

## JSC NC KazMunayGas announces financial results for the first half of 2022

**Nur-Sultan, 23 August 2022** – Joint-stock National Company **KazMunayGas** (“KMG” or Company), Kazakhstan's national vertically integrated oil and gas company, publishes 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 June 30, 2022, 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 2022<sup>1</sup>:

- Revenue increased by 57.3% and amounted to 4,203 bln tenge (USD 9,339 mln) compared to 2,672 bln tenge (USD 6,299 mln) in the first half of 2021;
- EBITDA increased by 49.2% to 1,119 bln tenge (USD 2,486 mln) compared to 750 bln tenge (USD 1,767 mln) in the first half of 2021;
- The Company's net profit in the reporting period increased by 5.0% and amounted to 677 bln tenge (USD 1,504 mln);
- Net profit adjusted for the share in profit of JVs and associates<sup>2</sup> amounted to 156 bln tenge (USD 348 mln) compared to 384 bln tenge (USD 904 mln) in the first half of 2021;
- FCF amounted to 188 bln tenge (USD 417 mln), compared to 291 bln tenge (USD 685 mln) in the first half of 2021;
- Total debt as of June 30, 2022 amounted to 3,935 bln tenge (USD 8,366 mln) compared to the indicator as of December 31, 2021 in the amount of 3,746 bln tenge (USD 8,676 mln);
- The Company's net debt as of June 30, 2022 amounted to 2,292 bln tenge (USD 4,872 mln) compared to the indicator as of December 31, 2021 in the amount of 2,204 bln tenge (USD 5,104 mln).

	UoM	1H 2022	1H 2021	%
Dated Brent <sup>3</sup> , average	\$/bbl	107.94	64.98	66.1%
Dated Urals <sup>3</sup> , average	\$/bbl	84.86	63.59	33.5%
Exchange rate, average	KZT/USD	450.06	424.22	6.1%
Revenue	bln tenge	4,203	2,672	57.3%
Share in profit of JVs and associates, net	bln tenge	644	324	98.5%
Net profit	bln tenge	677	644	5.0%
Net profit adjusted for the share in profit of JVs and associates	bln tenge	156	384	-59.2%

<sup>1</sup> 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 2022 and 2021 were at 450.06 and 424.22 respectively; period-end USD/KZT as of 30 June 2022 and 31 December 2021 were at 470.34 u 431.80 respectively).

<sup>2</sup> Net profit adjusted for the share in profit of JVs and associates = Net profit plus Dividends from JVs and associates minus Share in profit of JVs and associates

<sup>3</sup> Source: S&P Global Platts.

EBITDA <sup>4</sup>	bln tenge	1,119	750	49.2%
Adjusted EBITDA <sup>5</sup>	bln tenge	598	489	22.4%
CAPEX (accrual basis)	bln tenge	164	167	-1.7%
CAPEX (cash basis)	bln tenge	166	153	8.7%
FCF <sup>6</sup>	bln tenge	188	291	-35.4%
Gross debt <sup>7</sup>	bln tenge	3,935	3,746 <sup>8</sup>	5.0%
Net debt <sup>9</sup>	bln tenge	2,292	2,204	4.0%

### Operating results for the first half of 2022<sup>9</sup>:

- The volume of oil and gas condensate production increased by 0.3% and amounted to 10,774 thous. tonnes;
- Oil transportation volumes increased by 0.6%, amounting to 37,157 thous. tonnes;
- Hydrocarbons refining volumes at the Kazakh and Romanian refineries cumulatively increased by 0.2% and amounted to 9,721 thous. tonnes.

Indicator	UoM	1H 2022 (net to KMG)	1H 2021 (net to KMG)	%
Oil production	thous. tonnes	10,774	5,738	0.3%
Gas production	mln m <sup>3</sup>	4,110	4,079	0.8%
Oil transportation	thous. tonnes	37,157	36,949	0.6%
Oil refining	thous. tonnes	9,721	9,704	0.2%

### Financial Highlights for the first half of 2022<sup>11</sup>

#### Revenue

Revenue for the first half of 2022 amounted to 4,203 bln tenge (USD 9,339 mln), which is 57.3% higher than in the first half of 2021.

Revenue dynamics were positively impacted by the increase in the average price of Brent crude oil by 66.1% YoY and the weakening of the average exchange rate of the tenge against the US dollar by 6.1%.

<sup>4</sup> 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.

<sup>5</sup> 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. Adjusted EBITDA for 1H2021 does not include dividends from KazTransGas Joint ventures and Associates.

<sup>6</sup> 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.

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

<sup>8</sup> Gross debt and net debt are as of December 31, 2021.

<sup>9</sup> 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.

<sup>10</sup> Production figures are given in accordance with KMG's share of ownership in shares and associates and 100% of indicators for consolidated subsidiaries. More detailed information is available in the press release on the production results for the first half of 2022 at the link: <https://www.kmg.kz/rus/investoram/reporting-and-financial-result/>.

<sup>11</sup> On March 11, 2021, the Company and Samruk-Kazyna signed a trust management agreement in respect of 100% of the common shares of KazTransGas JSC ("KTG"). On November 9, 2021, the Company transferred 100% of KTG shares to Samruk-Kazyna for 1 tenge and

*the trust management agreement was terminated. The transaction was preceded by the fulfillment of a number of legal and financial conditions, including obtaining approvals from state bodies and KMG's creditors. The last of the conditions was fulfilled on November 8, 2021. Effective from November 8, 2021, KTG has been classified as a discontinued operation. For details, see Note 4 to the Interim Condensed Consolidated Financial Statements for the three months ended 31 March 2022.*

### *Share in profit of joint ventures and associates*

The share of profits of joint ventures and associates for the first half of 2022 more than doubled to 644 bln tenge (USD 1,430 mln), mainly as a result of an increase in profits of "Tengizchevroil" LLP by 202 bln tenge (USD 422 mln), "KMG Kashagan B.V." by 67 bln tenge (USD 144 mln).

### *EBITDA*

EBITDA for the first half of 2022 amounted to 1,119 bln tenge (USD 2,486 mln), an increase of 49.2% compared to 750 bln tenge (USD 1,767 mln) in the first half of 2021, mainly due to an increase in profits in joint venture enterprises and associated companies, in particular, "Tengizchevroil" LLP and "KMG Kashagan B.V."

### *Adjusted EBITDA*

Adjusted EBITDA, reflecting dividends received from joint ventures and associates, excluding share in income of joint ventures and associates, for the first half of 2022 amounted to 598 bln tenge (USD 1,329 mln), showing an increase of 22.4% year by year.

### *Net profit*

The Company's net profit increased by 5.0% from 644 bln tenge (USD 1,519 mln) in the first half of 2021 to 677 bln tenge (USD 1,504 mln) in the first half of 2022.

### *Net profit adjusted for the share in profit of JVs and associates*

The Company's net profit adjusted for the share in profit of JVs and associates decreased by 59.2% from 384 bln tenge (USD 904 mln) to 156 bln tenge (USD 348 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 increased by 73.8% compared to the first half of 2021 and amounted to 2,818 bln tenge (USD 6,261 mln). The increase in production costs was largely due to the increase in the average oil price and the weakening of the average exchange rate of tenge against the US dollar.

### *Operating expenses*

Operating expenses for the first half of 2022 increased by 54.2% compared to the first half of 2021 and amounted to 482 bln tenge (USD 1,071 mln), mainly due to increased losses from oil derivatives of KMG International N.V. and growth of expenses for wages to employees in the regions of presence in general for KMG.

Transportation and distribution costs amounted to 70 bln tenge (USD 155 mln), up to 6.5% compared to the first half of 2021.

General and administrative expenses increased by 17.0% to 67 bln tenge (USD 148 mln), due to an increase in employee salaries.

Taxes other than income tax increased by 53.3% in the first half of 2022 to 291 bln tenge (USD 647 mln), mainly as a result of higher rent tax and MET expenses due to higher oil prices.

Finance costs for the first half of 2022 amounted to 153 bln tenge (USD 341 mln), which is 32.4% more than in the first half of 2021, mainly due to an increase in interest expense on loans and bonds due to the weakening of the average tenge exchange rate, as well as in connection with the write-off of previously recognized costs due to the early repayment of a loan from Eximbank.

### *Capital expenditures*

In the first half of 2022, capital expenditures (on an accrual basis, disclosed in segment reporting) of the Company amounted to 164 bln tenge (USD 364 mln), decreasing by 1.7%.

### *Debt management*

#### **Debt indicators**

	UoM	Jun.30, 2022	Dec. 31, 2021	%
Bonds	bln tenge	2,949	2,706	9.0%
Loans	bln tenge	986	1,040	-5.2%
<b>Gross debt</b>	<b>bln tenge</b>	<b>3,935</b>	<b>3,746</b>	<b>5.0%</b>
Financial guarantee, not included in the consolidation	bln tenge	0	1.6	-100.0%
<b>Gross debt with guarantee obligations</b>	<b>bln tenge</b>	<b>3,935</b>	<b>3,748</b>	<b>5.0%</b>

*Numbers may not add up due to a rounding.*

Total debt as of June 30, 2022 was 3,935 bln tenge (USD 8,366 mln), an increase of 5.0% in tenge compared to December 31, 2021 (a decrease of 3.6% in dollar terms).

In January 2022, Atyrau refinery (ANPZ) made full early repayment of a loan from Eximbank in the amount of USD 604 million (259 billion tenge), including interest. The funds reserved in November 2021 were used for repayment.

In the first quarter of 2022, KMG International N.V. received syndicated loan to finance working capital in the amount of USD 126 mln (56.6 bln tenge).

Due to the increase in the exchange rate (tenge against ruble), there was an increase in the debt from VTB Bank denominated in Russian rubles in terms of dollar and tenge.

### *Net debt*

Net debt as of June 30, 2022 was 2,292 bln tenge (USD 4,872 mln), which is 4.0% higher in tenge than as at December 31, 2021.

## Cash and cash equivalents

### Consolidated cash and cash equivalents including deposits

	UoM	Jun.30, 2022	Dec.31, 2021	%
Cash and cash equivalents	bln tenge	973	976	-0.3%
Short-term deposits	bln tenge	609	511	19.4%
Long-term deposits	bln tenge	60	56	7.8%
<b>Cash and cash equivalents including deposits</b>	<b>bln tenge</b>	<b>1,643</b>	<b>1,542</b>	<b>6.5%</b>

*The numbers may not add up due to rounding.*

Consolidated cash, cash equivalents, including cash in the form of deposits as of June 30, 2022 increased by 6.5% compared to the indicator as of December 31, 2021, and amounted to 1,643 bln tenge (USD 3,494 mln). The increase in cash and cash equivalents was mainly due to the weakening of the tenge against the US dollar. In dollar terms, consolidated cash equivalents decreased by 2.2% to USD 3,494 mln from USD 3,572 mln as of 31 December 2021.

#### *Key corporate events from the beginning of 2022:*

- On 21 January 2022, Atyrau Refinery made full early repayment of the loan from Eximbank in the amount of USD 604 mln (259 bln tenge), including interest.
- Since 15 April 2022, Mirzagaliyev M.M. has been appointed as the Chairman of the Management Board of KMG.
- Since the beginning of 2022, new appointments have been made in the structure of the Board of Directors and the Management Board of KMG. As of June 7, 2022, the Board of Directors of KMG consists of 8 people (Walton K.D. - Chairman of the Board of Directors, Mirzagaliyev M.M., Karabalin U.S., Zhanadil Ye.B., Auganov G.K., Holland F.M., Miller T.G., Khairova A.A.), the Management Board of KMG consists of 8 people (Mirzagaliyev M.M. - Chairman of the Board, Iskaziyyev K.O., Karabaev D.S., Munbaev M.K., Abdulgafarov D.Ye., Kayirdenov A.K., Zakirov B.K., Lavrenov V.S.).
- On 13 June 2022, the Company completed the acquisition of a 49.5% stake in Kazakhstan Petrochemical Industries Inc. LLP, which is implementing a large-scale project for the construction of a polypropylene plant.
- On 20 June 2022, the Company, in accordance with the decision of Samruk-Kazyna JSC and the National Bank of the Republic of Kazakhstan, completed the payment of dividends on KMG shares for 2021 in the amount of 327.80 tenge per share for a total amount of 200 bln tenge.
- On 23 June 2022, KMG opened its representative office in Aktau in order to strengthen work in the region of presence on issues of interaction with local executive bodies, trade unions of KMG subsidiaries and contractors, implementation of projects to ensure employment of the population, control over the execution of production programs, as well as fields development.
- In July 2022, the Company acquired a 49% stake in Petrosun LLP, the main activity of which is the sale of liquefied petroleum gas and petroleum products.

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

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**About JSC National Company KazMunayGas:**

JSC National Company KazMunayGas (KMG) 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 specialized services. Established in 2002, the company represents Kazakhstan's interests in the national oil and gas industry.

KMG's main assets are as follows:

**Upstream:** Ozenmunaigas (OMG) – 100%, Embamunaigaz (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 (Tengiz) – 20%, Karachaganak – 10%, Kashagan – 8.44%.

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

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