

24 November 2020

## JSC NC KazMunayGas announces financial results for the nine month of 2020

**Nur-Sultan, 24 November 2020** - Joint-stock National Company KazMunayGas (“**KMG**” or “**Company**”), Kazakhstan's vertically integrated oil and gas company, published its interim condensed consolidated financial statements for the nine months of 2020, prepared in accordance with IAS 34, *Interim Financial Reporting* with independent auditor's report on review of interim financial information.

*Dauren Karabayev, Deputy Chairman for Economics and Finance:*

*“Decline in oil prices, the COVID-19 pandemic, OPEC+ production curtailment led to lower financial indicators in the reporting period compared to the same period last year. However, financial results are better than we originally expected in early 2020. KMG achieved positive free cash flow for the nine months of 2020 despite negative external factors. This was mainly thanks to the Company's anti-crisis strategy for 2020-2021, under which costs were reduced. KMG also continued implementation of measures to maintain financial stability. In October, we successfully placed a 12.5-year Eurobond issue totaling USD 750 mln. The net proceeds were used for the early redemption of Eurobonds originally due in 2022 and 2023”.*

### Financial Highlights for the nine months of 2020<sup>1</sup>:

- Revenue amounted to 3,334 bln tenge (USD 8,147 mln), down by 35.0% year-on-year;
- EBITDA<sup>2</sup> decreased by 43.2% year-on-year to 851 bln tenge (USD 2,081 mln);
- The Company's net profit decreased by 82.8% year-on-year to 136 bln tenge (USD 333 mln). Net profit for the period attributable to Equity holders of the Parent Company amounted to 223 bln tenge (USD 545 mln);
- FCF<sup>3</sup> was positive at 146 bln tenge (USD 357 mln);
- The Company's net debt<sup>4</sup> amounted to USD 6,217 mln as of 30 September 2020, having increased by 0.7% compared to USD 6,171 mln at the end of 2019;
- Total debt was at USD 9,867 mln as of 30 September 2020, down by 1.6% compared to 31 December 2019.

	UoM	9M2020	9M2019	%
Dated Brent, average	\$/bbl	41.06	64.59	-36.4%
Exchange rate, average	KZT/USD	409.23	381.52	7.3%
Revenue	bln tenge	3,334	5,128	-35.0%
Share in profit of JVs and associates	bln tenge	323	639	-49.4%

<sup>1</sup> The amounts were converted to the US dollars for user convenience at average exchange rates in corresponding periods (average rates for the nine months of 2020 and 2019 were at 409.23 and 381.52 USDKZT, respectively; exchange rates at the end of periods - as of 30 September 2020 and 31 December 2019 were at 431.82 and 382.59 USDKZT, respectively).

<sup>2</sup> The Company calculates EBITDA as “Revenue + Share in profit of JVs and associates, net – Cost of purchased oil, gas, petroleum products and other materials – Production expenses – G&A expenses – Transportation and selling expenses – Taxes other than income tax.

<sup>3</sup> The Company calculates FCF as “CFO - TCO prepayments, net – Capex (cash basis) + Proceeds from the loan previously provided to Caspian Pipeline Consortium”.

<sup>4</sup> The Company calculates Net debt as “Noncurrent borrowings + Current borrowings – Cash & cash equivalents – Short-term bank deposits – Long-term bank deposits”.

Net profit	bln tenge	136	794	-82.8%
Net profit/(loss) attributable to Equity holders of the Parent Company	bln tenge	223	832	-73.2%
EBITDA	bln tenge	851	1,498	-43.2%
FCF	bln tenge	146	349	-58.1%
Net Debt <sup>5</sup>	bln tenge	2,685	2,361 <sup>6</sup>	13.7%
Gross debt	bln tenge	4,261	3,838 <sup>3</sup>	11.0%

### Operating results for the nine months of 2020<sup>7</sup>:

- Oil and condensate production decreased by 6.6% year-on-year to 16,423 thous.tonnes;
- Oil and gas transportation segment showed a decrease of 5.9% and 14.7%, and amounted to 55,225 thous. tonnes of oil and 63,448 mln m<sup>3</sup> of gas, respectively;
- Refining volumes at Kazakh and Romanian refineries decreased by 14.4% to 13,081 thous. tonnes.

	9M 2020	9M 2019	%
Oil production, thous. tonnes	16,423	17,593	-6.6%
Gas production, mln m <sup>3</sup>	6,173	6,227	-0.9%
Oil transportation, thous. tonnes	55,225	58,696	-5.9%
Gas transportation, mln m <sup>3</sup>	63,448	74,369	-14.7%
Oil refining, thous. tonnes	13,081	15,281	-14.4%

For more information, please see the Trading Update for the nine months of 2020: <http://ir.kmg.kz/ru>.

### Financial Highlights for the nine months of 2020

#### Revenue and other income

Revenue for the nine months of 2020 amounted to 3,334 bln tenge (USD 8,147 mln), having decreased by 35.0% year-on-year. The negative impact on revenue dynamics was mainly attributable to a decrease in average Brent crude oil price of 36.4% year-on-year, lower volumes of oil trading and sales of petroleum products at KMG International (KMG I), which was slightly offset by weakening of the average exchange rate of tenge vs. the US dollar by 7.3%. Revenue from export sales of Kazakh gas decreased by 9.8% to 452 bln tenge (USD 1,104 mln), mainly due to a decrease in gas export volumes and selling prices for gas exports to China.

Earnings from shares in the profit of joint ventures and associates decreased by 49.4% year-on-year to 323 bln tenge (USD 790 mln), mainly attributable to lower earnings from shares in the profit of Tengizchevroil LLP (TCO), JSC Mangistaumunaigas (MMG), KazRosGas LLP (KazRosGas), KMG Kashagan B.V (Kashagan), and the Beineu-Shymkent Gas Pipeline (BSGP). The earnings from shares in the profit of TCO and MMG decreased by 65.4% and 81.3% year-on-year, amounting to 108 bln tenge (USD 264 mln) and 12 bln tenge (USD 30 mln), respectively,

<sup>5</sup> Net Debt as of 30 September 2020 does not include guaranteed obligations on a syndicated loan of Beineu-Shymkent Gas Pipeline (BSGP) in the amount of 249 bln tenge (USD 576 mln), guaranteed obligation on a loan of JSC "AstanaGas KMG" in the amount of 1.9 bln tenge (USD 4.3 mln), lease liabilities in the amount of 52 bln tenge (USD 120 mln); and Net Debt as of 31 December 2019 does not include guaranteed obligations on a syndicated loan of BSGP in the amount of 262 bln tenge (USD 684 mln), guaranteed obligation on a loan of JSC "AstanaGas KMG" in the amount of 1.9 bln tenge (USD 4.9 mln) and lease liabilities in the amount of 47 bln tenge (USD 123 mln).

<sup>6</sup> As of 31 December 2019

<sup>7</sup> Production results are based on KMG's operating share, particularly, production volumes in accordance with KMG's share in JVs and associated companies and 100% volumes in consolidated subsidiaries.

reflecting lower average oil prices, and lower production volumes. The earnings from share in Kashagan's loss amounted to 9 bln tenge (USD 23 mln) due to lower oil prices, higher depreciation and amortization expenses in cost of sales, higher selling expenses. This was partially offset by an increase in oil production. The earnings from shares in the profit of KazRosGas and BSGP decreased, reflecting a recognition of foreign exchange losses amidst the weakening of tenge vs. the US dollar.

#### *Costs and other expenses*

Cost of purchased oil, gas, petroleum products for further sale and the cost of refining crude oil in the reporting period decreased by 44.7% year-on-year to 1,623 bln tenge (USD 3,967 mln). The decrease was due to lower cost of purchased oil for resale, lower cost of oil for refining, and lower oil prices, which was partially offset by the weakening of tenge vs. the US dollar. The cost of purchased oil for resale decreased by 48.3% year-on-year to 955 bln tenge (USD 2,333 mln). The cost of oil for refining slid by 57.5% year-on-year to 217 bln tenge (USD 530 mln).

Production expenses in the nine months of 2020 increased marginally year-on-year to 545 bln tenge (USD 1,331 mln).

Taxes other than income tax decreased by 40.8% year-on-year to 204 bln tenge (USD 499 mln), mainly due to lower rent tax on crude oil export, export customs duty, and mineral extraction tax amidst a decrease in oil prices.

Finance costs for the nine months of 2020 amounted to 202 bln tenge (USD 494 mln), down by 17.7% year-on-year. The decrease was mainly attributable to lower interest on bank overdrafts and short-term loans, as well as the early fulfillment of obligations under the TCO crude oil prepayment agreement at the end of 2019.

#### *Impairment of assets*

Amidst significant changes in market prices in the nine months of 2020, weighted by concerns over the COVID-19 pandemic and its impact on the economy, assumptions on Brent crude oil price, forecasted refinery margins, exchange rate and inflation were revised during impairment testing. KMG recognized an impairment in the total amount of 227 bln tenge (USD 556 mln) in the interim consolidated statement of comprehensive income for the nine months of 2020. This includes asset impairment of KMG International at 159 bln tenge (USD 389 mln), JSC Embamunaigas at 60 bln tenge (USD 148 mln) and others at KZT 8 bln (USD 20 mln).

#### *Net profit*

In the reporting period, the Company's net profit decreased by 82.8% year-on-year to 136 bln tenge (USD 333 mln) due to a decrease in average oil price, a decrease in revenues, share in the profit of JVs and associates, and a recognition of asset impairment. This was partially offset by a decrease in cost of purchased oil, gas, petroleum products and taxes other than income tax.

Net income for the period attributable to the Equity holders of the Parent Company amounted to 223 bln tenge (USD 545 mln).

## *Debt*

Total debt was at 4,261 bln tenge (USD 9,867 mln) as of 30 September 2020, up by 11.0% compared to 31 December 2019 (in the US dollar terms: a decrease of 1.6%). Total debt including guarantees<sup>8</sup> was at 4,511 bln tenge (USD 10,447 mln) as of 30 September 2020, up by 10.0% (in the US dollar terms: a decrease of 2.5%) from 31 December 2019.

The 423 bln tenge increase in gross debt reflects the impact of the foreign exchange rate on the US Dollar-denominated bonds and loans. Gross debt in the US dollar terms decreased by 1.6% to USD 9,867 mln as of 30 September 2020 from USD 10,030 mln at year-end 2019. In January 2020, Atyrau Refinery received a long-term loan in tenge from DBK in the amount of 46 bln tenge (equivalent of USD 113 mln) to refinance a foreign currency loan received from The Export-Import Bank of China, which was obtained to fund new oil refining facilities. In May 2020, KTG made early partial redemption of Eurobonds with the nominal amount of USD 43.68 mln (18 bln tenge), paying in cash USD 41 mln (17 bln tenge) at discounted price.

Consolidated cash and cash equivalents, including deposits were at 1,576 bln tenge (USD 3,650 mln), having increased by 6.7% from 31 December 2020. The increase in cash and cash equivalents was mainly due to positive net cash flow from operating activities at KZT 401 bln (USD 981 mln) and effects of exchange rate changes on cash and cash equivalents at KZT 101 bln (USD 247 mln). In dollar terms, consolidated cash and cash equivalents decreased by 5.4% to USD 3,650 mln from USD 3,859 mln on 31 December 2019.

As a result of the above, KMG's net debt amounted to 2,685 bln tenge as of 30 September 2020 (USD 6,217 mln), which is 13.7% higher compared to 31 December 2019 in tenge terms (in the US dollar terms: an increase of 0.7%).

### *Key corporate events from the beginning of 2020:*

- On 27 March 2020, S&P Global ratings affirmed its "BB" rating and revised its outlook on KMG from "stable" to "negative" on the back of lower oil prices;
- On 27 March 2020, Fitch affirmed its rating at the level "BBB-" with a Stable Outlook;
- In May 2020, KTG made an early partial redemption of its guaranteed bonds due in 2027 for the nominal value of USD 43.68 mln;
- After announcing dividends for 2019 in May 2020 in accordance with the decision of Samruk-Kazyna and the National Bank of Kazakhstan, KMG paid dividends in a full amount of 82 bln tenge (USD 200 mln). This includes dividends to Samruk-Kazyna in the amount of 74 bln tenge (USD 181 mln), and dividends to the National Bank of Kazakhstan in the amount of 8 bln tenge (USD 19 mln);
- In October, KMG successfully placed new 12.5-year USD 750 mln Eurobonds with the net proceeds were used to fund the early redemption of outstanding Eurobonds due 2022 and 2023 for the nominal amount of USD 906.6 mln;
- On 16 November 2020, KTG, VTB Bank and SO JSC VTB Bank (Kazakhstan) JSC signed a loan agreement for the amount of USD 200 mln equivalent of Russian rubles. The funds will be used to refinance the liabilities provided by ING Bank, Citibank N.A., Mitsubishi UFJ Financial Group, Inc., Société Générale and Mizuho Bank Ltd. in 2018.

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<sup>8</sup> The nominal value of guaranteed obligations.

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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:** Tengizchevroil (TCO) - 20%, Karachaganak (KPO) - 10%, Kashagan - 8.44%<sup>9</sup>, Ozenmunaigas (OMG) - 100%, Mangistaumunaigas (MMG) - 50%, Embamunaigas (EMG) - 100%, Kazgermunai (KGM) - 50%, Petrokazakhstan Inc (PKI) - 33.0%, Karazhanbasmunai (KBM) - 50%, KazakhOil Aktobe (KOA) - 50%, KazakhTurkmunai (KTM) - 100%, KazMunayTeniz - 100%.

**Midstream:** KazTransOil - 90% (Kazakhstan China Pipeline (KCP) - 50%, Munai Tas - 51%, Batumi Oil Terminal - 100%), CPC - 20.75%<sup>10</sup>, Kazmortransflot - 100%, KazTransGas - 100% (ICA - 100%, AGP - 50%, KTG Aimak - 100%, BSGP - 50%, KazRosGas - 50%).

**Downstream:** Pavlodar refinery - 100%, Atyrau refinery - 99.53%, Shymkent refinery - 49.72%, KMG International - 100% (Petromidia refinery - 54.63%, Vega refinery - 54.63%).

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<sup>9</sup> In October 2015, KMG sold 50% of its shares in Kashagan to Samruk-Kazyna with a call option to buy back shares at any time between 2020 and 2022. KMG and Samruk-Kazyna own 16.88% in total.

<sup>10</sup> 19% through the KMG itself and 1.75% through Kazakhstan Pipeline Ventures (KPV), the Group's subsidiary.