



# JSC NC “KAZMUNAYGAS” FINANCIAL AND BUSINESS PERFORMANCE MANAGEMENT REPORT

*for 3 months ended on 31 march 2021*



The purpose of this document is to assist in understanding and assessment of 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 alongside 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 ("entities accounted for using the equity method").

All KZT amounts are given in billions, unless specifically indicated otherwise. The figures are rounded, however, actual indicators before rounding are taken to calculate rates per unit.

## TABLE OF CONTENTS

<b>1.</b>	<b>GENERAL .....</b>	<b>4</b>
<b>2.</b>	<b>KEY MACROECONOMIC FACTORS .....</b>	<b>5</b>
2.1.	CHANGES IN THE MARKET PRICES FOR CRUDE OIL AND OIL PRODUCTS.....	5
2.2.	CHANGE IN FOREIGN EXCHANGE RATE .....	5
2.3.	OIL AND GAS TRANSPORTATION TARIFFS .....	6
2.4.	TARIFFS FOR REFINING .....	7
2.5.	TAXATION .....	8
<b>3.</b>	<b>GROUP'S OPERATING PERFORMANCE .....</b>	<b>10</b>
3.1.	PRODUCTION OF OIL AND CONDENSATE .....	10
3.2.	OIL TRANSPORTATION VIA TRUNK PIPELINES .....	11
3.3.	OIL TRANSPORTATION BY SEA .....	11
3.4.	GAS TRANSPORTATION .....	11
3.5.	HYDROCARBON CRUDE REFINING .....	12
3.5.1.	SALES OF CRUDE OIL, OIL PRODUCTS AND GAS .....	13
<b>4.</b>	<b>GROUP'S FINANCIAL PERFORMANCE.....</b>	<b>15</b>
4.1.	INCOME .....	15
4.2.	EXPENDITURES .....	16
4.3.	SHARE IN PROFIT OF JOINTLY CONTROLLED ENTITIES AND ASSOCIATES .....	19
4.4.	CORPORATE INCOME TAX EXPENSES.....	19
4.5.	LIQUIDITY AND CAPITAL EXPENDITURES .....	20

## 1. GENERAL

JSC NC “KazMunayGas” is a vertically integrated company engaged in exploration, production, transportation, refining and marketing of oil and gas, as well as sale of 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 through the merging of National Oil and Gas Company CJSC “Kazakhoil” 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.

Shareholders of KMG are SWF Samruk-Kazyna JSC (90.42% – 1 share) and the National Bank of Kazakhstan (9.58% + 1 share). The Group produces more than a quarter of Kazakhstan’s oil and gas condensate market, 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 are:

- Ozenmunaigas JSC (oil and gas exploration and production);
- Embamunaigas JSC (oil and gas exploration and production);
- KazTransOil JSC (oil transportation);
- KazTransGas JSC (gas transportation and sales);
- KazMunaiTeniz JSC (offshore oil operations);
- Atyrau Refinery LLP (oil refining);
- Pavlodar Oil Chemistry Refinery LLP (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 basins);
- 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, results of external assessment of KMG’s Internal Audit Service by KPMG Tax & Advisory LLP were announced, which showed 100% compliance with the international professional internal audit standards and the best international practices;
- On 2 March 2021, KMG and a French company Air Liquide agreed to supply industrial gases to AR; the project is expected to be implemented through a joint venture – Air Liquide Munay Tech Gases LLP;
- On 11 March 2021, KMG and SWF Samruk-Kazyna JSC signed a trust management contract for 100% of common shares of KazTransGas JSC;
- On 15 March 2021, during a trilateral meeting, RoK Minister of Energy, Chairman of KMG Management Board and President of PJSC LUKOIL signed a record of direct negotiations on provision of the right for exploration and production of hydrocarbons as a part of joint development of Al-Farabi offshore area;

### Production events

- On 15 January 2021, AR announced the release of the first lot of winter-grade diesel Altay-45 with freezing point limit at minus 45°C;
- On 25 February 2021, in Dubai, KMG and the State Oil Company of Azerbaijan Republic (SOCAR) agreed on joint operation of Satti Jack-Up Rig (JUR) in Azerbaijan sector of the Caspian Sea;
- On March 2, 2021, an agreement was signed between RoK Ministry of Energy and KMG on the termination of Contract No. 2609 dated April 21, 2008 for the exploration of hydrocarbons at the Zhambyl site located in the Caspian Sea, by agreement of the parties.
- On 19 March 2021, Karachaganak Petroleum Operating B.V. announced the KPC Gas Debottlenecking (KGDBN) project successful completion at Karachaganak field;

### Financial events

- On 28 January 2021, Standard & Poor’s confirmed KMG’s rating as BB (Outlook Negative);
- On 30 March 2021, KMG’s Eurobonds for the total of USD 6.250 bln were officially listed at the Astana International Exchange.

## 2. KEY MACROECONOMIC FACTORS

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

- fluctuations of prices for crude oil and refined products;
- the effect of exchange rate changes;
- changes in the tariffs for oil and gas transportation;
- taxation.

Listed below are the macroeconomic indicators for the 3 months of 2021, which affected the Group's operations.

Description	UoM	For 3 months ended on 31 March 2021	For 3 months ended on 31 March 2020	Change	
				absolute	%
End-of-period inflation rate (CPI, % of the corresponding month of the preceding year)	%	107.0	106.4	0.6	0.6
Oil export customs duty	(\$ USD per tonne	44.9	56.7	-11.8	-20.8
Monthly Calculation Index (MCI)	KZT	2,917	2,651	266	10.0
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 3 months ended on 31 March 2021	For 3 months ended on 31 March 2020	Δ, %
Brent	61.12	50.10	22.0
Urals	60.05	47.87	25.4

Source: Thomson Reuters

Change in crude oil prices in the reporting period is driven by a number of global factors, including OPEC+ countries agreeing on optimum production volumes for all participants in February and March 2021, additional voluntary production cuts by Saudi Arabia (to 1 mln bpd), abnormally cold weather in the USA, blockage of the Suez Canal, start of vaccination against Covid-19 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, sales markets' remoteness 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 3 months ended on 31 March 2021	For 3 months ended on 31 March 2020	Δ, %
Fuel oil	(\$ USD per tonne	403.69	337.10	19.8
Naphtha	(\$ USD per tonne	542.35	409.48	32.4
Jet fuel	(\$ USD per tonne	511.34	480.83	6.3

Average wholesale prices for oil products in RoK*	UoM	For 3 months ended on 31 March 2021	For 3 months ended on 31 March 2020	Δ, %
AI-95 Gasoline	tenge/t	175,778	185,120	-5.0
AI-92 Gasoline	tenge/t	165,778	171,954	-3.6
Diesel fuel (summer)	tenge/t	173,111	192,956	-10.3
Jet fuel	tenge/t	173,667	216,489	-19.8

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

Following Quarter 1 2021, average wholesale market prices for AI-92/AI-95 at Kazakhstan's domestic market dropped by 4% compared to the corresponding period in 2020.

Following Quarter 1 2021, average wholesale market prices for diesel and jet fuel at Kazakhstan's domestic market dropped by 10% and 20% respectively compared to the corresponding period in 2020. The wholesale price variations were affected by lower business activities and fewer air flights due to Covid-19.

### 2.2. Change in foreign exchange rate

The change in the KZT/USD exchange rate has significantly affected, and is most likely to continue to affect, the consolidated performance of the Company, since a material share of the Company's revenue from the sales of crude oil and refined

products is denominated in U.S. dollars, while a significant portion of the Company's expenses is denominated in tenge. Most of the Company's borrowings and accounts payable are denominated in U.S. dollars as well.

	Average exchange rate for the period	As of the end of the period
For 3 months, as of 31 March 2021 (KZT per 1 USD)	419.94	424.89
For 3 months, as of 31 March 2020 (KZT per 1 USD)	391.72	447.67

Source: exchange rates established based on trading results at Kazakhstan Stock Exchange

### 2.3. Oil and gas transportation tariffs

#### Oil transportation via trunk pipelines

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 significant portion of crude oil, exporting and selling it at the domestic market via a trunk pipelines system in Kazakhstan owned by KazTransOil JSC's subsidiary. Furthermore, the Group owns 20.75% of the share capital in the Caspian Pipeline Consortium.

Crude oil is transported via trunk oil pipelines by the KazTransOil Group under oil transportation contracts entered into with consumers in a typical contract format 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 to the domestic market and exported via trunk oil pipelines of the KazTransOil Group blended with oils by 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 purposes of transit through and export outside the Republic of Kazakhstan is no longer 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 – KZT 7,358.76 per 1 tonne per 1,000 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 through the Republic of Kazakhstan via the Kazakhstan sector of the trunk pipeline Tuimazy-Omsk-Novosibirsk-2 – KZT 4,292.4 per 1 tonne / 1,000 km (excluding VAT) effective since 1 April 2018 (excluding VAT).

In December 2018, 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 USD/t (exc. VAT), including:

- from the Russian Federation Border to the border of the Republic of Kazakhstan (Priirtyshsk)- Atasu (Kazakhstan), including transshipment of oil at Atasu main pump station: 4.23 USD/t (excl. VAT), while the 2018 tariff was 3.11 USD/t (excl. VAT);
- from Atasu (Kazakhstan) to Alashankou (China): 10.77 USD/t (excl. VAT), while the 2018 tariff was 8.25 USD/t (excl. VAT).

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 2021-2025 tariff for the regulated oil transportation to the domestic market of the Republic of Kazakhstan via KazTransOil's system of trunk pipelines at the rate of 4,355.57 KZT/t per 1,000 km (excl. VAT) to be put into effect on 1 January 2021. The former tariff was 4,109.5 KZT per 1,000 km (excluding VAT).

#### Gas transportation

Gas is transported via the trunk gas pipelines and gas distribution systems of the KazTransGas Group. Trunk gas transportation is carried out 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 carried out 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.

The current tariffs for transit and export of gas during Quarter 1 2021 were as follows:

- Intergas Central Asia JSC:
  - gas transit: 2 USD/thousand m<sup>3</sup> per 100 km excl. VAT for PJSC Gazprom and its subsidiaries; 2.9 USD/thousand m<sup>3</sup> per 100 km excl. VAT for Uztransgaz JSC;
  - export of gas: 5 USD/thousand m<sup>3</sup> per 100 km excl. VAT for Tengizchevroil LLP, KazTransGas JSC;
  - export of gas: 2 USD/thousand m<sup>3</sup> per 100 km excl. VAT for KazRosGas LLP;
- Asia Gas Pipeline LLP – transit and export of gas: 3.58 USD/thousand m<sup>3</sup> per 100 km excl. VAT;
- Beineu-Shymkent Gas Pipeline LLP – a single tariff for domestic gas transportation, transit and export of gas: 15,964.4 KZT/1,000 m<sup>3</sup> per 100 km (excl. VAT) for 2020-2024.

### **Tariffs for domestic gas transportation via trunk and distribution gas pipelines**

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 marketable gas via trunk pipelines to consumers of the Republic of Kazakhstan were approved as follows:

- Intergas Central Asia JSC, starting from 1 January 2021: 4,551 KZT/1,000 m<sup>3</sup> (excl. VAT);
- Asia Gas Pipeline LLP for 2020-2024: 555.5 KZT/1,000 m<sup>3</sup> per 100 km;
- Beineu-Shymkent Gas Pipeline LLP for 2020-2024: 1,200.15 KZT/1,000 m<sup>3</sup> per 100 km.

Tariffs for marketable gas transportation via the distribution pipelines of KazTransGas Aimak JSC to Kazakhstan consumers in the reporting period have been approved as follows:

No.	Region	Transportation tariff, tenge/1,000 m <sup>3</sup> excl. 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.	Mangistau 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**

Since 2016, three main Kazakh refineries (AR, POCR, PKOP) have started to implement a new refining business model, according to which the refineries only refine oil at the established tariffs, do not buy oil for refining and do not sell the produced petroleum products. These obligations are now imposed on 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 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.

According to Law No. 376-V "Amendments to Certain Entrepreneurship Legal Acts of the Republic of Kazakhstan" dated 29 October 2015, starting from 1 January 2017, refining prices are not controlled by the State.

The weighted average tariffs valid throughout Quarter 1 2021 are provided below:

Refinery	UoM	3 months of 2021	3 months of 2020	Δ, %
Atyrau Refinery	tenge/t	42,140	41,313	2.0
POCR	tenge/t	22,437	20,094	11.7
PKOP	tenge/t	34,787	28,059	24.0
CASPI BITUM	tenge/t	18,000	20,832	-13.6

## 2.5. Taxation

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

Tax	30.03.2021		30.03.2020	Tax 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 emissions fee	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 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/t		0 tenge/t	Amount of crude oil and gas condensate produced and sold	
Rates of excise per tonne (KZT) and duties					
	30.03.2021		30.03.2020	Tax 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
Wholesale of own gasoline (except jet fuel) and diesel fuel by producers (December – June)	24,435	540	24,435	540	
Wholesale of gasoline (except jet fuel) and diesel fuel by individuals and legal entities	0	0	0	0	
Retail of own gasoline (except jet fuel) and diesel fuel by producers, utilisation for own operating needs (December – June)	24,935	600	24,935	600	
Retail of gasoline (except jet fuel) and diesel fuel by individuals and legal 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 (December – June)	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 crude oil and oil products are tied to the world oil price and change accordingly. If crude oil and gas condensate are sold and/or transferred at 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 decreasing factor of 0.5 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. According to the oil scale, with the global oil price below 25 USD/barrel the export customs duty rate equals 0, with the global oil price over 25 USD/barrel the export customs duty rate is established as per the scale. Rent Export Tax is calculated using the rate scale with the global oil price exceeding 40 USD/barrel.

### 3. GROUP'S OPERATING PERFORMANCE

Operating results	For 3 months ended on 31 March 2021	For 3 months ended on 31 March 2020	Δ, (+/-)	Δ, %
Oil and condensate production, including shares in joint ventures (thousand tonnes)	5,318	5,929	-611	-10.3
Gas production, including share in joint ventures (million m <sup>3</sup> )	2,058	2,260	-202	-8.9
Refining of hydrocarbon crude at own refineries and refineries of joint ventures (thousand tonnes)	4,662	4,660	2	0.0
Oil transportation via trunk pipelines (thousand tonnes)	15,831	16,158	-327	-2.0
Crude oil turnover (million t*km)	14,693	15,392	-699	-4.5
Oil transportation by sea (thousand tonnes)	2,496	2,359	137	5.8
Gas transportation by trunk gas pipelines (million m <sup>3</sup> )	22,149	28,320	-6,171	-21.8
Gas commodity / transportation operations (billion m <sup>3</sup> *km)	13,259	14,458	-1,199	-8.3

#### 3.1. Production of oil and condensate

Consolidated production of oil and condensate (thousand tonnes)	For 3 months ended on 31 March 2021	For 3 months ended on 31 March 2020	Δ, (+/-)	Δ, %
	5,318	5,929	-611	-10.3
Tengizchevroil LLP (20%)	1,331	1,535	-203	-13.3
Ozenmunaigas JSC (100%) + KazGPP LLP (100%)	1,299	1,397	-99	-7.1
Mangistaumunaygaz LLP (50%)	712	790	-78	-9.9
Embamunaigas JSC (100%)	595	701	-106	-15.2
KMG Kashagan B.V. (50%)	305	365	-60	-16.6
Karachaganak Petroleum Operating B.V. (10%)	279	285	-5	-1.8
Karazhanbasmunay JSC (50%)	248	269	-21	-7.7
Kazgermunay JV LLP (50%)	190	223	-33	-14.9
Petrokazakhstan, Inc (33%)	163	177	-14	-8.0
Kazakhturkmunay LLP (100%)	109	107	2	2.0
Kazakhoil-Aktobe LLP (50%)	72	75	-3	-4.1
Urikhtau Operating LLP (100%)	12	0	12	-
KazTransGas JSC (Amangeldy Gas – 100%)	4	5	-1	-22.2

The consolidated oil and gas condensate production in the reporting period amounts to 5,318 thousand tonnes, which is 611,000 tonnes less than in the same period of the previous year. The main cause of lower production volumes is the production limitations at certain fields as required by the OPEC+ Agreement, and the natural decline of production at mature fields. At the same time, commercial operation of Urikhtau Operating LLP's fields started at the end of 2020.

#### Gas production

Consolidated (associated and natural) gas production, million m <sup>3</sup>	For 3 months ended on 31 March 2021	For 3 months ended on 31 March 2020	Δ, (+/-)	Δ, %
	2,058	2,260	-202	-8.9
Tengizchevroil LLP (20%)	741	841	-100	-11.9
Karachaganak Petroleum Operating B.V. (10%)	533	538	-4	-0.8
KMG Kashagan B.V. (50%)	185	219	-34	-15.5
Ozenmunaigas JSC (100%) + KazGPP LLP (100%)	164	189	-26	-13.6
Kazakhoil-Aktobe LLP (50%)	93	90	3	3.6
Mangistaumunaygaz LLP (50%)	89	93	-3	-3.7
KazTransGas JSC (Amangeldy Gas – 100%)	72	90	-18	-19.9
Kazgermunay JV LLP (50%)	58	58	0	-0.8
Embamunaigas JSC (100%)	47	57	-10	-17.4
Petrokazakhstan, Inc (33%)	37	41	-4	-9.0
Kazakhturkmunay LLP (100%)	28	38	-10	-27.1
Karazhanbasmunay JSC (50%)	7	7	0	-4.0
Urikhtau Operating LLP (100%)	5	0	5	-

The consolidated gas production in the reporting period amounted to 2,058 mln m<sup>3</sup>, which is 202 mln m<sup>3</sup> less than in the same period of the previous year. The main cause for the decline of production is limited oil production at certain fields as per the requirements of the OPEC+ Agreement. At the same time, commercial operation of Urikhtau Operating LLP's fields started at the end of 2020.

### 3.2. Oil transportation via 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 transports oil to the domestic market, for exports, and conducts oil transit operations.

Consolidated oil transportation via trunk pipelines, broken down by company, thousand tonnes	For 3 months ended on 31 March 2021	For 3 months ended on 31 March 2020	Δ, (+/-)	Δ, %
	15,831	16,158	-327	-2.0
KazTransOil JSC	10,238	10,510	-272	-2.6
MunaiTas North-West Pipeline Company LLP (51%)	481	284	197	69.4
Kazakhstan-China Pipeline LLP (50%)	2,045	1,850	195	10.5
Caspian Pipeline Consortium JSC (20.75%)	3,067	3,514	-447	-12.7
<b>Consolidated crude oil turnover (mln t*km)</b>	<b>14,693</b>	<b>15,392</b>	<b>-699</b>	<b>-4.5</b>
KazTransOil JSC	8,656	8,978	-322	-3.6
MunaiTas North-West Pipeline Company LLP (51%)	199	106	93	87.5
Kazakhstan-China Pipeline LLP (50%)	1,813	1,653	160	9.7
Caspian Pipeline Consortium JSC (20.75%)	4,026	4,655	-629	-13.5

The consolidated trunk pipeline oil transportation in the reporting period amounted to 15,831 thousand tonnes, which is 327,000 tonnes less than in the same period of the previous year. Reduced oil transportation via KTO's pipelines is caused by reduced oil delivery to the trunk oil pipeline system due to production cuts in RoK under the OPEC+ Agreement, as well as the natural decline of production in Aktobe and Kumkol regions.

### 3.3. 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 direction (thousand tonnes)	For 3 months ended on 31 March 2021	For 3 months ended on 31 March 2020	Δ, (+/-)	Δ, %
	2,496	2,359	137	5.8
Aktau-Makhachkala	156	105	51	48.6
Black Sea	966	736	230	31.3
Mediterranean Sea	1,374	1,455	-81	-5.6
Makhachkala-Baku	0	63	-63	-

The consolidated oil transportation by sea in the reporting period amounted to 2,496 thousand tonnes, which is 137,000 tonnes more than in the same period of the previous year. The growth is mainly seen in the Black Sea direction due to consignors having extra amounts, thus involving third party fleet to transport oil in the Black Sea.

### 3.4. Gas transportation

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

Consolidated gas transportation (million m <sup>3</sup> )	For 3 months ended on 31 March 2021	For 3 months ended on 31 March 2020	Δ, (+/-)	Δ, %
	22,149	28,320	-6,171	-21.8
International transit	10,234	15,365	-5,131	-33.4
Gas transportation for export	3,821	6,106	-2,285	-37.4
Gas transportation to domestic consumers	8,094	6,848	1,246	18.2
<b>Consolidated gas transportation (mln m<sup>3</sup>)</b>	<b>22,149</b>	<b>28,320</b>	<b>-6,171</b>	<b>-21.8</b>

Consolidated gas transportation (million m <sup>3</sup> )	For 3 months ended on 31 March 2021	For 3 months ended on 31 March 2020	Δ, (+/-)	Δ, %
	22,149	28,320	-6,171	-21.8
Intergas Central Asia JSC	14,038	20,531	-6,492	-31.6
KazTransGas-Aimak JSC	769	798	-29	-3.7
Asia Gas Pipeline LLP (50%)	5,433	5,178	255	4.9
Beineu-Shimkent Gas Pipeline LLP (50%)	1,910	1,813	96	5.3
<b>Gas commodity/transportation operations (bln m<sup>3</sup>*km)</b>	<b>13,259</b>	<b>14,458</b>	<b>-1,199</b>	<b>-8.3</b>

\*The values are adjusted to reflect the actual data

Gas transportation in Quarter 1 2021 amounted to 22,149 mln m<sup>3</sup>, a 6,171 mln m<sup>3</sup> decline in the reporting period against the same period of the previous year due to the following:

- reduction in Gazprom's transit gas streams from Russia through RoK;
- lack of transit of Uzbek gas by the Central Asia – Centre trunk gas pipeline;
- lower transit of the Central Asian gas to China via the Central Asia – Centre trunk gas pipeline;
- lower export of natural gas to Russia, Kyrgyzstan and China, inter alia, since many Chinese facilities have been shut down due to Covid-19;

However, gas transportation to domestic consumers is observed to be growing due to the higher gas consumption.

### 3.5. Hydrocarbon crude refining

- Pavlodar Oil Chemistry Refinery (wholly owned by JSC NC “KazMunayGas”): currently, POGR is capable of refining 6 mln tonnes of oil per annum. Refinery yield in the reporting period was 83.93%;
- Atyrau Refinery (a 99.53% share of JSC NC “KazMunayGas”): the design refining capacity is 5.5 mln tonnes per annum; refinery yield in the reporting period is 71.53%;
- Shymkent Refinery (Petro Kazakhstan Oil Products, a 49.72% share of JSC NC “KazMunayGas”): the design capacity is 6 mln tonnes per annum; refinery yield in the reporting period is 86.81%;
- CaspiBitum (a 50% share of JSC NC “KazMunayGas”): a plant producing asphalt cement from heavy Karazhanbas oil. The design refining capacity is 1.0 mln tonnes per annum.
- KMG (Rompotol Rafinare) includes two refineries, Petromidia and Vega, and Petrochemicals petrochemical complex (PCC):
  - Petromidia Refinery (wholly owned by Rompetrol Rafinare S.A.), designed capacity is 5.0 million tonnes of oil annually and 1 million tonnes of other hydrocarbon crude annually. The PCC is integrated with Petromidia Refinery.
  - Vega refinery (wholly owned by Rompetrol Rafinare S.A.), the design capacity is 0.5 mln t/year. Vega Refinery is the only Romanian facility specialising in processing of alternative raw materials (naphtha, heavy hydrocarbon fractions, fuel oil).

Consolidated hydrocarbon crude refining including the operating share, thousand tonnes	For 3 months ended on 31 March 2021	For 3 months ended on 31 March 2020	Δ, (+/-)	Δ, %
	4,662	4,660	2	0.0
Atyrau Refinery LLP	1,178	1,384	-206	-14.9
Pavlodar Oil Chemistry Refinery LLP	1,397	1,321	76	5.8
PetroKazakhstan Oil Products LLP (50%)	681	590	91	15.5
CASPI BITUM (50%)	72	53	19	35.2
KMG International N.V. (Petromidia Refinery)	1,265	1,240	25	2.0
KMG International N.V. (Vega Refinery)	69	72	-3	-4.4

The main causes of changes in refining volumes:

- AR – the decline is associated with multiple faults of the AR power supply system during Quarter 1 2021 by KEGOC JSC, which caused unscheduled shutdown and subsequent repair of the catalyst cracker;
- POGR – the growth is caused by short deliveries of oil to POGR in January 2020 due to exceeded chlorine organic compounds in oil from CNPC-Aktobemunaigas JSC;
- PKOP – higher oil supplies in the reporting period from regular customers under the plan of RoK MoE;
- KMG (Rompotol Rafinare) – the growth is caused by shutdown of Petromidia refinery due to a scheduled overhaul from 15 March to 12 May 2020.

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

#### Sales of oil produced by KMG

thousand tonnes	For 3 months ended on 31 March 2021			For 3 months ended on 31 March 2020		
	Export	Domestic market	Total	Export	Domestic market	Total
Operating assets*	1 468	1 836	3 304	1 981	1 826	3 808
Megaprojects**	1 909	0	1 909	2 212	0	2 212
<b>Total</b>	<b>3 377</b>	<b>1 836</b>	<b>5 213</b>	<b>4 194</b>	<b>1 826</b>	<b>6 020</b>

\* Ozenmunaigas, Embamunaigas, Mangistaumunaygaz, Karazhanbasmunay, Kazgermunay, Petrokazakhstan, Inc, Kazakhoil Aktobe, Kazakhturkmunay, Urikhtau Operating.

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

Oil sales declined in the reporting period by 807 thousand tonnes against the same period of the previous year due to the generally lower oil production under requirements of OPEC+.

#### 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 3 months ended on 31 March 2021	For 3 months ended on 31 March 2020	Δ, (+/-)	Δ, %
<b>Wholesale</b>	<b>1,879</b>	<b>1,757</b>	<b>122</b>	<b>6.9</b>
Light oil products	1,135	1,174	-39	-3.4
Dark oil products	329	294	35	11.8
Petrochemicals	95	114	-19	-16.6
Liquefied gas	84	44	40	92.1
Other	236	131	105	80.1
<b>Retail</b>	<b>330</b>	<b>303</b>	<b>27</b>	<b>8.9</b>
Light oil products	300	273	27	9.9
Liquefied gas	29	29	0	-1
Other	1	1	0	17
<b>Total refined product sales</b>	<b>2,208</b>	<b>2,060</b>	<b>148</b>	<b>7.2</b>

#### KMG's sales of refined products

thousand tonnes	For 3 months ended on 31 March 2021	For 3 months ended on 31 March 2020	Δ, (+/-)	Δ, %
<b>Sale of domestic refined products</b>	<b>1,020</b>	<b>852</b>	<b>168</b>	<b>19.7</b>
Wholesale*	1,020	852	168	19.7
Retail sale	0	0	0	-
<b>Sales of KMG's refined products</b>	<b>1,188</b>	<b>1,208</b>	<b>-20</b>	<b>-1.6</b>
Wholesale	859	905	-46	-5
Retail sale	330	303	27	8.9
<b>Total</b>	<b>2,208</b>	<b>2,060</b>	<b>148</b>	<b>7.2</b>

\* except for wholesale distribution of oil products for the retail network of KMG fuel stations

In the reporting period, sales of petroleum products grew by 148 thousand tonnes against the same period of 2020, mainly due to POGR producing more petroleum products than in Quarter 1 2020, when there was a shortage of raw feed because of poorer quality of oil from CNPC-Aktobemunaigas, and due to the sales of carry-over petroleum product residues in the reporting period.

## Gas sales

Natural gas is mainly sold 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.

<b>KTG gas sales* (million m<sup>3</sup>)</b>	<b>For 3 months ended on 31 March 2021</b>	<b>For 3 months ended on 31 March 2020</b>	<b>Δ, (+/-)</b>	<b>Δ, %</b>
Gas sales for export	1,707	2,565	-858	-33.4
Gas sales to the domestic market	5,962	5,237	724	13.8
<b>Total gas sales</b>	<b>7,669</b>	<b>7,802</b>	<b>-133</b>	<b>-1.7</b>

KTG's total gas sales have not changed significantly. Along with that, gas sales are observed to be retargeted from export to the domestic market because of lower sales to China and Russia, which were outweighed by higher gas supplies to the domestic market as a result of higher consumption by industrial facilities and population.

## 4. GROUP'S FINANCIAL PERFORMANCE

### Statement of Profit and Loss

Profit and loss (KZT mln)	For 3 months ended on 31 March 2021	For 3 months ended on 31 March 2020	Δ, (+/-)	Δ, %
<b>Revenue and other income</b>	<b>1,684,649</b>	<b>1,487,055</b>	<b>197,594</b>	<b>13.3</b>
Revenue from products sold and services rendered	1,433,451	1,376,114	57,337	4.2
Share in profit of joint ventures and associates, net	217,726	65,316	152,410	233.3
Finance income	21,548	37,015	-15,467	-41.8
Other operating income	11,924	8,610	3,314	38.5
<b>Expenses and costs</b>	<b>-1,345,268</b>	<b>-1,398,968</b>	<b>53,700</b>	<b>-3.8</b>
Cost of crude oil, oil products, and other materials purchased	-747,042	-741,384	-5,658	0.8
Production expenses	-164,231	-174,396	10,165	-5.8
Taxes other than income tax	-91,672	-94,293	2,621	-2.8
Depreciation, depletion and amortisation	-98,103	-91,758	-6,345	6.9
Transportation and selling expenses	-122,669	-118,649	-4,020	3.4
General and administrative expenses	-31,609	-37,697	6,088	-16.1
Impairment of PP&E and exploration and appraisal assets	6	-61,139	61,145	-100.0
Exploration costs	-19,800	0	-19,800	-
Impairment of investments in joint ventures and associates	0	-38,000	38,000	-100.0
Finance costs	-68,019	-67,074	-945	1.4
Other operating loss	-5,755	-7,315	1,560	-21.3
Foreign exchange (loss)/gain, net	3,626	32,737	-29,111	-88.9
<b>Profit before income tax</b>	<b>339,381</b>	<b>88,087</b>	<b>251,294</b>	<b>285.3</b>
Corporate income tax expenses	-53,261	-18,573	-34,688	186.8
<b>Profit for the year from continuing operations</b>	<b>286,120</b>	<b>69,514</b>	<b>216,606</b>	<b>311.6</b>
<b>Net profit/(loss)</b>	<b>286,120</b>	<b>69,514</b>	<b>216,606</b>	<b>311.6</b>

#### 4.1. Income

### Consolidated income from products and services sold

KZT mln	For 3 months ended on 31 March 2021	For 3 months ended on 31 March 2020	Δ, (+/-)	Δ, %
Sales of crude oil and gas	832 628	801 433	31 195	3,9
Sales of refined products	416 012	381 280	34 732	9,1
Oil and gas transportation services	77 965	82 033	-4 068	-5,0
Refining of oil and oil products	46 992	50 909	-3 918	-7,7
Other revenue	59 854	60 459	-606	-1,0
<b>Total income from products and services</b>	<b>1 433 451</b>	<b>1 376 114</b>	<b>57 337</b>	<b>4,2</b>

KZT mln	For 3 months ended on 31 March 2021	For 3 months ended on 31 March 2020	Δ, (+/-)	Δ, %
Oil product sales	416,012	381,279	34,733	9.1
Crude oil sales (including crude oil quality bank)	631,568	520,885	110,684	21.2
Marketable gas sales	201,059	280,548	-79,489	-28.3
Oil transportation	38,556	37,970	586	1.5
Gas transportation	35,973	41,047	-5,074	-12.4
Crude oil and oil product refining	46,992	50,909	-3,918	-7.7
Other	63,291	63,476	-185	-0.3
<b>Total income from products and services</b>	<b>1,433,451</b>	<b>1,376,114</b>	<b>57,337</b>	<b>4.2</b>

### Consolidated sales of products and services

Product and service sale volumes	UoM	For 3 months ended on 31 March 2021	For 3 months ended on 31 March 2020	Δ, (+/-)	Δ, %
----------------------------------	-----	---	---	----------	------

Oil product sales	thousand tonnes	2,284	2,121	163	7.7
Crude oil sales	thousand tonnes	3,204	3,710	-505	-13.6
Marketable gas sales	million m <sup>3</sup>	7,672	7,805	-133	-1.7
Oil transportation via trunk pipelines	thousand tonnes*km	8,460	8,442	19	0.2
Gas transportation	million m <sup>3</sup> *km	11,262	17,190	-5,928	-34.5
Oil refining	thousand tonnes	1,568	1,707	-139	-8.2

### Average established estimated prices

Average established estimated prices	UoM	For 3 months ended on 31 March 2021	For 3 months ended on 31 March 2020	Δ, (+/-)	Δ, %
Oil product sales	tenge/t	182,124	179,723	2,402	1.3
Crude oil sales	tenge/t	197,089	140,416	56,673	40.4
Marketable gas sales	tenge per thousand m <sup>3</sup>	26,207	35,943	-9,736	-27.1
Oil transportation via trunk pipelines	tenge/t	4,557	4,498	59	1.3
Gas transportation	tenge per thousand m <sup>3</sup>	3,194	2,388	806	33.8
Oil refining	tenge/t	29,977	29,829	148	0.5

In the reporting period, the sales income amounted to KZT 1,433.5 bln, a 4% growth against the same period of the previous year. The income structure is seen to include more sales of crude oil and petroleum products.

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

- crude oil and marketable gas sales grew by 3.9% 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;
- oil and gas transportation income dropped by 5.4% mainly due to lower volumes of the Central Asian transit (Turkmen gas), and Russian and Uzbek transit, which was partially outweighed by a higher KZT-to-USD rate exchange in average for the quarter, and higher regional gas transportation, as well as by oil transportation income due to domestic market tariff growing by 6% (from 4,109.5 KZT/t per 1,000 km to 4,355.57 KZT/t per 1,000 km) and higher export tariff (from 1 March 2020, from 6,398.92 KZT/t per 1,000 km to 7,358.76 KZT/t per 1,000 km). In addition, the higher transit income resulting from a KZT-to-USD exchange difference;
- petroleum products sales grew by 9.1% due to the higher volumes and average petroleum products selling price.

## 4.2. Expenditures

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

KZT million	For 3 months ended on 31 March 2021	For 3 months ended on 31 March 2020	Δ, (+/-)	Δ, %
Crude oil purchased for resale	569,004	406,618	162,386	39.9
Gas purchased for resale	26,924	146,062	-119,138	-81.6
Cost of oil for refining	89,051	123,291	-34,239	-27.8
Oil products purchased for resale	7,803	16,661	-8,858	-53.2
Materials and reserves	54,260	48,752	5,508	11.3
<b>Total</b>	<b>747,042</b>	<b>741,384</b>	<b>5,658</b>	<b>0.8</b>

The consolidated cost of purchased oil, petroleum products and other materials in Quarter 1 2021 grew by 1%, or KZT 5,658 bln, against the same period of 2020.

The higher costs of crude oil purchased for resale result from a higher average Brent oil price (actual in Q1 2021 – 61 USD/bbl, actual in Q1 2020 – 50 USD/bbl), and the growing USD rate (actual in Q1 2021 – 419.94 KZT for 1 USD, actual in Q1 2020 – 391.72 KZT for 1 USD).

Lower costs of gas purchased for resale mainly result from lower gas purchasing costs of KTG because of reversing KZT 97 bln of costs for Kashagan gas purchased as resolved by London Court of International Arbitration, and lower gas sales for export.

Costs of oil for refining are lower mainly for KMGI due to changes in oil diets and higher reclassification of unrealised KMG CC income in the reporting period of 2021 against the same period of 2020. Such decline was partially outweighed by a higher average Brent price and a higher USD exchange rate.

Lower costs of oil products purchased for resale result from lower sales of oil products due to the pandemic and the resulting decline in demand.

Costs for Materials and Reserves are higher mainly for KMGI, predominantly due to a higher cost of goods at filling stations, and higher costs of POCR due to a significant amount of refining work.

## Production expenses

KZT million	For 3 months ended on 31 March 2021	For 3 months ended on 31 March 2020	Δ, (+/-)	Δ, %
Payroll expenses	82,752	72,827	9,925	13.6
Electricity	22,824	21,207	1,617	7.6
Repair and maintenance services	18,831	19,351	-520	-2.7
Lease expenses	6,883	16,386	-9,503	-58.0
Shipping costs	11,417	7,750	3,667	47.3
Other	21,524	36,875	-15,351	-41.6
<b>Total</b>	<b>164,231</b>	<b>174,396</b>	<b>-10,165</b>	<b>-5.8</b>

In the reporting period, the consolidated production expenses dropped by 6%, or KZT 10 bln, against the expenses in the same period of 2020.

Payroll expenses grew by 13.6%, or KZT 9.9 bln, mainly due to salary indexation for production workers and a higher USD exchange rate, which was partially outweighed by employee turnover and vacant jobs.

Electricity expenses grew mainly for KMGI due to the turnaround maintenance of the refinery in Quarter 1 2020, a higher USD rate and higher costs of KTO, KTG, EMG and OMG, mainly as a result of a higher electricity tariff in the reporting period.

Lease expenses lowered mainly for KMTF, primarily because TCO's future growth project had been completed, and for KTG due to applying IFRS 16 "Leases" for the lease of Saryarka trunk gas pipeline from 1 January 2021, and inclusion of the expenses under Depreciation and Amortisation.

Shipping costs lowered mainly for KMGI because of lower transportation of oil products from third parties to the refinery, and for KTO due to lower oil transportation volumes.

Other expenses dropped mainly for oil producers because of the changed finished products balance as a result of changed macroeconomic indicators.

## Taxes other than income tax

KZT million	For 3 months ended on 31 March 2021	For 3 months ended on 31 March 2020	Δ, (+/-)	Δ, %
Export customs duty	20,403	30,963	-10,560	-34.1
Crude oil export rental tax	26,509	19,597	6,912	35.3
Mineral extraction tax	20,359	18,524	1,835	9.9
Other taxes	24,401	25,209	-808	-3.2
<b>Total</b>	<b>91,672</b>	<b>94,293</b>	<b>-2,621</b>	<b>-2.8</b>

The consolidated tax expenses (except for income tax) in Quarter 1 2021 dropped by 3%, or KZT 2.6 bln, against the actual value in the same period of 2020.

Lower customs duty costs are the result of the lower average ECD rate (actual in Q1 2021 – 45 USD/t, actual in Q1 2020 – 50 USD/t), and lower oil sales for export.

Rental tax expenses grew as a result of a higher average rate (actual in Q1 2021 – 14%, actual in Q1 2020 – 11%) due to a higher global Brent price and USD rate, which was partially outweighed by lower oil export.

Mineral extraction tax expenses grew mainly for OMG due to the growing USD rate and oil price.

Other tax expenses, mainly excise expenses, dropped as a result of selling less excise goods.

## Transportation and selling expenses

KZT million	For 3 months ended on 31 March 2021	For 3 months ended on 31 March 2020	Δ, (+/-)	Δ, %
Transportation	112,377	108,232	4,145	3.8
Payroll expenses	3,004	2,928	77	2.6
Other	7,288	7,489	-202	-2.7
<b>Total</b>	<b>122,669</b>	<b>118,649</b>	<b>4,020</b>	<b>3.4</b>

In the reporting period, the consolidated transportation and selling expenses grew by 3%, or KZT 4 bln mainly for KTG, due to the growing sales of gas to Kazakhstan's domestic market. Such growth was partially outweighed by lower shipping expenses as a result of lower oil export. The increase was partially offset by the reduction in other expenses, mostly due to the sale of a retail network of fuel stations (KMG-Onimderly).

## General and administrative expenses

KZT million	For 3 months ended on 31 March 2021	For 3 months ended on 31 March 2020	Δ, (+/-)	Δ, %
Payroll expenses	16,203	17,594	-1,391	-7.9
Other	7,019	7,976	-956	-12.0
Consulting services	3,562	5,697	-2,135	-37.5
Service costs	1,574	1,741	-167	-9.6
VAT not taken as an offset	1,037	986	51	5.2
Social payments not included in payroll expenses	1,287	1,044	243	23.3
Communication services	1,228	762	465	61.2
Accrual of the provision for expected credit loss on trade receivables	686	616	70	11.4
Short-term lease expenses	560	523	37	7.1
Accrual of the provision for expected credit loss on other current assets	110	207	-97	-46.9
Impairment/(reversal) of VAT refundable	-1,657	551	-2,208	-400.7
<b>Total</b>	<b>31,609</b>	<b>37,697</b>	<b>-6,088</b>	<b>-16.1</b>

General and Administrative Expenses in the reporting period amount to KZT 31.6 bln, which is KZT 6.1 bln less than in the same period of the previous year. The main changes in the cost structure were observed by the following items:

- Lower salary costs, mainly for KMGI and KMG CC, due to optimisation of the organisational chart in 2020, which was partially outweighed by indexation of salaries in the Group in the reporting period;
- Lower consulting costs, mainly for PSA, because the debt to Curtis was paid in Q1 2020;
- Lower costs for VAT depreciation, mainly for EMG, because of the VAT expected to be refunded from the republican budget in 2021;
- Higher social contributions outside of the payroll, mainly for KMG-Karachaganak because of the growing share of compensatory payments, inter alia, to rent accommodation for foreign employees due to delayed mobilisation and registration processes in the reporting period of 2021;
- Higher repair and maintenance costs, mainly for KMGI, KTG, EMG, POGR, OMG and AR, because of a rise in the service fees and a higher USD exchange rate;
- Higher communication expenses, mainly for KMGI, because of a higher USD rate, and for KMG CC because of expansion of the rented servers;
- Other expenses dropped mainly because KMGI costs were reclassified from Costs of Sale to General and Administrative Expenses because of the mandatory scheduled overhaul of the refinery in Quarter 1 2020.

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

KZT mln	For 3 months ended on 31 March 2021	For 3 months ended on 31 March 2020	Δ, (+/-)	Δ, %
Tengizchevroil LLP	89,341	63,951	25,39	39.7
Asia Gas Pipeline	55,817	-4,282	60,098	-1,403.5
Caspian Pipeline Consortium	22,005	20,124	1,881	9.4
Beineu-Shymkent Gas Pipeline	19,745	-7,767	27,512	-354.22
Mangistau Investments B.V.	12,054	6,114	5,941	97.1
KMG Kashagan B.V.	8,486	-101	8,586	-8,529.1
Valsera Holdings B.V.	3,915	-11,276	15,191	-134.7
Other	3,082	-1,248	4,330	-346.9
PetroKazakhstan Inc.	2,107	2,718	-611.912	-22.5
KazRosGas LLP	1,845	-6,441	8,286	-128.7
Kazakhoil Aktobe LLP	823	-17	840	-5,030.0
KazGerMunay LLP	253	6,006	-5753	-95.8
Ural Group Limited	-1,747	-2,466	719	-29.2
<b>Total</b>	<b>217,726</b>	<b>65,316</b>	<b>152,410</b>	<b>233.3</b>

Following Quarter 1 2021, the share in profits of jointly controlled entities and associated companies grew by 233%, or KZT 152.41 bln, against the same period of 2020.

The main reasons are:

- Oil producers – the main growth was caused by Brent oil price (actual in 2021 – 61.12 USD/bbl, actual in 2020 – 50.10 USD/bbl);
- AGP – growth due to a lower foreign exchange loss, higher income due to the changed USD rate (actual in Q1 2021 – 419.94 KZT for 1 USD, actual in Q1 2020 – 391.72 KZT for 1 USD), and lower financial expenses due to the reduced principal debt and a lower LIBOR rate;
- BSGP – growth due to higher income from the main activity (higher gas transportation volumes), foreign exchange gain, lower financial expenses;
- Valsera Holdings B.V. – foreign exchange loss on currency loans in 2020 due to a drastic drop of the USD exchange rate;
- KRG – growth due to higher selling prices of gas refining products and exchange differences;

In Quarter 1 2021, KMG received KZT 380 mln of dividends from joint ventures and associated companies, which is KZT 7.1 bln less than in the same period of the previous year. The main cause of such deviation is that in the same period of 2020 this amount of dividends was received from KOA and Kazakhstan Pipeline Ventures.

KZT mln	For 3 months ended on 31 March 2021	For 3 months ended on 31 March 2020	Δ, (+/-)	Δ, %
Dividends received from JVs and associates, net	380	7,510	-7,130	-94.9

### 4.4. Corporate income tax expenses

KZT mln	For 3 months ended on 31 March 2021	For 3 months ended on 31 March 2020	Δ, (+/-)	Δ, %
<b>Current income tax:</b>				
Corporate income tax	38,166	22,748	15,418	67.8
Excess profits tax	0	33	-33	-100.0
Withholding tax on dividends received	243	3,052	-2,809	-92.0
<b>Deferred income tax:</b>				
Corporate income tax	1,454	-20,318	21,771	-107.2
Excess profits tax	-2	3,465	-3,467	-100.1
Withholding tax on dividends received	13,401	9,593	3,809	39.7
<b>Total</b>	<b>53,261</b>	<b>18,573</b>	<b>34,688</b>	<b>186.8</b>

In Quarter 1 2021, the Company's income tax expenses amounted to KZT 38,166 mln, which is 68% higher than in the same period of 2020. The higher CIT in 2021 is the result of a higher taxable income since in the reporting period global Brent price

reached 61.12 USD/bbl, while the actual price in the same period of 2020 was 50.10 USD/bbl, and the change of the USD rate (average monthly USD rate in the reporting period was 419.94 KZT for 1 USD; in the same period of the previous year it was 391.72 KZT for 1 USD), influence of Covid-19 and quarantine, reduction and optimisation of costs, retargeting of oil from exports to the domestic market, changed volumes of exported gas. The delayed EPT for Zhenis and Abai was accrued in the reporting period because of the changed book value of the projects. EPT for EMG was accrued in the same period of the previous year, the asset, delayed EPT was reassessed for recoverability as recommended by third party auditors, as a result it was recognised as expense in 2020. Withholding tax was accrued and withheld from KMG CC on interest on current accounts, deposits, issued loans, and withholding tax from capital commissions.

#### 4.5. Liquidity and capital expenditures

##### Debt obligations

The total debt under the Group's credits and loans amounted to KZT 4,102 bln as of 31 March 2021. The total debt is observed to have grown compared to the indicator as of the end of 2020, when the debt was amounted to KZT 4,078 bln. The total debt as of 31 March 2021 grew by 0.6% against the value as of 31 December 2020. The increased total debt is mainly the result of a higher book value of placed bonds caused by the foreign currency exchange rates influence on bonds listed at LSE and ISE and denominated in U.S. dollars.

The net debt of the Group amounted to KZT 2,602 bln as of 31 March 2021.

KZT mln	As of 31.03.2021	As of 31.12.2020
Non-current portion	3,694,649	3 716 892
Current portion	407,704	361 556
<b>Total debt</b>	<b>4,102,353</b>	<b>4 078 448</b>
Cash and cash equivalents	1,174,256	1 145 864
Short-term bank deposits and part of long-term bank deposits	326,492	339 000
<b>Net debt (Total debt - Cash – Current financial assets)</b>	<b>2,601,605</b>	<b>2 593 585</b>

##### Liquidity

In the reporting period, the Group's cash position in tenge equivalent grew by 1.1%, from KZT 1,485 bln (as of 31 December 2020) to KZT 1,501 bln (as of 31 March 2021). The main cause for the Group's higher cash position in the reporting period was positive cash flow from operating activities, changes to exchange rates of cash and cash equivalents, and sale of KTG Aimak's fixed assets.

##### Liquidity and trend forecasts

The Company expects that with the current oil prices, the consolidated liquidity forecast will not change too much during 2021. Given the work that has been done to optimise KMG's Development Plan, the Group's liquidity will remain adequate to cover current expenses and liabilities.

##### Capital expenditures

The Group's capital expenditures include investment projects, expenditures to ensure the current production level and other expenditures (administrative and social). Capital expenditures in the reporting period amounted to KZT 51.6 bln, which is 64%, or KZT 91.7 bln, less than in Quarter 1 2020.

##### Capital expenditures (accrued) broken down by main activity:

KZT mln	For 3 months ended on 31 March 2021	For 3 months ended on 31 March 2020	Δ, (+/-)	Δ, %
Oil and gas exploration and production	32,666	41,300	-8,634	-20.9
Oil transportation	2,981	6,819	-3,838	-56.3
Gas sale and transportation	5,188	68,833	-63,645	-92.5
Crude oil and oil products processing and sales	6,164	21,304	-15,140	-71.1
Other	4,579	5,010	-431	-8.6
<b>Total</b>	<b>51,578</b>	<b>143,266</b>	<b>-91,688</b>	<b>-64.0</b>

In Quarter 1 2021, capital expenditures for exploration and production of oil and gas amounted to KZT 32.7 bln, which is KZT 8.7 bln less than in the same period of 2020. The capital expenditures decreased mainly on KMG Karachaganak LLP's projects.

Lifting the refining complex gas production limitations, upgrading the refining complex oil treatment system, upgrading compressors of the gas processing facility – 2<sup>nd</sup> and 4<sup>th</sup> reinjection compressors due to lower activity in the reporting period. Expenditures also reduced for OMG due to less fixed assets supplies in the reporting period as a result of the Covid-19 restrictions.

Capital expenditures for oil transportation in the reporting period amounted to KZT 3 bln, which is KZT 3.8 bln less than the actual expenditures in the same period of the previous year. The reduction was the result of high work scopes in the same period of 2020 under Western oil pipelines reliability enhancement project;

Capital expenditures for Sales and Transportation of Gas in the reporting period amounted to KZT 5.2 bln, which is KZT 63.6 bln less than the actual figure in the same period of 2020, mainly due to the three compressor stations construction at Beineu-Bozoy-Shymkent and the gas storage capacities expansion in Bozoy underground gas storage being completed in 2020.

In Quarter 1 2021, capital expenditures for Crude Oil and Oil Products Processing and Sales amount to KZT 6.2 bln, which is KZT 15.1 less than in the same period of 2020, mainly due to the turnaround maintenance in 2020, which takes place every 4 years.

Other capital expenditures in the reporting period amounted to KZT 4.6 bln, which is KZT 0.4 bln less than the actual expenditures in the previous year. The lower expenditures are mainly the result of construction of a golf club in Schuchinsk in Quarter 1 2020.

## GLOSSARY

KMG – KMG International N.V., an integrated Romanian oil and gas company  
 CASPI BITUM – CASPI BITUM JV LLP  
 AGP – Asia Gas Pipeline (trunk gas pipeline for transportation of Central Asian gas to China)  
 AR – Atyrau Refinery LLP  
 BBS – Beineu-Bozoy-Shymkent trunk gas pipeline  
 BSGP – Beineu-Shymkent Gas Pipeline LLP  
 Group – JSC “National Company “KazMunayGas” and legal entities with fifty or more percent of the voting shares (participation interests) directly or indirectly owned or held in trust by KMG, as well as legal entities whose operations KMG is entitled to control  
 SDE – subsidiary dependent entity  
 SGI/SGP – Sour Gas Injection/Second Generation Plant  
 PRC – the People’s Republic of China  
 KMG, the Company – JSC “National Company “KazMunayGas”  
 KMG-Aero – KazMunayGas-Aero LLP  
 KMG Karachaganak – KMG Karachaganak LLP  
 KMGO – KMG-Onimderi LLP  
 KMTF – NMSC Kazmotransflot LLP  
 AHPP – Aromatic Hydrocarbons Production Plant  
 KPIs – Key performance indicators  
 KOA – KazakhOil Aktobe LLP  
 KRG – KazRosGas LLP  
 KTG – KazTransGas JSC  
 CPC – Caspian Pipeline Consortium (trunk oil pipeline for oil transportation from the Tengiz field to the Novorossiysk port on the Black Sea)  
 KTM – Kazakhturkmunay LLP  
 KTO – KazTransOil JSC  
 KMG CC – JSC NC “KazMunayGas” Corporate Centre, KMG headquarters  
 TGP – trunk gas pipeline  
 MMG – Mangistaumunaigas JSC  
 TOP – trunk oil pipeline  
 RoK MoE – the Ministry of Energy of the Republic of Kazakhstan  
 MET – mineral extraction tax  
 OPEs – oil producing entities  
 Refineries – oil refineries  
 EPT – excess profit tax  
 OMG – Ozenmunaigas JSC  
 SUF – Start-up facility  
 PKOP – PetroKazakhstan Oil Products JSC, owner of Shymkent Refinery  
 POOR – Pavlodar Oil Chemistry Refinery LLP  
 DED – Design and estimate documentation  
 WPMP/FGP – Well-head pressure management project / future growth project at the Tengiz field  
 KMG EP – KazMunayGas Exploration and Production JSC  
 JCE – Jointly controlled entity  
 NCP – North-Caspian Project  
 CAWs – Construction and assembly works  
 JV – Joint venture  
 JUR – Jack-up rig  
 PSA – Production sharing agreement  
 TCO – Tengizchevroil LLP  
 HC – Hydrocarbons  
 HCC – Hydrocarbon crude  
 Fund – Sovereign Wealth Fund Samruk-Kazyna JSC  
 EMG – Embamunaigas JSC  
 ECD – Export customs duty