

JSC NC KazMunayGas announces 2020 FY financial results

Nur-Sultan, 15 March 2021 – Joint-stock (JSC) National Company (NC) KazMunayGas (“**KMG**” or **Company**), Kazakhstan's national vertically integrated oil and gas company, published its consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) for 2020 with an independent auditor's report.

Dauren Karabayev, Deputy Chairman for Economics and Finance:

«Year 2020 was a test for resilience, through which the Company went well. Significant impact on financial results came from such factors as decline in oil prices, production restrictions under the OPEC+ agreement, and the coronavirus pandemic. However, the promptly taken measures in response to the external challenges enabled the Company to achieve results better than we expected in early 2020. This time KMG was better prepared for the cyclical downturn in oil prices. In 2020, the Company managed to ensure a positive free cash flow, maintain its credit ratings, and avoid any breach of financial covenants or increase in debt».

Key financial indicators for 2020¹:

- Revenue amounted to 4,556 bln tenge (USD 11,019 mln) in 2020, compared to 6,859 bln tenge in 2019;
- EBITDA was at 1,151 bln tenge (USD 2,785 mln), compared to 1,963 bln tenge in 2019;
- The Company's net profit amounted to 172 bln tenge (USD 416 mln) in 2020, compared to 1,158 bln tenge in 2019. Net profit attributable to shareholders of the parent company for the period amounted to 273 bln tenge (USD 661 mln);
- FCF amounted to 88 bln tenge (USD 213 mln), compared to 592 bln tenge in 2019;
- The Company's net debt was at USD 6,162 mln as of 31 December 2020, having decreased by 0.2% from USD 6,171 mln at the end of 2019;
- Total debt decreased by 3.4% to USD 9,690 mln as of 31 December 2020 compared to 31 December 2019.

	UoM	2020	2019	%
Dated Brent ¹ , average	\$/bbl	41.84	64.21	-34.8%
Exchange rate, average	KZT/USD	413.46	382.87	8.0%
Revenue	bln tenge	4,556	6,859	-33.6%
Share in profit of JVs and associates, net	bln tenge	511	828	-38.3%
Net profit	bln tenge	172	1,158	-85.2%
Net profit attributable to shareholders of the Parent Company	bln tenge	273	1,197	-77.2%

¹ The amounts were converted to US dollars for user convenience at average exchange rates for respective periods (average USDKZT for 2020 and 2019 were at 413.46 and 382.87, respectively; year-end USDKZT as of 31 December 2020 and 31 December 2019 were at 420.91 and 382.59, respectively).

EBITDA ²	bln tenge	1,151	1,963	-41.3%
FCF ³	bln tenge	88	592	-85.1%
Net debt ⁴	bln tenge	2,594	2,361	9.9%
Total debt ⁵	bln tenge	4,078	3,838	6.3%

¹ Source: S&P Global Platts.

² 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.

³ Free Cash Flow = Net cash flow from operating activities (excluding TCO prepayments, net) minus Purchase of property, plant and equipment, intangible assets, investment property and exploration and evaluation assets plus Proceeds from the loan previously provided to Caspian Pipeline Consortium.

⁴ Net debt = Noncurrent borrowings plus Current borrowings minus Cash and cash equivalents minus Short-term bank deposits minus Long-term bank deposits. Guarantees issued are not included in the calculation.

⁵ Total debt = Noncurrent borrowings plus Current borrowings. Guarantees issued are not included in the calculation.

Operating results for 2020:

- Oil and condensate production decreased by 7.9% year-on-year to 21,752 thous.tonnes;
- Oil and gas transportation segment showed a decrease of 6.3% and 16.3%, and amounted to 73,171 thous. tonnes of oil and 86,590 mln m³ of gas, respectively;
- Refining volumes at Kazakh and Romanian refineries decreased by 12.2% to 18,077 thous. tonnes.

	2020 (net to KMG)	2019 (net to KMG)	%
Oil production, thous. tonnes	21,752	23,618	-7.9%
Gas production, mln m ³	8,191	8,455	-3.1%
Oil transportation, thous. tonnes	73,171	78,066	-6.3%
Gas transportation, mln m ³	86,590	103,494	-16.3%
Oil refining, thous. tonnes	18,077	20,589	-12.2%

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

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

Financial Highlights for 2020

Revenue

Revenue amounted to 4,556 bln tenge (USD 11,019 mln) in 2020, down by 33.6% vs. 2019. The negative impact on revenue dynamics was mainly attributable to decrease in average Dated Brent oil price by 34.8% year-on-year, lower volumes of oil sales reflecting production restrictions at certain fields under the OPEC+ agreement, as well as lower volumes of oil trading and sales of petroleum products at KMG International (KMG I). A decrease in revenues was partially offset by the weakening of the average exchange rate of tenge vs. the US dollar by 8.0%.

Share in profit of joint ventures and associates

In 2020, share in the profit of joint ventures and associates decreased by 38.3% year-on-year to 511 bln tenge (USD 1,236 mln), mainly due to lower profits of Tengizchevroil LLP (TCO), JSC Mangistaumunaigas (MMG), and KMG Kashagan B.V (Kashagan). The share in the net profit of TCO and MMG in the reporting period decreased by 58.2% and 79.6% to 173 bln tenge (USD

420 mln) and 17 bln tenge (USD 41 mln), respectively, reflecting lower average oil prices and lower production volumes. The loss from a share in profit of Kashagan was at 7 bln tenge (USD 17 mln) in 2020 due to lower oil prices. Meanwhile, Kashagan's free cash flow was positive at USD 463 mln. In 2020, Ural Group Limited, PetroKazakhstan Inc. and Valsera Holdings B.V. also incurred accounting net losses, amounting to 10 bln tenge (USD 25 mln), 9 bln tenge (USD 21 mln) and 6 bln tenge (USD 15 mln) attributable to KMG's share, respectively.

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

Cost of purchased oil, gas, petroleum products and other materials decreased by 41.8% year-on-year to 2,277 bln tenge (USD 5,507 mln) in the reporting period. The decrease is due to the lower cost of purchased oil for resale, cost of oil for refining, as well as a drop in oil prices. This was partially offset by the weakening of tenge vs. the US dollar. The cost of purchased oil for resale decreased by 46.4% year-on-year to 1,311 bln tenge (USD 3,171 mln). The cost of oil for refining declined by 50.9% year-on-year to 314 bln tenge (USD 758 mln).

Other expenses

In 2020, production expenses increased marginally year-on-year to 741 bln tenge (USD 1,792 mln).

General and administrative expenses decreased by 20.5% year-on-year to 170 bln tenge (USD 412 mln).

Taxes other than income tax slid by 40.7% year-on-year to 270 bln tenge (USD 652 mln) mainly due to a decrease in rent tax on crude oil export, export customs duty and mineral extraction tax following a fall in oil prices.

In 2020, finance costs were at 298 bln tenge (USD 720 mln), down by 6.3% year-on-year. The decrease is mainly attributable to the early fulfilment of obligations under the TCO crude oil prepayment agreement.

Impairment of assets

Amidst significant changes in market prices, weighed by concerns over the COVID-19 pandemic and its impact on the economy, assumptions on oil prices, projected refinery margins, production volumes, exchange rate and inflation were revised during impairment testing. In 2020, KMG recognized an impairment in the total amount of 244 bln tenge (USD 589 mln) in the consolidated statement of comprehensive income. This includes asset impairment of KMG I at 162 bln tenge (USD 393 mln), JSC Embamunaigas at 60 bln tenge (USD 146 mln), Sunkar, Barys and Berkut self-propelled barges at 10 bln tenge (USD 25 mln) and others at 11 bln tenge (USD 25 mln).

Net profit

In the reporting year, the Company's net profit slid by 85.2% year-on-year and amounted to 172 bln tenge (USD 416 mln) due to a decrease in prices, a decrease in revenues and share in the profit of joint ventures and associates, as well as impairment of assets, which was partially offset by lower cost of purchased oil, gas, petroleum products and other materials, as well as taxes other than income tax.

Net profit for the year attributable to shareholders of the Parent Company amounted to 273 bln tenge (USD 661 mln).

Capital expenditures

In 2020, the Company's capital expenditures (on accrual basis, segment reporting) amounted to 454 bln tenge (USD 1,098 mln), down by 10.1% compared to 2019. This mainly reflects a decrease in capital expenditures in the segment "Exploration and production of oil and gas" by 35% year-on-year to 168 bln tenge (USD 405 mln).

Total debt

Total debt was at 4,078 bln tenge (USD 9,690 mln) as of 31 December 2020, having increased in tenge terms by 6.3% compared to 31 December 2019 (in the US dollars terms: decrease by 3.4%). Total debt including guaranteed obligations² amounted to 4,308 bln tenge (USD 10,234 mln) as of 31 December 2020, having increased by 5.0% in tenge terms (in the US dollar terms: decrease by 4.5%) vs. 31 December 2019.

An increase in total debt by 241 bln tenge is mainly attributable to the impact of the foreign exchange rate on the US dollar-denominated bonds and loans. Meanwhile, total debt in the US dollar terms decreased by 3.4% to USD 9,690 mln on 31 December 2020 from USD 10,030 mln on 31 December 2019. In January 2020, Atyrau Refinery received a long-term loan in tenge from DBK in the amount of 46 bln tenge 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 a discounted price. In October 2020, Company placed bonds for USD 750 mln (equivalent to 322 bln tenge) at a coupon interest rate of 3.5% per annum and due 2033 with simultaneous early full redemption of bonds due 2022 and 2023 with a nominal value of USD 906.6 mln (equivalent to 392 bln tenge).

Cash and cash equivalents

Consolidated cash and cash equivalents, including deposits increased marginally by 0.6% to 1,485 bln tenge (USD 3,528 mln) as of 31 December 2020 vs. 31 December 2019. The increase in cash and cash equivalents is mainly due to positive net cash flow from operating activities at 447 bln tenge (USD 1,080 mln), and effects of exchange rate changes on cash and cash equivalents at 85 bln tenge (USD 206 mln). Consolidated cash and cash equivalents in the US dollar terms slid by 8.6% to USD 3,528 mln at the end of 2020 from USD 3,859 mln at the end of 2019.

Net debt

As a result of the above, KMG's net debt amounted to 2,594 bln tenge (USD 6,162 mln) as of 31 December 2020, 9.9% higher in tenge terms compared to 31 December 2019 (in the US dollar terms: decrease by 0.2%).

² It includes nominal amounts of guaranteed obligations on a syndicated loan of Beineu-Shymkent Gas Pipeline (BSGP) in the amount of 227 bln tenge (USD 540 mln), guaranteed obligation on a loan of JSC "AstanaGas KMG" in the amount of 1.9 bln tenge (USD 4.4 mln) and lease liabilities in the amount of 62 bln tenge (USD 148 mln).

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;
- In line with the decision of Samruk-Kazyna and the National Bank of Kazakhstan in May 2020, KMG paid dividends in a full amount of 82 bln tenge (USD 198 mln), including dividends to Samruk-Kazyna in the amount of 74 bln tenge (USD 178 mln) and the National Bank of Kazakhstan in the amount of 8 bln tenge (USD 19 mln);
- In October 2020, Company issued eurobonds for USD 750 mln (equivalent to 322 bln tenge) at a coupon interest rate of 3.5% per annum and due 2033 with simultaneous early full redemption of bonds due 2022 and 2023 with a nominal value of USD 906.6 mln (equivalent to 392 bln tenge);
- On 16 November 2020, KTG, VTB Bank and SO JSC VTB Bank (Kazakhstan) JSC signed a loan agreement in Russian rubles for the amount equivalent to USD 200 mln. The funds were used to refinance the loan liabilities, provided by ING Bank, Citibank N.A., Mitsubishi UFJ Financial Group, Inc., Societe Generale и Mizuho Bank Ltd. in 2018;
- On 17 November 2020, KMG Drilling&Services LLP paid the full settlement amount of USD 90.4 mln (equivalent to 39 bln tenge at payment date) in relation to the arbitrage dispute with the Consortium of companies (Ersai Caspian Contractor LLP and Caspian Offshore and Marine Construction LLP);
- On 28 January 2021, S&P Global Ratings affirmed KMG's ratings at "BB" with a negative outlook.

For further information, please visit <http://ir.kmg.kz/ru>

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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 Operating (UO) – 100%, Mangistaumunaigas (MMG) - 50%, Kazgermunai (KGM) - 50%, Karazhanbasmunai (KBM) - 50%, KazakhOil Aktobe (KOA) - 50%, Petrokazakhstan Inc (PKI) - 33%, Tengizchevroil (TCO) - 20%, Karachaganak (KPO) - 10%, Kashagan – 8.44%.

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