PRESS - RELEASE

JSC KazMunaiGas Exploration Production

Financial Results for the first three months of 2016

Astana, 28 April 2016. JSC KazMunaiGas Exploration Production ("KMG EP" or "the Company") announces its consolidated interim financial results for the three months ended 31 March 2016.

- KMG EP's first quarter revenue was 121bn Tenge (US$341m)[1], up 4% year on year. The decline in the average Brent price from US$54 per barrel in the first quarter of 2015 to US$34 per barrel in the first quarter of 2016 was fully offset by a 92% increase in the Tenge – US dollar exchange rate, which resulted in an increase of the Company's revenue in KZT terms.
- Net profit for the first quarter of 2016 was 0.9bn Tenge (US$3m), compared with 1.6bn Tenge (US$9m) for the same period in 2015. The decline in net profit in the first quarter of 2016 was largely due to a decrease in the share of results of associate and joint ventures, and an increase in income taxes, partially offset by the reduction of taxes other than on income.
- KMG EP's net cash position[2] at 31 March 2016 was 1,051bn Tenge (US$3.1bn) compared with 1,093bn Tenge (US$3.2bn) as at 31 December 2015. The decline in net cash by US$162 million was primarily caused by operating cash outflow in the first quarter of 2016.

Production Highlights

KMG EP, including its stakes in Kazgermunai (KGM), CCEL and PetroKazakhstan Inc. (PKI), produced 3,043 thousand tonnes of crude oil (247 kbopd) during the first quarter of 2016, similar to production levels for the equivalent period in 2015.

During the first quarter of 2016, Ozenmunaigas JSC (OMG) produced 1,387 thousand tonnes (112 kbopd), up 4% or is 48 thousand tonnes (4 kbopd) compared to the same period in 2015. Embamunaigas JSC (EMG) produced 702 thousand tonnes (57 kbopd), up 3% or 20 thousand tonnes (2 kbopd) compared to the same period in 2015. Together, OMG and EMG produced a total of 2,089 thousand tonnes (169 kbopd) in the first quarter of 2016, up 3% compared to the same period in 2015, which is in line with the production plan.

The Company's share in production at CCEL, KGM and PKI in the first quarter of 2016 amounted to 954 thousand tonnes of crude oil (78 kbopd), down 6% compared to the same period in 2015. This primarily relates to the expected decline of production at PKI.

Crude oil and oil products sales

In the first quarter of 2016, OMG and EMG sold 2,050 thousand tonnes (163 kbopd) of crude oil, 60% of which was allocated for export (1,220 thousand tonnes or 97 kbopd), and 40% for the domestic market (830 thousand tonnes or 66 kbopd). Of the 830 thousand tonnes of crude oil supplied to the domestic market, 580 thousand tonnes (46 kbopd) was supplied to the Atyrau Refinery and 250 thousand tonnes (20 kbopd) was supplied to the Pavlodar Petrochemical Plant.

[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 cashflows and the end of the period rate for information derived from the consolidated balance sheets (average rates for 1Q2016 and 1Q2015 were 355.11 and 184.58 Tenge/US$, respectively; period-end rates at March 31, 2016 and December 31, 2015 were 343.62 and 339.47 Tenge/US$, respectively).

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

The Company's share in crude oil sales from CCEL, KGM, and PKI was 965 thousand tonnes (79 kbopd), 58% of which was allocated for export (559 thousand tonnes or 44 kbopd) and 42% for the domestic market (406 thousand tonnes or 35 kbopd). Of the 406 thousand tonnes supplied to the domestic market, 292 thousand tonnes (25 kbopd) was supplied to the Pavlodar Petrochemical Plant, and 114 thousand tonnes (10 kbopd) to the Shymkent Refinery.

Net Profit for the Period

Net profit for the first quarter of 2016 was 0.9bn Tenge (US$3m) compared with 1.6bn Tenge (US$9m) in the same period of 2015. The year on year decline in net profit is largely due to a decrease in the share of results of associate and joint ventures and an increase in income taxes, which was partially offset by the reduction of taxes other than on income. Income taxes include a 3.8bn Tenge increase in deferred taxes primarily due to the unwinding of the deferred tax asset at OMG and an accrual of 2.6bn Tenge for taxes of prior periods at one of the subsidiaries.

Revenue

The Company's revenue in the first quarter of 2016 was 121bn Tenge (US$341m), up 4% compared to the same period in 2015. This is the result of a 92% increase in the Tenge – US dollar exchange rate, which offset a 37% Brent price decrease and a lower share of export volumes.

During the first quarter of 2016, the domestic sales price was 14,600 Tenge per tonne at the Atyrau refinery and 27,500 Tenge per tonne at the Pavlodar refinery. Revenue was recognized in accordance with the IFRS, at the value of the consideration received and receivable from JSC "KazMunayGaz – Refining and Marketing" (KMG RM) for the relevant volumes supplied.

In January 2016, KMG RM unilaterally established prices for domestic supply of crude at its profit-neutral level, which was significantly lower than in previous years while reserving the right to review the prices on a monthly basis and refused to accept crude on any other terms.

Given this situation, the Company considered moving to a crude processing scheme with regard to domestic supply of oil with the further sale of resulting oil products. After several rounds of negotiations and discussions with NC KMG and the Board of Directors, KMG EP's management decided to switch to independent crude processing scheme which entails the sale of oil products, starting April 2016. KMG EP's Board of Directors endorsed this decision.

To date, the Company's management and independent directors have not yet agreed to the domestic pricing for first quarter of 2016. It has been agreed at the Board of Directors meeting on 30th March 2016 that the pricing for first quarter of 2016 will be set on the basis of the netbacks generated by the new processing scheme.

Production Expenses

Production expenses in the first quarter of 2016 were 55bn Tenge (US$154m), down 6% compared to the first quarter of 2015. This was mainly due to an 11% reduction in employee benefit expenses compared to the same period in 2015 (related to the absence of annual bonus provision in first quarter of 2016 and higher actuary obligations in first quarter of 2015 for the amount of 4.9bn Tenge), partially offset by a 7% salary indexation of production unit personnel since January 2016.

Selling, General and Administrative Expenses

Selling, general and administrative expenses during the first quarter of 2016 amounted to 30bn Tenge (US$85m), up 15% compared to the same period in 2015. This was largely a result of increased transportation expenses, partially offset by a reduction of accruals for fines and penalties, a decrease in NC KMG management fee and a 14% reduction in SG&A employee benefits related to the absence of annual bonus provision in first quarter of 2016.

The increase in transportation expenses resulted mainly from the 92% increase in Tenge – US dollar exchange rate (given the Caspian Pipeline Consortium (CPC) transportation tariff is mostly US dollar denominated). Also, domestic expenses increased as a result of a 21% domestic transportation tariff increase.

Taxes other than on Income

Taxes, other than on income, for the first quarter of 2016 were 34bn Tenge (US$96m), down 29% compared to the same period in 2015. This was largely due to a decline in rent tax and Export Customs Duty (ECD). The rent tax decline was driven by a decrease in the average Brent price, which was below US$40 per barrel during the first quarter of 2016, and resulted in a rent tax rate of 0%.

For most of the first quarter of 2015 the ECD rate was fixed at US$80 per tonne and was reduced to US$60 per tonne on 19th March 2015. In January and February 2016 the rate was fixed as well and reduced to US$40 per tonne. As of 1st March 2016 a floating ECD rate was introduced. Pegged to Brent and Urals crude oil prices, it was set at US$20 per tonne in March 2016.

Consequently, during the first quarter of 2016 the average ECD rate amounted to US$40 per tonne, compared to US$79 per tonne in the same period of the previous year.

Cash Flows from Operating Activities

Net cash used in operating activities for the first quarter of 2016 was 31bn Tenge (US$87m), against 27bn Tenge (US$148m) in the same period in 2015.

Capital expenditure

Capital expenditure[3] in the first quarter of 2016 totaled 28bn Tenge (US$80m), down 8% compared to the same period in 2015. This was primarily due to a reduction in volumes and costs of production drilling at OMG, including a 15% discount obtained from the drilling service contractor. This was partially offset by an increase in capital expenditure directed towards the construction and modernization of production facilities at EMG.

85bn Tenge (US$236m[4]) was allocated to capital expenditure for 2016.

Cash and Debt

Cash and cash equivalents at 31 March 2016 amounted to 256bn Tenge (US$0.7bn), compared with 237bn Tenge (US$0.7bn) at 31 December 2015. Other financial assets on 31 March 2016 totaled 806bn Tenge (US$2.3bn) compared with 868bn Tenge (US$2.6bn) on 31 December 2015.

At 31 March 2016, 97% of cash and financial assets were denominated in foreign currencies and 3% were denominated in Tenge. Finance income accrued on cash, financial, and other assets in the

[3] 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.

[4] Amounts shown in US dollars (“US$” or “$”) have been translated solely for the convenience of the reader at the budgeted rate of 360 Tenge per US dollar.

first quarter of 2016 totaled 8bn Tenge (US$23m), compared with 6bn Tenge (US$34m) in the first quarter of 2015.

Borrowings at 31 March 2016 stood at 11.3bn Tenge (US$33m), compared with 11.6bn Tenge (USD$34m) on 31 December 2015.

The net cash position[5] on 31 March 2016 was 1,051bn Tenge (US$3.1bn), compared with 1,093bn Tenge (US$3.2bn) on 31 December 2015. The decline in net cash by US$162 million was primarily caused by operating cash outflow in first quarter of 2016.

Trade and other receivables

At March 31, 2016 the Company's trade receivables amounted to 104bn Tenge (US$303) and included receivables from sales of crude oil to KazMunaiGaz Trading AG and KMG RM, both subsidiaries of NC KMG, which amounted to 45bn Tenge (December 31, 2015: 37bn Tenge) and 51bn Tenge (December 31, 2015: 52bn Tenge), respectively. Trade receivables from KMG RM include 44bn Tenge that is overdue (December 31, 2015: nil). No provisions were accrued for these amounts as management is currently working toward the settlement.

Share of results of associate and joint ventures

In the first quarter of 2016, KMG EP reported a loss of 3.7bn Tenge (US$10m) in its share of results of associate and joint ventures, compared to a profit of 4.6bn Tenge (US$25m) in the first quarter of 2015.

Kazgermunai

In the first quarter of 2016, KMG EP recognized 0.5bn Tenge (US$1m) income from its share in KGM. This amount represents the Company's 50% share in KGM's net profit, which amounts to 1.5bn Tenge (US$4m) with the effect of 1.0bn Tenge (US$3m) impact from amortization of the fair value of licenses, the related deferred tax, and revised effective income tax rate used to calculate the deferred tax.

KGM's net profit in US dollars for the first quarter of 2016 declined by 85% compared with the same period in 2015. This was largely driven by a 37% decline in Brent price and a decrease in sales volumes, resulting from lower production levels.

In the first quarter of 2016, KGM made a dividend payment to KMG EP in amount of US$17.5m for the year of 2015, which was accounted for in 2015. An additional dividend payment of US$20m for the year of 2015, accounted for in 2015, is outstanding.

PetroKazakhstan Inc.

In the first quarter of 2016, KMG EP recognized a loss in amount of 3.9bn Tenge (US$11m) from its share in PKI. This amount represents the Company's 33% share in PKI's net loss, which amounted to 1.0bn Tenge (US$3m), with the 2.9bn Tenge (US$8m) amortization of the fair value of licenses.

In the first quarter of 2016, PKI's net loss in US dollars was US$9m, compared to a net loss of US$20m in the same period in 2015. This was largely due to the 37% decline in Brent price and a decrease in sales volumes, resulting from lower production levels.

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

CCEL

As of 31 March 2016, the Company had 31.9bn Tenge (US$93m) as a receivable from CCEL, a jointly controlled entity with CITIC Resources Holdings Limited. The Company has accrued 1.1bn Tenge (US$3.2m) of interest income in the first quarter of 2016, which is a part of the annual priority return in an amount of US$26.87m from CCEL.

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The condensed consolidated interim financial statements for the three months ended March 31, 2016, 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,	
	2016	**2015**
Revenue	121,190	116,732
Share of results of associate and joint ventures	(3,690)	4,554
Finance income	8,015	6,188
Total revenue and other income	**125,515**	**127,474**
Production expenses	(54,618)	(57,964)
Selling, general and administrative expenses	(30,316)	(26,440)
Exploration expenses	–	(349)
Depreciation, depletion and amortization	(6,621)	(4,346)
Taxes other than on income	(34,195)	(48,379)
Loss on disposal of property, plant and equipment	(131)	(72)
Finance costs	(941)	(1,081)
Foreign exchange gain, net	13,313	17,055
Profit before tax	**12,006**	**5,898**
Income tax expense	(11,082)	(4,316)
Profit for the period	**924**	**1,582**
Foreign currency translation difference	9,431	358
Other comprehensive income for the period to be reclassified to profit and loss in subsequent periods	**9,431**	**358**
Total comprehensive income for the period, net of tax	**10,355**	**1,940**
EARNINGS PER SHARE – Tenge thousands		
Basic and diluted	0.01	0.02

Consolidated Interim Statement of Financial Position

Tenge million

	March 31, 2016	December 31, 2015
	Unaudited	**Audited**
ASSETS		
Non-current assets		
Property, plant and equipment	255,817	234,367
Intangible assets	9,471	9,619
Investments in joint ventures	156,284	154,453
Investments in associate	154,773	154,241
Receivable from a jointly controlled entity	22,950	21,602
Loans receivable from joint ventures	29,286	27,941
Other financial assets	36,163	33,760
Deferred tax asset	68,148	71,904
Other assets	9,280	5,717
Total non-current assets	**742,172**	**713,604**
Current assets		
Inventories	20,898	23,102
Income taxes prepaid	59,211	36,225
Taxes prepaid and VAT recoverable	19,679	16,132
Mineral extraction and rent tax prepaid	6,064	6,064
Prepaid expenses	24,432	30,135
Trade and other receivables	104,125	105,443
Receivable from a jointly controlled entity	8,930	8,822
Other financial assets	770,032	833,912
Cash and cash equivalents	256,017	237,310
Total current assets	**1,269,388**	**1,297,145**
Total assets	**2,011,560**	**2,010,749**
EQUITY		
Share capital	163,968	163,004
Other capital reserves	2,757	3,945
Retained earnings	1,312,950	1,311,759
Other components of equity	342,572	333,141
Total equity	**1,822,247**	**1,811,849**
LIABILITIES		
Non-current liabilities		
Borrowings	5,623	5,990
Deferred tax liability	240	240
Provisions	45,622	45,264
Total non-current liabilities	**51,485**	**51,494**
Current liabilities		
Borrowings	5,653	5,585
Provisions	70,679	70,010
Income taxes payable	2,645	13
Mineral extraction tax and rent tax payable	12,518	22,249
Trade and other payables	46,333	49,549
Total current liabilities	**137,828**	**147,406**
Total liabilities	**189,313**	**198,900**
Total liabilities and equity	**2,011,560**	**2,010,749**

Consolidated Interim Statement of Cash Flows (unaudited)

Tenge million

	Three months ended March 31,	
	2016	**2015**
Cash flows from operating activities		
Profit before tax	12,006	5,898
Adjustments to add / (deduct) non-cash items		
Depreciation, depletion and amortisation	6,621	4,346
Share of result of associate and joint ventures	3,690	(4,554)
Loss on disposal of property, plant and equipment (PPE)	131	72
Dry well expense on exploration and evaluation assets	–	51
Recognition of share-based payments	43	–
Unrealised foreign exchange gain on non-operating activities	(8,012)	(15,968)
Change in provisions	969	3,941
Other non-cash income and expense	105	543
Add finance costs	941	1,081
Deduct finance income	(8,015)	(6,188)
Working capital adjustments		
Change in other assets	131	(1,932)
Change in inventories	2,190	5,267
Change in taxes prepaid and VAT recoverable	(4,319)	3,234
Change in prepaid expenses	5,702	7,423
Change in trade and other receivables	(3,482)	(1,603)
Change in trade and other payables	(3,324)	(1,067)
Change in mineral extraction and rent tax payable and prepaid	(9,731)	(10,185)
Income tax paid	(26,625)	(17,589)
Net cash used in operating activities	**(30,979)**	**(27,230)**
Cash flows from investing activities		
Purchases of PPE	(32,267)	(22,401)
Proceeds from sale of PPE	65	3
Purchases of intangible assets	(251)	(322)
Loans provided to joint ventures	–	(277)
Dividends received from joint ventures and associate, net of withholding tax	6,386	4,626
Proceeds / (Purchase) from withdrawal of financial assets held to maturity	69,807	(22,346)
Interest received	2,625	1,759
Net cash generated / (used) from investing activities	**46,365**	**(38,958)**
Cash flows from financing activities		
Repayment of borrowings	(323)	(273)
Dividends paid to Company's shareholders	(15)	(38)
Net cash used in financing activities	**(338)**	**(311)**
Net change in cash and cash equivalents	15,048	(66,499)
Cash and cash equivalents at the beginning of the period	237,310	180,245
Net foreign exchange difference on cash and cash equivalents	3,659	1,558
Cash and cash equivalents at the end of the period	**256,017**	**115,304**

The following tables show the Company's realized sales prices adjusted for oil transportation and other expenses for the three months ended March 31, 2016[6].

3M2016 (US$/bbl.)	UAS	CPC	Atyrau refinery	Pavlodar refinery	Shipments to Russia
Benchmark end-market quote	33.9	33.9	-	-	-
Quality bank	-	(2.5)	-	-	-
Price differential	(3.3)	(0.1)	-	-	-
Realized price	**30.6**	**31.3**	**5.7**	**10.7**	-
Rent tax	-	-	-	-	-
Export customs duty	(5.4)	(5.6)	-	-	-
MET	(4.1)	(4.1)	(0.9)	(0.9)	-
Transportation	(4.4)	(8.0)	(1.4)	(4.0)	-
Netback	**16.7**	**13.6**	**3.4**	**5.8**	-
Premium of bbl. difference	-	3.2	-	-	-
Effective netback incl. premium of bbl. difference	**16.7**	**16.8**	**3.4**	**5.8**	-

3M2015 (US$/bbl.)	UAS	CPC	Atyrau refinery	Pavlodar refinery	Shipments to Russia
Benchmark end-market quote	53.9	53.9	-	-	-
Quality bank	-	(5.7)	-	-	-
Price differential	(3.5)	(1.3)	-	-	-
Realized price	**50.4**	**46.9**	**16.8**	**22.5**	**38.0**
Rent tax	(6.2)	(5.7)	-	-	-
Export customs duty	(10.9)	(11.0)	-	-	-
MET	(6.1)	(6.1)	(2.7)	(2.7)	(3.6)
Transportation	(8.2)	(7.1)	(1.5)	(7.8)	(5.4)
Netback	**19.0**	**17.0**	**12.6**	**12.0**	**29.0**
Premium of bbl. difference	-	4.3	-	-	-
Effective netback incl. premium of bbl. difference	**19.0**	**21.3**	**12.6**	**12.0**	**29.0**

Reference information	**3M2015**	**3M2016**
Average exchange US$/KZT rate	184.58	355.11
End of period US$/KZT rate	185.65	343.62
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

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

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 volume of proved and probable reserves excluding shares in the associates, at the end of 2015 was 193 million tonnes (1,409 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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