

JSC National Company KazMunayGas Financial results for the first half of 2024

Astana, 23 August 2024 – Joint-stock National Company KazMunayGas (“KMG” or Company), Kazakhstan's national 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 and six months ended on 30 June 2024, with an independent auditor’s report on the results of the review of interim financial information.

Key financial indicators for the first half of 2024¹ compared to the first half of 2023:

- Revenue amounted to 4,239 bln tenge (USD 9,440 mln) compared to 3,943 bln tenge (USD 8,727 mln);
- EBITDA amounted to 977 bln tenge (USD 2,175 mln) compared to 1,115 bln tenge (2,469 mln);
- The Company's net profit including share in income of joint ventures and associates amounted to 550 bln tenge (USD 1,224 mln) compared to 488 bln tenge (USD 1,081 mln);
- Net profit adjusted for share in profit of joint ventures and associates² amounted to 591 bln tenge (USD 1,316 mln) compared to 263 bln tenge (USD 583 mln);
- Free cash flow amounted to 604 bln tenge (USD 1,345 mln) compared to 217 bln tenge (USD 480 mln);
- Gross debt as of 30 June 2024 amounted to 4,009 bln tenge (USD 8,502 mln) compared to 3,757 bln tenge (USD 8,265 mln) as of 31 December 2023;
- The Company's net debt as of 30 June 2024 was at 1,573 bln tenge (USD 3,337 mln) compared to 1,645 bln tenge (USD 3,620 mln) as of 31 December 2023.

Name of the indicator	UoM	6M 2024	6M 2023	%
Dated Brent ³ , average	\$/bbl	84.06	79.66	5.5%
Dated Urals ³ , average	\$/bbl	72.52	53.86	34.6%
KEBCO ³ , average	\$/bbl	84.40	77.74	8.6%
Exchange rate, average	KZT/USD	449.09	451.80	-0.6%
Revenue	bln tenge	4,239	3,943	7.5%
Share in profit of JVs and associates, net	bln tenge	268	400	-32.9%

¹ 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 2024 and 2023 were at 449.09 and 451.80 respectively; period-end USD/KZT as of 30 June 2024 and 31 December 2023 were at 471.46 and 454.56 respectively).

² Net profit adjusted for share in profit of joint ventures and associates = Net profit plus dividends received from joint ventures and associates, minus share of income of joint ventures and associates.

³ Source: S&P Global Platts.

Name of the indicator	UoM	6M 2024	6M 2023	%
Dividends received from JVs and associates, net	bln tenge	310	174	77.4%
Net profit	bln tenge	550	488	12.5%
Net profit adjusted for the share in profit of JVs and associates	bln tenge	591	263	124.5%
EBITDA ⁴	bln tenge	977	1,115	-12.4%
Adjusted EBITDA ⁵	bln tenge	1,018	890	14.4%
CAPEX (accrual basis)	bln tenge	282	301	-6.6%
CAPEX (cash basis)	bln tenge	270	354	-23.9%
Free cash flow ⁶	bln tenge	604	217	178.7%
Gross debt ⁷	bln tenge	4,009	3,757 ⁸	6.7%
Net debt ⁹	bln tenge	1,573	1,645 ⁸	-4.4%

Operating results for the half quarter of 2024¹⁰ compared to the first half of 2023:

- The volume of oil and gas condensate production increased by 1.1% and amounted to 11,989 thous. tonnes;
- Oil transportation volumes increased by 6.2% and amounted 41,733 thous. tonnes;
- The volume of refining of hydrocarbons at Kazakhstani and Romanian refineries amounted 8,902 thous. tonnes compared to 10,109 thous. tonnes.

	6M 2024 (net to KMG)	6M 2023 (net to KMG)	%
Oil production, thous. tonnes	11,989	11,860	+1.1%
Gas production, mln m ³	4,840	4,789	+1.1%
Oil transportation, thous. tonnes	41,733	39,309	+6.2%
Raw hydrocarbon processing, thous. tonnes	8,902	10,109	-11.9%

⁴ 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.

⁵ 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.

⁶ 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.

⁷ 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.

⁸ Gross debt and Net debt are shown as of 31 December 2023.

⁹ 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.

¹⁰ Production results are stated in accordance with KMG's shareholdings in joint ventures and associates and 100% for consolidated subsidiaries. More detailed information is available in the press release on production results for the first half of 2024 at the link:

<https://www.kmg.kz/en/investors/reporting>

Financial Highlights for the first half of 2024

Revenue

Revenue amounted to 4,239 bln tenge (USD 9,440 mln), which is 7.5% higher than in the first half of 2023, mainly due an increase in the volume of KMG International oil sales, as well as an increase in the average price of Brent crude oil by 5.5%

Share in profit of joint ventures and associates

The share in income of joint ventures and associates decreased by 32.9% and amounted to 268 bln tenge (USD 597 mln) mainly as the result of a decrease in profits of “Tengizchevroil” LLP by 121.7 bln tenge (USD 267 mln) due to an increase in depreciation costs due to launch of the Wellhead Pressure Management Project and The Future Growth Project facilities.

EBITDA

EBITDA for the first half of 2024 amounted to 977 bln tenge (USD 2,175 mln), down 12.4% compared to 1,115 bln tenge (USD 2,469 mln) mainly due to a decrease in the Refining segment due to the late launch of the soft hydrocracking unit at Petromidia refinery and the shutdown of the plant for scheduled major overhaul in March of this year.

Adjusted EBITDA

Adjusted EBITDA reflecting dividends received from joint ventures and associates instead of share in income of joint ventures and associates amounted to 1,018 bln tenge (USD 2,267 mln), showing a growth of 14.4%.

Net profit

The Company's net profit increased by 12.5% compared to the first half of 2023 and amounted to 550 bln tenge (USD 1,224 mln). The increase in net profit is mainly due to the growth in revenue and an increase in interest income on bank deposits and financial assets.

Net profit adjusted for share in profit of JVs and associates

Net profit adjusted for the share in profit joint ventures and associates increased by 124.5% from 263 bln tenge (USD 583 mln) to 591 bln tenge (USD 1,316 mln).

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

The cost of purchased oil, gas, petroleum products and other materials in the reporting period increased by 8.2% and amounted to 2,340 bln tenge (USD 5,211 mln). The increase in cost was largely due to an increase in the volume of oil purchased for resale, as well as due to an increase in the average price of oil.

Operating expenses

Operating expenses increased by 8.2% and amounted to 639 bln tenge (USD 1,423 mln) mainly due to the indexation of wage costs for production workers in the regions of presence as well as an increase in transportation costs due to an increase in tariffs and transportation volumes.

Transportation and distribution costs amounted to 132 bln tenge (USD 293 mln), up 10.1% compared to the first half of 2023. The growth was due to an increase in the volume of oil sales by KMG International, as well as an increase in transportation costs due to an increase in tariffs and transportation volumes.

General and administrative expenses increased by 62.7% and amounted to 117 bln tenge (USD 262 mln). The increase was due to the accrual of remuneration to JSC NC "QazaqGaz", a subsidiary of Samruk-Kazyna JSC, for the services of trust management of a 50% stake in KazRosGaz LLP in the amount of 20.95 bln tenge, as well as in connection with the provision of sponsorship assistance to flood victims through Samruk-Kazyna Trust in the amount of 10.0 bln tenge in April-May 2024.

Taxes other than income tax increased by 7.1% to 302 bln tenge (USD 673 mln), mainly due to higher excise tax expenses, mineral extraction tax, and rent tax on crude oil exports due to higher oil prices.

Capital expenditures

The Company's capital expenditures accrual basis (disclosed in the Note "Segment reporting") amounted to 282 bln tenge (USD 627 mln), a decrease of 6.6% mainly due to the completion of reconstruction and expansion of the Astrakhan-Mangyshlak main water pipeline, as well as the completion of the drilling of an exploration well at the Zhenis project.

Dividends received from JVs and associates

Dividends received from joint ventures and associated companies amounted to 310 bln tenge (USD 689 mln) compared to 174 bln tenge (USD 386 mln). This deviation is mainly caused by different payment frequency of dividends of "Tengizchevroil" LLP in the reporting period and last year. The increase was mainly due to dividends paid by TCO in the amount of 68 bln tenge (USD 153 mln), Mangistaumunaigas JSC in the amount of 42.7 bln tenge (USD 95 mln) and dividends paid by "KazRosGas" LLP of 21.0 bln tenge (USD 47 mln).

Free cash flow

Free cash flow increased in comparison with the first half of 2023 by 178.7% and amounted to 604 bln tenge (USD 1,345 mln). The growth was associated with an increase in dividends received from joint ventures and associated companies, as well as with a decrease in capital expenditures.

Debt management

Debt indicators

Name of the indicator	UoM	30 June 2024	31 Dec 2023	%
Bonds	bln tenge	3,372	3,046	10.7%
Loans	bln tenge	637	711	-10.4%
Gross debt	bln tenge	4,009	3,757	6.7%

Numbers may not add up due to a rounding.

Total debt as of 30 June 2024 amounted to 4,009 bln tenge (USD 8 502 mln), an increase in tenge by 6.7% and by 2.9% in US dollar terms compared to 31 December 2023 mainly due to an increase from 3% to 9.3% on the coupon rate of the bonds issued by KMG in favor of Samruk-Kazyna JSC in 2022¹¹.

¹¹ Details are disclosed in the Company's financial statements for the relevant period.

As at 30 June 2024, KMG International received a syndicated loan in the amount of USD 80.5 mln (equivalent to 36.1 bln tenge) under the existing credit line for the working capital financing.

The increase in total debt was partially offset by the full repayment of a loan by KMG International in the amount of USD 59.3 mln (equivalent to 26.6 bln tenge) from Credit Agricole and a partial repayment of a loan from BCP in the total amount of USD 44 mln (equivalent to 19.7 bln tenge). Also, in the reporting period, Atyrau and Pavlodar refineries partially repaid a loan from Development Bank of Kazakhstan JSC in the total amount of 23.7 bln tenge, including interest rates. During the first half of 2024, Atyrau refinery partially repaid the loan from Halyk Bank in the total amount of 19.2 bln tenge.

As at 30 June 2024, based on the notification of the Ministry of Energy of the Republic of Kazakhstan on the termination of the subsoil use contract of the Zhenis project, the Company derecognized the loan received from Lukoil Kazakhstan Upstream LLP (carry-financing) in the amount of 47.9 bln tenge.

Net debt

Net debt as of 30 June 2024 amounted to 1,573 bln tenge (USD 3,337 mln), an increase in tenge by 4.4% and in US dollar terms by 7.8% in comparison to the volume as of 31 December 2023.

Cash and cash equivalents

Consolidated cash and cash equivalents including deposits

Name of the indicator	UoM	30 June 2024	31 Dec 2023	%
Cash and cash equivalents	bln tenge	1,692	1,051	61.0%
Long-term deposits	bln tenge	67	64	4.5%
Short-term deposits	bln tenge	667	997	-32.1%
Cash and cash equivalents including deposits	bln tenge	2,435	2,112	15.3%

Numbers may not add up due to a rounding.

Consolidated cash, cash equivalents, including deposits as of 30 June 2024 increased by 15.3% compared to the indicator as of 31 December 2023 and amounted to 2,435 bln tenge. In US dollar terms, the indicator amounted to USD 5,165 mln and increased by 11.2% compared to the indicator as of 31 December 2023.

Key corporate events from the beginning of 2024:

- On 18 January 2024, in Rome, Italy, KMG and Eni S.p.A. signed the Joint Confirmation Agreement on initiation of the Zhanaozen hybrid power plant construction project. The project provides for construction of wind power plant (77 MW) and solar power plant (50 MW) in collaboration with Eni's subsidiary Plenitude, as well as 120 MW gas power plant in Zhanaozen.
- On 21 February 2024, KMG and Tatneft signed a purchase and sale agreement for 50% shares of Karaton Operating Ltd, a shareholder's agreement and a financing agreement for the Karaton Subsalt project.
- On 11 March 2024, KMG and SOCAR signed the Agreement on phased increase in the volumes of Kazakh oil transit across the territory of the Azerbaijan Republic and the Memorandum of Strategic Cooperation in Sale and Purchase of the Kazakh Oil.
- On 29 March 2024, legal procedures related to Sinopec's entry into the project for the construction of a polyethylene plant with a capacity of 1.25 million tonnes in the Atyrau region was completed,

thus, the share of participants in the project: KMG – 40% (consolidated), SIBUR – 30%, Sinopec – 30%.

- On 28 May 2024, following the results of the annual General Meeting of Shareholders of JSC NC KazMunayGas, Askhat Galimovich Khasenov was appointed Chairman of the KMG Management Board. As of August 2024, the Management Board of KMG consists of 10 people (Khasenov A.G. – Chairman of the Management Board, Iskaziyeu K.O., Abdulgafarov D.Ye., Zakirov B.K., Lavrenov V.S., Makeyev D.S., Aryssova, D.A., Brekeshev S.A., Soyunov N. Dzh. and Balykbaev R.A.)
- On 26 June 2024, KMG completed the payment of dividends to shareholders for 2023. The total amount of dividends was 300.0 bln tenge. The dividends per common share amounted to 491.71 tenge.

Indicators and calculation results are indicated with rounding. However, when comparing periods, exact values were used without rounding. Any possible adjustments related to rounding, in the Company's opinion, should not have a material effect on financial results.

For further information, please visit
<https://www.kmg.kz/en/investors/reporting>

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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%, Dunga – 60%, Ural Oil and Gas (UOG) – 50%, Mangistaumunaigaz (MMG) – 50%, Kazgermunai (KGM) – 50%, Karazhanbasmunai (KBM) – 50%, KazakhOil Aktobe (KOA) – 50%, PetroKazakhstan Inc (PKI) – 33%, Tengizchevroil (Tengiz) – 20%, Karachaganak – 10%, Kashagan – 16.88%.

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

Downstream: Pavlodar refinery – 100%, Atyrau refinery – 99,53%, Shymkent refinery – 49,72%, Caspi Bitum – 50%, KMG International – 100%, Petromidia – 54,63%, Vega – 54,63%, KazRosGas – 50%, Kazakhstan Petrochemical Industries Inc – 49.5%.