
KMG exercised a call option to buyback 50% share in KMG Kashagan B.V. from JSC «Samruk-Kazyna»

On September 15, 2022, JSC NC «KazMunayGas» (the «KMG») used the right under the Share Option Agreement concluded in 2015 and acquired from JSC Samruk-Kazyna (the «Fund») a 50% share in KMG Kashagan B.V. for 3.8 billion US dollars, which owns 16.88% in the North Caspian Production Sharing Agreement (the Kashagan project).

«This acquisition is one of the largest transactions for KMG in recent years. As a result of the increase in the share in the Kashagan project, KMG's consolidated production, EBITDA, net profit and assets will improve. At the same time, the company's debt will also increase. It is planned that payment for the acquisition will be made at the expense of cash flows of KMG Kashagan B.V.» Deputy Chairman of the Management Board of KMG Dauren Karabayev said.

In 2015 KMG sold a 50% share in KMG Kashagan B.V. to the Fund in order to use the proceeds to reduce debt in order to prevent breach of the financial covenant «Net Debt / EBITDA \leq 3.5x» in KMG Eurobonds due to a sharp drop in oil prices in those years.

The current buyback was preceded by work targeted to improve the financial stability of KMG, which made it possible to execute this transaction without pressure on credit ratings.

Measures to improve the financial stability during this period included negotiations with minority shareholders and consolidation of the share in JSC KazMunaiGas Exploration and Production, activity on optimizing the covenant package in KMG's public debt and building a long-term debt repayment schedule in accordance with KMG's cash flows. In particular, as a result of a series of transactions with KMG Eurobonds, the financial covenant «Net Debt / EBITDA \leq 3.5x» was completely excluded from the covenant package.

As a result of the work carried out, the total debt of KMG according to the consolidated audited financial statements decreased from US\$ 19.2 billion as of the end of 2014 to US\$ 8.4 billion as of the end of the first half of 2022. Considering the acquisition of the share in KMG Kashagan B.V., the total debt of KMG immediately upon completion of the transaction will amount about 10.7 billion US dollars.

The improvement in KMG's financial standing was also noted by international rating agencies, which upgraded KMG's individual credit ratings during this period.

The 50% share in KMG Kashagan B.V. was earlier subject to a prejudgment attachment, which was lifted by the court of appeal in The Hague, the Netherlands, this year. The subsequent appeal of this decision filed with the Netherlands Supreme Court, cannot affect the buyback of the 50% share by KMG, because the decision of the court of appeal to lift the attachment has immediate effect.

Further details of the transaction will be properly disclosed in KMG's financial statements.