

JSC NC KazMunayGas announces financial results for the first quarter of 2022

Nur-Sultan, June 7, 2022 – Joint-stock (JSC) National Company (NC) **KazMunayGas (“KMG” or Company)**, Kazakhstan's national vertically integrated 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 months ended on March 31, 2022, with a report on the results of the review of interim financial information by an independent auditor.

Key financial indicators for the first quarter of 2022¹:

- Revenue for the first quarter of 2022 increased by 64.1% and amounted to 1,957 bln tenge (USD 4,279 mln) compared to 1,192 bln tenge (USD 2,840 mln) in the first quarter of 2021;
- EBITDA increased by 39.5% to 444 bln tenge (USD 971 mln) compared to 318 bln tenge (USD 758 mln) in the first quarter of 2021;
- The Company's net profit in the reporting period increased by 0.5% and amounted to 287 bln tenge (USD 628 mln). Net profit for the period attributable to the shareholders of the parent company amounted to 312 bln tenge (USD 682 mln);
- FCF amounted to -40 bln tenge (USD -88 mln), compared to 35 bln tenge (USD 83 mln) in the first quarter of 2021;
- Total debt as of March 31, 2022 increased by 3.5% and amounted to 3,878 bln tenge (USD 8,317 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 March 31, 2022 amounted to 2,189 bln tenge (USD 4,694 mln) to the indicator as of December 31, 2021 in the amount of 2,204 bln tenge (USD 5,104 mln).

	UoM	1Q 2022	1Q 2021	%
Dated Brent ² , average	\$/bbl	102.23	61.12	67.3%
Dated Urals ² , average	\$/bbl	90.60	60.05	50.2%
Exchange rate, average	KZT/USD	457.41	419.94	8.9%
Revenue	bln tenge	1,957	1,192	64.1%
Share in profit of JVs and associates, net	bln tenge	317	142	122.9%
Net profit	bln tenge	287	286	0.5%
Net profit attributable to shareholders of the Parent Company	bln tenge	312	287	8.8%
EBITDA ³	bln tenge	444	318	39.5%

¹ The amounts were converted to US dollars for user convenience at average exchange rates for respective periods (average USD/KZT for the first quarter of 2022 and 2021 were at 457.31 and 419.94 respectively; period-end USD/KZT as of 31 March 2022 and 31 March 2021 were at 466.31 u 431.80 respectively).

² Source: S&P Global Platts.

Adjusted EBITDA ⁴	bln tenge	179	176	1.7%
CAPEX (accrual basis)	bln tenge	73	52	40.9%
CAPEX (cash basis)	bln tenge	76	82	-6.5%
FCF ⁵	bln tenge	-40	35	-215.7%
Gross debt ⁶	bln tenge	3,878	3,746	3.5%
Net debt ⁷	bln tenge	2,189	2,204	-0.7%

Operating results for the first quarter of 2022⁸:

- The volume of oil and gas condensate production increased by 3.2% and amounted to 5,484 thous tonnes;
- Oil transportation volumes remained almost unchanged, amounting to 18,309 thous tonnes;
- Hydrocarbons refining volumes at the Kazakh and Romanian refineries amounted to 4,662 thous tonnes.

	UoM	1Q 2022 (net to KMG)	1Q 2021 (net to KMG)	%
Oil production	thous. tonnes	5,484	5,314	3.2%
Gas production	mln m ³	2,145	1,986	8.0%
Oil transportation	thous. tonnes	18,309	18,327	-0.1%
Oil refining	thous. tonnes	4,566	4,662	-2.1%

Financial Highlights for the first quarter of 2022⁹

Revenue

Revenue for the first quarter of 2022 amounted to 1,957 bln tenge (USD 4,279 mln), which is 64.1% higher than in the first quarter of 2021.

Revenue dynamics were positively impacted by a 67.3% YoY increase in the average price of Brent crude oil.

³ 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.

⁴ 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.

⁵ 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.

⁶ 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.

⁷ 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.

⁸ 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 quarter of 2022 at the link: <https://www.kmg.kz/rus/investoram/reporting-and-financial-result/>.

⁹ 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 quarter of 2022 more than doubled to 317 bln tenge (USD 693 mln), mainly as a result of an increase in profits of “Tengizchevroil” LLP by 111 bln tenge (USD 242 mln), “KMG Kashagan B.V.” by 36 bln tenge (USD 78 mln), “Mangistau Investments B.V.” by 22 bln tenge (USD 49 mln).

EBITDA

EBITDA for the first quarter of 2022 amounted to 444 bln tenge (USD 971 mln), an increase of 39.5% compared to 318 bln tenge (USD 758 mln) in the first quarter of 2021, mainly due to an increase in profits in joint venture enterprises and associated companies, in particular, “Tengizchevroil” LLP.

Adjusted EBITDA

Adjusted EBITDA, reflecting dividends received from joint ventures and associates, excluding share in income of joint ventures and associates, for the first quarter of 2022 amounted to 179 bln tenge (USD 392 mln), showing an increase of 1.7% year by year.

Net profit

The Company's net income slightly increased from 286 bln tenge (USD 681 mln) in the first quarter of 2021 to 287 bln tenge (USD 628 mln) in the first quarter of 2022.

Net profit for the period attributable to shareholders of the parent company amounted to 312 bln tenge (USD 682 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 101.3% compared to the first quarter of 2021 and amounted to 1,466 bln tenge (USD 3,204 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 quarter of 2022 increased by 32.4% compared to the first quarter of 2021 and amounted to 190 bln tenge (USD 416 mln), mainly due to an increase in electricity costs of KMG International N.V. because of the increase in tariffs and the growth of expenses for wages to employees in the regions of presence in general for KMG.

Transportation and distribution costs amounted to 32 bln tenge (USD 69 mln), up 3.5% compared to the first quarter of 2021.

General and administrative expenses increased by 26.2% to 33 bln tenge (USD 71 mln), due to an increase in employee salaries.

Taxes other than income tax increased by 24.6% in the first quarter of 2022 to 110 bln tenge (USD 240 mln), mainly as a result of higher rent tax and MET expenses due to higher oil prices.

Finance costs for the first quarter of 2022 amounted to 84 bln tenge (USD 183 mln), which is 43.8% more than in the first quarter of 2021, mainly due to the write-off of previously recognized costs due to the early repayment of the loan from Eximbank.

Capital expenditures

In the first quarter of 2022, capital expenditures (on an accrual basis, disclosed in segment reporting) of the Company amounted to 73 bln tenge (USD 159 mln), an increase of 40.9% compared to the same period last year, mainly due to repair work at the Petromidia refinery.

Debt management

Debt indicators

	UoM	Dec.31, 2022	Dec.31, 2021	%
Bonds	bln tenge	2,961	2,706	9.4%
Loans	bln tenge	917	1,040	-11.8%
Gross debt	bln tenge	3,878	3,746	3.5%
Guarantee obligations, not included in the consolidation	bln tenge	0	1.6	-100.0%
Gross debt with guarantee obligations	bln tenge	3,878	3,748	3.5%

Numbers may not add up due to a rounding.

Total debt as of March 31, 2022 was KZT 3,878 bln (USD 8,317 mln), an increase of 3.5% in tenge compared to December 31, 2021 (a decrease of 4.1% in dollar terms) as a result of the depreciation of the tenge against the US dollar. At the same time, on February 18, 2022, the financial guarantee, which was not included in the consolidation of the Company as security for the fulfillment of obligations of AstanaGas KMG JSC, was terminated in the amount of 1.6 bln tenge.

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

In the first quarter of 2022, KMG International N.V. received loans to finance working capital: syndicated loan in the amount of USD 150 mln (68.6 bln tenge), short-term loan from Natixis in the amount of USD 52 mln (24.0 bln tenge) short-term loan from BCP in the amount of 37 mln USD (17.1 bln tenge) a short-term loan from the Bank of Tokyo-Mitsubishi UFJ Ltd in the amount of USD 32 mln (14.7 bln tenge).

Also, in the reporting period, KMG International N.V. repaid a short-term loan from ING Bank NV in the amount of USD 56 mln (25.5 bln tenge).

Net debt

Net debt as of March 31, 2022 was 2,189 bln tenge (USD 4,694 mln), which is 0.7% lower in tenge than as at December 31, 2021.

Cash and cash equivalents

Consolidated cash and cash equivalents including deposits

	UoM	Mar.31, 2022	Dec.31, 2021	%
Cash and cash equivalents	bln tenge	1,057	976	8.3%
Short-term deposits	bln tenge	573	511	12.1%
Long-term deposits	bln tenge	60	56	7.3%
Cash and cash equivalents including deposits	bln tenge	1,689	1,542	9.5%

Consolidated cash, cash equivalents, including cash in the form of deposits as of March 31, 2021 increased by 9.5% compared to the indicator as of December 31, 2021, and amounted to 1,689 bln tenge (USD 4,694 mln). The increase in cash and cash equivalents was mainly due to the depreciation of the tenge against the US dollar. In dollar terms, consolidated cash equivalents increased by 1.4% to USD 3,623 mln from USD 3,572 mln as of 31 December 2021.

Key corporate events from the beginning of 2022:

- On January 21, 2022, Atyrau Refinery made full early repayment of the loan from Eximbank in the amount of USD 604 mln (259 bln tenge), including interest.
- On March 22, 2022, an accident occurred at the marine terminal of the Caspian Pipeline Consortium near Novorossiysk as a result of a severe storm in the Black Sea, as the consequence two out of three remote mooring facilities were damaged. After carrying out the necessary repairs, the terminal began operating normally on April 23, 2022.
- Since April 15, 2022 Mirzagaliyev M.M. has been appointed as the Chairman of the Management Board of KMG.
- On May 6, 2022, the Company, in accordance with the decision of Samruk-Kazyna JSC and the National Bank of the Republic of Kazakhstan, declared dividends for 2021 in the amount of 327.80 tenge per share for a total amount of 200 bln tenge.
- 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 E.B., Auganov G.K., Holland F.M., Miller T.G., Khairova A.A.), the KMG Management Board consists of 5 people (Mirzagaliyev M.M. - Chairman of the Board, Iskaziyeu K.O., Karabaev D.S., Munbaev M.K., Abdulgafarov D.Ye.).

For further information, please visit

<https://kmg.kz/eng/investoram/reporting-and-financial-result/>

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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%, 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%, 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%).