



# **JSC NC “KAZMUNAYGAS” MANAGEMENT REPORT ON FINANCIAL AND OPERATING PERFORMANCE**

*for 6 months ended 30 June 2021*



The objective of the following document is to assist in understanding and assessment of the trends and material changes in the Group's operating and financial performance. This overview is based on the Group's interim condensed consolidated financial statements and shall be considered together with the interim condensed consolidated financial statements and related notes. All financial data and their discussion are based on the interim condensed consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS). In accordance with the Group's accounting policies, investments in joint ventures and associates are accounted for using the equity method and, therefore, are not consolidated line by line ("equity method treated enterprises").

All KZT amounts are given in billions, except as otherwise expressly provided for herein. The figures are rounded, however, actual indicators before rounding are taken to calculate rates per unit.

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## 1. GENERAL

JSC NC “KazMunayGas” is a vertically integrated company operating in exploration, production, transportation, refining and marketing of oil and gas, as well as selling crude oil, gas and refined products in Kazakhstan and abroad.

JSC NC “KazMunayGas” is a state-owned oil and gas enterprise of the Republic of Kazakhstan established by Decree No. 811 of the President of the Republic of Kazakhstan dated 20 February 2002 and by Regulation No. 248 of the Government of the Republic of Kazakhstan dated 25 February 2002. JSC NC “KazMunayGas” was established by the merger of National Oil and Gas Company Kazakhoil CJSC and National Company “Oil and Gas Transportation”. As a result of the merger, JSC NC “KazMunayGas” acquired all the assets and liabilities, including stakes in all businesses owned by these companies.

KMG’s shareholders are Samruk-Kazyna SWF JSC (90.42% - 1 share) and the National Bank of Kazakhstan (9.58% + 1 share). The Group produces more than a quarter of Kazakhstan national market of oil and gas condensate and dominates in national oil refining and transportation of oil and natural gas through trunk pipelines.

The Group’s largest and most important contributors to the consolidated business in the reporting period:

- Ozenmunaigas JSC (oil and gas exploration and production);
- Embamunaygas JSC (oil and gas exploration and production);
- KazTransOil JSC (oil transportation);
- KazTransGas JSC (gas transportation and sales);
- KazMunayTeniz JSC (offshore oil operations);
- Atyrau Refinery LLP (crude oil refining);
- Pavlodar Oil Chemistry Refinery LLP (crude oil refining);
- KMG International N.V. (refining and marketing of crude oil and refined products in Romania and countries of the Black Sea and Mediterranean basin);
- Large investment projects:
  - North Caspian Operating Company B.V. (share – 8.44%);
  - Karachaganak Petroleum Operating B.V. (share – 10%);
  - Tengizchevroil (share – 20%).

### Key corporate events:

- On 18 February 2021, the results of the external assessment of KMG’s Internal Audit Service by KPMG Tax and Advisory LLP announced the Company as 100% compliant with the international professional internal audit standards and best world practices;
- On 2 March 2021, KMG and the French company Air Liquide agreed on supply of production technical gases to AR. The project is planned to be implemented through the joint venture of Air Liquide Munay Tech Gases LLP;
- On 11 March 2021, KMG and Samruk-Kazyna SWF JSC signed the trust agreement for 100% of the ordinary shares of KazTransGas JSC.
- On 15 March 2021, during a trilateral meeting, the RoK Minister of Energy, the Chairman of KMG’s Management Board and the President of PJSC LUKOIL signed the minutes of direct negotiations for granting the right to explore and produce hydrocarbons as part of joint development in the Al-Farabi offshore area;
- On 19 May 2021, the RoK Ministry of Energy and KMG signed Contract No.4914-UVS ME for exploration and production of hydrocarbons at the Al-Farabi area located in the Kazakhstan sector of the Caspian Sea;
- On 3 June 2021, during the St. Petersburg International Economic Forum, Samruk-Kazyna SWF JSC, KMG and PJSC SIBUR Holding signed the principal terms and conditions of cooperation within the project of Integrated Gas Chemical Complex Construction in Atyrau Region (stage one – production of polypropylene, stage two – production of polyethylene);
- On 4 June 2021, during the St. Petersburg International Economic Forum, KMG, KTO, Magistralny Vodovod LLP and the Eurasian Development Bank signed the agreement for financing the “Astrakhan – Mangyshlak Water Main Upgrade and Expansion” project;
- On 4 June 2021, during the St. Petersburg International Economic Forum, KMG and PJSC LUKOIL signed the agreement for purchase of 49.99% interest in Al-Farabi Operating LLP’s charter capital.

## Production events

- On 15 January 2021, AR announced release of the first batch of winter diesel fuel Altay-45 with a pour point of minus 45°C;
- On 25 February 2021 in Dubai, KMG and the State Oil Company of the Azerbaijan Republic (SOCAR) agreed to jointly operate the jack-up self-elevating drilling rig Satti in the Azerbaijan sector of the Caspian Sea;
- On 2 March 2021, the RoK Ministry of Energy and KMG signed the agreement to terminate Contract No.2609 dated 21 April 2008 for Raw Hydrocarbon Exploration in Zhambyl Area in the Caspian Sea upon mutual agreement of the parties;
- On 19 March 2021, Karachaganak Petroleum Operating b.v. announced successful completion of the Karachaganak Gas Debottlenecking (KGDBN) Project;
- On 5 April 2021, the agreement was signed for basic cooperation conditions under the Butadiene project implemented by JSC NC "KazMunayGas" and PJSC Tatneft;
- On 3 May 2021, following the testing of appraisal well No. 8 in East Zhetybai, an oil free flow with 21 t/day production rate was produced at horizon U-8 (2102-2104.4 m; 2105.8-2107 m) on a 9 mm connection pipe at 16% water content;
- On 28 May 2021, Petromidia Refinery (Romania) held an opening ceremony for the full-scale construction of a Combined Heat and Power Plant for the needs of Petromidia Refinery;
- On 6 June 2021, the overhaul was completed at Shymkent Refinery. The overhaul was carried out for the first time in 3 years since the upgrade;
- On 16 June 2021, an air cooler ignited in the compressor shop of the Kazakh Gas Processing Plant LLP in the town of Zhanaozen, Mangystau region, no victims or injured.

## Financial events

- On 30 March 2021, KMG's Eurobonds in the total amount of 6.250 bln U.S. dollars were officially listed by the Astana International Exchange;
- On 21 April 2021, KTG announced that the holders of Eurobonds for the amount of 750 mln U.S. dollars at 4.375% annual interest rate to mature in 2027 had approved the amendments to the Eurobond Prospectus relating to the covenant relief (including exclusion of financial covenants);
- On 30 April 2021, S&P Global Ratings confirmed the BB rating of JSC NC "KazMunayGas", outlook negative;
- On 4 May 2021, in accordance with the resolutions of Samruk-Kazyna SWF JSC and The National Bank of the Republic of Kazakhstan, the amount of 49.999 bln tenge, which is 18.3% of the consolidated net revenue of JSC NC "KazMunayGas" attributable to the shareholders following the results of 2020, was decided to be distributed as dividends to the shareholders of JSC NC "KazMunayGas";
- On 3 June 2021, AR LLP and the European Bank for Reconstruction and Development signed the loan agreement for the amount of 80 mln. US dollars to finance the "Treatment and Recirculation of Process Water and Reclamation of Evaporation Fields" project (the TAZALYQ project);
- In the reporting period, AR partially repaid the loan received from The Export Import Bank of China for the amount of 79 mln U.S. dollars and fully repaid the loan received from Development Bank of Kazakhstan JSC for the amount of 142 mln U.S. dollars.
- On 16 June 2021, KMG received approval of the holders of KMG's Eurobonds with maturity in 2025, 2027, 2030, 2047, 2048 to make amendments to ensure conformity with the terms and conditions of KMG's Eurobond issue in 2020 that, among other changes, make the KTG transfer possible.

## 2. KEY MACROECONOMIC FACTORS

The key factors that affected the Company's performance are:

- fluctuations of prices for crude oil and refined products;

- effect of exchange rate changes;
- changes in the tariffs for oil and gas transportation;
- taxation.

Below are the macroeconomic indicators for 6 months of 2021 that have influenced the Group's activities.

Description	UoM	For 6 months ended 30.06.2021	For 6 months ended 30.06.2020	Change	
				absolute	%
End-of-period inflation rate (CPI, % to the corresponding month of the preceding year)	%	108	107	1	0.9
Oil export customs duty	USD/tonne	52	35	17.0	48.6
Monthly Calculation Index (MCI)	KZT	2,917	2,778	139	5.0
Minimum wage amount (MWA)	KZT	42,500	42,500	0	0.0

## 2.1. Changes in the market prices for crude oil and oil products

Crude oil and oil product prices in the international and Kazakh markets have a significant influence on the Company's performance.

Changes in the global oil prices (USD/barrel)	For 6 months ended 30.06.2021	For 6 months ended 30.06.2020	Δ, %
Brent	64.98	40.07	62.17
Urals	63.59	39.20	62.22

Source: Thomson Reuters

The changes in the crude oil prices in the reporting period are associated with a range of global factors, such as the OPEC+ agreements on the production rates in 2021 optimum for all participants, the abnormal cold weather in the USA, the Suez Canal blockage, the increased rate of vaccination against Covid-19 in the world, the increase in the demand for hydrocarbon fuel in the USA along with the reduction of reserves, and other factors.

The price trends of oil products in the international and Kazakh markets are determined by a number of factors, the most important of which are crude oil prices, oil products supply and demand ratio, competition, remoteness of the sales markets from the enterprises that refine oil into end products or petroleum intermediates, and the seasonal shortage/surplus in oil product supplies.

Average global prices for oil products	UoM	For 6 months ended 30.06.2021	For 6 months ended 30.06.2020	Δ, %
Fuel oil	USD/tonne	415	265	56.7
Naphtha	USD/tonne	568	326	74.3
Jet fuel	USD/tonne	544	366	48.7

Average wholesale prices for oil products in RoK*	UoM	For 6 months ended 30.06.2021	For 6 months ended 30.06.2020	Δ, %
AI-95 Gasoline	tenge/t	187,222	177,727	5.3
AI-92 Gasoline	tenge/t	174,222	164,644	5.8
Diesel fuel (summer)	tenge/t	174,222	183,978	-5.3
Jet fuel	tenge/t	184,000	186,995	-1.6

Source: Argus Caspian market of oil products produced at the Kazakh refineries

In the 1<sup>st</sup> half of 2021, the average wholesale market prices for AI-92/AI-95 gasolines in the RoK domestic market grew by 5.6% on average compared to the prices in the corresponding period of 2020. The growth in prices is attributed to the seasonal increase in the consumption of gasolines in the summer.

The average wholesale prices of diesel fuel and jet fuel in the Kazakh domestic market reduced by 5% and 2% respectively in the 1<sup>st</sup> half of 2021 compared to the corresponding period of 2020. The wholesale price dynamics is attributed to reduced business activities and incomplete resumption of air traffic due to the Covid-19 pandemic.

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## 2.2. Change in foreign exchange rate

The change of the KZT-to-USD exchange rate has significantly affected, and is most likely to continue to affect, the consolidated performance of the Company, since a significant share of the Company's revenues from sales of crude oil and refined products is denominated in USD, while a significant portion of the Company's expenses is denominated in KZT. Besides, most of the Company's borrowings and accounts payable are denominated in USD.

	Average exchange rate for the period	As of the end of the period
For 6 months ended 30 June 2021 (Kazakh tenge for 1.00 U.S. dollar)	424.22	427.89
For 6 months ended 30 June 2020 (Kazakh tenge for 1.00 U.S. dollar)	404.71	403.93

Source: exchange rates established following the results of trading at the Kazakhstan Stock Exchange

## 2.3. Oil and gas transportation tariffs

### Oil transportation by trunk pipeline

Since most of the regions of oil production in Kazakhstan are located far from the main sales markets for crude oil and petroleum products, oil companies depend on transportation infrastructure development, as well as on its accessibility.

The Group transports a considerable portion of crude oil volumes to be sold for export and to the domestic market through the Kazakh trunk pipeline system owned by KazTransOil JSC, a subsidiary company. Furthermore, the Group owns 20.75% of the share capital in the Caspian Pipeline Consortium.

Crude oil is transported through the trunk pipelines by the KazTransOil Group under oil transportation services contracts signed by them with consumers in accordance with the standard contract form approved by Order No. 58 of the Minister of National Economy of the Republic of Kazakhstan dated 24 June 2019. These contracts establish rights and obligations of the parties during oil transportation. The Group's oil is transported through the trunk oil pipelines of the KazTransOil Group both to the domestic market and for export in admixture with oil of other producers.

Pursuant to the amendments to the Law of the Republic of Kazakhstan "Amendments to Certain Natural Monopolies and Regulated Markets Legislative Acts of the Republic of Kazakhstan" adopted in May 2015, transportation of oil for the purpose of transit across the Republic of Kazakhstan and export outside the Republic of Kazakhstan is not considered a natural monopoly. KazTransOil JSC issued an Order to approve the following tariffs for oil transportation by the trunk pipelines:

- export outside the Republic of Kazakhstan – 7,358.76 tenge per 1 tonne per 1000 km (excluding VAT), effective since 1 March 2020; the tariff in January-February 2020 was KZT 6,398.92 per 1 tonne / 1,000 km (excluding VAT);
- transit across the Republic of Kazakhstan through the Kazakhstan sector of the trunk pipeline Tuimazy-Omsk-Novosibirsk-2 – 4,292.4 tenge per 1 tonne per 1000 km (excluding VAT), effective since 1 April 2018 (excluding VAT).

In December 2018, the Minister of Energy of the Republic of Kazakhstan (Order No. 545) approved the 2019-2023 cost for transportation of 10 mln tonnes of Russian oil through the Republic of Kazakhstan to the People's Republic of China, from the Russian Federation border to the border of the Republic of Kazakhstan (Priirtyshsk) — Atasu (Kazakhstan) — Alashankou (China) at 15 U.S. dollars/tonne (excl. VAT), including:

- Section border of the Russian Federation – border of the Republic of Kazakhstan (Priirtyshsk) – Atasu (Republic of Kazakhstan), including oil transshipment at the main pump station Atasu – 4.23 U.S. dollars per 1 tonne (excluding VAT); 3.11 U.S. dollars per 1 tonne (excluding VAT) in 2018;
- Section Atasu (Republic of Kazakhstan) – Alashankou (People's Republic of China) – 10.77 U.S. dollars per 1 tonne (excluding VAT); 8.25 U.S. dollars per 1 tonne (excluding VAT) in 2018.

Order No. 71-OD of the Chairman of the Committee for Regulation of Natural Monopolies of the Ministry of National Economy of the Republic of Kazakhstan dated 27 November 2020 approved a tariff estimate and a tariff for 2021-2025 for regulated oil transportation to the domestic market of the Republic of Kazakhstan via the trunk pipeline system of KazTransOil JSC as 4,355.57 tenge/t per 1,000 km (excl. VAT) effective since 1 January 2021. The former tariff was 4,109.5 KZT per 1,000 km (excluding VAT).

### Gas transportation

Gas is transported by the trunk gas pipelines and gas distribution systems by the KazTransGas Group. Trunk gas transportation is ensured by Intergas Central Asia JSC and joint ventures of Asia Gas Pipeline LLP and Beineu-Shymkent Gas Pipeline LLP. Gas transportation via distribution gas pipelines is ensured by KazTransGas Aimak JSC.

### Tariffs for international transit and export of gas

In accordance with May 2015 amendments to the Law on Natural Monopolies, transit and export of gas are no longer subject to governmental regulation. Tariffs for gas transit and export are established on a contractual basis without approval by the Committee for Regulation of Natural Monopolies, Protection of Competition and Consumer Rights of the Ministry of National Economy of the Republic of Kazakhstan.

Effective gas transportation tariffs for transit and export in Q2 2021 were as follows:



- Intergas Central Asia JSC:
  - Transit of gas: 2 U.S. dollars/thousand m<sup>3</sup> per 100 km excl. VAT for PJSC Gazprom and its subsidiaries; 2.9 U.S. dollars/thousand m<sup>3</sup> per 100 km excl. VAT for Uztransgas JSC;
  - Export of gas: 5 U.S. dollars/thousand m<sup>3</sup> per 100 km excl. VAT for Tengizchevroil LLP, KazTransGas JSC;
  - Export of gas: 2 U.S. dollars/thousand m<sup>3</sup> per 100 km excl. VAT for KazRosGas LLP;
- Asia Gas Pipeline LLP — transit and export of gas: 3.58 U.S. dollars/thousand m<sup>3</sup> per 100 km excl. VAT;
- Beineu-Shymkent Gas Pipeline LLP – a single tariff for transportation of gas in the domestic market, gas transit and export: 15,964.4 tenge per 1,000 m<sup>3</sup> per 100 km (excluding VAT);

### ***Tariffs for transportation of gas through the trunk and distribution gas pipelines in the domestic market***

Tariffs for gas transportation in the domestic market are subject to regulation by the Committee for Regulation of Natural Monopolies and Protection of Competition and Consumer Rights, as prescribed by law.

Tariffs for transportation of commercial gas via trunk pipelines to consumers of the Republic of Kazakhstan were approved as follows:

- Intergas Central Asia JSC, since 1 January 2021 – 4,551 tenge/thous.m<sup>3</sup> (excluding VAT);
- Asia Gas Pipeline LLP – 555.5 tenge per 1,000 m<sup>3</sup> per 100 km (excluding VAT);
- Beineu-Shymkent Gas Pipeline LLP – 15,964.4 tenge per 1,000 m<sup>3</sup> per 100 km.

Tariffs for commercial gas transportation by the trunk pipelines of KazTransGas Aimak JSC to consumers in the Republic of Kazakhstan in the reporting period have been approved as follows:

No.	Region	Transportation tariff, tenge/thous. m <sup>3</sup> (excluding VAT)
1.	Zhambyl region	8,665.23
2.	Shymkent	6,248.66
3.	Kyzylorda region	9,083.51
4.	West Kazakhstan region	2,615.37
5.	Aktobe region	5,107.36
6.	Kostanay region	4,669.05
7.	Mangystau region	2,392.59
8.	Atyrau region	1,762.75
9.	East Kazakhstan region	1,550.00
10.	Almaty	4,309.80
11.	Nur-Sultan	4,107.87
12.	Karaganda region	4,107.87

## **2.4. Tariffs for refining**

Starting from 2016, the three major Kazakh refineries (Atyrau Refinery, Pavlodar Refinery, PetroKazakhstan Oil Products) began utilising a new refining model, under which the refineries provide only oil refining services at established rates, and do not buy oil for refining and do not sell refined products. These obligations are now owed by oil suppliers who sell finished refined products independently. Due to the vertically integrated structure of the KMG Group and its new refining business model, each business segment is now able to focus on its specific area of expertise, which ultimately increases the operational efficiency of the entire KMG Group. In the light of KMG's transformation and its transition from a strategic manager of its assets to an operational manager, the refining business model helps refineries focus on the production aspects only, which results in optimised refining operations and reduced costs.

In accordance with Law No. 376-V on Amendments to Certain Entrepreneurship Legislative Acts of the Republic of Kazakhstan dated 29 October 2015, governmental regulation of refining fees was cancelled on 1 January 2017.

The average weighted tariffs effective during the 1<sup>st</sup> half of 2021 are specified below:

Refinery	UoM	6 months of 2021	6 months of 2020	Δ, %
Atyrau Refinery	tenge/tonne	42,345	41,232	2.7
Pavlodar Refinery	tenge/tonne	22,850	20,904	9.3
PKOP	tenge/tonne	34,998	28,059	24.7
CASPI BITUM	tenge/tonne	18,000	20,002	-10.0

## 2.5. Taxation

The table below shows fixed tax rates applicable by the Group in the relevant periods:

Tax	30.06.2021		30.06.2020	Taxable base	
Corporate income tax (CIT)	20%		20%	Taxable income	
Value added tax (VAT)	12%		12%	Sale of goods, works, services	
Property tax	1.50%		1.50%	Average annual book value of taxable items determined by the accounting data	
Land tax	Variable value, the rate depends on the purpose and quality of the land plot		Variable value, the rate depends on the purpose and quality of the land plot	Land plot area	
Environmental charges	Variable value, the rate depends on the type of emissions		Variable value, the rate depends on the type of emissions	Actual volume of emissions within and/or exceeding the limits of environmental emissions	
Export rent tax	0%-32% On a scale linked to the world oil price		0%-32%	Crude oil and oil products export volume	
Mineral extraction tax (MET)	0%-18%		0%-18%	Value of produced crude oil, gas condensate and natural gas	
Excess profits tax (EPT)	0%-60% at a sliding scale of rates		0%-60% at a sliding scale of rates	Portion of the subsurface user’s net income defined as a difference between the total annual income and deductions (in the amount of actual CAPEX for fixed assets) and CIT exceeding an amount of 25% of these deductions. EPT is calculated for each individual subsurface use contract.	
Crude oil and gas condensate excise	0 tenge/tonne		0 tenge/tonne	Amount of crude oil and gas condensate produced and sold	
Excise rates per 1 tonne (tenge) and duties					
	30.06.2021		30.06.2020	Taxable base	
Oil products excise tax	Gasoline (except jet fuel), <u>EAEU FEACN</u> code 2710 12 411 0- 2710 12590 0)	Diesel fuel ( <u>EAEU FEACN</u> code 2710 19310 0- 2710 19 480 0)	Gasoline (except jet fuel), <u>EAEU FEACN</u> code 2710 12 411 0- 2710 12590 0)	Diesel fuel ( <u>EAEU FEACN</u> code 2710 19310 0- 2710 19 480 0)	Produced, sold, and imported oil products
Wholesaling of own gasoline (except jet fuel) and diesel fuel by producers ( <b>December – June</b> )	24,435	540	24,435	540	
Wholesaling of gasoline (except jet fuel) and diesel fuel by individuals and entities	0	0	0	0	
Retailing of own gasoline (except jet fuel) and diesel fuel by producers, utilisation for own operating needs ( <b>December – June</b> )	24,935	600	24,935	600	
Retailing of gasoline (except jet fuel) and diesel fuel by individuals and entities, utilisation for own operating needs	500	60	500	60	
Import	24,435	540	24,435	540	
Transfer of excisable goods specified in sub-clause 5 of Article 462 of the Tax Code, which are the product of toll refining ( <b>December – June</b> )	24,435	540	24,435	540	
Crude oil export duty	On a scale linked to the world oil price		On a scale linked to the world oil price	Export volume	

Mineral extraction tax, rental export tax and export customs duty rates for oil and oil products are tied to the world oil price and change accordingly. If crude oil and gas condensate is sold and/or transferred within the domestic market of the

Republic of Kazakhstan, including sale/transfer in kind towards payment of the mineral extraction tax, rental export tax, royalties and share of the Republic of Kazakhstan under product sharing to the beneficiary on behalf of the State, or, if used for the own operating needs, a 0.5 decreasing factor shall be applied to the established rates.

Mineral extraction tax rate for sour gas is 10%. When sour gas is sold in the domestic market, the mineral extraction tax is paid at the rates depending on the annual production (from 0.5% to 1.5%).

In February 2016, the Ministry of National Economy of the Republic of Kazakhstan introduced a progressive scale of export customs duties for crude oil. According to the new scheme, export duties are calculated based on the average market price of crude oil established on the world Brent and Urals markets. In the range of world oil prices below 25 U.S. dollars per barrel, ECD rate is 0. For world oil price above 25 U.S. dollars per barrel, ECD rate is calculated in accordance with the scale. Rent tax on exports is calculated on a scale of rates when the world oil price exceeds 40 U.S. dollars per barrel.

### 3. GROUP'S OPERATING PERFORMANCE

Operating results	For 6 months ended 30.06.2021	For 6 months ended 30.06.2020	Δ, (+/-)	Δ, %
Oil and condensate production including share in joint ventures (thous. tonnes)	10,738	11,345	-607	-5.3
Gas production, including share in joint ventures (million m <sup>3</sup> )	4,079	4,321	-239	-5.6
Refining of raw hydrocarbons at own refineries and refineries of joint ventures (thousand tonnes)	9,704	8,290	1,414	17.1
Oil transportation by trunk pipelines (thous. tonnes)	31,854	32,434	-581	-1.8
Crude oil circulation (million tonnes* km)	29,571	30,698	-1,126	-3.7
Oil transportation by sea (thous. tonnes)	5,095	4,894	201	4.1
Gas transportation by trunk gas pipelines (million m <sup>3</sup> )	46,411	45,172	1,080	2.7
Gas commodity/transportation operations (bln m <sup>3</sup> *km)	27,667	25,015	2,964	11.0

#### 3.1. Oil and condensate production

Consolidated volume of oil and condensate production (thous. tonnes)	For 6 months ended 30.06.2021	For 6 months ended 30.06.2020	Δ, (+/-)	Δ, %
	10,738	11,345	-607	-5.3
Tengizchevroil LLP (20%)	2,707	2,852	-145	-5.1
Ozenmunaigas JSC (100%) + KazGPP LLP (100%)	2,629	2,746	-118	-4.3
Mangistaumunaigas LLP (50%)	1,445	1,526	-81	-5.3
Embamunaygas JSC (100%)	1,213	1,353	-140	-10.3
KMG Kashagan B.V. (50%)	613	673	-60	-8.9
Karachaganak Petroleum Operating b.v. (10%)	539	562	-23	-4.1
Karazhanbasmunai JSC (50%)	511	506	5	1.0
Kazgermunai JV JSC (50%)	375	417	-42	-10.0
Petrokazakhstan, Inc (33%)	312	343	-30	-8.9
Kazakhturkmunai LLP (100%)	215	209	6	2.7
Kazakhoil-Aktobe LLP (50%)	146	148	-1	-1.0
Urikhtau Operating LLP (100%)	24	0	24	-
KazTransGas JSC (Amangeldy Gas – 100%)	7	8	-1	-16.7

The consolidated volume of oil and condensate production in the 1<sup>st</sup> half of 2021 amounted to 10,738 thous. tonnes, which is 607 thous. tonnes less than the volume produced in the similar period of the previous year. The reduction of oil volumes compared to the similar period in the previous year is mainly demonstrated by OMG, EMG, MMG, TCO and Kashagan, which is associated with the oil production limitations at certain fields established in accordance with the OPEC+ Agreement. Along with that, at the end of 2020, commercial operation of the fields of Urikhtau Operating LLP commenced. Reduction in PKI's and KG's production compared to the actual production in the similar period is due to the natural depletion of reserves.

#### 3.2. Gas production

Consolidated (associated and natural) gas production, million m <sup>3</sup>	For 6 months ended 30.06.2021	For 6 months ended 30.06.2020	Δ, (+/-)	Δ, %
	4,079	4,321	-243	-5.6
Tengizchevroil LLP (20%)	1,505	1,571	-66	-4.2
Karachaganak Petroleum Operating b.v. (10%)	1,003	1,044	-41	-3.9

KMG Kashagan B.V. (50%)	374	406	-32	-7.9
Ozenmunaigas JSC (100%) + KazGPP LLP (100%)	327	391	-65	-16.5
Kazakhoil-Aktobe LLP (50%)	191	179	12	6.9
Mangistaumunaigas LLP (50%)	176	173	2	1.4
KazTransGas JSC (Amangeldy Gas – 100%)	142	172	-30	-17.2
Kazgermunai JV JSC (50%)	107	103	4	4.3
Embamunaygas JSC (100%)	89	117	-28	-23.9
Petrokazakhstan, Inc (33%)	71	75	-4	-5.0
Kazakhturkmunai LLP (100%)	66	76	-10	-13.1
Karazhanbasmunai JSC (50%)	17	14	3	22.4
Urikhtau Operating LLP (100%)	10	0	10	-

The consolidated volume of gas production in the reporting period was 4,079 mln m<sup>3</sup>, which is 243 mln m<sup>3</sup> less than the volume produced in the similar period of the previous year. Reduction of the gas production by OMG, EMG, Kashagan and TCO compared to that of the previous period is associated with the oil production limitations at some fields as established in accordance with the OPEC+ Agreement. In case of Karachaganak, it is explained by an unscheduled shut-down of the gas re-injection compressor for maintenance due to the high ambient air temperature, and in case of KTG, the reduction is due to the natural decrease in production well rates. However, at the end of 2020, commercial operation of the fields of Urikhtau Operating LLP commenced.

### 3.3. Oil transportation by trunk pipelines

The main export pipeline routes for Kazakh oil are:

- Atyrau — Samara pipeline (KazTransOil JSC — 100%);
- Atasu — Alashankou pipeline (KazTransOil JSC — 50%);
- Caspian Pipeline Consortium pipeline (JSC NC “KazMunayGas” - 20.75%).

KazTransOil JSC renders the services of oil transportation in the domestic market and for export, and performs oil transit operations.

	For 6 months ended 30.06.2021	For 6 months ended 30.06.2020	Δ, (+/-)	Δ, %
<b>Consolidated oil transportation by trunk pipelines by companies (thous. tonnes)</b>	<b>31,854</b>	<b>32,434</b>	<b>-581</b>	<b>-1.8</b>
KazTransOil JSC	20,428	21,510	-1,082	-5.0
MunaiTas North-West Pipeline Company LLP (51%)	979	686	293	42.8
Kazakhstan-China Pipeline LLP (50%)	4,211	3,766	445	11.8
Caspian Pipeline Consortium JSC (20.75%)	6,236	6,473	-237	-3.7
<b>Consolidated crude oil turnover (mln t*km)</b>	<b>29,571</b>	<b>30,6989</b>	<b>-1,126</b>	<b>-3.7</b>
KazTransOil JSC	17,182	18,417	-1,235	-6.7
MunaiTas North-West Pipeline Company LLP (51%)	404	260	144	55.5
Kazakhstan-China Pipeline LLP (50%)	3,803	3,486	317	9.1
Caspian Pipeline Consortium JSC (20.75%)	8,181	8,535	-353	-4.1

The consolidated volume of oil transportation through the trunk pipelines in the reporting period amounted to 31,854 thous. tonnes, which is 581 thous. tonnes less than the volume transported in the similar period of the previous year. Reduction of oil transportation through the trunk pipelines is caused by reduced oil volumes fed to the trunk oil pipeline system due to the reduced production in the RoK under the OPEC+ Agreement and the natural reduction of production in Aktobe and Kumkol regions.

### 3.4. Oil transportation by sea

The main routes of oil transportation by sea are:

- Routes in the water area of the Caspian Sea;
- Routes in the water area of the Black and Mediterranean Seas.

Consolidated oil transportation by sea broken down by directions (thousand tonnes)	For 6 months ended 30.06.2021	For 6 months ended 30.06.2020	Δ, (+/-)	Δ, %
	5,095	4,894	201	4.1
Aktau-Makhachkala	328	266	62	23.3
Black Sea	2,016	1,611	405	25.1
Mediterranean Sea	2,751	2,954	-203	-6.9
Makhachkala-Baku	0	63	-63	-

The consolidated volume of oil transportation by sea in the reporting period amounted to 5,095 thous. tonnes, which is 201 thous. tonnes more than the volume transported in the similar period of the previous year. The increase is mostly traced in the Black Sea direction, which is due to the availability of additional volumes at the shippers' disposal. For these purposes, a third-party fleet was engaged to transport oil within the Black Sea.

### 3.5. Gas transportation

Gas is transported: internationally, for exports, to domestic consumers.

Consolidated gas transportation (million m <sup>3</sup> )	For 6 months ended 30.06.2021	For 6 months ended 30.06.2020	Δ, (+/-)	Δ, %
	46,411	45,172	1,239	2.7
International transit	26,634	23,806	2,828	11.8
Gas transportation for export	8,552	11,130	-2,578	-23.1
Gas transportation to domestic consumers	11,225	10,235	990	9.7
<b>Consolidated gas turnover (bln m<sup>3</sup>*km)</b>	<b>27,667</b>	<b>25,015</b>	<b>2,651</b>	<b>11.0</b>
Intergas Central Asia JSC	9,152	8,369	783	9.0
Asia Gas Pipeline LLP (50%)	13,702	12,005	1,697	14.0
Beineu-Shymkent Gas Pipeline LLP (50%)	4,813	4,642	171	4.0

*\*the indicators are adjusted to reflect the actual data*

The total volume of gas transportation in the 1<sup>st</sup> half of 2021 was 46,411 mln m<sup>3</sup> and increased by 1,239 mln m<sup>3</sup> in the reporting period compared to the similar period of the previous year for the following reasons:

- increase of the Turkmenistan gas transit by PJSC Gazprom across the RoK;
- increased transit to the PRC;
- increased gas transportation for domestic consumes due to the higher gas consumption.

### 3.6. Refining of raw hydrocarbons

- Pavlodar Oil Chemistry Refinery (wholly owned by JSC NC "KazMunayGas"): currently, Pavlodar Refinery can refine 6 mln tonnes of oil per year. The refinery yield in the reporting period was 87.19%;
- Atyrau Refinery (99.53% of shares are owned by JSC NC "KazMunayGas"): the design capacity of the refinery is 5.5 mln tonnes per year, refinery yield was 74.63% in the reporting period;
- Shymkent Refinery (PetroKazakhstan Oil Products JSC, 49.72% of shares are owned by JSC NC "KazMunayGas"): the design capacity is 6 mln tonnes per year, the refinery yield was 86.13% in the reporting period;
- CaspiBitum - (50% of shares are owned by JSC NC "KazMunayGas"): a road bitumen plant using heavy Karazhanbas oil. The design capacity is 1.0 mln tonnes per year.

- KMG (Rompetrol Rafinare) includes two refineries, Petromidia and Vega, and the Petrochemicals petrochemical complex (PCC):
  - Petromidia Refinery (wholly owned by Rompetrol Rafinare S.A.), design capacity is 5.0 million tonnes of oil and 1 million tonnes of other raw hydrocarbons annually. The PCC is integrated with the Petromidia Refinery.
  - Vega Refinery (wholly owned by Rompetrol Rafinare S.A.), design capacity is 0.5 mln tonnes per year. Vega Refinery is the only Romanian enterprise specialised in processing alternative raw products (naphtha, heavy hydrocarbon fractions, fuel oil).

Consolidated raw hydrocarbons refining, including the operating share (thousand tonnes)	For 6 months ended 30.06.2021	For 6 months ended 30.06.2020	Δ, (+/-)	Δ, %
	9,704	8,290	1,414	17.1
Atyrau Refinery LLP	2,587	2,633	-46	-1.8
Pavlodar Oil Chemistry Refinery LLP	2,876	2,056	820	39.9
PetroKazakhstan Oil Products LLP (50%)	1,105	1,135	-30	-2.6
CASPI BITUM (50%)	222	196	26	13.0
KMG International N.V. (Petromidia Refinery)	2,726	2,116	611	28.9
KMG International N.V. (Vega Refinery)	188	154	34	22.1

The main causes of changes in the refining volumes:

- AR – the reduction is due to repeated faults in the AR power supply system in the 1<sup>st</sup> half of 2021 on the part of KEGOC JSC, which caused an unscheduled downtime and further repair of the catalyst cracker unit;
- POGR – the increase is related to the short oil delivery to POGR in January 2020 due to the excessive content of chlorine organic compounds in the oil supplied by SNPS-Aktobemunaigas JSC, the preventive maintenance at POGR completed in May 2020, and general reduction of POGR load after introduction of the quarantine in Kazakhstan in 2020 due to the Covid-19 pandemic;
- PKOP – the reduction of oil supplies in the reporting period from the crude oil suppliers in compliance with the RoK MoE plan;
- KMG (Petromidia Refinery) – the increase is associated with the shutdown of Petromidia Refinery for a scheduled overhaul in the period from 15 March to 12 May 2020.

### 3.7. Sales of crude oil, oil products and gas

#### Sales of oil produced by KMG

thousand tonnes	For 6 months ended 30.06.2021			For 6 months ended 30.06.2020		
	Export	Domestic market	Total	Export	Domestic market	Total
Operating assets*	3,150	3,804	6,954	4,147	3,243	7,390
Megaprojects**	3,837	0	3,837	4,055	2	4,057
<b>Total</b>	<b>6,987</b>	<b>3,804</b>	<b>10,791</b>	<b>8,202</b>	<b>3,245</b>	<b>11,447</b>

\* Ozenmunaigas, Embamunaygas, Mangistaumunaigas, Karazhanbasmunai, Kazgermunai, Petrokazakhstan, Inc., Kazakhoil-Aktobe, Kazakhturkmunai, Urikhtau Operating, AmangeldyGas.

\*\* Tengizchevroil, Karachaganak Petroleum Operating b.v., KMG Kashagan B.V.

Oil sales volumes reduced by 655 thous. tonnes in the reporting period compared to the similar period of the previous year due to the general reduction of oil production in compliance with the OPEC+ Agreement.

#### Sale of oil products

In the reporting period, oil products were sold by JSC NC “KazMunayGas”, KazMunayGas-Aero JSC, KMG International N.V.

thousand tonnes	For 6 months ended 30.06.2021	For 6 months ended 30.06.2020	Δ, (+/-)	Δ, %
<b>Wholesale</b>	<b>3,724</b>	<b>3,218</b>	<b>506</b>	<b>15.7</b>
Light oil products	2,400	2,177	223	10.3

Dark oil products	555	534	21	3.9
Petrochemicals	120	157	-37	-23.5
Liquefied gas	159	127	32	25.0
Other	490	223	267	119.7
<b>Retail</b>	<b>719</b>	<b>560</b>	<b>159</b>	<b>28.4</b>
Light oil products	657	514	143	27.9
Liquefied gas	60	45	15	33
Other	2	1	1	84
<b>Total refined product sales</b>	<b>4,443</b>	<b>3,778</b>	<b>665</b>	<b>17.6</b>

### KMG's sales of refined products

thousand tonnes	For 6 months ended 30.06.2021	For 6 months ended 30.06.2020	Δ, (+/-)	Δ, %
<b>Sale of domestic refined products</b>	<b>1,886</b>	<b>1,609</b>	<b>276</b>	<b>17.2</b>
Wholesale	1,886	1,609	277	17.2
Retail sale	0	0	0	-
<b>KMG's sales of refined products</b>	<b>2,557</b>	<b>2,169</b>	<b>389</b>	<b>17.9</b>
Wholesale	1,838	1,608	230	14
Retail sale	719	560	159	28.3
<b>Total</b>	<b>4,443</b>	<b>3,778</b>	<b>665</b>	<b>17.6</b>

The volume of oil product sales increased by 665 thous. tonnes in the reporting period compared to the similar period of 2020, which is mostly due to the larger refined products output in the reporting period compared to the similar period in 2020 when the RoK introduced the quarantine measures due to the Covid-19 pandemic, and POGR experienced supplies shortage due to a lower quality of oil supplied by SNPS-Aktobemunaigas in Q1 2020.

### Gas sales

Natural gas sales are mostly performed by KazTransGas JSC. The company's functions include wholesale purchases of natural gas for the domestic market, transportation of gas through regional gas distribution networks, operation of gas distribution facilities and networks, and sale of natural gas in the domestic market.

KTG gas sales* (million m <sup>3</sup> )	For 6 months ended 30.06.2021	For 6 months ended 30.06.2020	Δ, (+/-)	Δ, %
Export gas sales	3,550	4,224	-674	-16.0
Gas sales to the domestic market	8,605	7,589	1,015	13.4
<b>Total gas sales</b>	<b>12,154</b>	<b>11,814</b>	<b>342</b>	<b>2.9</b>

The total gas sales by KazTransGas JSC amounted to 12,154 mln m<sup>3</sup> in the reporting period, which is 340 mln m<sup>3</sup> more than the sales in the similar period of the previous year. Compared to the indicator of the similar period in the previous year, the growth in the commercial gas sales was achieved due to the sales in the domestic market that were associated with the increased number of gas consumers following gasification of settlements, as well as the growth of gas consumption by industrial enterprises, including through gasification of new industrial enterprises. At the same time, there is a decrease in the volume of gas sales for export in comparison with the same period last year due to the limited acceptance of export gas in China and a drop in the volume of gas sales in the Russian Federation.



## 4. GROUP FINANCIAL PERFORMANCE

### Statement of Profit and Loss

Profit and loss (KZT million)	For 6 months ended 30.06.2021	For 6 months ended 30.06.2020	Δ, (+/-)	Δ, %
<b>Revenue and other income</b>	<b>3,683,250</b>	<b>2,553,670</b>	<b>1,124,358</b>	<b>44.0</b>
Revenue from products sold and services rendered	3,122,119	2,254,095	868,024	38.5
Share in profit of joint ventures and associates, net	481,224	224,280	256,944	114.6
Finance income	46,087	63,531	-17,444	-27.5
Gain on disposal of a subsidiary	2,674	0	2,674	0.0
Other operating income	31,146	11,764	14,160	120.4
<b>Expenses and costs</b>	<b>-2,909,620</b>	<b>-2,501,636</b>	<b>-402,762</b>	<b>16.1</b>
Cost of crude oil, oil products, and other materials purchased	-1,688,978	-1,125,890	-563,088	50.0
Production expenses	-350,777	-363,532	12,755	-3.5
Taxes other than income tax	-197,273	-139,480	-57,793	41.4
Depreciation, depletion and amortisation	-197,394	-180,219	-17,175	9.5
Transportation and selling expenses	-234,198	-222,485	-11,713	5.3
General and administrative expenses	-68,744	-74,818	6,074	-8.1
Impairment of PP&E and exploration and appraisal assets	-3,774	-225,402	221,628	-98.3
Exploration costs	-19,800	0	-19,800	0.0
Impairment of investments in joint ventures and associates	0	-38,000	38,000	-100.0
Finance costs	-137,189	-135,194	-1,995	1.5
Loss from disposal of subsidiaries	-1,351	0	-1,351	-
Other expenses	-9,484	-14,735	10,473	-71.1
Foreign exchange (loss)/gain, net	-658	18,119	-18,777	-103.6
<b>Profit before income tax</b>	<b>773,630</b>	<b>52,034</b>	<b>721,596</b>	<b>1,386.8</b>
Corporate income tax expenses	-129,197	-31,330	-97,867	312.4
<b>Profit for the year from continuing operations</b>	<b>644,433</b>	<b>20,704</b>	<b>623,729</b>	<b>3,012.6</b>
<b>Net profit/(loss)</b>	<b>644,433</b>	<b>20,704</b>	<b>623,729</b>	<b>3,012.6</b>

### 4.1. Income

#### Consolidated revenues from products and services sold

KZT million	For 6 months ended 30.06.2021	For 6 months ended 30.06.2020	Δ, (+/-)	Δ, %
Sales of crude oil and gas	1 750 618	1 273 550	477 069	37,5
Sales of refined products	976 152	615 729	360 424	58,5
Oil and gas transportation services	159 473	147 552	11 921	8,1
Refining of oil and oil products	102 459	92 469	9 990	10,8
Other revenue	133 417	124 795	8 622	6,9
<b>Total income from sales of products and services</b>	<b>3,122,119</b>	<b>2,254,095</b>	<b>868,024</b>	<b>38.5</b>

#### Consolidated sales of products and services

Product and service sale volumes	UoM	For 6 months ended 30.06.2021	For 6 months ended 30.06.2020	Δ, (+/-)	Δ, %
Oil product sales	thousand tonnes	4,586	3,874	712	18.4
Crude oil sales	thousand tonnes	6,648	7,812	-1,164	-14.9

Commercial gas sales	million m <sup>3</sup>	12,637	11,820	818	6.9
Oil transportation by trunk pipeline	thous.tonnes*km	16,958	17,521	-564	-3.2
Gas transportation	million m <sup>3</sup> *km	25,898	25,673	225	0.9
Oil refining	thousand tonnes	3,362	2,992	370	12.4

### Average established estimated prices

Average established estimated prices	UoM	For 6 months ended 30.06.2021	For 6 months ended 30.06.2020	Δ, (+/-)	Δ, %
Oil product sales	tenge per tonne	212,846	158,931	53,915	33.9
Crude oil sales	tenge per tonne	207,953	107,605	100,348	93.3
Commercial gas sales	KZT per thousand m <sup>3</sup>	29,131	36,632	-7,501	-20.5
Oil transportation by trunk pipeline	tenge per tonne	4,565	4,536	29	0.6
Gas transportation	KZT per thousand m <sup>3</sup>	2,904	2,418	485	20.1
Oil refining	tenge per tonne	30,476	30,905	-429	-1.4

The income from sales in the reporting period amounted to 3,122.1 bln tenge and increased by 38.5% compared to the similar period of the previous year. The income structure shows growth in the share of income from the sales of crude oil and refined products.

The main reasons for changes in income by types of activities:

- crude oil and marketable gas sales grew by 37.5% due to a higher weighed average global oil price, such growth was partially outweighed by a lower volumes and average selling price to China, also, no gas was sold to Russia in the reporting period;
- refined products sales grew by 58.5% due to the higher volumes and average petroleum products selling price;
- oil and gas transportation income grew by 8.1% due to an increase in the application for transit of Turkmen gas (Central Asian transit) on the part of Gazprom, as well as an increase in the average exchange rate of Kazakh tenge against the US dollar during the reporting period, which is partially offset by a drop in oil transportation revenues due to a decrease in oil cargo turnover, which is due to a general decrease in oil delivery to the trunk pipeline system due to a decrease in production volumes in Kazakhstan under the OPEC+ agreement;
- refining of oil and oil products - an increase of 10.8% was due to the short supply of oil in 2020 due to a decrease in quality at CNPC-Aktobemunaigas and scheduled preventive maintenance work, in addition, refineries operated at reduced loads due to a decrease in demand in the market of the Republic of Kazakhstan, as well as an increase in refining tariffs in 2021.

## 4.2. Expenses

### Cost of crude oil, oil products, and other materials purchased

KZT million	For 6 months ended 30.06.2021	For 6 months ended 30.06.2020	Δ, (+/-)	Δ, %
Crude oil purchased for resale	1,216,468	652,189	564,279	87%
Cost of oil for refining	251,415	152,979	98,436	64%
Materials and reserves	118,928	94,159	24,769	26%
Gas purchased for resale	85,334	204,652	-119,318	-58%
Oil products purchased for resale	16,833	21,911	-5,078	-23%
<b>Total</b>	<b>1,688,978</b>	<b>1,125,890</b>	<b>563,088</b>	<b>50%</b>

The consolidated cost of crude oil, oil products, and other materials purchased in the 1<sup>st</sup> half of 2021 increased by 50%, or 563 bln tenge, compared to the similar period of 2020.

The growth of the cost of crude oil for resale and refining is associated with the growth of Brent oil's average price (actual price in the 1<sup>st</sup> half of 2021 – 65 U.S. dollars per barrel, actual price in the 1<sup>st</sup> half of 2020 – 40 U.S. dollars per barrel), as well as a higher U.S. dollar exchange rate (actual rate in the 1<sup>st</sup> half of 2021 – 424 tenge for 1 U.S. dollar, actual exchange rate in Q1 2020 – 405 tenge for 1 U.S. dollar).

The increase of expenses on “Materials and Reserves”, mostly in KMGI, is due to the higher prices of other raw materials and supplies for refining, as well as cost of goods at filling stations. Higher costs of POGR and AR are associated with a higher volume of refined materials. Higher costs of Ken-Kurylys-Service LLP are caused by a higher scope of work on pipe replacement in the reporting period.

Reduction of expenses on gas purchased for resale is mostly due to the reduced KTG’s expenses on gas purchase following the reversing of the expenses on Kashagan gas purchase under the resolution of the London Court of International Arbitration. Reduction of expenses is also associated with lower volume of exported gas.

Reduced expenses on oil products purchased for resale are associated with lower sales of oil products due to the reduced demand.

## Production expenses

KZT million	For 6 months ended 30.06.2021	For 6 months ended 30.06.2020	Δ, (+/-)	Δ, %
Payroll expenses	167,965	158,383	9,582	6%
Repair and maintenance services	50,301	50,540	-239	0%
Electric power	44,367	40,318	4,049	10%
Transport costs	22,753	14,865	7,888	53%
Lease expenses	13,572	28,891	-15,319	-53%
Other	51,819	70,535	-18,716	-27%
<b>Total</b>	<b>350,777</b>	<b>363,532</b>	<b>-12,755</b>	<b>-4%</b>

The consolidated production expenses reduced by 4%, or 12.8 bln tenge, in the reporting period compared to the expenses in the similar period of 2020.

Payroll expenses increased by 6%, or 9.6 bln tenge, mostly due to the indexation of remuneration paid to the production personnel as well as the growth of the U.S. dollar exchange rate which is partially offset by staff turnover and the availability of vacant positions.

Higher electric power costs, mostly in KMGI, were associated with the scheduled refinery overhaul in the reporting period of 2020 and the growth of the U.S. dollar exchange rate.

The increase in the transport costs is due to specifying KMGI’s internal logistics costs in this budget item in the reporting period of 2021 and inclusion of such costs in “Other Costs” in the reporting period of 2021. When compared, higher costs are associated with the higher volume of internal logistics of gas and oil products from third parties to the refinery.

Lower lease costs, mostly in KMTF, are mainly due to the completion of the TCO future expansion project. In case of KTG, it is associated with the application of IFRS 16 “Leases” to Saryarka trunk pipeline lease since 01.01.2021 and recognising the costs in the “Depreciation and Amortisation” item.

Reduction of other expenses, mainly of oil producing companies, is associated with the changes in the finished product balance due to the changed macroindicators.

## Taxes other than income tax

KZT million	For 6 months ended 30.06.2021	For 6 months ended 30.06.2020	Δ, (+/-)	Δ, %
Rental tax on crude oil exports	55,583	19,474	36,109	185%
Export customs duty	49,231	41,247	7,984	19%
Mineral extraction tax	41,802	33,070	8,732	26%
Other taxes	50,657	45,689	4,968	11%
<b>Total</b>	<b>197,273</b>	<b>139,480</b>	<b>57,793</b>	<b>41%</b>

The consolidated tax expenses (other than income tax) increased by 41%, or 57.8 bln tenge, in the 1<sup>st</sup> half of 2021 compared to the actual expenses in the similar period of 2020.

The increase of the rental tax and export customs duty due to the higher average rates for these taxes is associated with the higher Brent oil’s price in the world and higher U.S. dollar exchange rate (rental tax rate in the 1<sup>st</sup> half of 2021 – 14%, actual in the 1<sup>st</sup> half of 2020 – 7%; actual ECD in the 1<sup>st</sup> quarter of 2021 – 52 U.S. dollars per tonne, actual rate in the 1<sup>st</sup> half of 2020 – 35 U.S. dollars per tonne). This growth is partially offset by reduced exported oil volumes.

In the Mineral Extraction Tax item, the higher expenses are associated with the growth of the U.S. dollar exchange rate and the average oil price.

The increase in other taxes, mostly excise costs due to the higher production and sales of higher volumes of excisable oil products in the reporting period.

## Transportation and selling expenses

KZT million	For 6 months ended 30.06.2021	For 6 months ended 30.06.2020	Δ, (+/-)	Δ, %
Transportation	212,701	202,496	10,205	5%
Payroll expenses	6,017	5,830	187	3%
Other	15,480	14,159	1,321	9%
<b>Total</b>	<b>234,198</b>	<b>222,485</b>	<b>11,713</b>	<b>5%</b>

The consolidated transportation and selling expenses increased by 5% or 11.7 bln tenge in the reporting period. The increased expenses are mostly associated with KTG, which is due to the higher volume of gas sales in the RoK domestic market. This growth is partially offset by reduction of the transportation expenses due to the lower volume of the exported oil. Higher expenses are also associated with the higher KZT/USD exchange rate.

## General and administrative expenses

KZT million	For 6 months ended 30.06.2021	For 6 months ended 30.06.2020	Δ, (+/-)	Δ, %
Payroll expenses	32,291	34,107	-1,816	-5%
Consulting services	8,034	11,012	-2,978	-27%
Accrual of the provision for expected credit loss on trade receivables	3,857	2,153	1,704	79%
Service costs	3,555	3,548	7	0%
Social payments not included in payroll expenses	2,338	2,934	-596	-20%
Communication services	2,136	1,778	358	20%
VAT not taken as an offset	2,025	2,061	-36	-2%
Short-term lease expenses	1,183	1,127	56	5%
Accrual of the provision for expected credit loss on other current assets	77	1,403	-1,326	-95%
Impairment/(reversal) of VAT refundable	-2,075	490	-2,565	-523%
Other	15,323	14,205	1,118	8%
<b>Total</b>	<b>68,744</b>	<b>74,818</b>	<b>-6,074</b>	<b>-8%</b>

General and administrative expenses amounted to 68.7 bln tenge in the reporting period, which is 6.1 bln tenge less than such expenses in the similar period of the previous year. The main changes in the cost structure were observed in the following items:

Reduction of the payroll expenses, mostly in KMG and KMG's CC, is associated with the optimisation of the organisational structure in the mid-2020, which is partially offset by the higher U.S. dollar exchange rate and the indexation of remuneration paid to the Group's employees in the reporting period;

Reduction of consulting costs, mostly associated with PSA, due to repayment of the debt to Curtis in Q1 2020;

Accrual of the provision for expected credit loss on trade receivables mostly in relation to the KMTF's created provisions in the reporting period of 2021;

Reduction of social payments not included in payroll expenses is associated with the optimisation of the organisational structure in the 2020 midyear which is partially offset by the growth of the compensation payments, including those associated with residential lease for foreign employees, and the delay of the mobilisation and registration processes by KMG-Karachaganak in the reporting period of 2021;

Higher communication expenses with a large scope of services received and new communication stations connected;

Accrual of the provision for expected credit loss on other current assets due to the reorganisation and liquidation of some SDEs;

A decrease in expenses on impairment of VAT refundable mostly in EMG due to the expected VAT refund from the national budget in 2021;

Increased other expenses due to the costs associated with ensuring conformity with the sanitary standards, normal working conditions and safety due to the necessity of taking PCR tests and payment of fines and penalty for EMG's environmental breaches.

### 4.3. Share in profit of jointly controlled entities and associates

KZT million	For 6 months ended 30.06.2021	For 6 months ended 30.06.2020	Δ, (+/-)	Δ, %
Tengizchevroil LLP	199,005	69,514	129,491	186.3
Asian Gas Pipeline LLP	120,824	76,566	44,258	57.8
Caspian Pipeline Consortium	39,321	40,664	-1,343	-3.3
Beineu-Shymkent Gas Pipeline LLP	36,173	24,139	12,034	49.9
KMG Kashagan B.V.	30,798	-11,409	42,207	-369.9
Mangistau Investments B.V.	26,794	4,755	22,039	463.5
KazRosGas LLP	9,165	1,468	7,697	524.3
Kazakhstan-China Pipeline LLP	6,881	4,222	2,659	63.0
PetroKazakhstan Inc.	5,832	7,347	-1,515	-20.6
Valsera Holdings B.V.	4,551	-4,020	8,571	-213.2
KazGerMunay LLP	4,099	8,955	-4,856	-54.2
Kazakhoil-Aktobe LLP	2,737	1,640	1,097	66.9
Teniz Service LLP	-3,096	427	-3,523	-825.1
Ural Group Limited	-5,220	-4,952	-268	5.4
Other joint ventures and associates	3,360	4,964	-1,604	-32.3
<b>Total</b>	<b>481,224</b>	<b>224,280</b>	<b>256,944</b>	<b>114.6</b>

At the end of the 1<sup>st</sup> half of 2021, the share in profit of jointly controlled entities and associates increased by 256.94 bln tenge, or 115%, compared to the similar period of 2020.

The main causes of such increase are as follows:

- oil producing companies – the increase is associated with the higher Brent oil's price (actual price in the 1<sup>st</sup> half of 2021 – 65 U.S. dollars per barrel, actual price in the 1<sup>st</sup> half of 2020 – 40 U.S. dollars per barrel);
- AGP – the growth is associated with the reduction of the negative exchange rate difference, higher income and changes in the U.S. dollar exchange rate (actual rate in the 1<sup>st</sup> half of 2021 – 424 tenge for 1 U.S. dollar, actual rate in the 1<sup>st</sup> half of 2020 – 405 tenge for 1 U.S. dollar), as well as lower financial costs due to the reduction of the principal debt and lower LIBOR rate;
- Beineu-Shymkent Gas Pipeline – the growth is associated with the higher operating income (higher gas transportation volumes), foreign exchange gain, and lower financial expenses;
- Valsera Holdings B.V. – in 2020, due to the abrupt weakening of the U.S. dollar exchange rate, the Company recognised a foreign exchange loss on the currency loans;
- KRG – the growth is associated with the higher prices of gas refined products and exchange rate differences.

At the end of the 1<sup>st</sup> half of 2021, KMG received dividends from the joint ventures and associates in the amount of 121.62 bln tenge, which is 105.48 bln tenge more than the amount received in the similar period of the previous year. The main cause of the difference is the dividends received from CPC (49 bln tenge), AGP (18 bln tenge) and BSGP (40 bln tenge) in the reporting period.

KZT million	For 6 months ended 30.06.2021	For 6 months ended 30.06.2020	Δ, (+/-)	Δ, %
Dividends received from JVs and associates, net	121,620	16,140	105,480	654

### 4.4. Corporate income tax expenses

KZT million	For 6 months ended 30.06.2021	For 6 months ended 30.06.2020	Δ, (+/-)	Δ, %
<b>Current income tax:</b>				
Corporate income tax	89,201	33,961	55,239	162.7
Excess profit tax	38	-208	247	-118.4

KZT million	For 6 months ended 30.06.2021	For 6 months ended 30.06.2020	Δ, (+/-)	Δ, %
Withholding tax on dividends received	6,005	5,585	420	7.5
<b>Deferred income tax:</b>				
Corporate income tax	4,114	-21,156	25,270	-119.4
Excess profit tax	-11.4	3,447	-3,459	-100.3
Withholding tax on dividends received	29,391	9,700	19,691	203.0
<b>Total</b>	<b>128,738</b>	<b>31,329</b>	<b>97 408</b>	<b>310.9</b>

In the 1<sup>st</sup> half of 2021, corporate income tax (CIT) expenses amounted to 89.2 bln tenge, which is 163% higher than in the similar period of 2020. The growth of CIT in 2021 is associated with the higher taxable income due to the increase of Brent oil's world price up to 65 U.S. dollars in the 1<sup>st</sup> half of 2021 per barrel, while the actual price in the 1<sup>st</sup> half of 2020 was 40 U.S. dollars per barrel, changes in the U.S. dollar exchange rate (average monthly U.S. dollar rate was 424 tenge in the reporting period while in the similar period of the previous year it was 404 tenge for 1 U.S. dollar), the impact of the Covid-19 pandemic and the quarantine measures, reduction and optimisation of costs, redistribution of oil volumes from export to the domestic market and changes in the exported gas volumes. In the reporting period, a deferred EPT on Zhenis and Abai projects was accrued due to the changes in the book value of the projects. In the similar period of the previous year, EPT was accrued in relation to EMG. The deferred EPT's recoverability was re-evaluated following the external auditor's recommendation, and it was recognised as an expense in 2020. KMG's CC accrued and charged withholding tax on the interest on current accounts, deposits, loans and withholding tax on capital interest. Due to the effect of temporary differences, the amount of deferred withholding tax on TCO dividends was changed at consolidation level.

#### 4.5. Liquidity and capital expenditures

##### Debt obligations

The total amount of debt for the Group's credits and loans amounted to 4,120 bln tenge as of 30 June 2021. There is a minor increase in the total amount of debt compared to the indicator of the end of 2020 when such amount was 4,078 bln tenge. The total debt as of 30 June 2021 grew by 1.0% compared to the amount as of 31 December 2020. The increase of the total debt is associated with the higher book value of foreign currency loans and outstanding bonds due to the impact of exchange rates (405 vs. 424 tenge for 1 U.S. dollar) on the currency loans and bonds listed at London Stock Exchange (LSE) and Irish Stock Exchange (ISE) and denominated in U.S. dollars.

The Group's net debt amounted to 2,367 bln tenge as of 30 June 2021, which is 8.8% less than in the end of 2020.

KZT million	As of 30.06.2021	As of 31.12.2021
Non-current portion	3,652,415	3 716 892
Current portion	467,769	361 556
<b>Total debt</b>	<b>4,120,184</b>	<b>4 078 448</b>
Cash and cash equivalents	1,444,944	1 145 864
Short-term bank deposits and part of long-term bank deposits	307,859	339 000
<b>Net debt (Total debt - Cash – Current financial assets)</b>	<b>2,367,381</b>	<b>2 593 585</b>

##### Liquidity

The Group's cash position increased, in KZT equivalent, by 18%, from 1,485 bln tenge (as of 31 December 2020) to 1,753 bln tenge (as of 30 June 2021), over the reporting period. The main cause of the higher Group's cash position in the reporting period was due to the selling of KTG Aimak PP&E, collection of the receivables from Petro China by KTG, and higher operating revenues of the oil producing and refining SDEs.

##### Liquidity and trend outlooks

The Company expects that, with current oil prices, the expected consolidated liquidity will not change significantly during 2021. Considering the effort invested in the optimisation of the KMG Development Plan, the Group's liquidity will remain adequate to cover the current expenses and liabilities.

## Capital expenditures

The Group's capital expenditures include investment projects, expenditures to ensure the current level of production, and other expenditures (administrative and social). In the reporting period, the capital expenditures amounted to 166.5 bln tenge, which is 32%, or 76.9 bln tenge, less than in the 1<sup>st</sup> half of 2020.

### Capital expenditures (accrued) broken down by main areas of operations:

KZT million	For 6 months ended 30.06.2021	For 6 months ended 30.06.2020	Δ, (+/-)	Δ, %
Oil and gas exploration and production	72,537	79,747	-7,210	-9%
Oil transportation	40,676	12,218	28,458	233%
Gas sale and transportation	29,772	86,982	-57,210	-66%
Refining and sales of crude oil and oil products	11,607	50,965	-39,358	-77%
Other	11,913	13,530	-1,617	-12%
<b>Total</b>	<b>166,505</b>	<b>243,442</b>	<b>-76,937</b>	<b>-32%</b>

In the 1<sup>st</sup> half of 2021, the capital expenditure on oil and gas exploration and production amounted to 72.5 bln tenge, which is 7.2 bln tenge less than the amount in the similar period of 2020. The reduced expenditure, mostly in KMG-Karachaganak, is associated with the following measures: gas production debottlenecking at the refining complex, upgrade of oil treatment system at the refining complex, and upgrade of the gas treatment unit's compressors – the 2<sup>nd</sup> and the 4<sup>th</sup> gas re-injection compressors, which is associated with a reduced scope of work in the reporting period. OMG also demonstrated lower expenditures due to lower volume of supplies of PP&E in the reporting period.

The capital expenditure on "Oil Transportation" amounted to 40.7 bln tenge in the reporting period, which is 28.5 bln tenge less than the actual amount in the similar period of the previous year. The higher expenditures are associated with the recognition of Kulsary-Tengiz technical water trunk pipeline and purchasing of dry-cargo vessels by KMTF within the Fleet for Support of Marine Operations project.

The capital expenditure on "Gas Sale and Transportation" amounted to 29.8 bln tenge in the reporting period, which is 57.2 bln tenge less than the actual amount of expenditure in the similar period of 2020. The difference is mostly associated with the completion of the "Construction of three compressor stations at the Beineu-Bozoi-Shymket trunk gas pipeline" project and "Gas storage capacity improvement in UGS Bozoi" project in 2020.

In the 1<sup>st</sup> half of 2021, the capital expenditure on "Refining and sales of crude oil and oil products" amounted to 11.6 bln tenge, which is 39.4 bln tenge less than the amount in the similar period of 2020, mostly due to the overhaul at Petromidia Refinery in 2020, which is arranged every 4 years.

The capital expenditure on "Other" amounted to 11.9 bln tenge in the reporting period, which is 1.6 bln tenge less than the actual amount in the similar period of the previous year.



## GLOSSARY

AGP – Asia Gas Pipeline (trunk gas pipeline for transportation of the Central Asian gas to the PRC)  
APC – Aromatics Production Complex  
AR – Atyrau Refinery LLP  
BBS – Beineu-Bozoi-Shymkent trunk gas pipeline  
BSGP – Beineu-Shymkent Gas Pipeline LLP  
CASPI BITUM – Caspi Bitum JV LLP  
CAWs – construction and assembly works  
CPC – Caspian Pipeline Consortium (trunk oil pipeline for oil transportation from the Tengiz field to the Novorossiysk port on the Black Sea)  
DED – design and estimate documentation  
ECD – export customs duty  
EMG – Embamunaygas JSC  
EPT – excess profit tax  
Fund – Samruk-Kazyna Sovereign Wealth Fund JSC  
Group – JSC “National Company “KazMunayGas” and the legal entities with fifty or more percent of voting shares (participation interests) directly or indirectly owned or held in trust by KMG, and the legal entities whose operations KMG is entitled to control.  
HCs – hydrocarbons  
JCE – jointly controlled entity  
JUR – jack-up self-elevating drilling rig  
JV – joint venture  
KMG, the Company – JSC “National Company “KazMunayGas”  
KMG’s CC – Corporate Centre, Central Office of JSC NC “KazMunayGas”  
KMG-Aero – KazMunayGas-Aero LLP  
KMG EP – KazMunayGas Exploration Production JSC  
KMG Karachaganak – KMG Karachaganak LLP  
KMGI – KMG International N.V., an integrated Romanian oil and gas company  
KMGO – KMG-Onimderi LLP  
KMTF – Kazmortransflot NMSC LLP  
KOA – Kazakhoil-Aktobe LLP  
KPIs – key performance indicators  
KRG – KazRosGas LLP  
KTG – KazTransGas JSC  
KTM – Kazakhturkmunai LLP  
KTO – KazTransOil JSC  
MET – mineral extraction tax  
MMG – Mangistaumunaigaz LLP  
NCP – North Caspian Project  
OMG – Ozenmunaigas JSC  
OPEs – oil producing entities  
PKOP – PetroKazakhstan Oil Products JSC, owner of Shymkent Refinery  
POCR – Pavlodar Oil Chemistry Refinery LLP  
PRC – People's Republic of China  
PSA – production sharing agreement  
Refineries – oil refineries  
RoK MoE – Ministry of Energy of the Republic of Kazakhstan  
RWCs – raw hydrocarbons  
SDE – subsidiary dependent entity  
SGI/SGP – Sour Gas Injection/Second Generation Plant  
SUC – start-up complex  
TCO – Tengizchevroil LLP  
TGP – trunk gas pipeline  
TOP – trunk oil pipeline  
WPMP/FGP – Wellhead Pressure Management Project / Future Growth Project at the Tengiz field