



# NC KMG INVESTOR PRESENTATION

## FY 2017 RESULTS

MAY 2018

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# AGENDA

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**5** Financial summary

**6** FY 2017 operational  
and financial results

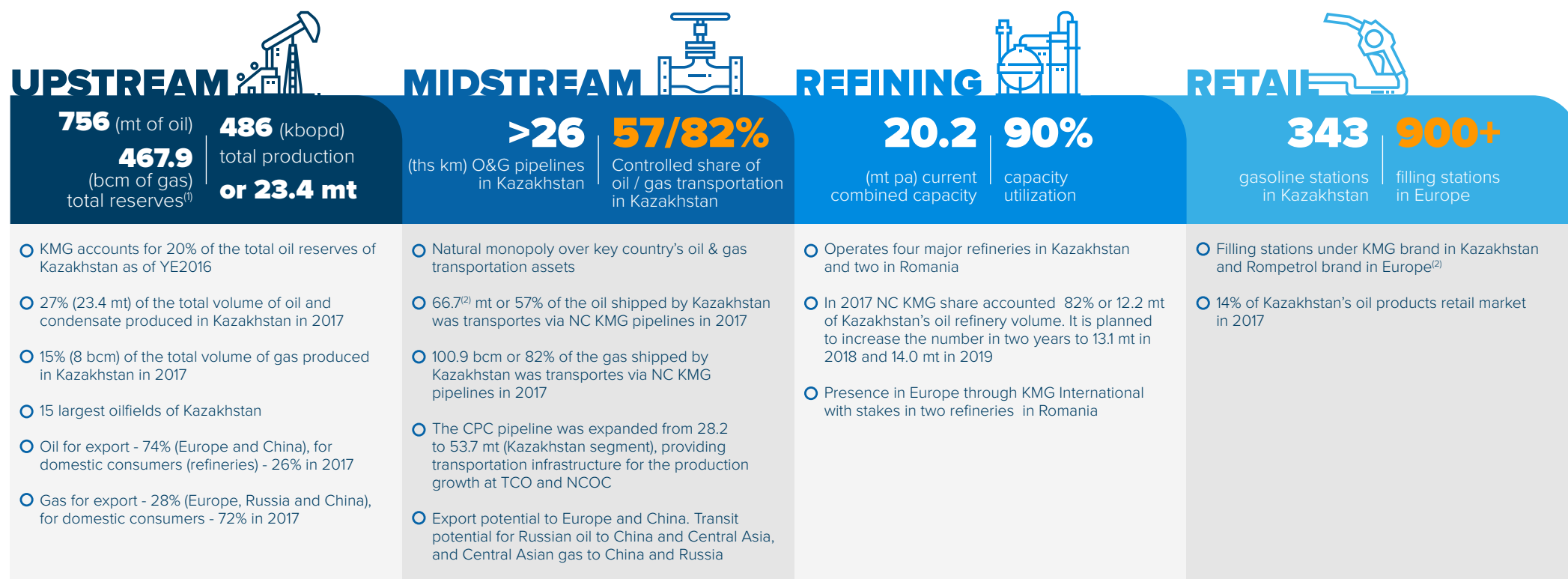
**7** Appendix

# COMPANY OVERVIEW



# NC KMG – A LEADING VERTICALLY INTEGRATED O&G COMPANY

- Government's commitment to KMG due to its strategic importance for the country
- KMG - vertically integrated national oil & gas company operating across upstream, midstream, downstream segments
- Possesses pre-emptive rights for new licenses and oil & gas assets put up for sale in Kazakhstan
- Strategic partnership with Shell, Total, ENI, Chevron, Lukoil, Exxon Mobil, CNPC in development of some of the largest oilfields in the world: Kashagan, Tengiz and Karachaganak

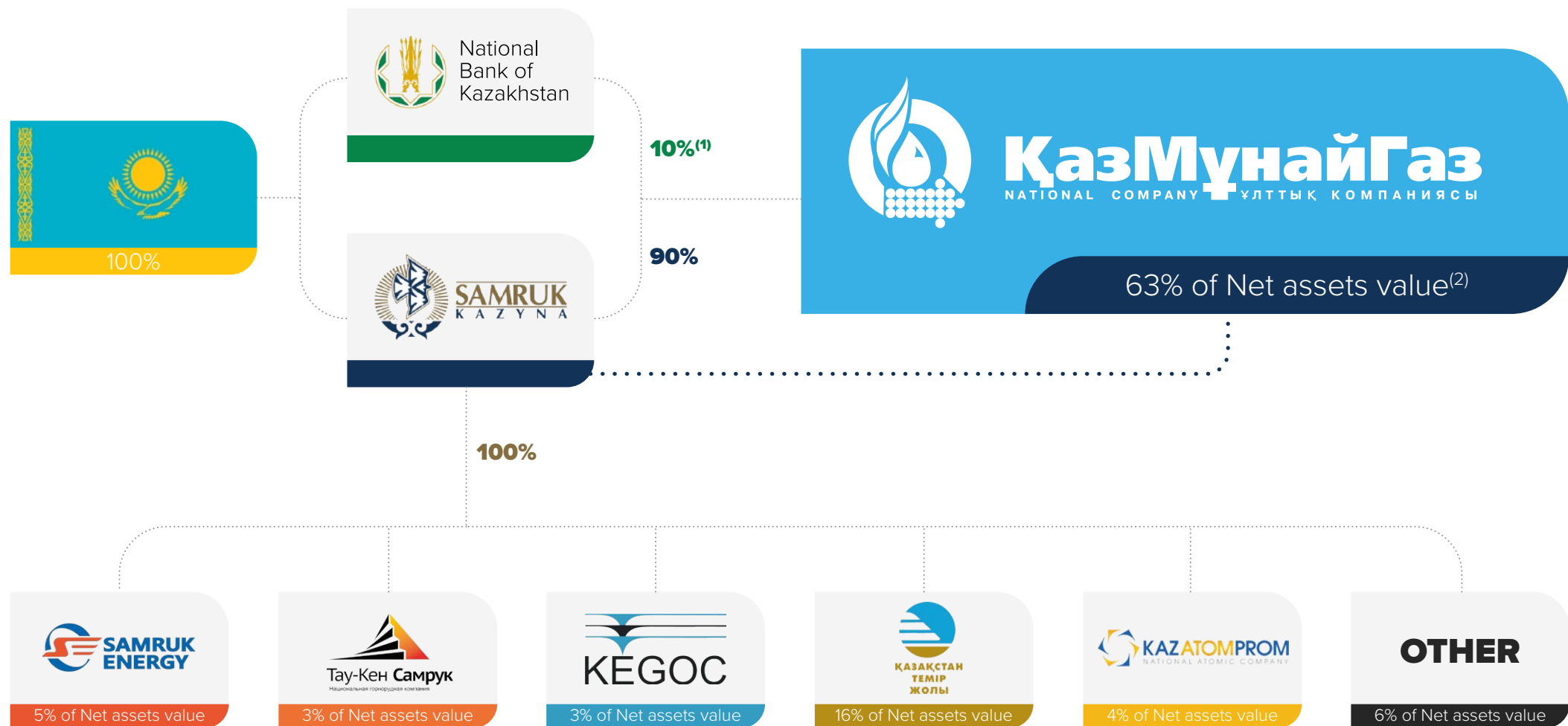


(1) A+B+C1 reserves

(2) NC KMG operating share incl. 100% KTO, 50% KCP, 51% MT, 20.75% CPC

Source: Company data, public sources

# SHAREHOLDERS STRUCTURE



(1) The share of National Bank of Kazakhstan is in trust management of Samruk-Kazyna

(2) Percentage of Samruk-Kazyna net assets as of June 30, 2017

Source: Company data, public sources

# KMG GROUP STRUCTURE

UPSTREAM	MIDSTREAM	DOWNSTREAM	OTHERS
<ul style="list-style-type: none"> <li>○ KMG EP – 99.5<sup>(1)</sup> <ul style="list-style-type: none"> <li>• OMG – 100%</li> <li>• EMG – 100%</li> <li>• Kazgermunai – 50%</li> <li>• PKI – 33.0%</li> <li>• CCEL – 50%</li> </ul> </li> <li>○ TCO – 20%</li> <li>○ KPO – 10%</li> <li>○ Kashagan – 8.4%<sup>(2)</sup></li> <li>○ MMG – 50%</li> <li>○ KazakhOil Aktobe – 50%</li> <li>○ KazMunayTeniz – 100%</li> <li>○ KazakhTurkmunay – 100%</li> </ul>	<ul style="list-style-type: none"> <li>○ KazTransOil – 90% <ul style="list-style-type: none"> <li>• KCP – 50%</li> <li>• Munai Tas – 51%</li> <li>• Batumi Terminals – 100%</li> </ul> </li> <li>○ KazTransGas – 100% <ul style="list-style-type: none"> <li>• ICA – 100%</li> <li>• AGP – 50%</li> <li>• KTG Aimak – 100%</li> <li>• BSGP – 50%</li> </ul> </li> <li>○ KazRosGas – 50%</li> <li>○ CPC – 20.75%<sup>(3)</sup></li> <li>○ Kazmortransflot – 100%</li> </ul>	<ul style="list-style-type: none"> <li>○ Pavlodar refinery – 100%</li> <li>○ Atyrau refinery – 99.53%</li> <li>○ Shymkent refinery – 49.72%</li> <li>○ KMG International – 100%</li> </ul>	<ul style="list-style-type: none"> <li>○ KMG Drilling &amp; Services – 100%</li> <li>○ Oil Services Company - 100%</li> <li>○ Oil Construction Company - 100%</li> <li>○ Oil transport Corporation - 100%</li> <li>○ Mangistauenergomunai - 100%</li> <li>○ Munaitelecom - 100%</li> <li>○ TenizService - 49%</li> </ul>

(1) As at 6 April 2018, as a percentage of ordinary voting shares of KMG EP

(2) In 2015, NC KMG sold 50% of KMG Kashagan B.V. (which holds 16.9% in the PSA) to Samruk-Kazyna and received an option to acquire sold stake from 2020 to 2022 for a pre-agreed consideration

(3) 19% through the KMG itself and 1.75% through Kazakhstan Pipeline Ventures (KPV)

Source: Company data, public sources

# CORPORATE GOVERNANCE

## KEY PRINCIPLES AND PRACTICES

- Board of Directors consists of 7 members, 3 of which are independent
- Committees in place
  - Audit Committee  
Chairman - Christopher Walton
  - Finance Committee  
Chairman - Christopher Walton
  - Nomination & Remuneration Committee  
Chairman - Yerlan Baimuratov
  - Strategy & Innovations Committee  
Chairman - Stephen Whyte
- Transition to a new organizational structure
- Management Board consisting of 7 members
- Professional management team with an average of over 20 years of relevant experience
















Member of the Board of Directors  
nominated from Samruk-Kazyna

Source: Company data

## BOARD OF DIRECTORS

Independent  
status

	<b>Christopher Walton</b> Chairman of the Finance and Audit Committees	
	<b>Sauat Mynbayev</b> Member of the Board, Chairman of the Management Board	
	<b>Stephen Whyte</b> Independent Director	
	<b>Yerlan Baimuratov</b> Independent Director, Chairman of Nomination & Remuneration Committee	
	<b>Baljeet Grewal</b> Member of the Board	
	<b>Uzakbay Karabalin</b> Member of the Board	
	<b>Alik Aidarbyev</b> Member of the Board	





## KEY RECENT DEVELOPMENTS

UPSTREAM	MIDSTREAM	DOWNSTREAM
<ul style="list-style-type: none"> <li>Production at Kashagan resumed in Nov 2016, producing 79 kt year-end 2016 net to NC KMG share. 2017 production net to NC KMG ca. 686 kt of oil net to KMG share (8.44%).</li> <li>In December 2017 Eni and NC KMG signed the agreement to transfer to Eni 50% of the subsoil use rights for the Isatay exploration block.</li> <li>Amsterdam district court upheld pre-judgement attachment on Sovereign Wealth Fund Samruk-Kazyna's stake in KMG Kashagan BV. Samruk-Kazyna has filed an appeal on this decision. Samruk-Kazyna retains all voting rights in respect to the shares in KMG Kashagan B.V. and the day-to-day management of KMG Kashagan B.V. is not affected, including fulfilment of payment and other obligations of KMG Kashagan B.V. to third parties. The attachment has no impact on KMG's part of shares in KMG Kashagan B.V.</li> </ul>	<ul style="list-style-type: none"> <li>KazTransGas and PetroChina signed purchase-sale agreement on gas supplies to China in the amount of 5 bcm pa.</li> <li>Completion of CPC expansion project in Kazakhstan in 2017: capacity increased to ca. 53.7 mt for Kazakhstan crude.</li> <li>Upgrades of the Asia Gas Pipeline increased capacity from 30 bcm pa to 52 bcm pa in 2017. Expansion to 65 bcm is expected by the end 2020.</li> </ul>	<ul style="list-style-type: none"> <li>Modernisation works at Pavlodar refinery completed in 2017.</li> <li>Constructions works for modernisation at Atyrau refinery completed in 2017 and started testing and commissioning works with the purpose to finish all the works in 1H2018.</li> <li>Phase 1 modernisation at Shymkent refinery completed in 2017. Phase 2 works to be completed in 2018.</li> <li>Post modernisation local demand in oil products (gasoline and diesel) will be fully satisfied from 2018 year end. Combined processing capacity of the major three Kazakh refineries will increase to 16.6 mt from 15.8 mt and refinery depth will be up to 80%. Actual 2017 refining volume 100% at the three refineries was 14.2 mt.</li> <li>KMG I reached US\$ 80 mln of net income (EBITDA US\$ 243 mln) in 2017.</li> </ul>

# KEY RECENT DEVELOPMENTS

## CORPORATE

- In 2017 NC KMG sold LLP Euro-Asia Air. As at YE2017 out of 73 assets under the privatisation programme, 22 were sold for the total consideration of KZT 28.7 bln, 12 were either reorganised or liquidated.
- Pursuant to the terms of the Amendment to the Share Option Agreement signed between Cooperative KazMunaiGaz U.A. (99.88% subsidiary of NC KMG) and JSC "National Welfare Fund" Samruk-Kazyna (the "Fund"), the term for the exercise of the option to buy back a 50% stake in PCLL KMG Kashagan B.V. ("KMGK") was extended from 2018-2020 until 2020-2022.
- KMG EP announced that the LSE Delisting and KASE Delisting are effective from 10 May 2018.
- KMG Group undertakes a reorganisation under transformation programme. In 2017 KazMunaiGas Refining and Marketing (KMG-PM) merged with KMG.
- Standard & Poor's lowered the credit rating of NC KMG to "BB-" from "BB".
- NC KMG launched an IR function in 2017.

## FINANCIAL

- In April 2017, NC KMG issued a new triple-tranche USD Eurobond rated Baa3/BB/BBB- for the total amount of US\$ 2.75 bln, which represented the largest corporate transaction from the CIS since 2013.
- In August KMG Kashagan B.V. received additional prepayment in the amount of US\$ 600 mln and made early repayment of the second tranche of deferred obligation under the 2008 PSA. In September 2017, KMG received additional US\$ 500 mln under the LPG supply agreement.
- In September 2017 KTG issued Eurobond for the total amount of US\$ 750 mln. The proceeds were used to partially redeem BSGP's loan in the amount of US\$ 400 mln, with the remaining balance used to repay KTG's loan.
- In October 2017, NC KMG conducted consent solicitation, which resulted in alignment of the terms of both the 2023 Notes and the 2044 Notes with terms of notes issued in April 2017.
- In December 2017, KMG Group amended TCO crude oil and LPG supply agreement, extended delivery period till March 2021, upsizing the prepayment amount by US\$1 bln and delivery volume up to 38 mt of crude oil and 1 mt of LPG.
- In April 2018, NC KMG completed the placement of the Eurobonds under the US\$ 10.5 bln Global Medium Term Notes Programme established by the Company and KazMunaiGaz Finance Sub B.V., in an aggregate principal amount of US\$ 3.25 bln. The Eurobonds were issued in three series, comprising (i) US\$ 500 mln 4.750% Notes due 2025; (ii) US\$ 1,250 mln 5.375% Notes due 2030; and (iii) US\$ 1,500 mln 6.375% Notes due 2048.

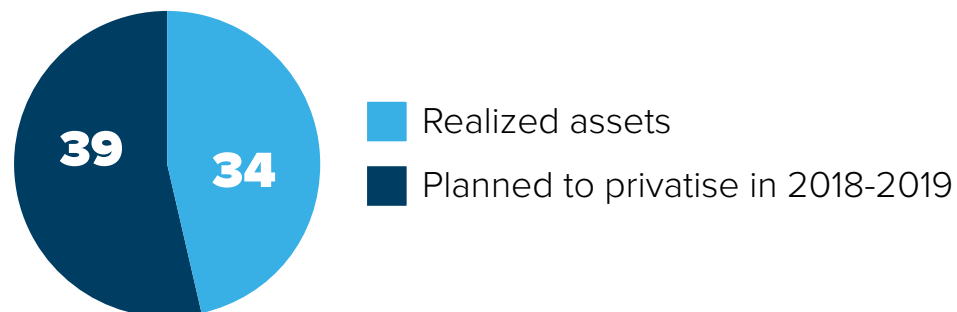
# TRANSITION TO THE NEW OPERATING BUSINESS MODEL: PRIVATISATION AND TRANSFORMATION

Privatisation programme is aimed at optimisation of the business structure of NC KMG by disposition of non-core assets.

Transformation of NC KMG is a multi-level, systematic process of changes at the various levels of the Company, aimed at increasing the efficiency of all business procedures. The key target - maximize shareholders value.

Total number of subsidiaries under privatisation programme

**73**



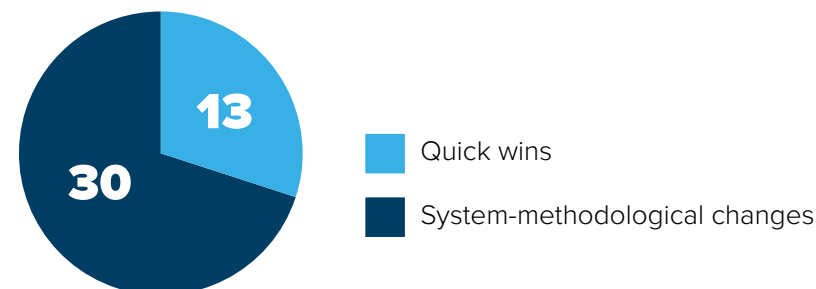
Proceeds from the sale of subsidiaries under privatisation programme

**KZT 28.7 bln**

Incl. "Eurasia-Air Airlines" JSC

**KZT 11.9 bln**

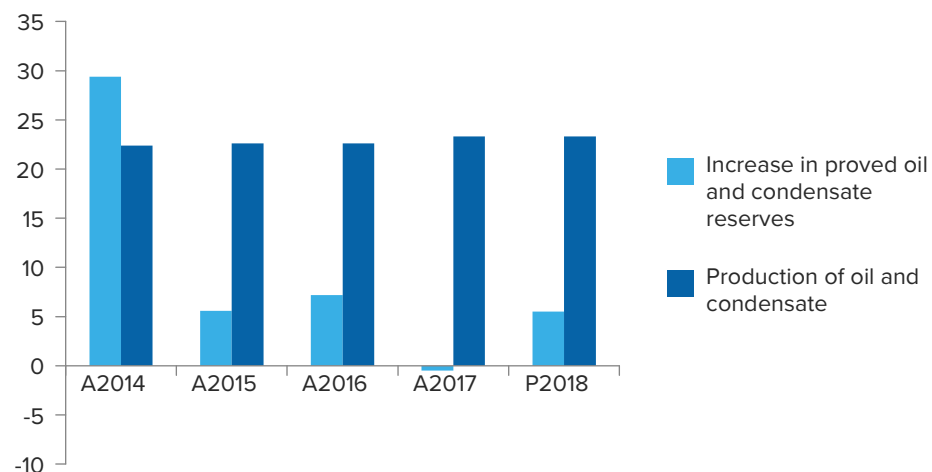
## Y2017 Portfolio of projects



**Transformation program brought KZT 62 bln benefit over 2015-2017**

# RESERVES AND EXPLORATION ACTIVITIES

## RECOVERY OF OIL AND CONDENSATE RESERVE, MT



	A2014	A2015	A2016	A2017	F2018
Reserve replacement ratio	1.31	0.25	0.32	(0.24)	0.24

## THE EURASIA PROJECT

### PARTICIPANTS OF PROJECT:



**Purpose:** Geological study of the Peri-Caspian Lowland (75% of which is located on the territory of Kazakhstan, the remaining 25% - on the territory of Russia) - 2D seismic, gravity and magnetic surveys, drilling of a reference-parametric well (depth ca.15 km).

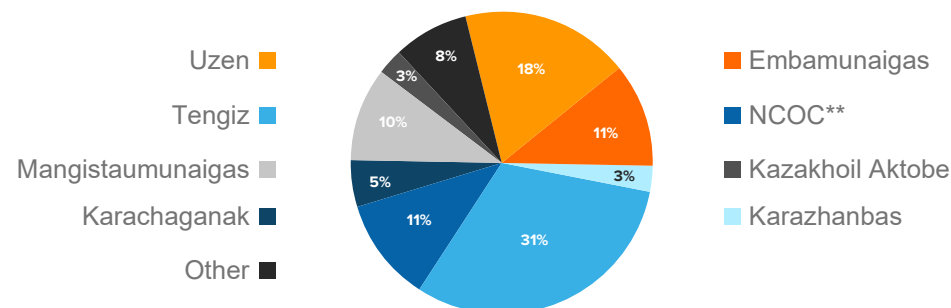
**Termination of the project:** 2020

**Expectations:** Finding of 20 large promising oil and gas structures

Source: Company data

Explorations works	2016	2017	2018
# of exploration wells	28	50	46
2D seismic survey (lin km)	2,000	-	1,620
3D seismic survey (km <sup>2</sup> )	2,097	4,299	1,850

## RESERVES



### A + B + C1

**683 mt of oil and gas condensate and 418.8 bcm of gas as at YE2017**

Total oil and gas reserves: **8 bln** bbls of oil equivalent\*

Reserves to production ratio > **30 yrs** (oil) and **40 yrs** (gas).

\* Assuming 1,000 m<sup>3</sup> of gas = 6.6 barrels of oil equivalent, 1 ton = 7.6 barrels

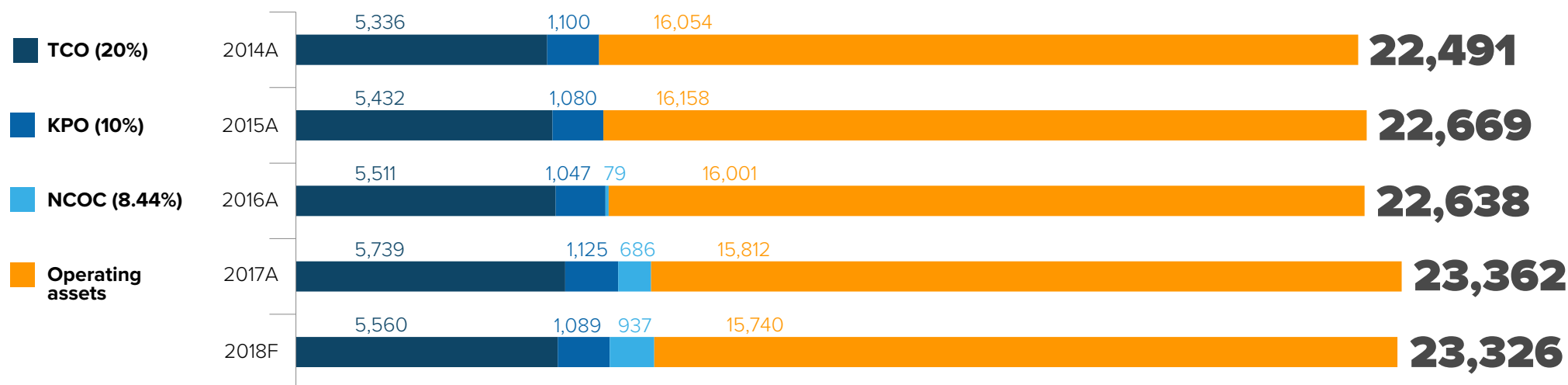
\*\* 8.44% was used for KMG's reserves share calculation in NCOC

# UPSTREAM OVERVIEW

## OVERVIEW

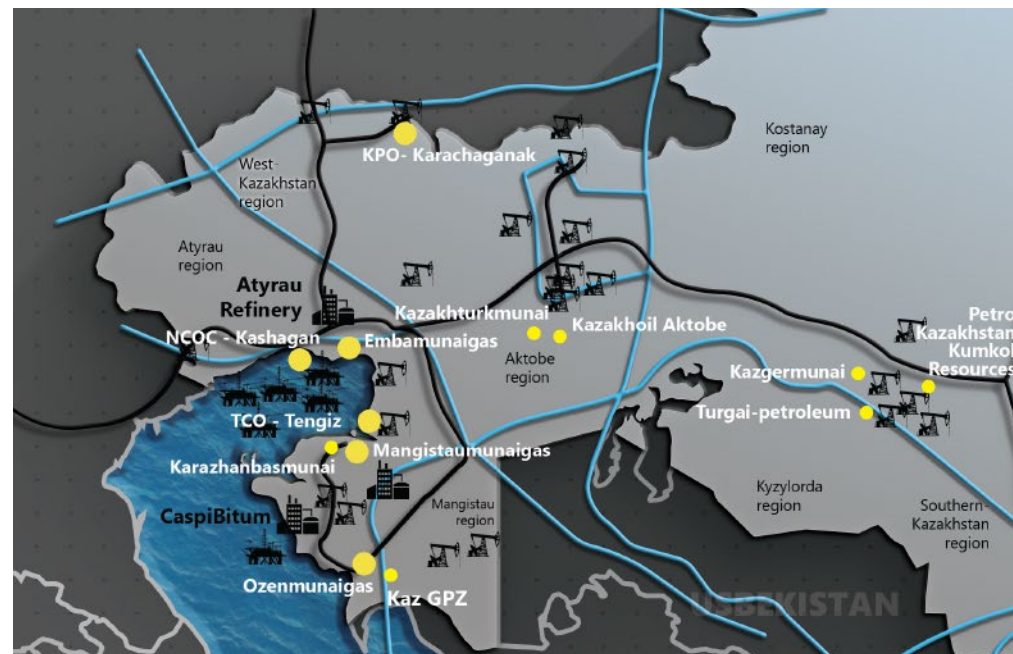
- 2017 total production – 486 kbopd or 23.4 mt of oil and 8 bcm of gas with proved reserves replacement ration (- 0.24)
- YE2017 A+B+C1 reserves – 756 mt of oil and condensate, 467.9 bcm of gas
- TCO, KPO and NCOC net shares accounted for 52% of hydrocarbon reserves and supplied 32% of the NC KMG total production in 2017
- In 2017 NC KMG supplied 26% of its total oil production to domestic market to four major Kazakh refineries

## OIL PRODUCTION 2014-2018, MT



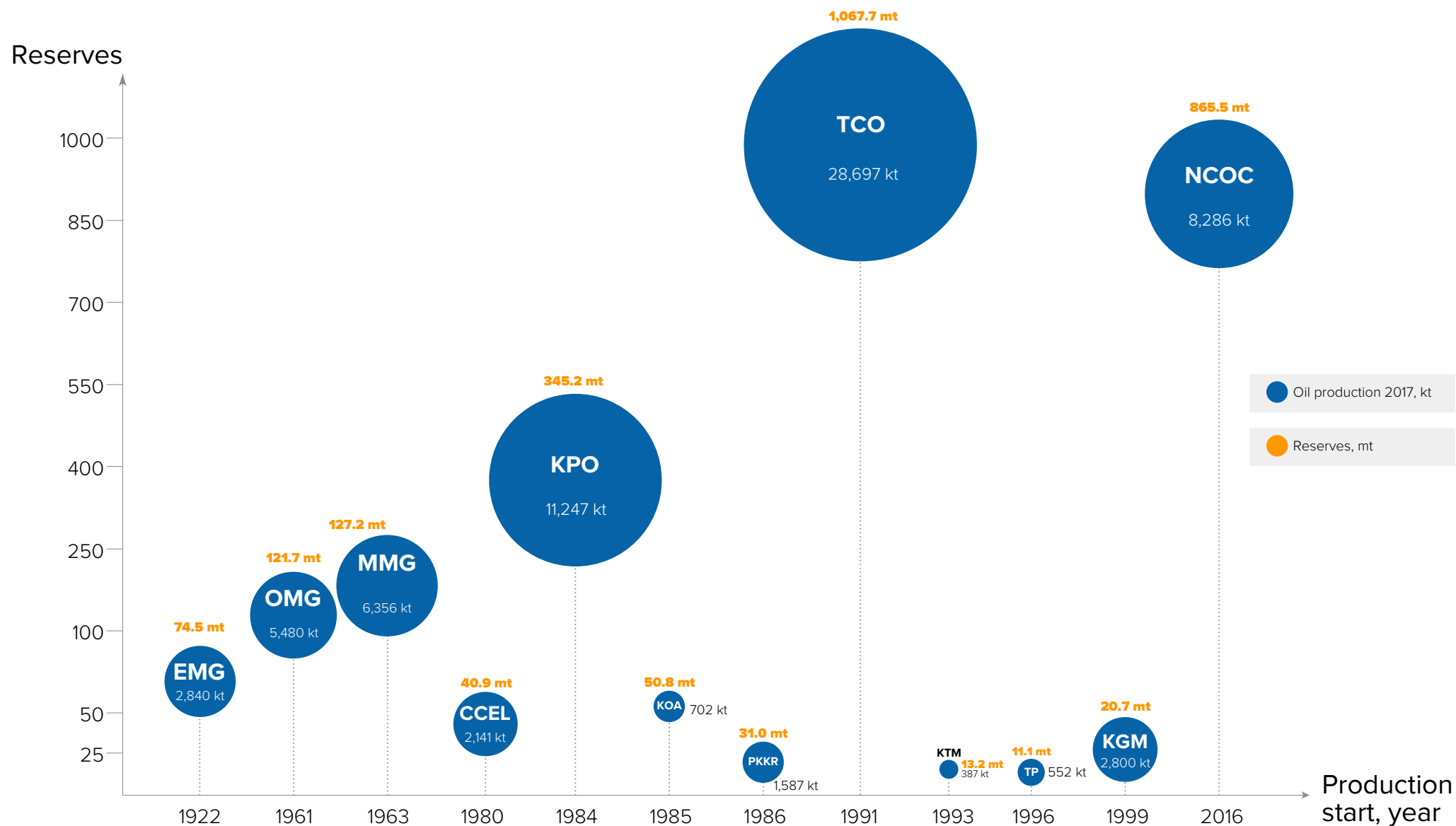
Source: Company data

## KEY ASSETS LOCATION





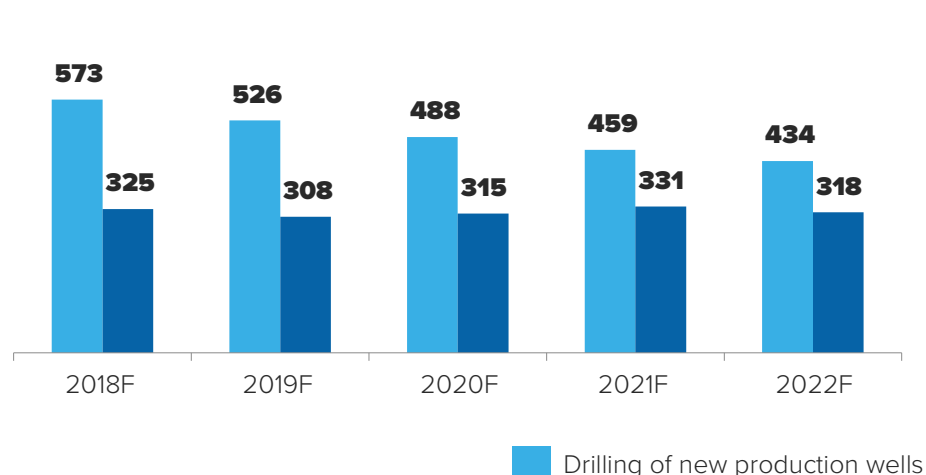
## DIVERSIFIED PORTFOLIO OF ASSETS: RESERVES AND PRODUCTION (100%)



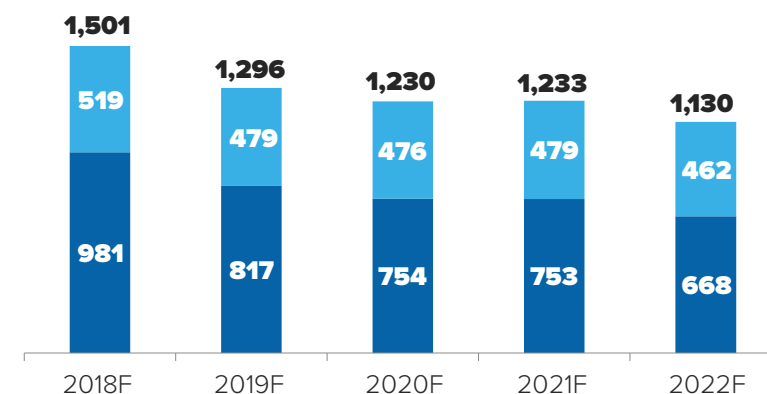
# PRODUCTION ENHANCEMENT

KMG plans to conduct geological and technical measures (GTM) over 2018-2022 in order to mitigate the natural production decline and accomplish oil production targets for: OMG, EMG, CCEL, KGM, MMG, KTM, KOA

## NUMBER OF WELLS UNDER GTM



## EFFECT OF GTM, OIL PRODUCTION, (KT)



- In 2016 KMG and its Scientific Research Institute TDB developed a GTM programme for Kazakhturkmunai (KTM)
- The result: 2017 production increased by 60% compare to 2015 prior to any GTM, from 242 kt to 386 kt. This experience is now planned to be applied for all KMG Group assets

### GTM FOR 2018-2022 INCLUDES:

- Drilling of new production wells
- GTM for current wells stock
  - Digitalisation of oil deposits
  - Hydraulic fracturing
  - Hydrochloric acid treatment
  - Transitions up / down - lying horizons
  - Explosion-blasting operations
  - Sidetracking
  - Re-perforation, initiation and shooting

# UPSTREAM BIG PROJECTS: KASHAGAN, TENGIZ, KARACHAGANAK

## OVERVIEW

### ○ NCOC (Kashagan)

- The field discovered in 2000. Commercial production was restarted in November 2016
- Oil production in 2016 – 957 kt (only 2 months), 2017 – ca 8.3 mt
- Project development involved building artificial islands in shallow water, with land rigs to drill wells as opposed to conventional platforms
- On 10 August 2017, KMG Kashagan b.v. received additional prepayment in the amount of US\$ 600 mln (on top of US\$ 1 bln raised in 2016) and made early repayment of the second tranche of deferred obligation under the 2008 PSA

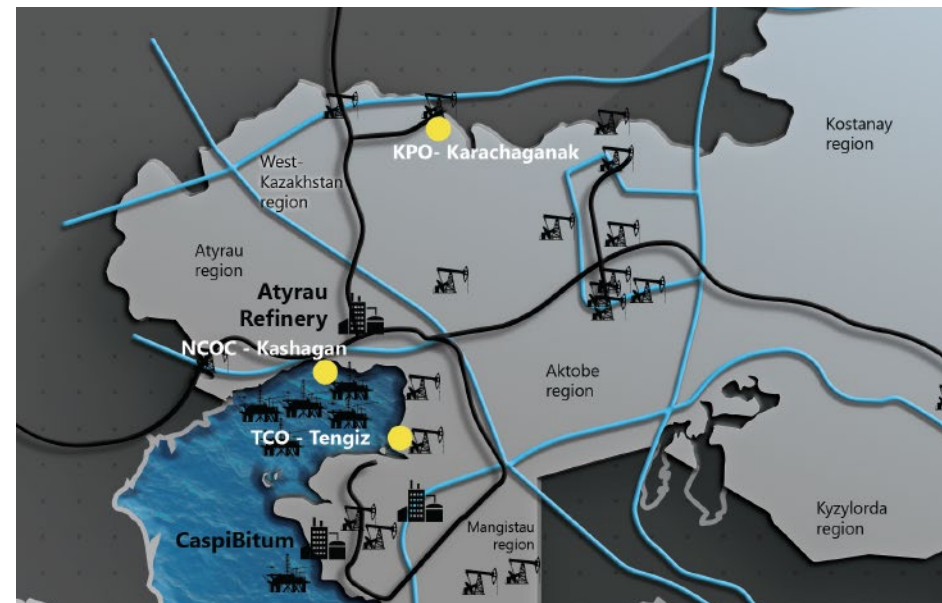
### ○ Tengizchevroil

- The field discovered in 1979. Commercial production was started in 1991
- Oil production in 2017 – 28.7 mt
- TCO approved the budget for expansion phase in July 2016 with US\$ 36.8 bln attributable to future growth project and wellhead pressure management project

### ○ Karachaganak

- The field discovered in 1979. Commercial production was started in 1984
- Oil production in 2017 – 11.2 mt
- Production Sharing Agreement (PSA) originally signed in November 1997 for a term of 40 years between the Republic of Kazakhstan (RoK) and a group of foreign contracting companies: BG Group (29.25%), Agip (now Eni, 29.25%), Chevron (18.0%) and Lukoil (13.5%)
- NC KMG acquired a 10% stake of KPO in June 2012. In 2016, BG Group was acquired by Shell

## ASSETS LOCATION



## RESERVES BREAKDOWN

(AS OF JANUARY 1, 2018)

A+B+C1 reserves	Liquid hydrocarbons, mt (100%)
NCOC (8,44%)	865
Tengiz (20%)	1,068
Karachaganak (10%)	345
<b>Total</b>	<b>2,278</b>

# MIDSTREAM: OIL TRANSPORTATION

## KAZTRANSOIL (KTO)

- Operates the largest crude oil pipeline network in Kazakhstan of 7,585 km  
(KTO - 5,377 km, KCP - 1,759 km, Munaitas - 449 km)
- KTO is a shareholder in the following companies:
  - KCP is a JV between KTO and CNODC (50/50%) – pipeline to China
  - MunaiTas is a joint venture between KTO and CNPC E&D (51/49%)
  - Batumi Oil Terminals (100%)

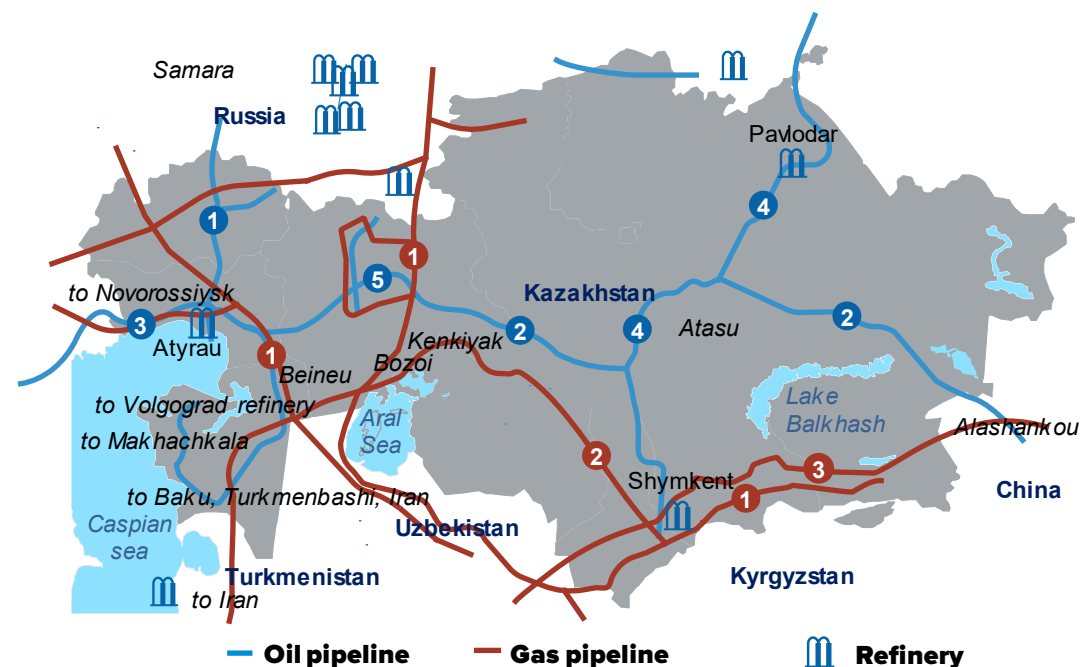
## CASPIAN PIPELINE CONSORTIUM (CPC)

- NC KMG owns 20.75% in CPC. CPC operates the largest export pipeline of Kazakhstan, linking Tengiz to Novorossiysk, the Black Sea port

## NC KMG ASSETS IN OIL TRANSPORTATION

Oil transportation (m tonnes)	Transportation 2017 (100%), mt	Current capacity (100%)
<b>CPC (20.75%)<sup>(1)</sup></b>	55.1	67 <sup>(1)</sup>
<b>KMTF (100%)<sup>(2)</sup></b>	7.0	11
<b>KTO (90%)</b>		
Atyrau-Samara (100%)	15.9	17.5
<b>KCP (50%)</b>		
Atasu-Alashankou (50%)	12.3	20
Kenkiyak-Kumkol (50%)	5.2	10
<b>MunaiTas(51%)</b>		
Kenkiyak-Atyrau (51%)	3.7	6

## KAZAKHSTAN OIL & GAS TRANSPORTATION SYSTEM



- 1 Atyrau - Samara Pipeline (KTO)
- 2 Kazakhstan - China Pipeline
- 3 CPC oil-pipeline
- 4 KTO oil-pipeline
- 5 MunaiTas oil-pipeline
- 1 Central Asia Centre pipeline
- 2 Beineu – Bozoi – Shymkent Gas Pipeline
- 3 Asia Gas Pipeline

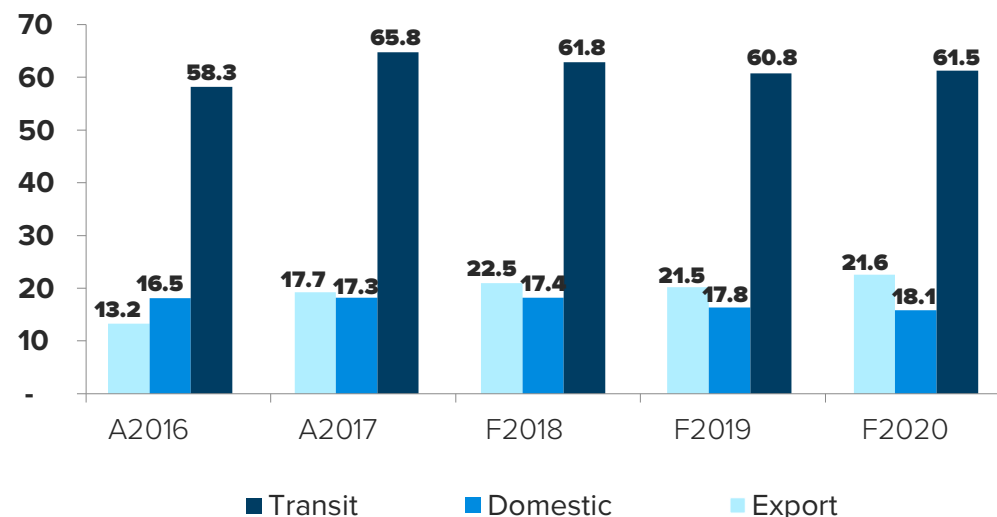
(1) Kazakhstan segment upgraded to 53.7 mt pa  
 (2) Kazmortransflot - the national marine transportation company.  
 Current capacity refers to deadweight capacity of vessels  
 Source: Company data

# MIDSTREAM: GAS TRANSPORTATION

## KAZTRANSYGAS (KTG)

- Transported 100.9 bcm of gas in 2017
- Major asset is Central Asia gas pipeline (over 18 thousand km of pipe) - The shortest pipeline route from the gas producing regions of Central Asia (principally Turkmenistan and Uzbekistan) through Russia to Europe
- Major projects targeting increased export and transit volumes:
  - KTG is to increase the throughput capacity of threads A and B in Asia Gas pipeline (AGP) from 30 to 40 bcm pa by YE2020, expanding total throughput of AGP from 55 to 65 bcm pa
  - Beineu – Bozoi – Shymkent Gas Pipeline (50% NC KMG share) has current capacity of 10 bcm pa, which is expected to be further increased by 15 bcm pa in 2019
  - KTG plans to increase the throughput capacity of the BGR-TBA gas pipeline from 5.8 to 10 bcm pa by YE2019

## GAS TRANSPORTATION VOLUMES, BCM



Gas transportation company	Transportation 2017 (100%)	Current capacity	Target capacity	Target capacity planned
<b>ICA (100%)</b>	76.6	158	162	2019
<b>AGP (50%)</b>	39.2	52	65	2020
<b>BSGP (50%)</b>	4.4	10	15	2019
<b>KTG Aimak (100%)</b>	2.5	2.6	-	-

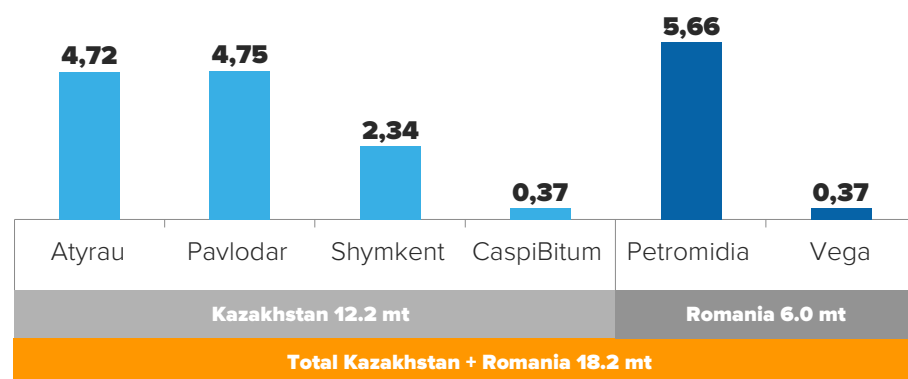


# DOWNSTREAM: REFINERIES IN KAZAKHSTAN AND KMG

## REFINERIES OVERVIEW

- In 2017 4 major domestic refineries processed 17% of oil produced in Kazakhstan and KMG supplied 41% of oil that 4 major refineries processed
- In 2017 Pavlodar refinery completed modernisation. Construction works for modernisation at Atyrau refinery completed and started testing and commissioning works with the purpose to finish all the works in 1H2018. They are now able to produce fuel in line with K4, K5 standards. Modernisation at Shymkent refinery will be completed in 2018.
- Petromidia in Romania is one of the most modern refineries in the Black Sea region

## OPERATING NET OF REFINED VOLUMENS IN 2017, MT

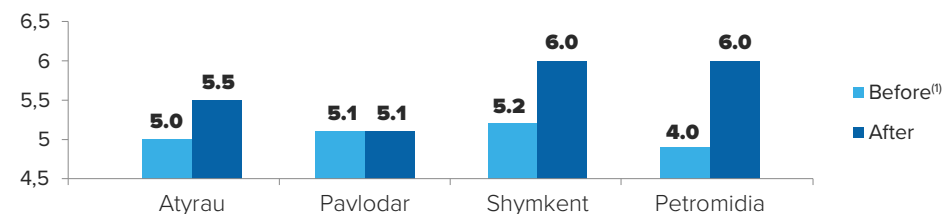


## PROCESSING TARIFFS OF KAZAKH REFINING IN 2018, KZT/TONNE

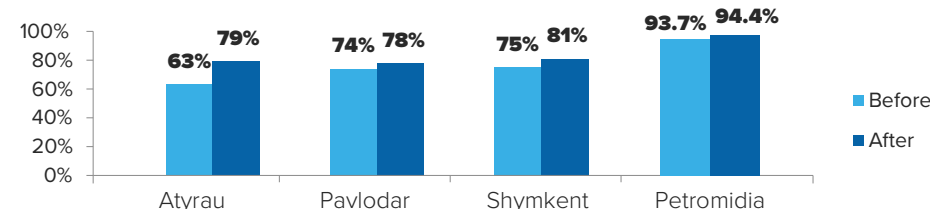
Atyrau	Pavlodar	Shymkent
31,473	17,249.54	16,301.71 <sup>(3)</sup>

(1) Atyrau, Pavlodar and Shymkent refineries: Before - 2016A, After - 2019F. Petromidia refinery: Before - 2009A, After - 2021F  
 (2) Other products: Jet fuel TS-1, Heating oil, Fuel oil, Vacuum gas oil, Coke, Liquefied gas, Benzene, Paraxylene, Sulfur, Bitumen  
 (3) After the end of second phase of Shymkent refinery modernisation the tariff will be increased to 22,500 KZT/tonne  
 Source: Company data

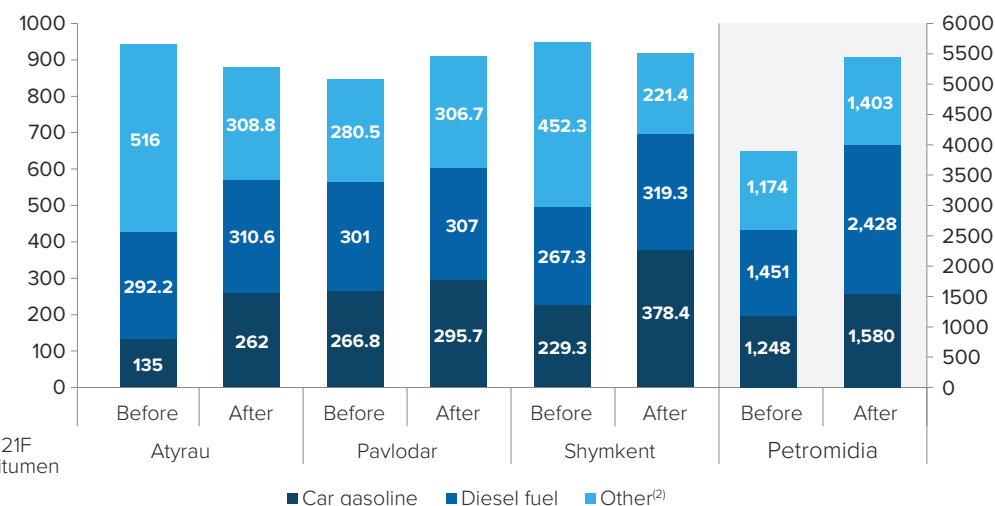
## PRODUCTION CAPACITY BEFORE AND AFTER MODERNISATION, MT



## PROCESSING DEPTH BEFORE AND AFTER MODERNISATION, %



## PRODUCTION YIELD PER 1000 KG OF CRUDE BEFORE AND AFTER MODERNISATION, KG



# OPERATIONAL SUMMARY

## OPERATIONAL NET OF VOLUMES

### HYDROCARBON PRODUCTION

Hydrocarbon production, kt	2015A	2016A	2017A
TCO (20%)	5,432	5,511	5,739
OMG (100%)	5,510	5,555	5,480
MMG (50%)	3,137	3,145	3,178
EMG (100%)	2,823	2,832	2,840
KGM (66.5%)	1,995	1,952	1,862
KPO (10%)	1,080	1,047	1,125
CCEL (50%)	1,069	1,064	1,071
NCOC (8.44%)	-	79	686
PKKR (33%)	807	640	524
KTM (100%)	242	292	387
KOA (50%)	401	381	351
TP (16.5%)	146	111	91
AG (100%)	19	21	21
KazGPZ (100%)	9	9	8
<b>Total, kt</b>	<b>22,669</b>	<b>22,638</b>	<b>23,362</b>
<b>Total, m bbl<sup>(1)</sup></b>	<b>172</b>	<b>172</b>	<b>178</b>

### TRANSPORTED VOLUMES

Crude oil transportation (kt)	2015A	2016A	2017A
KTO (100%)	47,541	43,797	46,293
KCP (50%)	7,935	7,045	8,269
MunayTas (51%)	1,909	2,356	1,867
CPC (20.75%)	8,872	9,192	11,435
<b>Total crude oil transported<sup>(2)</sup></b>	<b>66,257</b>	<b>62,390</b>	<b>67,864</b>
Batumi Terminal (100%) transshipment of crude oil and oil products	3,616	3,377	2,109
Gas transportation (bcm)	2015A	2016A	2017A
ICA (100%)	84.0	66.8	76.6
AGP (50%)	15.7	17.6	19.6
BSGP (50%)	0.6	1.1	2.2
KTG Aimak (100%)	2.5	2.6	2.5
<b>Total gas transported</b>	<b>102.8</b>	<b>88.1</b>	<b>100.9</b>

### REFINING VOLUME

KMG KZ refinery volume (kt)	2015A	2016A	2017A
Atyrau Refinery (100%)	4,868	4,761	4,724
Pavlodar Refinery (100%)	4,810	4,590	4,747
Shymkent Refinery (50%)	2,247	2,251	2,343
CaspiBitum (50%)	188	312	358
<b>Total KMG KZ</b>	<b>12,112</b>	<b>11,913</b>	<b>12,172</b>
KMG International refinery volume (kt)	2015A	2016A	2017A
Petromidia Refinery (100%)	4,950	5,408	5,662
Vega Refinery (100%)	329	354	373
<b>Total KMG International</b>	<b>5,278</b>	<b>5,762</b>	<b>6,035</b>
<b>Total KMG</b>	<b>17,391</b>	<b>17,675</b>	<b>18,207</b>

(1) For information purposes only, the following conversion rate applied: 7.6 barrels of oil or gas condensate per ton and 6.6 barrels of oil equivalent per ths. cubic metres of gas  
(2) Consolidated crude oil transportation volume takes into account crude oil transportation volume of each individual pipeline company multiplied by KMG operating share. Please note that some volumes can be transported by two or three pipeline companies and these volumes are counted more than once in the consolidated crude oil transportation volume.  
Source: Company data

## ESG

13 t average

12 t

**11 t/1000 tones**

10 t

Our Group's average amount of flared gas per unit of hydrocarbon produced is lower than the similar index for IOGP companies (**12.9**).

0.4 t average

0.3 t

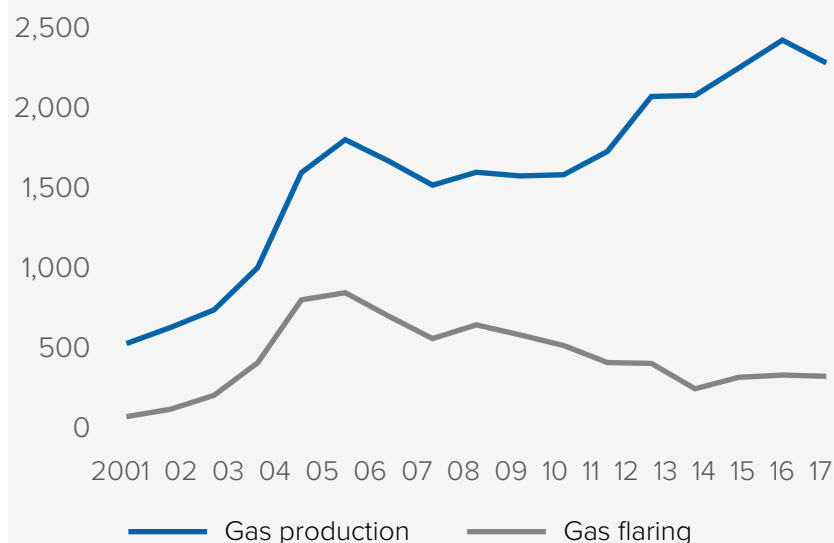
**0.2 t/1000 tones**

0.1 t

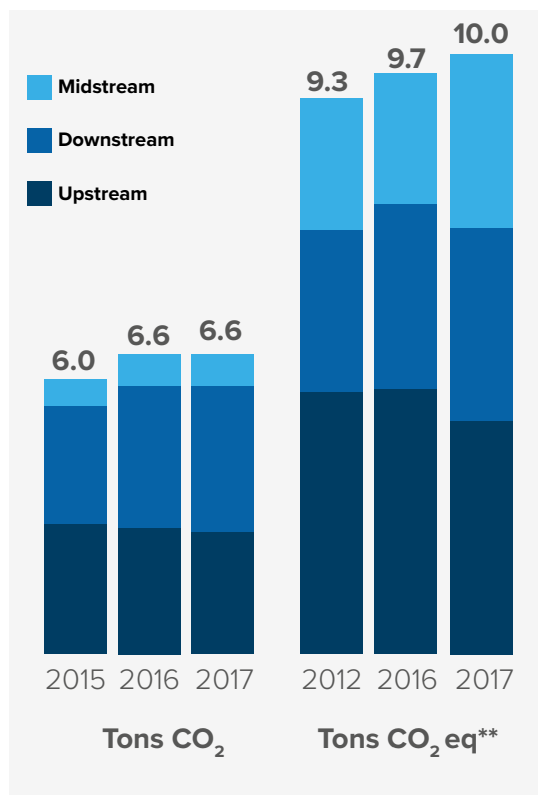
Our Group's average NOx emission intensity per thousand tones of hydrocarbon produced (an average index for IOGP companies is **0.4**).

### GAS PRODUCTION AND FLARING\*

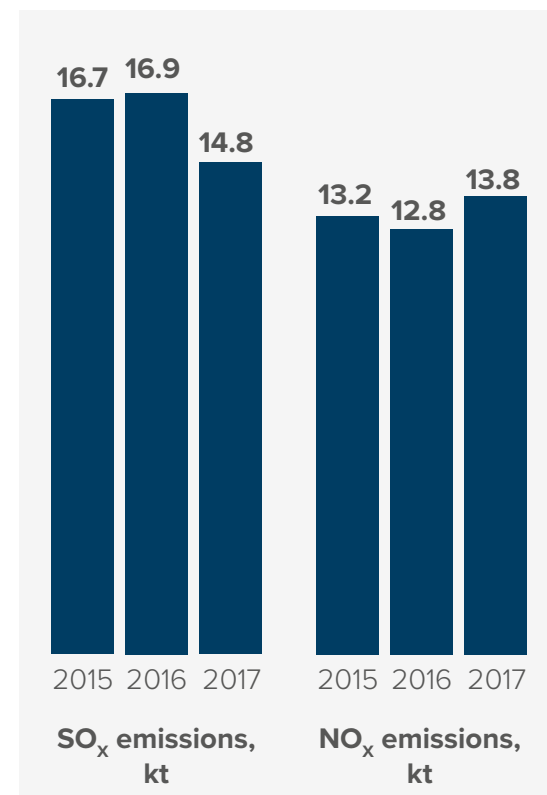
(mln m<sup>3</sup>)



### GREENHOUSE GASES EMISSION



### THE AMOUNT OF SO<sub>x</sub>, NO<sub>x</sub> EMISSIONS



\* Including subsidiaries more than 50% owned by NC KMG

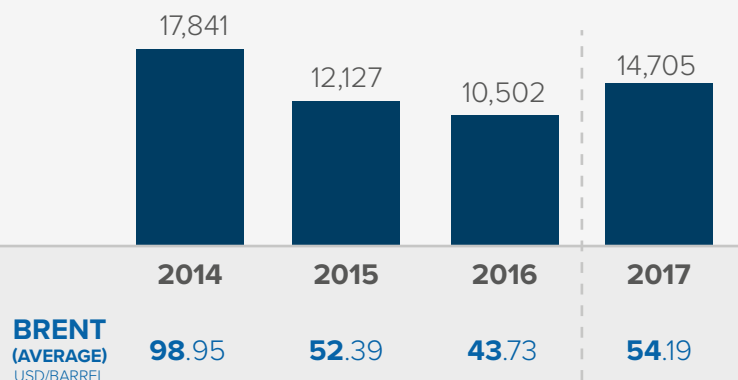
\*\* CO<sub>2</sub> equivalent is a measure of the potential of global warming of greenhouse gases. Carbon dioxide is the benchmark by which other greenhouse gases are evaluated. The country's uses the global warming factor for methane-21 and for nitrous oxide-310. Source: Company data

# 02

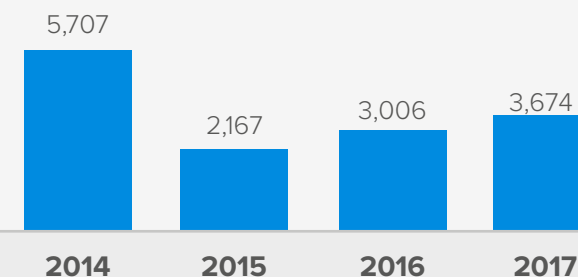
## **FINANCIAL OVERVIEW**

# FINANCIAL PERFORMANCE

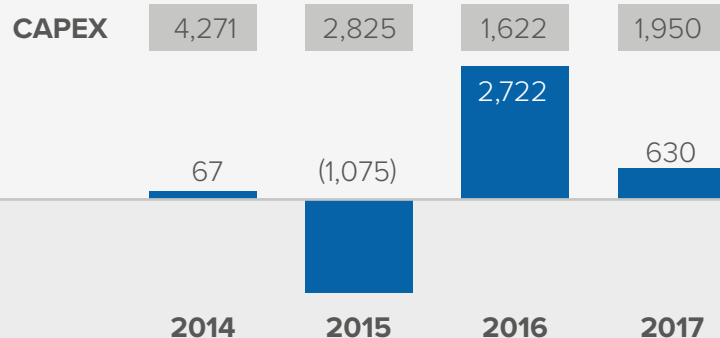
## ADJUSTED REVENUE<sup>(1)</sup>, US\$ mln



## EBITDA<sup>(1)</sup>, US\$ mln

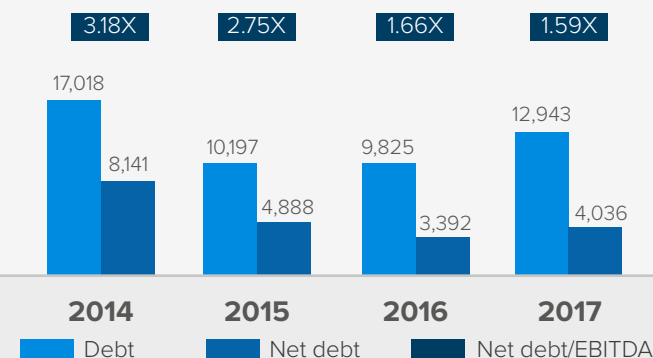


## FREE CASH FLOW<sup>(2)</sup> AND CAPEX<sup>(3)</sup>, US\$ mln



## DEBT<sup>(1)</sup> AND LEVERAGE

US\$ mln<sup>(4)</sup> AND MULTIPLE



(1) Calculated with relevant adjustments made for assets classified as for sale

(2) Estimated as net cash flow from operating activities + dividends received from joint ventures and associates - purchase of property, plant and equipment, intangible assets, investment property and exploration and evaluation assets (includes prepayments received)

(3) Capital expenditures as per Segmented reporting of Consolidated Financial Statements

(4) Figures converted to USD at the year-end KZT/USD exchange rates: for 2014 - 182.35, for 2015 - 339.47, for 2016 - 333.29, for 2017 - 332.33

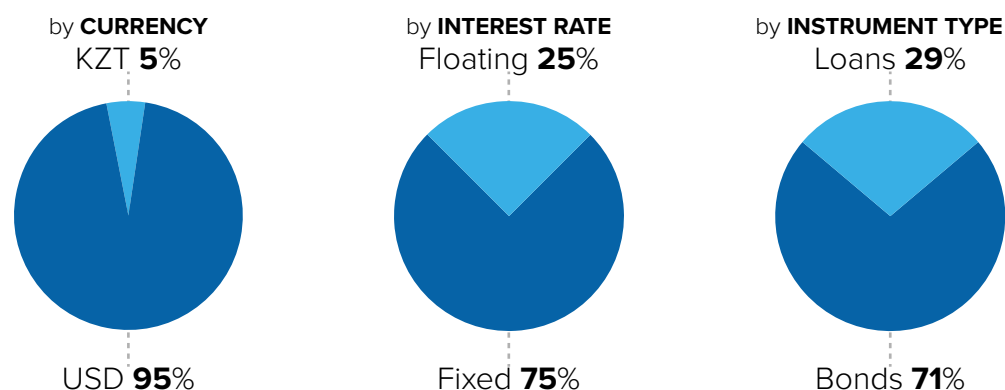
Source: Company data



## DEBT OVERVIEW

TOTAL DEBT AS OF 31-DEC-2017 IS **US\$ 12.5 bln OR KZT 4,301**

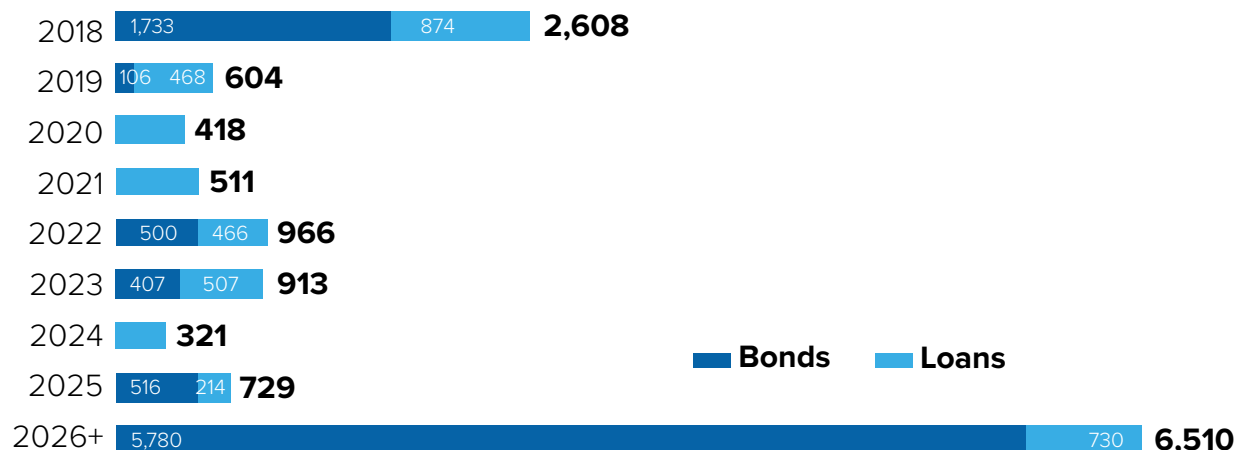
### DEBT POSITION (AS OF 31-DEC-17)



### NC KMG CREDIT RATING

Moody's	S&P	Fitch
<b>Baa3</b>	BBB-	<b>BBB-</b>
Ba1	BB+	BB+
Ba2	BB	BB
Ba3	<b>BB-</b>	BB-

### LONG-TERM DEBT MATURITY PROFILE, US\$ mln<sup>(1)</sup>



### NC KMG'S FINANCIAL POLICY

Fund projects without affecting balance sheet:

- Non-recourse project financing
- Acquisition financing with limited recourse to acquired asset
- Dividends received from subsidiaries, joint ventures and associates
- JV partners participating in financing directly

<sup>(1)</sup> Converted from KZT to USD at the exchange rate of 332.33 (as at 31 December 2017)  
Source: Company data

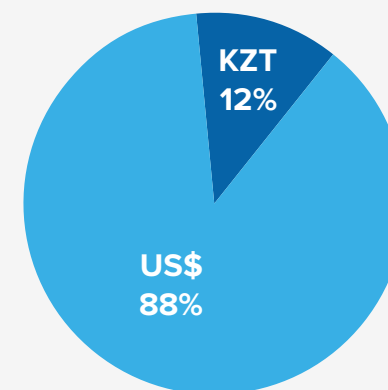
## CASH & DEPOSITS

### CHANGES IN CASH AND DEPOSITS OVER 2017<sup>(1)</sup>, US\$ MLN

<b>Cash and deposits as at 31.12.2017</b>	<b>8,889<sup>(1)</sup></b>
Forex gain	43
Loans to related parties	(559)
Other	(49)
Net cash from financing activities (CFF)	2,409
Dividends received	824
Purchase of assets (CFI)	(1,416)
CFO	1,222
Cash and deposits as at 31.12.2016	6,415

### CASH AND DEPOSITS AS AT 31-DEC-2017

#### By currency

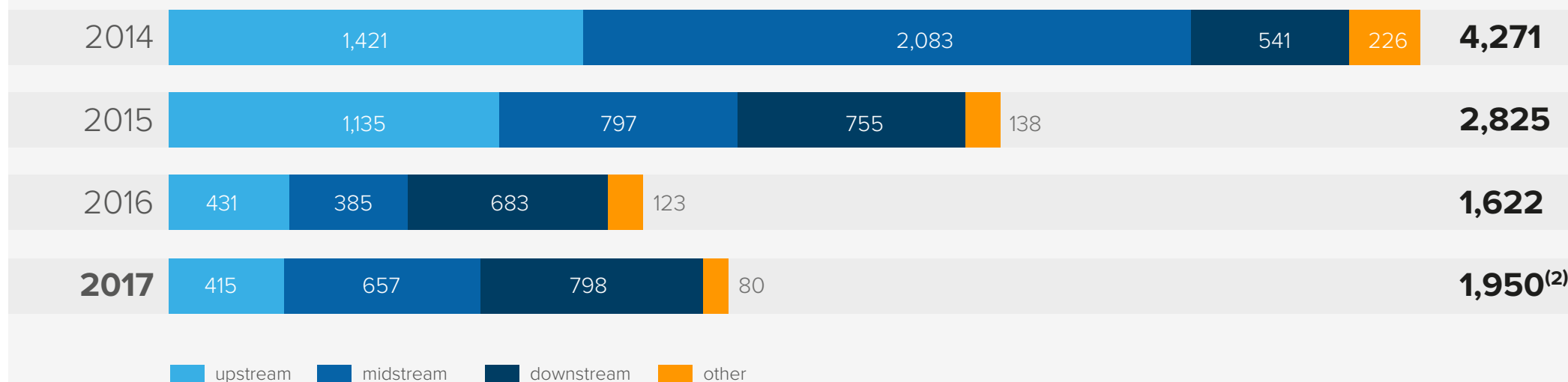


- NC KMG generated cash-flow from operating activities of US\$ 1,222 mln
- Cash-flows from operating activities along with dividends received exceeded CAPEX
- Loans to related parties is mainly attributable to the loan provided by KTG to Beineu-Shymkent gas pipeline (US\$ 400 mln or KZT 136 bln), financed by KTG bond issue

<sup>(1)</sup> Including the share of discontinued operations  
Source: Company data

## CAPEX OVERVIEW

### HISTORICAL CAPEX (US\$ mln<sup>(1)</sup>)



## KEY INVESTMENT PROJECTS

- Modernisation and contruction works at the Atyrau and Pavlodar refineries
- Construction works at the Pavlodar refinery
- NC KMG exploration projects
- KMG EP production support and volume increase capex

(1) Capital expenditures as per Segmented reporting of Consolidated Financial Statements

(2) Cash capex outflows as per CFS are equal US\$ 1,415 mln.

Source: Company data

## LEVERAGE DYNAMICS

Item <sup>(1)</sup>	Unit	YE 2014	YE 2015	YE 2016	YE 2017
<b>Gross debt</b>	<b>US\$ mln</b>	<b>17,018</b>	<b>10,197</b>	<b>9,825</b>	<b>12,943</b>
Cash	US\$ mln	8,878	5,309	6,433	8,908 <sup>(4)</sup>
<b>Net debt</b>	<b>US\$ mln</b>	<b>8,141</b>	<b>4,888</b>	<b>3,392</b>	<b>4,036</b>
Guaranteed obligations <sup>(2)</sup>	US\$ mln	545	566	718	352
<b>Net Debt, including guaranteed obligations</b>	<b>US\$ mln</b>	<b>8,686</b>	<b>5,454</b>	<b>4,110</b>	<b>4,338</b>
Net Debt/EBITDA <sup>(3)</sup>	x	3.18x	2.75x	1.66x	1.59x <sup>(4)</sup>

- Growth of gross debt and cash position was mainly attributable to NC KMG's April, 2017 Eurobond issue (US\$ 2.75 bln) and KTG September, 2017 Eurobond issue (US\$ 750 mln)
- Net debt increased due to utilisation of cash to provide a loan to BSGP and settlements under TCO prepayments
- During 2017 guaranteed obligations of NC KMG decreased twofold at the back of loan redemption by BSGP in the amount of US\$ 400mln

(1) Calculated with relevant adjustments made for assets classified as for sale

(2) Beineu-Shymkent Gas Pipeline LLP (50% owned by KMG) and others

(3) In accordance with Bond definition for covenant testing. Tested on a semiannual basis

(4) Cash and deposits post KMG EP transactions declined by US\$ 1.92 bln. Net Debt/EBITDA post KMG EP transaction rose to 2.2x

Source: Company data

## PREPAYMENTS OVERVIEW

Item	Unit	YE 2016	YE 2017
Prepayments for TCO crude oil deliveries	US\$ mln	3,000	2,750
Prepayments for Kashagan crude oil deliveries <sup>(1)</sup>	US\$ mln	1,000	1,600

- In 2016 KMG Group entered into a long-term crude oil and LPG supply agreement. Total minimum delivery volume is c. 30.2 mt of crude oil and 1 mt of LPG in the period from the date of the contract to March 2020. As part of this transaction, the Group received US\$ 3 bln prepayment.
- In December 2017, KMG Group amended TCO crude oil and LPG supply agreement, extended delivery period till March 2021, upsizing the prepayment amount by US\$1 bln and delivery volume up to 38 mt of crude oil and 1 mt of LPG.
- During 2017 KMG partially settled the prepayments by oil supply for the total amount of US\$ 750 mln and received additional prepayment in the amount of US\$ 500 mln.
- In 3Q2017 KMG Kashagan B.V. received an additional prepayment of US\$ 600 mln (on top of US\$ 1 bln in 2016), which was used to repay the second tranche of the deferred obligation to the Partners under the 2008 PSA.

(1) At Kashagan B.V. level (50% owned by KMG)  
Source: Company data



# **FY2017 OPERATIONAL AND FINANCIAL RESULTS**

# SUMMARY OPERATING AND FINANCIAL HIGHLIGHTS, 2017

	Item	Unit	2017	2016	% change
Upstream	Oil and condensate production	kt	23,362	22,638	+3.2%
	Gas production	mcm	7,997	7,365	+8.1%
Midstream	Oil transportation	kt	65,489	63,657	+2.9%
	Pipelines	kt	58,538	56,575	+3.5%
	Sea transport	kt	6,951	7,082	-1.8%
	Gas transportation	mcm	100,857	88,077	+14.5%
Downstream	Refining volume <sup>(6)</sup>	kt	17,835	17,207	+3.6%
Financial highlights	Revenue	KZTbln	2,459	1,857	+32.4%
		US\$bIn <sup>(4)</sup>	7.53	5.47	+37.8
	EBITDA <sup>(1)(2)</sup>	KZTbln	1,196	1,028	+16.3%
		US\$bIn <sup>(4)</sup>	3.67	3.01	+21.9%
	Net profit	KZTbln	520	360	+44.2%
		US\$bIn <sup>(4)</sup>	1.60	1.06	+50.9%
	Capex <sup>(3)</sup>	KZTbln	637	554	+15.0%
		US\$bIn <sup>(4)</sup>	1.95	1.62	+18.4%
	Net debt <sup>(1)</sup>	KZTbln	1,341	1,130	+18.7%
		US\$bIn <sup>(5)</sup>	4.04	3.39	+19.2%

(1) Calculated with relevant adjustments made for the assets classified as for sale.

(2) The Company calculates EBITDA for any relevant period as profit before income tax for such period plus finance cost for such period plus depreciation, depletion, amortisation and impairment of long-lived assets for such period.

(3) Capital expenditure as reported in segmental reporting disclosure to the financial statements.

(4) Converted from KZT to US\$ at the following average exchange rates: for 2017 – 326.00, for 2016 – 342.16.

(5) Converted from KZT to US\$ at the following period-end exchange rates: for 2017 – 332.33, for 2016 – 333.29.

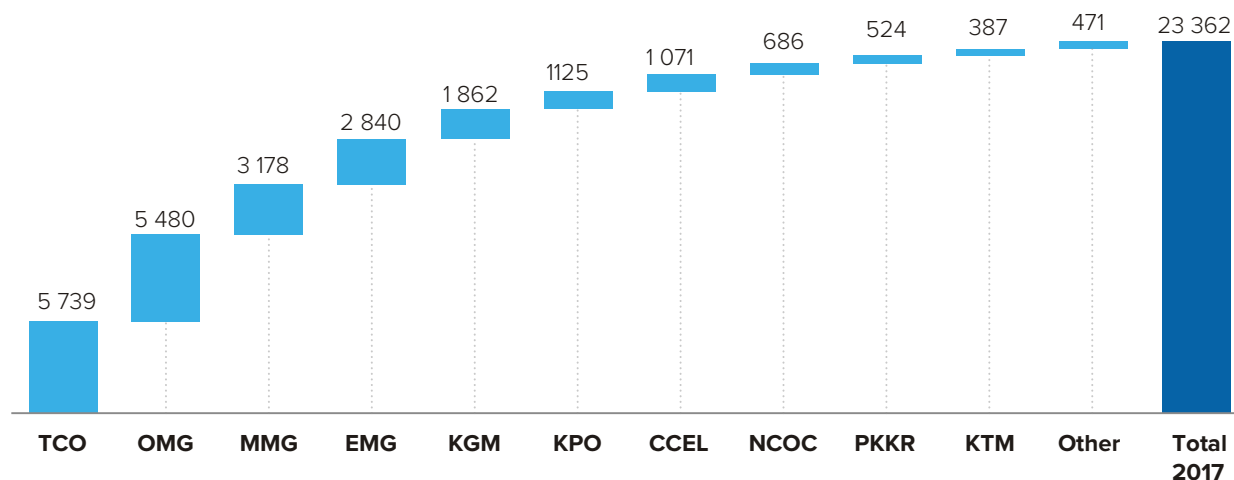
(6) The volume includes Kazakh refineries (net to NC KMG share) + KMG I (Petromidia).

Source: Company data.

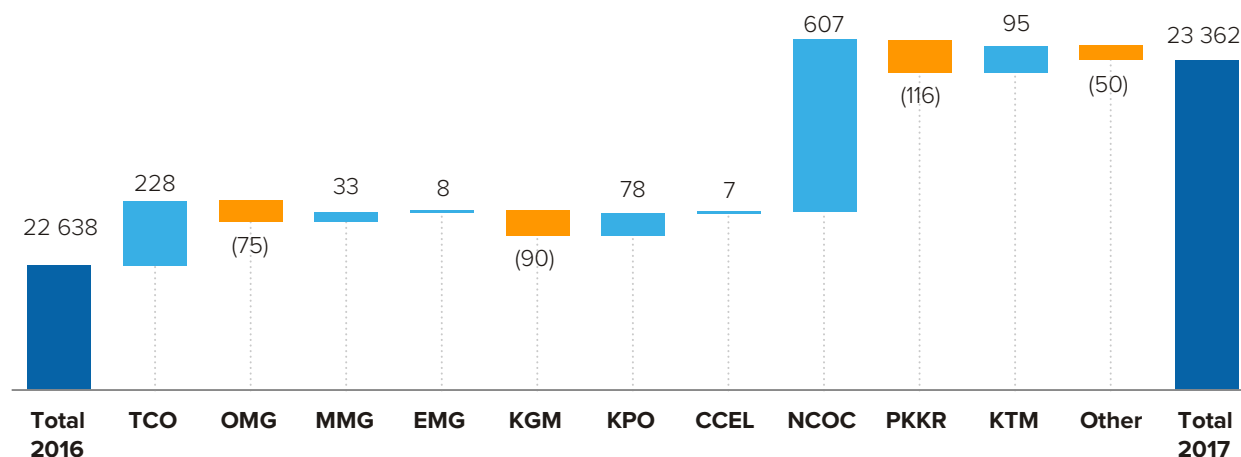
## KEY OPERATING RESULTS: UPSTREAM (1/2)

### OIL AND GAS CONDENSATE

#### STRUCTURE OF OIL AND CONDENSATE PRODUCTION, 2017, (kt)



#### CHANGES IN OIL AND CONDENSATE PRODUCTION, 2017 VS 2016, (kt)

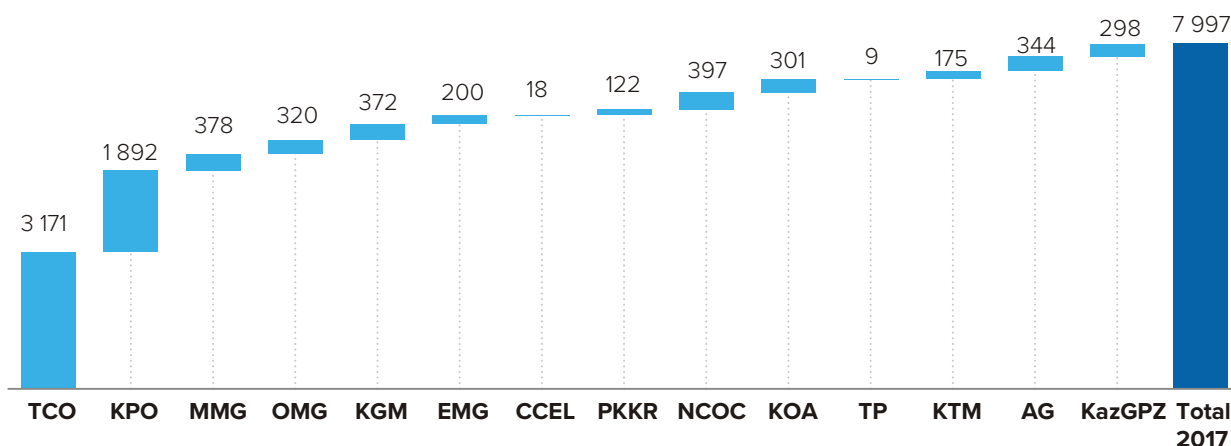


- Consolidated crude oil and gas condensate production volume includes proportionate share of NC KMG in the respective production associate companies and JVs.
- In 2017 total oil and condensate production of NC KMG reached 23.4 mln tonnes, which is +3% YoY.
- Major producers were TCO, OMG, MMG and EMG, accounting for 74% of the total production, whilst the share of big three projects (TCO, KPO, NCOC) equaled 32% of the total production.
- Increase in production at new fields more than compensate natural decline at mature fields.
- Export sales accounted for about ¾ of the total production, with 26% sold domestically.
- NC KMG markets itself crude produced by controlled entities as well as its share of crude in TCO, NCOC, KPO and MMG.
- NCOC's production rise by 607 kt was the main driver of 2017 total production growth.

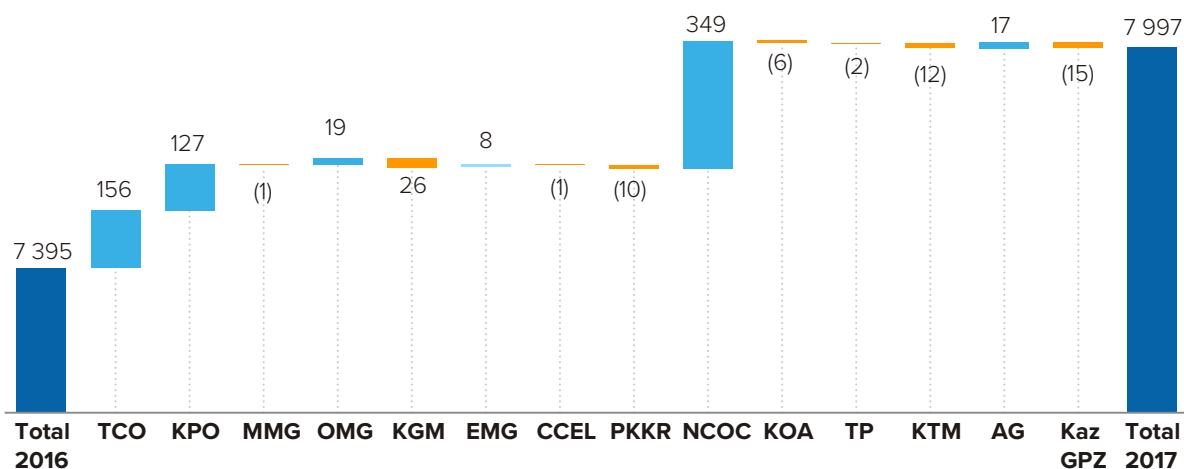
## KEY OPERATING RESULTS: UPSTREAM (2/2)

### NATURAL AND ASSOCIATED GAS

#### STRUCTURE OF GAS PRODUCTION, 2017, (mcm)



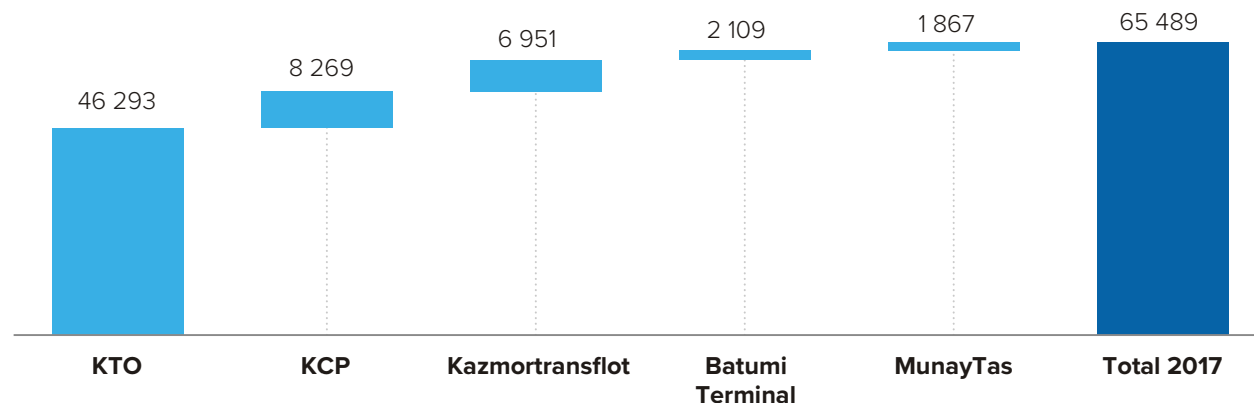
#### CHANGES IN GAS PRODUCTION, 2017 VS 2016, (mcm)



- Consolidated gas production volume includes proportionate share of NC KMG in the respective production of associate companies and JVs.
- Total production of natural and associated gas was 7,997 mcm or 8.1% higher YoY.
- Significant share of gas is re-injected into reservoirs to stimulate crude oil output rather than being sold.
- At the same time NC KMG buys and sells natural gas to meet demand in different regions of Kazakhstan and for export.
- Total sale turnover of gas was 17,759 mcm. Domestic sales accounted for 72%, export – 28%.

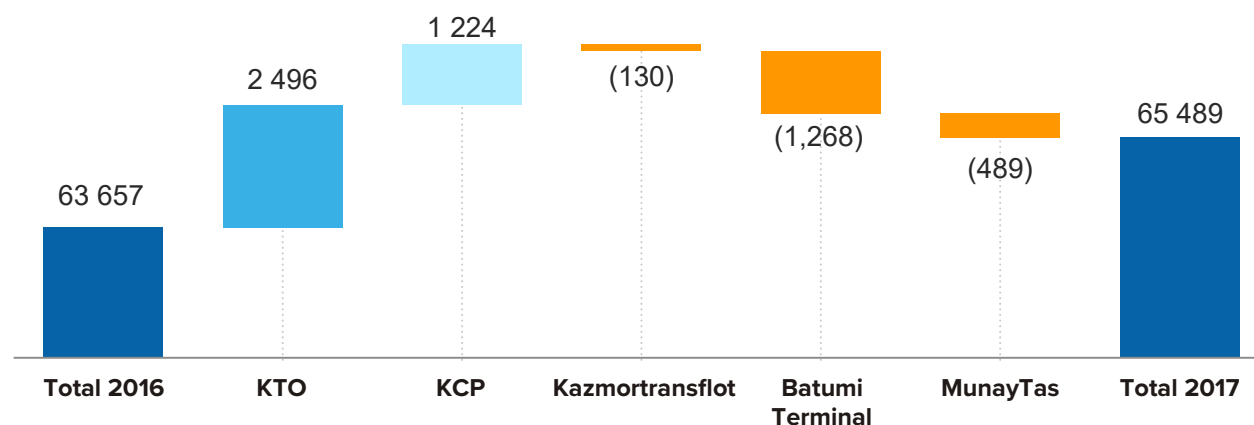
## KEY OPERATING RESULTS: MIDSTREAM (1/3)

### STRUCTURE OF OIL TRANSPORTATION, 2017, (kt)



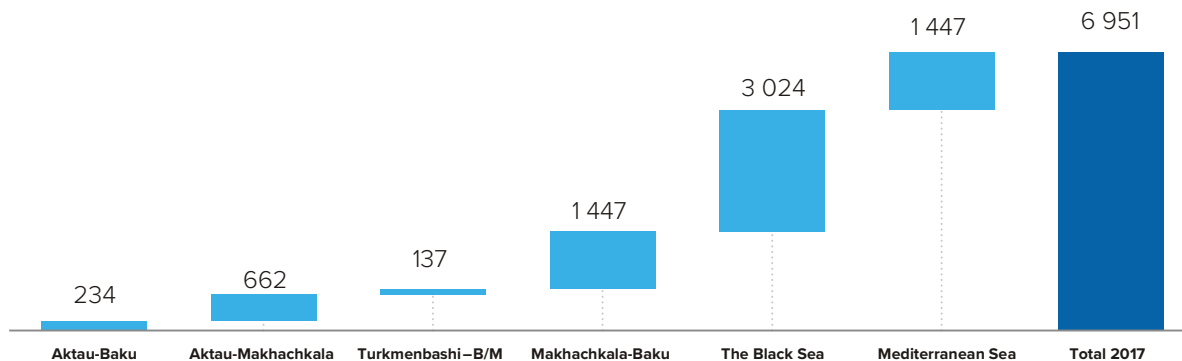
- Total volume of oil transportation reached 65.5 mln tonnes, posting +3 YoY growth. It includes net share of NC KMG in transportation volume of respective JVs.
- Increase of transportation volumes at KTO, KCP was due to an additional agreement between KTO and PJSC NC Rosneft on increasing the transit of oil from Russia to China, as well as resumption of production at Kashagan.
- Decrease of loading volumes at Batumi Oil terminal is due to lower volume of oil products imported to Georgia.
- Decline of transportation volume at Munay Tas occurred as a result of reduction in production volumes in Aktobe region of Kazakhstan and increase of domestic deliveries rather than export.

### CHANGES IN OIL TRANSPORTATION, 2017 VS 2016, (kt)



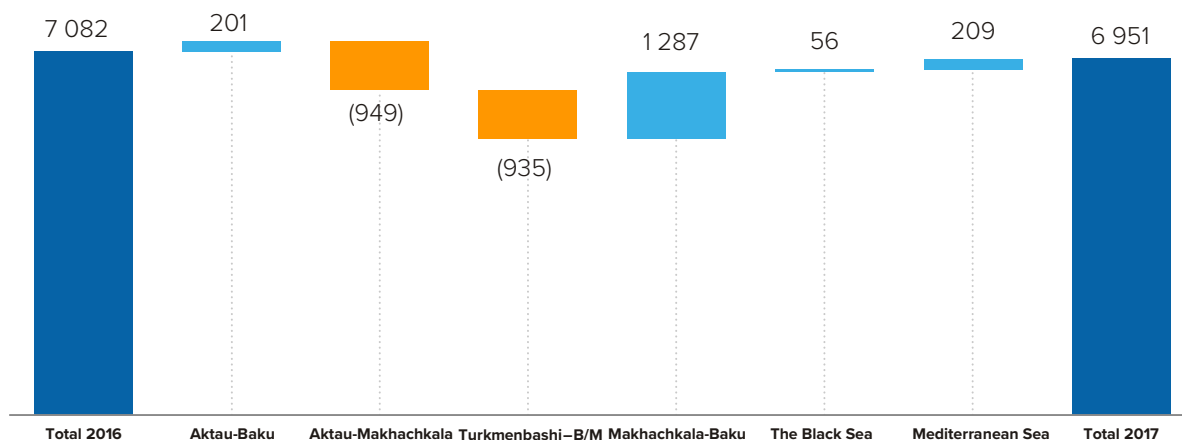
## KEY OPERATING RESULTS: MIDSTREAM (2/3)

### STRUCTURE OF OIL TRANSPORTATION, MARINE FLEET, 2017, (kt)



- Total volume of oil transportation by marine fleet to the net share of NC KMG amounted to 7 mln tonnes or -1.8% YoY.
- The Black Sea accounted for 44% of the total volume, the Mediterranean Sea - 21%, the Caspian Sea - 36%.
- Increase in volumes transported across the Black Sea and the Mediterranean Sea were generally in line with NC KMG's production growth.
- Decline of 395 kt in the volumes of oil transported via the Caspian Sea was due to the fact that there were additional volumes shipped in Turkmenbashi – Baku/ Makhachkala destination in 2016.

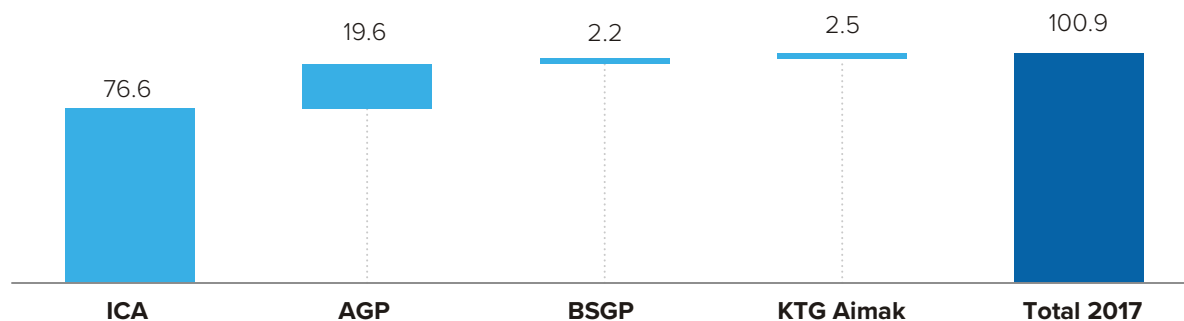
### CHANGES IN OIL TRANSPORTATION, MARINE FLEET, 2017 VS 2016, (kt)



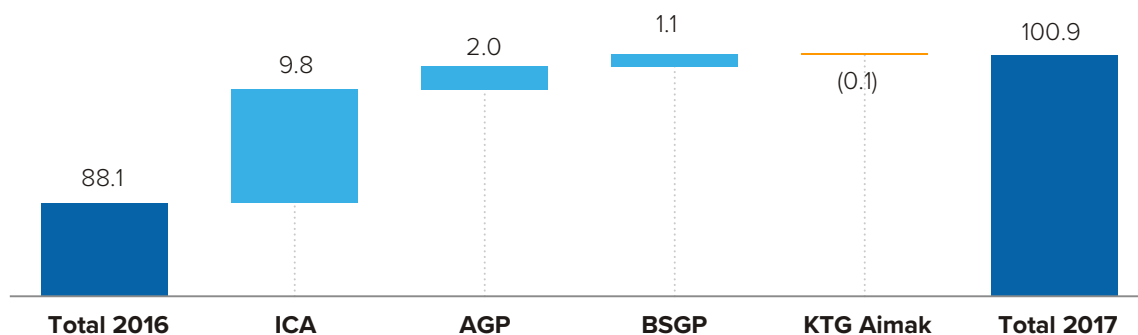
## KEY OPERATING RESULTS: MIDSTREAM (3/3)

### TRANSPORTATION OF GAS

#### STRUCTURE OF GAS TRANSPORTATION, 2017, (bcm)

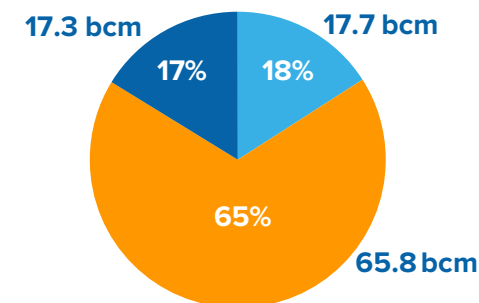


#### CHANGES IN GAS TRANSPORTATION, 2017 VS 2016, (bcm)



- Volume of gas transportation to the net share of NC KMG amounted to 100.9 bcm vs 88.1 bcm in 2016.
- The main growth contributor was ICA (+9.8 bcm +15% YoY). The growth was due to increasing gas transit by Gazprom and increased exports of gas to Russia, Kyrgyzstan, Uzbekistan.

■ Domestic transportation ■ International transit ■ Export

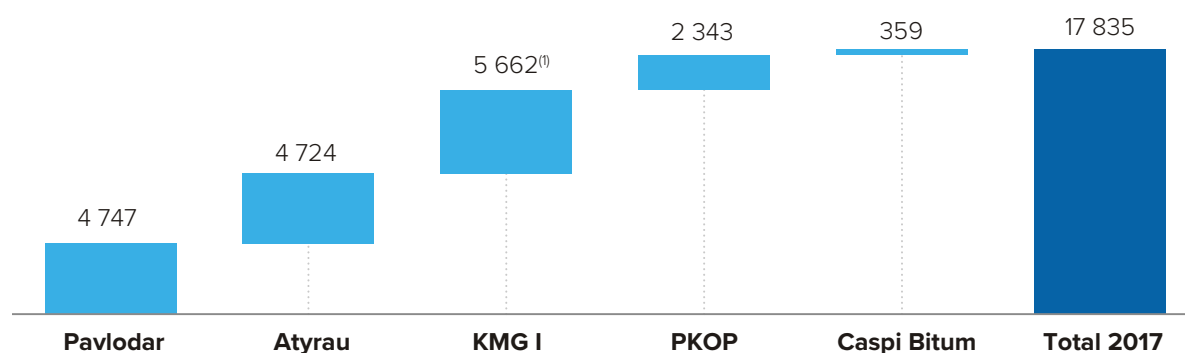


- International transit rose by 13% (7.5 bcm) as the result of increasing transit flows by Gazprom (through ICA) and by PetroChina International Company Limited (through AGP).
- Export expanded 34% (4.5 bcm) largely due to increased volumes of gas transported to Russia, Kyrgyzstan, Uzbekistan from Tengiz, Kashagan, Zhanazhol, Shogyrly-Shomyshty fields.

## KEY OPERATING RESULTS: DOWNSTREAM

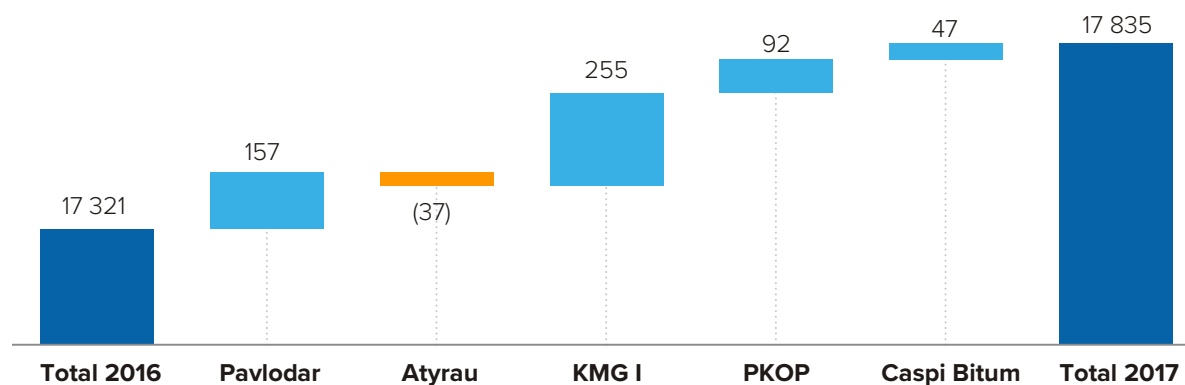
### REFINING VOLUMES

#### STRUCTURE OF REFINING VOLUMES, 2017, (kt)



- Refining volumes to the net share of NC KMG amounted to 17.8 mln tonnes, including KMG I (Petromidia), +3.6% YoY.
- Contributions by assets: Pavlodar refinery (27%), Atyrau refinery (26%), KMG I (32%), PKOP (13%) and Caspi Bitum (2%).

#### CHANGES IN REFINING VOLUMES, 2017 VS 2016, (kt)



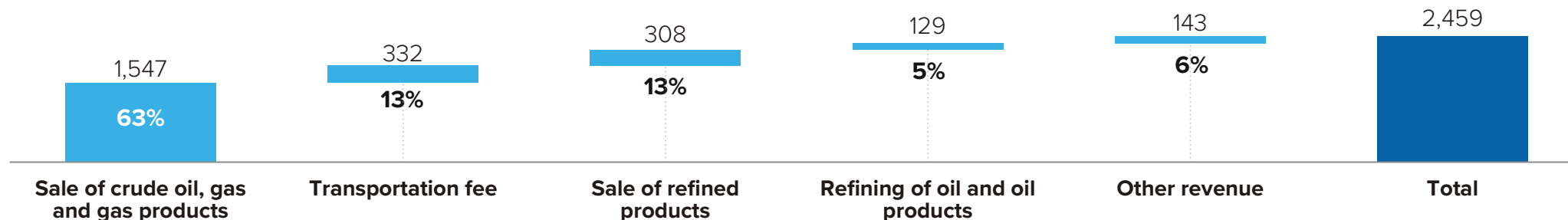
- Growth in refining volumes at Pavlodar, PKOP and CaspiBitum is in line with increased oil supplies from KMG EP and other producers.
- Decline in the volume of Atyrau refinery is related to undertaken modernisation works.
- KMG International's increase came from growth in refining of other derivative oil products, whilst crude refining remained unchanged YoY basis at 4.71 mln tonnes of.

(1) The volume of KMG I includes Petromidia refinery only.

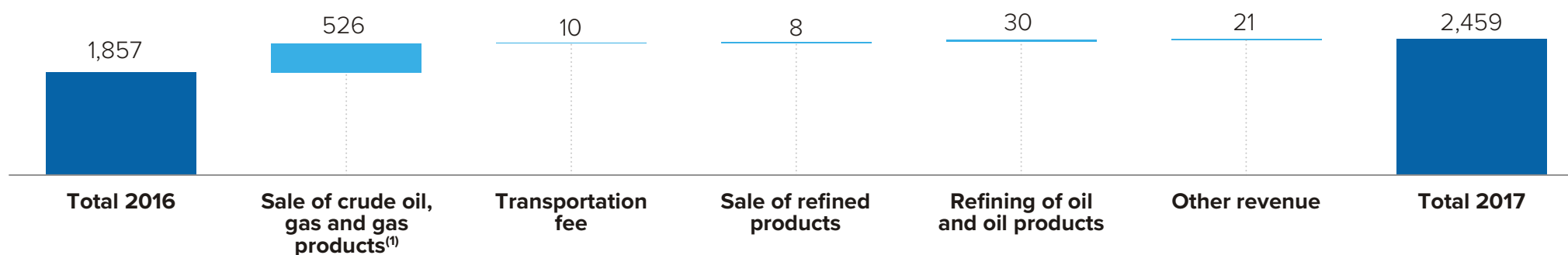


## KEY FINANCIAL RESULTS: REVENUE

### COMPOSITION OF REVENUE IN 2017, (KZT bln)



### DYNAMICS OF REVENUE (KZT bln)



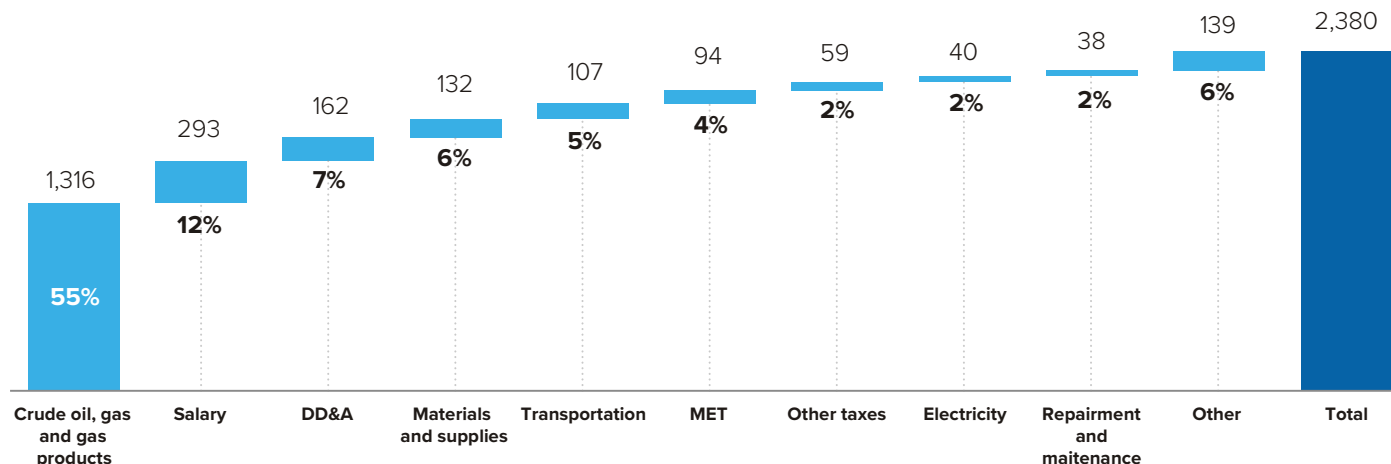
○ A 32% YoY increase in revenue is primarily driven by:

- KZT 467 bln growth in sales of crude oil under TCO Advance Oil Sale Transaction or 68% YoY<sup>(1)</sup>.
- Higher oil prices in 2017 compared to 2016 (average Brent price was up 24% YoY to US\$ 54.2/bbl).
- Sale of gas and gas products went up 18% YoY by KZT 59 bln. This is mainly explained by additional export sales to Uzbekistan and growth of demand by households and industrial enterprises domestically.

<sup>(1)</sup> Including the change in quality bank for crude oil.  
Source: Company data

## KEY FINANCIAL RESULTS: COST OF SALES

### COMPOSITION OF COST OF SALES IN 2017 (KZT BLN)

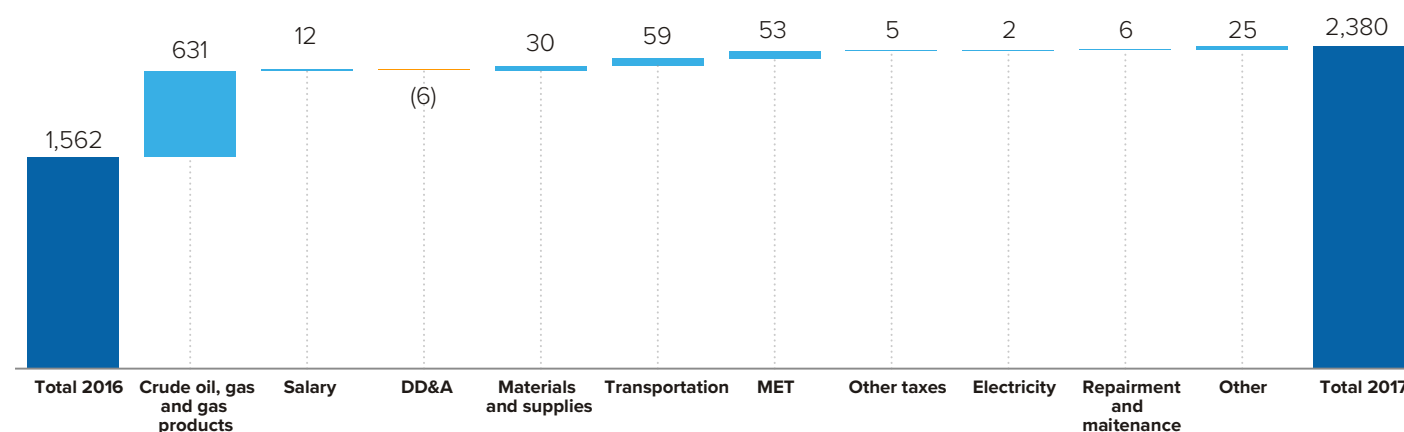


○ Growth in cost of crude oil, gas and gas products by KZT 631 is explained by:

**a.** partly due to sales of oil under TCO forward sale contract.

**b.** partly due to a new purchasing scheme, whereby KMG's 100% subsidiary buys oil (cost of oil) for further sale to KMG I. In turn sales realised to third parties by KMG I associated with these costs are recognised separately in P&L of KMG I.

### DYNAMICS OF COST OF SALES (KZT bln)



○ A growth in MET by KZT 53 bln or +130% YoY. This is due to higher oil price environment in 2017 vs last year.

○ Transportation costs were up by KZT 59 bln or +125% YoY due to increase in transportation volumes via Beineu-Shymkent gas pipeline.

# APPENDIX

# 04

## APPENDIX 1: OIL PRODUCTION HISTORY AND FORECAST

Upstream assets	2014A	2015A	2016A	2017A	2018F
TCO (20%)	5,336	5,432	5,511	5,739	5,560
OMG (100%)	5,328	5,510	5,555	5,480	5,597
MMG (50%)	3,137	3,137	3,145	3,178	3,175
EMG (100%)	2,823	2,823	2,832	2,840	2,895
KGM (66.5%)	1,995	1,995	1,952	1,862	1,796
KPO (10%)	1,100	1,080	1,047	1,125	1,089
CCEL (50%)	1,066	1,069	1,064	1,071	1,080
NCOC (8.44%)	-	-	79	686	937
PKKR (33%)	919	807	640	524	420
KTM (100%)	140	242	292	387	362
KOA (50%)	419	401	381	351	329
TP (16.5%)	198	146	111	91	66
AG (100%)	21	19	21	21	20
KazGPZ (100%) <sup>(1)</sup>	9	9	9	8	-
UO (100%)	-	-	-	-	-
UO&G (50%)	-	-	-	-	-
<b>Total, kt</b>	<b>22,491</b>	<b>22,669</b>	<b>22,638</b>	<b>23,362</b>	<b>23,326</b>
<b>Total, m bbl</b>	<b>171</b>	<b>172</b>	<b>172</b>	<b>178</b>	<b>177</b>

(1) Since 2018, the volumes of KazGPZ production are accounted in the volumes of OMG in connection with the transfer of subsoil use rights  
Source: Company data

## APPENDIX 2:

### OPERATIONAL NET OF REFINERY VOLUMES HISTORY AND FORECAST

KMG KZ refinery volume (kt)	2015A	2016A	2017A	2018F
Atyrau refinery	4,868	4,761	4,725	5,000
Pavlodar refinery	4,810	4,590	4,747	5,100
Shymkent refinery (50%)	2,247	2,251	2,343	2,500
CaspiBitum (50%)	188	312	358	375
<b>Total KMG KZ</b>	<b>12,112</b>	<b>11,913</b>	<b>12,172</b>	<b>12,975</b>
Petromidia refinery	4,950	5,408	5,662	5,45
Vega refinery	329	354	373	390
<b>KMG International total</b>	<b>5,278</b>	<b>5,762</b>	<b>6,035</b>	<b>5,839</b>
<b>Total KMG</b>	<b>17,391</b>	<b>17,675</b>	<b>18,207</b>	<b>18,815</b>

Source: Company data

## APPENDIX 3: RECONCILED FY 2017 FINANCIALS<sup>(1)</sup>

	Continuing	Discontinued	Discontinued	
P&L 12M 2017, in US\$ mln	Cons P&L (post eliminations)	KMG I (post eliminations)	Other	Adj.Cons P&L
Revenue	7,531	7,130	0	14,661
Cost of sales	(7,272)	(4,331)	(0)	(11,603)
<b>Gross profit</b>	<b>260</b>	<b>2,799</b>	<b>(0)</b>	<b>3,058</b>
General and administrative expenses	(460)	(148)	(0)	(608)
Transportation and selling expenses	(884)	(185)	(0)	(1,069)
Impairment of property, plant and equipment, intangible assets	(77)	(14)	(0)	(91)
Loss on disposal of property, plant and equipment, intangible assets and investment property, net	(12)	0	0	(12)
Other operating income	61	0	0	61
Other operating expenses	(93)	(10)	0	(103)
<b>Operating loss</b>	<b>(1,204)</b>	<b>2,442</b>	<b>(0)</b>	<b>1,237</b>
Other non-operating income	0	0	0	0
Other non-operating expenses	0	0	(0)	(0)
Net foreign exchange gain/ (loss)	207	(0)	0	207
Finance income	373	3	0	376
Finance costs	(904)	(35)	(0)	(939)
Reversal/(impairment) of investments in joint ventures	47	0	0	47
Impairment of assets classified as held for sale	(0)	0	0	(0)
Impairment of loan given	0	0	0	0
Share in profit of joint ventures and associates, net	1,269	1	0	1,270
<b>(Loss)/ profit before income tax</b>	<b>(213)</b>	<b>2,410</b>	<b>(0)</b>	<b>2,197</b>
Income tax expense	(590)	5	(0)	(584)
<b>Loss for the year from continuing operations</b>	<b>(802)</b>	<b>2,415</b>	<b>(0)</b>	<b>1,613</b>
<b>Discontinued operations</b>				
Profit after income tax for the year from discontinued operations	2,404	(2,415)	0	(11)
<b>Net profit for the year</b>	<b>1,602</b>	<b>0</b>	<b>(0)</b>	<b>1,602</b>

(1) Includes financial results of both continued and discontinued operations  
Source: Company data

# ABBREVIATIONS LIST

**AG** - AMANGELDY GAS

**AGP** - ASIA GAS PIPELINE

**bbbl** - BARREL

**bcm** - BILLION CUBIC METERS

**BGR-TBA** - BUKHARA GAS-BEARING REGION-TASHKENT-BISHKEK-ALMATY PIPELINE

**bln** - BILLION

**BSGP** - BEINEU SHYMKENT GAS PIPELINE

**CCEL** - CITIC CANADA ENERGY LIMITED JSC KARAZHANBASMU NAI

**CNODC** - CHINA NATIONAL OIL AND GAS EXPLORATION AND DEVELOPMENT CORPORATION

**CPC** - CASPIAN PIPELINE CONSORTIUM

**EMG** - JSC EMBAMUNAIGAS

**GTM** - GEOLOGICAL AND TECHNICAL MEASURES

**ICA** - JSC INTERGAS CENTRAL ASIA

**KCP** - KAZAKHSTAN CHINA PIPELINE LLP

**kg** - KILOGRAMME

**KGM** - JV KAZGERMUNAI LLP

**KMG** - JSC NATIONAL COMPANY KAZMUNAIGAS

**KMG EP** - JSC KAZMUNAYGAS EXPLORATION PRODUCTION

**KMG I** - KMG INTERNATIONAL

**KMTF** - NMSC KAZMORTTRANSFLOT LLP

**KOA** - KAZAKHOIL AKTOBE LLP

**KPO** - KARACHAGANAK PETROLEUM OPERATING B.V.

**kt** - THOUSAND TONNES

**KTG** - JSC KAZTRANS GAS

**KTM** - KAZAKHTURKMUNAI LLP

**KTO** - JSC KAZTRANSOIL

**KZT** - TENGE, NATIONAL CURRENCY

**mbopd** - MILLION BARREL OF OIL PER DAY

**mcm** - MILLION CUBIC METERS

**MID** - MINISTRY FOR INVESTMENT AND DEVELOPMENT OF THE REPUBLIC OF KAZAKHSTAN

**MMG** - MANGISTAUMUNAIGAZ JSC

**mt** - MILLION TONNES

**NC KMG** - JSC NATIONAL COMPANY KAZMUNAIGAS

**NCOC** - NORTH CASPIAN OPERATING COMPANY N.V.

**OMG** - OZENMUNAIGAS JSC

**PKKR** - JSC PETROKAZAKHSTAN KUMKOL RESOURCES

**PKOP** - PETROKAZAKHSTAN OIL PRODUCTS LLP

**PSA** - PURCHASE SALE AGREEMENT

**PSA** - PRODUCTION SHARING AGREEMENT

**tcm** - TRILLION CUBIC METERS

**TCO** - TENGIZCHEVROIL LLP

**TDB** - TECHNOLOGY OF PRODUCTION AND DRILLING

**TP** - JSC TURGAI-PETROLEUM

**UO** - URIKHTAU OPERATING LLP

**UO&G** - URAL OIL & GAS