

22 August 2023

JSC NC KazMunayGas announces financial results for the first half of 2023

Astana, 22 August 2023 – Joint-stock National Company **KazMunayGas** (“**KMG**” or **Company**), Kazakhstan's national oil and gas company, published its interim condensed consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) 34 "Interim Financial Statements" for the three and six months ended on 30 June 2023, with a report on the results of the review of interim financial information by an independent auditor.

Key financial indicators for the first half of 2023¹ compared to the first half of 2022:

- Revenue amounted to 3,943 bln tenge (USD 8,726 mln) compared to 4,642 bln tenge (USD 10,315 mln);
- EBITDA amounted to 1,116 bln tenge (USD 2,470 mln) compared to 1,393 bln tenge (3,095 mln);
- The Company's net profit including share in income of joint ventures and associates amounted to 492 bln tenge (USD 1,088 mln) compared to 775 bln tenge (USD 1,722 mln);
- Net profit adjusted for share in profit of joint ventures and associates², amounted to 266 bln tenge (USD 589 mln) compared to 352 bln tenge (USD 782 mln);
- Free cash flow amounted to 217 bln tenge (USD 481 mln) compared to 571 bln tenge (USD 1,268 mln);
- Gross debt as of 30 June 2023 amounted to 3,977 bln tenge (USD 8,788 mln) compared to 4,143 bln tenge (USD 8,956 mln) as of 31 December 2022;
- The Company's net debt as of 30 June 2023 was at 2,255 bln tenge (USD 4,983 mln) compared to 2,143 bln tenge (USD 4,632 mln) as of 31 December 2022.

| Name of the indicator | UoM | 1H 2023 | 1H 2022 | % |
|---|-----------|---------|---------|--------|
| Dated Brent ³ , average | \$/bbl | 79.66 | 107.94 | -26.2% |
| Dated Urals ³ , average | \$/bbl | 53.86 | 84.86 | -36.5% |
| KEBCO ³ , average | \$/bbl | 77.74 | 89.32 | - |
| Exchange rate, average | KZT/USD | 451.80 | 450.06 | +0.4% |
| Revenue | bln tenge | 3,943 | 4,642 | -15.1% |
| Share in profit of JVs and associates, net | bln tenge | 400 | 546 | -26.8% |
| Dividends received from JVs and associates, net | bln tenge | 174 | 123 | +41.8% |
| Net profit | bln tenge | 492 | 775 | -36.6% |

¹ The amounts were converted to US dollars for user convenience at average exchange rates for respective periods (average USD/KZT for the first half of 2023 and 2022 were at 451.80 and 450.06 respectively; period-end USD/KZT as of 30 June 2023 and 31 December 2022 were at 452.51 and 462.65 respectively)

² Net profit adjusted for share in profit of joint ventures and associates = Net profit plus dividends received from joint ventures and associates, minus share of income of joint ventures and associates.

³ Source: S&P Global Platts. The start of quotations for KEBCO oil from 06/06/2022.

| | | | | |
|---|-----------|-------|--------------------|--------|
| Net profit adjusted for the share in profit of JVs and associates | bln tenge | 266 | 352 | -24.3% |
| EBITDA ⁴ | bln tenge | 1,116 | 1,393 | -19.9% |
| Adjusted EBITDA ⁵ | bln tenge | 891 | 970 | -8.2% |
| CAPEX (accrual basis) | bln tenge | 301 | 191 | +57.9% |
| CAPEX (cash basis) | bln tenge | 354 | 191 | +85.7% |
| Free cash flow ⁶ | bln tenge | 217 | 571 | -61.9% |
| Gross debt ⁷ | bln tenge | 3,977 | 4,143 ⁸ | -4.0% |
| Net debt ⁹ | bln tenge | 2,255 | 2,143 ⁸ | +5.2% |

Operating results for the first half of 2023 compared to the first half of 2022¹⁰:

- The volume of oil and gas condensate production increased by 10.1% and amounted to 11,860 thousand tonnes;
- Oil transportation volumes increased by 5.8% and amounted 39,309 thousand tonnes;
- The volume of refining of hydrocarbons at Kazakhstani and Romanian refineries in aggregate increased by 4,0% and amounted 10,109 thousand tonnes.

| | 1H 2023 (net to KMG) | 1H 2022 (net to KMG) | % |
|------------------------------------|-------------------------|-------------------------|--------|
| Oil production, thous. tonnes | 11,860 | 10,774 | +10.1% |
| Gas production, mln m ³ | 4,789 | 4,110 | +16.5% |
| Oil transportation, thous. tonnes | 39,309 | 37,157 | +5.8% |
| Oil refining, thous. tonnes | 10,109 | 9,721 | +4.0% |

Financial Highlights for the first half of 2023

Revenue

Revenue amounted to 3,943 bln tenge (USD 8,726 mln), which is 15.1% lower compared to the first half of 2022.

Revenue dynamics were negatively impacted by a 26,2% decrease in the average Brent price for crude oil in the first half of 2023 compared to the first half of 2022.

⁴ EBITDA = Revenue plus Share in profit of JVs and associates, net, minus Cost of purchased oil, gas petroleum products and refining costs minus Production expenses minus General and administrative expenses minus Transportation and Selling expenses minus Taxes other than income tax.

⁵ Adjusted EBITDA = Revenue plus Dividends from JVs and associates, minus Cost of purchased oil, gas petroleum products and refining costs minus Production expenses minus General and administrative expenses minus Transportation and selling expenses minus Taxes other than income tax.

⁶ Free Cash Flow = Net cash flow from operating activities minus Purchase of property, plant and equipment, intangible assets, investment property and exploration and evaluation assets. Dividends received from JVs and associates are included in cash flow from operating activities.

⁷ Total debt at the end of the reporting period = bonds plus loans (short-term and long-term). Guarantees issued are not included in the calculation.

⁸ Gross debt and Net debt are shown as of December 31, 2022.

⁹ Net debt at the end of the reporting period: Bonds plus loans minus cash and cash equivalents minus bank deposits (short-term and long-term). Guarantees issued are not included in the calculation.

¹⁰ Production results are stated in accordance with KMG's shareholdings in joint ventures and associates and 100% for consolidated subsidiaries. More detailed information is available in the press release on production results for the first half of 2023 at the link: <https://www.kmg.kz/upload/iblock/94f/vygyy8381cibusg17yzu75mmg13casr/1H%2023%20Operating%20press-release%20ENG.pdf>

Share in profit of joint ventures and associates

The share in income of joint ventures and associates decreased by 26,8% and amounted to 400 bln tenge (USD 885 mln), mainly due to a decrease in profits of “Tengizchevroil” LLP by 139 bln tenge (USD 310 mln), “Mangistau Investments B.V.” by 20 bln tenge (USD 45 mln) and “CPC” by 18 bln tenge (USD 40 mln).

EBITDA

EBITDA for the first half of 2023 amounted to 1,116 bln tenge (USD 2,470 mln), down 19.9% compared to 1,393 bln tenge (USD 3,095 mln) mainly due to a decrease in the segment of oil and gas exploration and production by 25.0%. The reduction was due to a decrease in the average Brent price for crude oil.

Adjusted EBITDA

Adjusted EBITDA, reflecting dividends received from joint ventures and associates, instead of share in income of joint ventures and associates, amounted to 891 bln tenge (USD 1,971 mln), showing a decrease of 8.2%.

Net profit

The Company's net profit decreased in comparison with the first half of 2022 by 36.6% and amounted to 492 bln tenge (USD 1,088 mln).

Net profit adjusted for share in profit of JVs and associates

Net profit adjusted for the share in profit joint ventures and associates decreased by 24.3% from 352 bln tenge (USD 782 mln) to 266 bln tenge (USD 589 mln).

Cost of purchased oil, gas, oil products and other materials

The cost of purchased oil, gas, oil products and other materials in the reporting period decreased by 23.3% and amounted to 2,162 bln tenge (USD 4,786 mln). The decrease in cost was largely due to a reduction in the cost of purchased oil for resale due to a decrease in the average oil price.

Operating expenses

Operating expenses increased by 19.8% and amounted to 590 bln tenge (USD 1,307 mln) largely due to the increase in salary costs for employees in the regions of presence and costs for short-term leases.

Transportation and distribution costs amounted to 120 bln tenge (USD 265 mln), up 21.7% compared to the first half of 2022. An increase in costs was mainly due to an increase in the volume of sales of petroleum products of KMG International as well as due to an increase in the sales volume of KMG Kashagan B.V.

General and administrative expenses increased by 5.9% and amounted to 72 bln tenge (USD 160 mln) due to an increase in payroll costs.

Taxes other than income tax decreased by 11.4%, amounted to 282 bln tenge (USD 625 mln), mainly due to a decrease in the cost of rent tax on crude oil export and mineral extraction tax due to lower oil prices.

Finance costs remained unchanged, amounting to 157 bln tenge (USD 346 mln).

Impairment of property, plant and equipment and intangible assets

As of 30 June 2023, due to the impairment indicators presence, in particular, increased refining margins volatility in the oil and gas market, KMG International conducted an impairment test for property, plant and equipment and intangible assets and recorded a loss of 95.0 bln tenge.

In addition, in June 2023, a fire broke out at a light hydrocracking unit at the Petromidia refinery, a subsidiary of KMG International. An impairment loss of property, plant and equipment in the amount of 3.7 bln tenge was recorded based on the results of the assessment.

The total amount of loss from impairment of fixed assets for the KMG group amounted to 98.9 bln tenge.

Capital expenditures

The Company's capital expenditures (accrual basis, disclosed in segment reporting) amounted to 301 bln tenge (USD 667 mln), an increase of 57.9% mainly due to well drilling expenditures in Ozenmunaigas JSC, Embamunaigas JSC, KMG Karachaganak LLP and replacement of the section of the pipelines "Uzen-Atyrau-Samara", the reconstruction and expansion of the "Astrakhan-Mangyshlak" main water pipeline.

Free cash flow

Free cash flow amounted to 217 bln tenge (USD 481 mln) compared to 571 bln tenge (USD 1,268 mln) in the first half of 2022. The decrease was associated with a decrease in oil prices in the period, as well as an increase in capital expenditures.

Debt management

Debt indicators

| Name of the indicator | UoM | 30 June 2023 | 31 Dec. 2022 | % |
|------------------------------|------------------|---------------------|---------------------|--------------|
| Bonds | bln tenge | 3,020 | 3,282 | -8.0% |
| Loans | bln tenge | 957 | 862 | +11.0% |
| Gross debt | bln tenge | 3,977 | 4,143 | -4.0% |

Numbers may not add up due to a rounding.

Total debt as of 30 June 2023 was 3,977 bln tenge (USD 8,788 mln), a decrease in tenge by 4.0% and by 1.9% in US dollar terms compared to 31 December 2022.

In the first half of 2023, the increase in KMG loans was mainly associated with the attraction of a syndicated loan in the amount of USD 310 mln (equivalent to 140 bln tenge) by KMG International for the working capital financing.

In order to reduce the debt burden, in April 2023, KMG carried out a full early repayment of Eurobonds due in 2025 in the amount of USD 500 mln.

Net debt

Net debt as of 30 June 2023 was 2,255 bln tenge (USD 4,983 mln), an increase in tenge by 5.2% and in US dollar terms by 7.6% in comparison to the volume as of 31 December 2022.

Cash and cash equivalents

Consolidated cash and cash equivalents including deposits

| Name of the indicator | UoM | 30 June 2023 | 31 Dec. 2022 | % |
|---|------------------|---------------------|---------------------|---------------|
| Cash and cash equivalents | bln tenge | 1,070 | 763 | +40.2% |
| Short-term deposits | bln tenge | 593 | 1,178 | -49.7% |
| Long-term deposits | bln tenge | 59 | 59 | -0.7% |
| Cash and cash equivalents including deposits | bln tenge | 1,722 | 2,000 | -13.9% |

Numbers may not add up due to a rounding.

Consolidated cash, cash equivalents, including cash in the form of deposits as of 30 June 2023 decreased by 13,9% % compared to the indicator as of 31 December 2022 and amounted to 1,722 bln tenge (USD 3,805 mln). In US dollar terms, the indicator decreased by 12,0% compared to USD 4,323 mln as of 31 December 2022.

Key corporate events from the beginning of 2023:

- On 9 March 2023, Standard&Poor's rating agency confirmed the Company's rating at BB+, revising the outlook to stable, which reflects the agency's rating action in relation to Kazakhstan (the rating was confirmed at BBB-, the forecast was revised to stable).
- In 26 April 2023, KMG made a full early repayment of Eurobonds due in 2025 in the amount of USD 500 mln.
- On 27 April 2023, KMG issued bonds in the amount of 50 bln tenge with a term of 10 years and an interest rate of 0.5% in order to finance the project "Reconstruction and expansion of the main water pipeline "Astrakhan-Mangyshlak" 1st stage".
- On 3 May 2023, the Standard&Poor's rating agency raised the probability of government support from "high" to "very high", the Company's rating remained unchanged.
- On 21 June 2023, KMG issued a guarantee in favor of the Eurasian Development Bank as security for the fulfillment of obligations of Kazakhstan Petrochemical Industries Inc. LLP (the amount of the credit line is USD 150 mln, the loan term is 3 years).
- On 21 June this year, at the Petromidia refinery in Constanta (Romania), a fire broke out at a light hydrocracking unit after special maintenance work was carried out. The firemen managed to localize the fire and take the situation under full control even before the arrival of special vehicles of the Inspectorate for Emergency Situations. Now actions are being taken according to the corrective action plan. The planned launch date of the unit is autumn 2023.
- On 22 June 2023, Fitch Ratings upgraded KMG's credit rating from BBB- to BBB with a stable outlook, against the background of an increase in the rating of creditability. KMG's rating was equated to Kazakhstan's sovereign rating.
- On 26 June 2023, KMG completed the payment of dividends to shareholders for 2022. The total amount of dividends was 300.0 bln tenge. The dividends per common share amounted to 491.71 tenge.

- Since the beginning of 2023, new appointments have been made in the structure of the Board of Directors and the Management Board of KMG. As of August 2023, the Board of Directors of KMG consists of 8 people (Berdigulov Ye.K. – Chairman of the Board of Directors, Oтынshiyev E.M., Karabalin U.S., Mirzagaliyev M.M., Zhubayev A.S., Argingazin A.A., Holland P.M., Mynsharipova S.N.), the Management Board of KMG consists of 9 people (Mirzagaliyev M.M. – Chairman of the Management Board, Abdulgafarov D.Ye., Zakirov B.K., Lavrenov V.S., Makeyev D.S., Aryssova D.A., Brekeshev S.A., Kudaibergenov K.M., Khasanov D.K.).
- After the reporting period, on 3 July 2023, due to an accident at the 1st power unit of the Mangistau Nuclear Power Plant (MAEK), the Atyrau Refinery was shut down. As a result of the power outage, all process units at the Atyrau Refinery were safely shut down. To prevent an emergency and ensure the safety of personnel, according to the accident elimination algorithm, hydrocarbon gas from all units was sent to the flare. As the supply of electricity from external networks stabilized, the process units of the plant began to be brought to a stable mode, and already on 6 July, the Atyrau Refinery was restarted.
- In general, during recent years, there has been an increase in the number of emergency power outages at KMG fields by MAEK, which negatively affects the production volumes of upstream assets: Ozenmunagas, Mangistaumunaigas, Embamunaigas, Karazhanbasmunai.

For further information, please visit
<https://www.kmg.kz/ru/investors/reporting/>

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About JSC National Company KazMunayGas:

JSC National Company KazMunayGas is Kazakhstan's leading vertically integrated oil and gas company, operating assets across the entire production cycle from the exploration and production of hydrocarbons to transportation, refining and specialised services. Established in 2002, the Company represents the government's interests in the national oil and gas industry.

KMG's main assets are as follows:

Upstream: Ozenmunaigas (OMG) – 100%, Embamunaigas (EMG) – 100%, Kazakhturkmunai (KTM) – 100%, KazMunayTeniz – 100%, Urikhtau (UO) – 100%, Mangistaumunaigaz (MMG) – 50%, Kazgermunai (KGM) – 50%, Karazhanbasmunai (KBM) – 50%, KazakhOil Aktobe (KOA) – 50%, Petrokazakhstan Inc (PKI) – 33%, Tengizchevroil (TCO) – 20%, Kashagan – 16.88%, Karachaganak (KPO) – 10%.

Midstream: KazTransOil – 90%, Kazakhstan China Pipeline (KCP) – 50%, Munai Tas – 51%, Batumi Oil Terminal – 100%, CPC – 20.75%, Kazmortransflot – 100%.

Downstream: Pavlodar refinery – 100%, Atyrau refinery – 99.53%, Shymkent refinery – 49.72%, KMG International – 100%, Petromidia refinery – 54.63%, Vega refinery – 54.63%, Petromidia refinery – 54.63%, Vega refinery – 54.63%, KazRosGas – 50%, Kazakhstan Petrochemical Industries Inc. – 49.5%, Silleno – 49.9%