



**Semi - Annual report of National Company KazMunayGas JSC
for the six months ended 30 June 2023**

Astana, 2023

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Company overview

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

As of 30 June 2023, KMG is owned by Sovereign Wealth Fund Samruk-Kazyna Joint-Stock Company (87.42%), the National Bank of Kazakhstan (9.58%), and 3% are in free float.

The Company retained its leading position in terms of oil production, transportation and refining in Kazakhstan.

KMG, realising that its activities are directly related to the use of natural resources, recognizes its responsibility to society for the rational use of these resources and the preservation of a favorable environment.

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, KazRosGas – 50%, Kazakhstan Petrochemical Industries Inc. – 49.5%, Silleno – 49.9%

For further information, please visit: www.kmg.kz

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Key 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 4Q 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, Otyunshiyev 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, Mangistaumunaigaz, Embamunaigaz, Karazhanbasmunai.

Operating results

Key operating results for the first half of 2023 compared to the first half of 2022:

- Oil and gas condensate production increased by 10.1% and amounted to 11,860 thous. tonnes;
- Oil transportation volumes increased by 5.8% and amounted to 39,309 thous. tonnes;
- Hydrocarbons refining volumes at the Kazakh and Romanian refineries are increased by 4.0% and amounted to 10,109 thous. 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%

Operating results are represented in accordance with KMG's ownership interest in joint ventures and associates and 100% of results for consolidated subsidiaries, unless otherwise stated.

Upstream

Oil and gas condensate production volume for the first half of 2023 amounted to 11,860 thous. tonnes (494 kbopd) representing an increase of 10.1%. Production volume of associated and natural gas raised by 16.5% to 4,789 mln m³.

Oil and condensate production, thous. tonnes	1H 2023 (net to KMG)	1H 2022 (net to KMG)	%
OMG	2,474	2,501	-1.1%
MMG	1,538	1,474	+4.3%
EMG	1,325	1,267	+4.6%
Tengiz	2,981	2,867	+4.0%
Kashagan ¹	1,536	601	+155.4%
Karachaganak	549	549	+0.1%
Others	1,457	1,514	-3.8%
Total	11,860	10,774	+10.1%

Oil production at Tengiz increased by 4.0% compared to the production volume for the same period last year and amounted to 2,981 thous. tonnes (131 kbopd). The growth is associated with changes in production targets, as well as production restrictions last spring due to the incidents with CPC. Associated gas production increased by 3.6%, amounting to 1,656 mln m³.

A significant increase in oil production at Kashagan is associated with an increase in KMG's share in the project from 8.44% to 16.88% as a result of the completion of a deal to buy back a 50% stake in KMG Kashagan B.V. from Samruk-Kazyna JSC in September last year, as well as with the planned overhaul of the offshore and onshore complexes carried out in June 2022 and the launch of the upgraded 2 sour gas injection compressors, launched in August and September last year. Oil and gas production at Kashagan net to KMG amounted to 1,536 thous. tonnes (67 kbopd) and 976 mln m³, respectively, showing an increase of 155.4% and 162.2%, respectively.

¹ KMG's share in the project increased to 16.88% after 15 September 2022

Oil and condensate production at Karachaganak remained almost unchanged at 549 thous. tonnes (24 kbopd). Gas production increased by 5.6% and amounted to 1,109 mln m³, the increase in sour gas production with the unchanged oil and condensate production was due to an increase in the gas factor at the field.

The volume of oil and condensate production at operating assets increased by 0.5% to 6,794 thous. tonnes (272 kbopd). The increase in oil and condensate production occurred at the Embamunaigas and Mangistaumunaigas fields due to successfully completed geological and technical activities for drilling, well workover and hydraulic fracturing. At the same time, a decrease in the level of production was observed in Kazgermunai on the back of a natural decline in production due to the maturity of its deposits. Gas production decreased by 3.8% to 1,047 mln m³ mainly due to a decrease in well efficiency at Kazakhturkmunai following a fouled line between wells and receiving units.

Midstream

The total volume of oil trunk pipelines and sea transportation increased by 5.8% to 39,309 thous. tonnes.

Oil transportation ¹ , thous. tonnes	1H 2023 (100%)	1H 2023 (net to KMG)	1H 2022 (net to KMG)	%
KazTransOil	21,353	21,353	19,959	+7.0%
Kazakhstan-China Pipeline	9,287	4,644	4,864	-4.5%
MunaiTas ²	2,731	1,393	1,337	+4.2%
Caspian Pipeline Consortium	32,210	6,684	6,325	+5.7%
Kazmortransflot	5,235	5,235	4,673	+12.0%
Total	-	39,309	37,157	+5.8%

¹ Part of the volume of oil can be transported by two or three pipeline companies, and correspondingly these volumes are counted more than once in the consolidated volume of oil transportation.

² Munaitas is an equity-consolidated joint venture and transportation volumes are quoted at a 51% ownership interest.

The volume of oil transportation through trunk pipelines increased by 4.9% and amounted to 34,073 thous. tonnes. The main growth was due to an increase in the volumes of Kashagan and Tengiz through the KazTransOil system in the direction of Samara and the CPC system, as well as the oil transportation in the direction of the Aktau port.

The total volume of maritime oil transportation increased by 12.0% to 5,235 thous. tonnes, the increase in the reporting period was mainly due to the restoration of the volume of oil transported through the CPC in the direction of the Midia port (Romania) through the Black Sea.

Trading

Sales volumes of KMG's own produced oil and gas condensate increased by 12.5% and amounted to 12,164 thous. tonnes, of which 65.3% was exported.

Supplies of own produced oil and gas condensate volumes to cover the needs of the domestic market amounted to 4,215 thous. tonnes, including deliveries of crude oil from operating assets (Ozenmunaigas, Embamunaigas, Kazakhturkmunai and Urikhtau Operating) in the amount of 2,515 thous. tonnes to Atyrau, Shymkent and Pavlodar refineries for further oil refining and sales of oil products.

Downstream

Hydrocarbon refining, thous. tonnes	1H 2023 (net to KMG)	1H 2022 (net to KMG)	%
Atyrau refinery	2,881	2,681	+7.5%
Pavlodar refinery	2,772	2,839	-2.4%
Shymkent refinery ¹	1,380	1,518	-9.1%
Caspi Bitum ¹	201	211	-4.5%
Petromidia	2,681	2,310	+16.1%
Vega	193	163	+18.5%
Total	10,109	9,721	+4.0%

¹ Shymkent refinery and Caspi Bitum refining volumes are indicated at a share of 50%

The total volume of hydrocarbon processing increased by 4.0% compared to the same period in 2022 and amounted to 10,109 thous. tonnes:

- The volume of hydrocarbon refining at Kazakhstani refineries slightly decreased by 0.2% and amounted to 7,234 thous. tonnes. Shymkent and Pavlodar refineries showed decrease in processing volumes due to scheduled preventive repairs in the current year. At the same time, this decrease was offset by an increase in processing volumes by 200 thous. tonnes at the Atyrau Refinery.
- The refining volume at the KMG International refineries (Petromidia, Vega) in Romania increased by 16.2% and amounted to 2,875 thous. tonnes. The increase in refining volumes in the reporting period was due to a long shutdown of the Petromidia refinery for scheduled maintenance of last year and an increase in demand for oil products in the reporting period.

The volume of production of oil products at Kazakh and Romanian refineries increased by 3.9% and amounted to 9,315 thous. tonnes:

- Kazakhstani refineries produced 6,519 thous. tonnes of oil products, which is 0.4% less than in the same period in 2022 due to the shutdown of the Shymkent refinery and Pavlodar refinery for scheduled preventive maintenance;
- Refineries of KMG International (Petromidia, Vega) produced 2,796 thous. tonnes of oil products, which is 15.5% higher than in the same period of last year. The increase in indicators was due to a corresponding increase in refining volumes at the Petromidia refinery.

Financial results

Key financial indicators for the first half of 2023² 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 associates³, 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 ⁴ , average	\$/bbl	79.66	107.94	-26.2%
Dated Urals ⁴ , average	\$/bbl	53.86	84.86	-36.5%
KEBCO ⁴ , 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%
Net profit adjusted for the share in profit of JVs and associates	bln tenge	266	352	-24.3%
EBITDA ⁵	bln tenge	1,116	1,393	-19.9%

² 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)

³ 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.

⁴ Source: S&P Global Platts. The start of quotations for KEBCO oil from 06/06/2022.

⁵ 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.

Adjusted EBITDA ⁶	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 ⁷	bln tenge	217	571	-61.9%
Gross debt ⁸	bln tenge	3,977	4,143 ⁹	-4.0%
Net debt ¹⁰	bln tenge	2,255	2,143 ⁹	+5.2%

Financial results for the first half of 2023 in details

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.

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%.

⁶ 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.

⁷ 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.

⁸ 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.

⁹ Gross debt and Net debt are shown as of December 31, 2022.

¹⁰ 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.

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 risks of the Company

KMG operates in a constantly changing environment.

Some risks may evolve over time and potential impact and likelihood may change in response to internal and external factors.

KMG manages, monitors and reports on key risks and uncertainties that may affect the implementation of the strategy.

There are specific risk factors inherent in the Company that may affect the results of its activities.

Strong volatility of oil prices

Oil prices are volatile and may decline. This directly affects the decline in KMG's financial performance. When oil prices fall, the Company's free cash flow and, accordingly, the ability to pay dividends reduces.

Production decline risk

In recent years, there has been an increase in the number of emergency power outages at KMG fields by MAEK, which negatively affects the production volume of oil producing organisations Ozenmunaigas JSC, Mangistaumunaigaz JSC, Embamunaigas JSC and Karazhanbasmunai JSC. According to preliminary estimates, as of mid-August, since the beginning of 2023, the volume of unreceived oil amounted to 416 thousand tonnes, which implies about 99 billion tenge in the form of unreceived gross income of these companies from the export sales of oil and shortfalls in the budget of the Republic of Kazakhstan.

Risk of lower transportation and sales volumes in the segment of oil exports

If the Company's export routes are curtailed or closed in any way, whether due to technical failures, pollution, security issues, political events, natural disasters, public health threats and global pandemics, or disagreements with the Company's partners, this will, among other things, material adverse effect on exports volumes, which in turn would have a material adverse effect on the Company's business, prospects, financial position, cash flows or results of operations.

At the same time, various additional risk factors affect the Company's activities.

A list of the main risk factors with their description and possible consequences, as well as measures taken to reduce risks and manage risks, are disclosed in the KMG Shares Prospectus and the Company's Annual Report for 2022, which are posted on the Company's website (www.kmg.kz)

Responsibility statement

In accordance with paragraph 29 of Article 14 of the Company's Charter, the Management Board approves KMG's semi-annual report, based on the requirements of the rules of the stock exchanges on which KMG's securities are traded.

The Management Board and each member of the Management Board confirm that they recognise their responsibility for preparing and approving the semi-annual report and financial statements, and consider the semi-annual report and financial statements, taken as a whole, to be fair, balanced and understandable and to provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

Each member of the Board of Directors confirms that to the best of their knowledge:

- the financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the subsidiary undertakings included in the consolidation taken as a whole;
- the report includes a fair review of the development and performance of the business and the financial position of the Company and the subsidiary undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.



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Report on Review of Interim Financial Information

To the Shareholders, Board of Directors and Management of JSC “National Company “KazMunayGas”

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of JSC “National Company “KazMunayGas” and its subsidiaries, which comprise the interim consolidated statement of financial position as at 30 June 2023, the related interim consolidated statement of comprehensive income for the three- and six-month periods then ended, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes (interim financial information). Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information of JSC "National Company "KazMunayGas" and its subsidiaries is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

Ernst & Young LLP



Kairat Medetbayev
Auditor

Auditor qualification certificate
No. МФ-0000137 dated 8 February 2013

050060, Republic of Kazakhstan, Almaty
Al-Farabi ave., 77/7, Esentai Tower

18 August 2023



Olga Khegay
Acting General Director
Ernst and Young LLP

State audit license for audit activities on
the territory of the Republic of Kazakhstan:
series МФЮ-2 No. 0000003 issued by the
Ministry of finance of the Republic of
Kazakhstan on 15 July 2005

Joint Stock Company “National Company “KazMunayGas”

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>In millions of tenge</i>	Note	For the three months ended June 30,		For the six months ended June 30,	
		2023 (unaudited)	2022 (unaudited) (restated)*	2023 (unaudited)	2022 (unaudited) (restated)*
Revenue and other income					
Revenue from contracts with customers	5	2,055,731	2,460,454	3,942,652	4,642,395
Share in profit of joint ventures and associates, net	6	208,022	273,692	399,719	546,245
Finance income	13	37,496	31,750	75,048	54,288
Other operating income	27	33,705	2,894	39,518	10,038
Total revenue and other income		2,334,954	2,768,790	4,456,937	5,252,966
Costs and expenses					
Cost of purchased oil, gas, petroleum products and other materials	7	(1,130,540)	(1,352,276)	(2,162,262)	(2,817,958)
Production expenses	8	(329,933)	(305,298)	(590,286)	(492,748)
Taxes other than income tax	9	(140,387)	(192,767)	(282,271)	(318,660)
Depreciation, depletion and amortization		(144,026)	(117,660)	(295,894)	(260,375)
Transportation and selling expenses	10	(58,353)	(52,413)	(119,523)	(98,212)
General and administrative expenses	11	(38,913)	(34,836)	(72,087)	(68,093)
Impairment of property, plant and equipment, intangible assets and exploration expenses	12	(138,965)	677	(139,275)	630
Finance costs	13	(79,893)	(70,961)	(156,500)	(156,099)
Foreign exchange gain/(loss), net	2	30,965	(109,546)	23,789	(40,349)
Other expenses		(9,599)	(8,198)	(13,889)	(14,233)
Total costs and expenses		(2,039,644)	(2,243,278)	(3,808,198)	(4,266,097)
Profit before income tax		295,310	525,512	648,739	986,869
Income tax expenses	14	(91,322)	(82,504)	(157,195)	(211,671)
Net profit for the period		203,988	443,008	491,544	775,198

	Note	For the three months ended June 30,		For the six months ended June 30,	
		2023 (unaudited)	2022 (unaudited) (restated)*	2023 (unaudited)	2022 (unaudited) (restated)*
<i>In millions of tenge</i>					
Other comprehensive income/(loss)					
<i>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods</i>					
Hedging effect	23	188	(28,653)	988	(37,120)
Exchange differences on translation of foreign operations		11,467	81,717	(163,517)	642,698
Tax effect		(884)	(5,875)	12,816	(43,693)
Net other comprehensive income/(loss) to be reclassified to profit or loss in the subsequent periods, net of tax		10,771	47,189	(149,713)	561,885
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>					
Actuarial gain on defined benefit plans, net of tax		237	1,642	237	1,642
Actuarial gain/(loss) on defined benefit plans of the joint ventures, net of tax		356	(15)	384	116
Net other comprehensive income not to be reclassified to profit or loss in the subsequent periods, net of tax		593	1,627	621	1,758
Net other comprehensive income/(loss) for the period, net of tax		11,364	48,816	(149,092)	563,643
Total comprehensive income for the period, net of tax		215,352	491,824	342,452	1,338,841
Net profit/(loss) for the period attributable to:					
Equity holders of the Parent Company		243,675	397,780	525,415	754,400
Non-controlling interests		(39,687)	45,228	(33,871)	20,798
		203,988	443,008	491,544	775,198
Total comprehensive income/(loss) attributable to:					
Equity holders of the Parent Company		255,003	446,511	376,281	1,317,639
Non-controlling interests		(39,651)	45,313	(33,829)	21,202
		215,352	491,824	342,452	1,338,841
Earnings per share** – tenge thousands					
Basic and diluted		0.40	0.65	0.86	1.24

* Certain numbers shown here do not correspond to the interim condensed consolidated financial statements for the three and six months ended June 30, 2022 and reflect adjustments made, refer to Note 4

** The number of ordinary shares as of June 30, 2023 and December 31, 2022 equaled to 610,119,493.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In millions of tenge</i>	Note	June 30, 2023 (unaudited)	December 31, 2022 (audited)
Assets			
Non-current assets			
Exploration and evaluation assets		244,029	251,280
Property, plant and equipment	15	6,795,189	6,989,837
Investment property		16,940	17,304
Intangible assets		868,049	918,253
Right-of-use assets		107,686	76,567
Investments in joint ventures and associates	17	5,032,561	4,947,403
VAT receivable		21,910	16,760
Advances for non-current assets		69,693	52,982
Other non-current non-financial assets		4,438	3,713
Loans and receivables due from related parties		121,143	129,857
Other non-current financial assets		9,795	10,672
Long-term bank deposits	16	58,817	59,229
Deferred income tax assets		42,872	41,598
		13,393,122	13,515,455
Current assets			
Inventories		339,413	309,425
Trade accounts receivable	18	634,556	519,537
VAT receivable		54,070	42,697
Income tax prepaid		39,894	36,167
Other current non-financial assets	18	162,066	109,137
Loans and receivables due from related parties	25	52,512	119,874
Other current financial assets	18	87,500	57,057
Short-term bank deposits	16	593,179	1,178,138
Cash and cash equivalents	19	1,069,826	762,817
		3,033,016	3,134,849
Assets classified as held for sale		384	459
		3,033,400	3,135,308
Total assets		16,426,522	16,650,763

<i>In millions of tenge</i>	Note	June 30, 2023 (unaudited)	December 31, 2022 (audited)
Equity and liabilities			
Equity			
Share capital		916,541	916,541
Additional paid-in capital		1,142	1,142
Other equity		(771)	(1,759)
Currency translation reserve		4,058,869	4,209,612
Retained earnings		5,039,664	4,809,455
Attributable to equity holders of the Parent Company		10,015,445	9,934,991
Non-controlling interests		(97,460)	(61,541)
Total equity		9,917,985	9,873,450
Non-current liabilities			
Borrowings and bonds	20	3,524,351	3,775,891
Lease liabilities	21	96,147	65,872
Other non-current financial liabilities	23	15,336	15,080
Provisions	22	231,672	210,722
Employee benefit liabilities		66,546	66,096
Other non-current non-financial liabilities	23	38,831	41,548
Deferred income tax liabilities		1,072,102	999,010
		5,044,985	5,174,219
Current liabilities			
Trade accounts payable	23	586,768	564,906
Borrowings and bonds	20	452,205	367,443
Lease liabilities	21	16,608	15,682
Other current financial liabilities	23	120,644	283,717
Provisions	22	28,955	58,107
Employee benefit liabilities		4,837	4,969
Income tax payable		7,696	66,648
Other taxes payable	24	119,986	148,477
Other current non-financial liabilities	23	125,853	93,145
		1,463,552	1,603,094
Total liabilities		6,508,537	6,777,313
Total equity and liabilities		16,426,522	16,650,763
Book value per ordinary share* – tenge thousands		14.833	14.678

* The number of ordinary shares as of June 30, 2023 and December 31, 2022 equaled to 610,119,493. Presentation of Book value per ordinary share is a non-IFRS measure required by KASE.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In millions of tenge</i>	Note	For the six months ended June 30,	
		2023 (unaudited)	2022 (unaudited) (restated)*
Cash flows from operating activities			
Profit before income tax		648,739	986,869
Adjustments:			
Depreciation, depletion and amortization		295,894	260,375
Impairment/(reversal of impairment) of property, plant and equipment, intangible assets and exploration expenses	12	139,275	(630)
Realized losses from derivatives on petroleum products	8	453	78,908
Finance income	13	(75,048)	(54,288)
Finance costs	13	156,500	156,099
Share in profit of joint ventures and associates, net	6	(399,719)	(546,245)
Movements in provisions		(16,788)	20,193
Net foreign exchange loss/(gain)		(20,802)	61,439
(Recovery)/write off of inventories to net realizable value		5,213	8,976
(Gain)/loss on disposal of property, plant and equipment, intangible assets, investment property and assets held for sale, net		(135)	793
Other adjustments		3,215	2,844
Operating profit before working capital changes		736,797	975,333
Change in VAT receivable		(17,294)	5,456
Change in inventory		(42,890)	(121,785)
Change in trade accounts receivable and other current assets		(158,560)	(375,645)
Change in trade and other payables and contract liabilities		97,793	261,251
Change in other taxes payable		(54,004)	41,657
Cash generated from operating activities		561,842	786,267
Dividends received from joint ventures and associates	17	174,464	123,038
Income taxes paid		(101,933)	(55,378)
Interest received		63,623	17,997
Interest paid	20, 21	(126,403)	(110,443)
Net cash flow from operating activities		571,593	761,481

		For the six months ended June 31,	
		2023	2022
<i>In millions of tenge</i>	Note	(unaudited)	(unaudited) (restated)*
Cash flows from investing activities			
Placement of bank deposits		(920,765)	(620,949)
Withdrawal of bank deposits		1,476,515	454,519
Purchase of property, plant and equipment, intangible assets and exploration and evaluation assets		(354,116)	(190,691)
Proceeds from sale of property, plant and equipment, exploration and evaluation assets and assets held for sale		1,474	1,382
Additional contributions to joint ventures without changes in ownership	17	(11,050)	(67)
Acquisition of subsidiary	25	(163,770)	-
Loans given to related parties		(1,999)	(33,156)
Repayment of loans due from related parties		13,600	12,958
Proceeds from sale of notes of the National Bank of RK	25	335,047	-
Acquisition of notes of the National Bank of RK	25	(270,047)	-
Other		920	(794)
Net cash flows used in investing activities		105,809	(376,798)
Cash flows from financing activities			
Proceeds from borrowings	20	287,072	108,460
Repayment of borrowings	20	(323,473)	(75,088)
Dividends paid to shareholders	25	(300,002)	(199,997)
Dividends paid to non-controlling interests		(1,515)	(1,003)
Distributions to Samruk-Kazyna		(153)	(1,762)
Contribution from the related party		-	3,742
Other operations	25	(8,962)	-
Repayment of principal portion of lease liabilities	21	(11,903)	(9,839)
Net cash flows from financing activities		(358,936)	(175,487)
Effects of exchange rate changes on cash and cash equivalents		(11,448)	81,822
Change in allowance for expected credit losses		(9)	128
Net change in cash and cash equivalents		307,009	291,146
Cash and cash equivalents, at the beginning of the period		762,817	1,144,193
Cash and cash equivalents, at the end of the period		1,069,826	1,435,339

* Certain numbers shown here do not correspond to the interim condensed consolidated financial statements for the three and six months ended June 30, 2022 and reflect adjustments made, refer to Note 4.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>In millions of tenge</i>	Attributable to equity holders of the Parent Company					Total	Non- controlling interests	Total
	Share capital	Additional paid-in capital	Other equity	Currency translation reserve	Retained earnings			
As at December 31, 2021 (audited)	916,541	1,142	10,113	3,738,581	5,439,811	10,106,188	(89,282)	10,016,906
Net profit/(loss) for the period (restated)*	-	-	-	-	754,400	754,400	20,798	775,198
Other comprehensive (loss)/income (restated)*	-	-	(37,120)	598,501	1,858	563,239	404	563,643
Total comprehensive (loss)/income (restated)	-	-	(37,120)	598,501	756,258	1,317,639	21,202	1,338,841
Acquisition of joint ventures (Note 4)	-	-	-	-	(91,175)	(91,175)	-	(91,175)
Dividends (Note 25)	-	-	-	-	(199,997)	(199,997)	(1,927)	(201,924)
Distributions to Samruk-Kazyna (Note 25)	-	-	-	-	(9,690)	(9,690)	-	(9,690)
Transactions with Samruk-Kazyna	-	-	-	-	(1,905)	(1,905)	-	(1,905)
As at June 30, 2022 (unaudited) (restated)	916,541	1,142	(27,007)	4,337,082	5,893,302	11,121,060	(70,007)	11,051,053

* Certain numbers shown here do not correspond to the interim condensed consolidated financial statements for the three and six months ended June 30, 2022 and reflect adjustments made, refer to Note 4.

<i>In millions of tenge</i>	Attributable to equity holders of the Parent Company					Total	Non-controlling interests	Total
	Share capital	Additional paid-in capital	Other equity	Currency translation reserve	Retained earnings			
As at December 31, 2022 (audited)	916,541	1,142	(1,759)	4,209,612	4,809,455	9,934,991	(61,541)	9,873,450
Net profit for the period	-	-	-	-	525,415	525,415	(33,871)	491,544
Other comprehensive income/(loss)	-	-	988	(150,743)	621	(149,134)	42	(149,092)
Total comprehensive income/(loss)	-	-	988	(150,743)	526,036	376,281	(33,829)	342,452
Dividends (<i>Note 25</i>)	-	-	-	-	(300,002)	(300,002)	(1,500)	(301,502)
Distributions to Samruk-Kazyna	-	-	-	-	(45)	(45)	-	(45)
Other operations (<i>Note 25</i>)	-	-	-	-	(17,925)	(17,925)	-	(17,925)
Transactions with Samruk-Kazyna (<i>Notes 20 and 25</i>)	-	-	-	-	22,145	22,145	-	22,145
Reserve for put option of non-controlling interest holder of a subsidiary	-	-	-	-	-	-	(590)	(590)
As at June 30, 2023 (unaudited)	916,541	1,142	(771)	4,058,869	5,039,664	10,015,445	(97,460)	9,917,985

The full version of KMG's financial statements for the three and six months ended 30 June 2023 is available on the Company's website (www.kmg.kz)