 180 million tonnes (1,321 mmbbl). The Company's shares are listed on the Kazakhstan Stock Exchange and the GDRs are listed on the London Stock Exchange and Kazakhstan Stock Exchange. The Company raised over US$2bn at its IPO in September 2006.

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