

Operating results for the year 2016

Astana, 27 January 2017. JSC KazMunaiGas Exploration Production (“KMG EP” or “Company”) announces its operating results for the year 2016.

Production

Overall, KMG EP, including its stakes in Kazgermunai (“KGM”), CCEL (“Karazhanbasmunai”) and PetroKazakhstan Inc. (“PKI”), produced 12,154 thousand tonnes of crude oil (245 kbopd) for 2016, a 2% decrease on 2015.

Ozenmunaigas JSC (“OMG”) produced 5,555 thousand tonnes (112 kbopd), a 1% increase as compared to 2015. Embamunaigas JSC (“EMG”) produced 2,832 thousand tonnes (57 kbopd), a 0.3% increase as compared to 2015. The total volume of oil OMG and EMG produced was 8,387 thousand tonnes (169 kbopd), which is a 1% increase compared to production for 2015.

The Company’s share in production from CCEL, KGM, and PKI for 2016 amounted to 3,767 thousand tonnes of crude oil (76 kbopd), 6% less than in 2015, mainly due to a natural decline in production of oil from PKI assets.

Crude oil supplies and sales of oil products

In 2016, the Company’s combined sales from OMG and EMG were 8,405 thousand tonnes (165 kbopd) of which 4,946 thousand tonnes (97 kbopd) of oil was exported, 59% of the total sales volume; and 3,459 thousand tonnes (68 kbopd) of oil sold into the domestic market. Another 4 thousand tonnes of oil products were sold to the domestic market.

Out of 3,459 thousand tonnes (68 kbopd) of oil supplied by OMG and EMG to the domestic market, 2,578 thousand tonnes (51 kbopd) was supplied to Atyrau Refinery; and 881 thousand tonnes (17 kbopd) was supplied to Pavlodar Petrochemical Plant.

In Q1 2016, before the Company switched to independent oil processing scheme¹, domestic supplies were 830 thousand tonnes of oil. For the remainder of 2016, 2,629 thousand tonnes of oil was supplied to the domestic market for further refining.

As per the independent oil processing scheme, sales of oil products between April and December of 2016 was 2,324 thousand tonnes of oil products. For more details on petroleum product sales, please see Table No.2 below.

The share of domestic supplies from the resources of OMG and EMG was up to 41% in 2016 as compared to 33% in 2015. As previously reported, it is expected that the share of domestic supplies in 2017 will be 2.9 million tonnes of oil (57 kbopd) or around 33% of the total sales.

The Company’s share in the sales from CCEL, KGM, and PKI was 3,676 thousand tonnes of crude oil (75 kbopd), including 1,832 thousand tonnes (36 kbopd) supplied to export markets, or 50% of total sales volume. The domestic sales volume was 1,844 thousand tonnes (39 kbopd).

The Company’s oil supplies, including the share in KGM, CCEL, and PKI, changed in 2016 as compared to 2015. The share of export sales was up from 52% to 56%; the share of domestic sales was up from 40% to 44%; and supplies to Russia (intergovernmental agreement) were down from 8% to 0%.

¹ Prior to April 2016, the Company had been supplying a portion of crude oil to KazMunaiGas Refining & Marketing (“KMG RM”) as part of its domestic supply obligations. Starting April 2016, the Company has been refining crude oil at Atyrau Refinery and Pavlodar Petrochemical Plant, and selling crude oil through KMG RM that has since been acting as a sales agent.

Table 1. Production and sales of oil and oil products for 2016

	thousand tonnes		y/y, %	kbopd	
	2015	2016		2015	2016
Oil production volumes					
OMG	5 510	5 555	1%	111	112
EMG	2 823	2 832	0%	57	57
Total from OMG and EMG	8 333	8 387	1%	168	169
KGM, 50%	1 500	1 468	-2%	32	31
CCEL, 50%	1 069	1 064	0%	20	19
PKI, 33%	1 449	1 235	-15%	31	26
Total from joint ventures	4 018	3 767	-6%	83	76
Total oil production	12 351	12 154	-2%	251	245
Crude oil sales					
OMG and EMG					
Uzen-Atyrau-Samara	2 797	2 797	0%	55	55
CPC	1 850	2 149	16%	37	42
Export	4 647	4 946	6%	92	97
Atyrau Refinery	2 420	2 578	7%	48	51
Pavlodar Petrochemical Plant	260	881	239%	5	17
sales of OMG oil products	62	4	-95%	1	-
Domestic market	2 742	3 462	26%	54	68
Russia	916	-	-100%	18	-
Total from OMG and EMG	8 305	8 408	1%	164	165
<i>Export, %</i>	<i>56%</i>	<i>59%</i>			
<i>Domestic market, %</i>	<i>33%</i>	<i>41%</i>			
<i>Russia, %</i>	<i>11%</i>	<i>0%</i>			
KGM (50%)					
Export	440	434	-1%	9	9
Domestic market	1051	1 031	-2%	22	22
Total from KGM	1491	1 465	-2%	31	31
CCEL (50%)					
Export	776	974	26%	14	18
Domestic market	191	19	-90%	3	0
Russia	70	-	-100%	1	-
Total from CCEL	1 036	993	-4%	18	18
PKI (33%)					
Export	491	424	-14%	10	9
Domestic market	925	794	-14%	20	17
Total from PKI	1 416	1 218	-14%	30	26
Total from joint ventures					
Export	1 707	1 832	7%	33	36
Domestic market	2 167	1 844	-15%	45	39
Russia	70	-	-100%	1	-
Total from joint ventures	3 944	3 676	-7%	79	75
<i>Export, %</i>	<i>43%</i>	<i>50%</i>			
<i>Domestic market, %</i>	<i>55%</i>	<i>50%</i>			
<i>Russia, %</i>	<i>2%</i>	<i>0%</i>			
Total from KMG EP					
Export	6 354	6 778	7%	126	133

Domestic market	4 910	5 306	8%	100	107
Russia	986	0	-100%	19	-
Total from KMG EP	12 249	12 084	-1%	245	240
Export, %	52%	56%			
Domestic market, %	40%	44%			
Russia, %	8%	0%			

Table 2. Production and sales of oil products for 2016

Oil products thousand tonnes	Production			Sales		
	Atyrau Refinery	Pavlodar Petrochemical Plant	Total	Atyrau Refinery	Pavlodar Petrochemical Plant	Total
80 RON gasoline	22,7	25,8	48,5	22,7	22,9	45,6
92 RON gasoline	176,1	112,8	288,9	166,7	106,9	273,6
95 RON gasoline	31,7	9,6	41,3	24,8	10,2	35,0
Diesel fuel	610,5	198,2	808,7	603,4	194,2	797,6
Aviation fuel	10,8	0,0	10,8	10,5	0,0	10,5
Total light oil products	851,9	346,4	1 198,3	828,1	334,2	1 162,3
Vacuum gas oil	332,3	10,6	342,9	328,9	10,6	339,5
Fuel oil	604,8	89,1	693,9	590,7	83,1	673,8
Bitumen	0,0	26,0	26,0	0,0	26,0	26,0
Total dark oil products	937,1	125,7	1 062,8	919,6	119,7	1 039,3
Liquefied gas	13,2	27,1	40,3	13,2	26,6	39,8
Heating oil	29,3	0,0	29,3	28,6	0,0	28,6
Sulfur	1,2	3,3	4,5	0,6	0,0	0,6
Calcinated coke	27,2	0,0	27,2	27,2	0,0	27,2
Total coke	22,3	25,0	47,3	21,0	2,2	23,2
Others	3,0	23,1	26,1	2,7	0,0	2,7
Other oil products	96,2	78,5	174,7	93,3	28,8	122,1
Losses	113,8	65,2	179,0	0,0	0,0	0,0
Total	1 999,0	616,8	2 614,8	1 841,0	482,7	2 323,7

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 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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