

15 March 2023

JSC NC KazMunayGas announces 2022 FY financial results

Astana, 15 March 2023 – Joint-stock (JSC) National Company (NC) **KazMunayGas («KMG» or Company)**, Kazakhstan's national vertically integrated oil and gas company, published its consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) for 2022 with an independent auditor's report.

Key financial indicators for 2022¹ compared to 2021 (include 100% stake in KMG Kashagan B.V. by full consolidation method):

- Revenue increased by 34.5% to 8,686 bln tenge (USD 18,845 mn), compared to 6,459 bln tenge (USD 15,161 mn);
- EBITDA increased by 25.9% to 2,538 bln tenge (USD 5,505 mn), compared to 2,015 bln tenge (USD 4,730 mn);
- The Company's net profit including share in income of joint ventures and associates increased by 2.4% and amounted to 1,317 bln tenge (USD 2,858 mn);
- Net profit adjusted for share in profits of joint ventures and associates² was 788 bln tenge (USD 1,710 mn), compared to 1,022 bln tenge (USD 2,398 mn);
- FCF excluding share buyback in KMG Kashagan B.V. amounted to 1,116 bln tenge (USD 2 421 mn), compared to 756 bln tenge (USD 1,774 mn) year-on-year;
- FCF calculated in accordance with updated dividend policy, including share buyback in KMG Kashagan B.V. amounted to minus 82 bln tenge compared to 756 bln tenge in 2021;
- Gross debt amounted to 4,143 bln tenge (USD 8,956 mln) as of 31 December 2022, compared to 3,746 bln tenge (USD 8,676 mln) as of 31 December 2021;
- The Company's 2022 year-end balance of net debt was at 2,143 bln tenge (USD 4,632 mln), compared to 2021 year-end balance of 1,984 bln tenge (USD 4,594 mln).

	UoM	2022	2021	%
Dated Brent ³ , average	\$/bbl	101.32	70.91	+42.9%
Dated Urals ³ , average	\$/bbl	76.87	69.23	+11.0%
KEBCO ³	\$/bbl	77.2	-	-
Exchange rate, average	KZT/USD	460.93	426.06	+8.2%
Revenue	bln tenge	8,686	6,459	+34.5%
Share in profit of JVs and associates, net	bln tenge	991	680	+45.7%

¹ The amounts were converted to US dollars for user convenience at average exchange rates for respective periods (average USDKZT for 2022 and 2021 were at 460.93 и 426.06 respectively; year-end USDKZT as of 31 December 2022 and 31 December 2021 were at 462.65 и 431.80 respectively).

² Net income adjusted for share of profits of joint ventures and associates = Net income plus dividends received from joint ventures and associates minus share of income of joint ventures and associates

³ Source: S&P Global Platts.

Dividends received from JVs and associate	bln tenge	462	415	+11.3%
Net profit	bln tenge	1,317	1,287	+2.4%
Net profit adjusted for the share in profit of JVs and associates	bln tenge	788	1,022	-22.8%
EBITDA ⁴	bln tenge	2,538	2,015	+25.9%
Adjusted EBITDA ⁵	bln tenge	2,009	1,750	+14.8%
CAPEX (accrual basis)	bln tenge	535	472	+13.4%
CAPEX (cash basis)	bln tenge	451	454	-0.5%
FCF ⁶	bln tenge	1,116	756	47.7%
FCF (on dividend policy) ⁷	bln tenge	-82	756	-110.9%
Gross debt ⁸	bln tenge	4,143	3,746	+10.6%
Net debt ⁹	bln tenge	2,143	1,984	+8.0%

Impact of Kashagan call option exercise on financial performance

On September 15, 2022 the Company increased its stake in KMG Kashagan B.V. from 50% to 100%. KMG Kashagan B.V. owns 16.88% in the Kashagan project.

Previously, 50% interest in KMG Kashagan B.V. in the consolidated financial statements of KMG was reflected by equity method as investment in joint ventures, which implied inclusion of only 50% interest in net assets of KMG Kashagan B.V. in consolidated assets of KMG and 50% interest in net income of KMG Kashagan B.V. in the consolidated income statement of KMG.

Since the ownership of 100% interest in KMG Kashagan B.V., this company is consolidated by the method of full consolidation in the financial statements of KMG in the current period and as of the current date. In accordance with IFRS standards, KMG's historical results have been restated to include the 100% share of KMG Kashagan B.V. Accordingly, the financial performance of KMG in the previously published reports differs from the results in the nine months of 2022. More detailed information is available in the consolidated financial statements of KMG.

⁴ EBITDA = Revenue plus Share in profit of JVs and associates, net, minus Cost of purchased oil, gas petroleum products and refining costs minus Production expenses minus General and administrative expenses minus Transportation and selling expenses minus Taxes other than income tax.

⁵ Adjusted EBITDA = Revenue plus Dividends JVs and associates, minus Cost of purchased oil, gas petroleum products and refining costs minus Production expenses minus General and administrative expenses minus Transportation and selling expenses minus Taxes other than income tax.

⁶ Free Cash Flow = Net cash flow from operating activities minus Purchase of property, plant and equipment, intangible assets, investment property and exploration and evaluation assets. Dividends received from JVs and associates are included in cash flow from operating activities.

⁷ Free Cash Flow (according to the dividend policy) = consolidated cash flow of the Company from operating activities (including dividends received from joint ventures and associates, but not including net change in working capital in terms of advances received for oil supply) minus acquisition of fixed assets (including advances for fixed assets) minus acquisition of intangible assets minus acquisition of field development assets minus acquisition of appraisal and exploration assets minus acquisition of a share in a subsidiary/joint venture plus funds received from the sale of participatory interests in a subsidiary/joint/associated company (excluding funds received from the transfer of the Company's assets into a competitive environment according to the lists, approved by Resolutions No. 1141 of the Government of the Republic of Kazakhstan dated December 30, 2015 and No. 908 of December 29, 2020) based on the results of the reporting period.

⁸ Total debt at the end of the reporting period = bonds plus loans (short-term and long-term). Guarantees issued are not included in the calculation.

⁹ Net debt at the end of the reporting period: Bonds plus loans minus cash and cash equivalents minus bank deposits (short-term and long term). Guarantees issued are not included in the calculation.

Operating results for 2022¹⁰:

- Oil and gas condensate production increased by 1.7% to 22,012 thousand tonnes;
- Oil transportation volumes amounted to 74,658 thousand tonnes compared to 74,565 thousand tonnes in 2021;
- The volume of refining of hydrocarbons at Kazakhstani and Romanian refineries in aggregate increased by 5.7% and amounted to 19,900 thousand tonnes.

	2022 (net to KMG)	2021 (net to KMG)	%
Oil production, thous. tonnes	22,012 ¹¹	21,651	+1.7%
Gas production, mn m ³	8,241 ¹²	8,081	+2.0%
Oil transportation, thous. tons	74,658	74,565	+0.1%
Oil refining, thous. tonnes	19,900	18,833	+5.7%

Review of financial results for 2022¹² (includes 100% interest in KMG Kashagan B.V. by full consolidation method)

Revenue

Revenue amounted to 8,686 bn tenge (USD 18,845 mn), an increase of 34.5% higher than in 2021.

The revenue dynamics were positively affected by a 42.9% year-on-year increase in the average Brent crude oil price and weakening of the average exchange rate of the tenge against the US dollar by 8.2%.

Share in profits of joint ventures and associates

The share in income of joint ventures and associates increased by 45.7% to 991 bn tenge (USD 2,151 mn), mainly due to an increase in profits of “Tengizchevroil” LLP by 301 bn tenge (USD 575 mn).

EBITDA

EBITDA was 2,538 bn tenge (USD 5,505 mn), up 25.9% compared to 2,015 bn tenge (USD 4,730 mn) in 2021, driven by a 27.2% growth in Oil & Gas Exploration and Production of oil and gas and a 58.3% growth in Refining and trading of crude oil and refined products segments. This growth was achieved due to increase of international prices for crude oil and petroleum products.

Adjusted EBITDA

Adjusted EBITDA, which represents dividends received from joint ventures and associates instead of share in profits of joint ventures and associates, was 2,009 bn tenge (USD 4,358 mn), showing a 14.8% growth.

¹⁰ Production results are stated in accordance with KMG's shareholdings in joint ventures and associates and 100% for consolidated subsidiaries. More detailed information is available in the press release on production results for 2022: <https://www.kmg.kz/upload/iblock/95e/bj9hihmjknzd4o1nb72de2ly383jgfrv/4Q%2022%20Operating%20press-release%20ENG.pdf>

¹¹ KMG Kashagan B.V.'s oil and gas production volumes are included at 50% until 15 September 2022 and 100% after 15 September 2022.

¹² On 9 November 2021 the Company transferred 100% of shares of NC QazaqGaz JSC (hereinafter – KazTransGas, KTG) to Samruk-Kazyna for KZT 1 and the trust management agreement was terminated. As from 8 November 2021, KTG was classified as a discontinued operation. For further details, see Note 5 to the 2022 Consolidated Financial Statements.

Net profit

The Company's net profit increased by 2.4% to 1,317 bn tenge (USD 2 858 mn).

Net profit adjusted for the share in profit of JVs and associates

The Company's net profit adjusted for the share in profit of JVs and associates decreased by 22.8% from 1,022 bn tenge (USD 2,398 mn) to 788 bn tenge (USD 1,710 mn).

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

The cost of purchased oil, gas, oil products and other materials in the reporting period increased by 37.3%, reaching 4,954 bn tenge (USD 10,749 mn). The increase in cost of sales was largely due to an increase in crude oil and oil products prices.

Operating expenses

Production costs increased by 58.4% to 1,142 bn tenge (USD 2,478 mn), including due to growth of wage costs workers in the regions of operations as a whole KMG.

Transportation and selling expenses were 205 bn tenge (USD 445 mn), up 11.9% YoY.

General and administrative expenses increased by 5.8% to 160 bn tenge (USD 347 mn) due to an increase in salaries for employees in the regions where the Company operates.

Taxes other than income tax increased by 47.0% to 678 bn tenge (USD 1,471 mn) mainly as a result of an increase in rent tax due to higher oil prices and excise tax expenses.

Finance costs amounted to 307 bn tenge (USD 666 mn), an increase of 16.8% mainly due to increase in interest expense on borrowings and bonds due to weakening of tenge and some increase in interest rates.

Capital expenditure

The Company's capital expenditure (on an accrual basis, as disclosed in the segment reporting) was 535 bn tenge (USD 1,161 mn), up 13.4% primarily in the oil and gas exploration and production segment.

Free cash flow

Free cash flow excluding share buyback in KMG Kashagan B.V. amounted to 1,116 bn tenge (USD 2 421 mn), compared to 756 bn tenge (USD 1,774 mn) year-on-year. At the same time free cash flow recalculated under the new dividend policy, including share buyback in KMG Kashagan B.V. amounted to minus 82 bn tenge down 110,9% YoY. The negative value of the indicator is due to the costs incurred for the acquisition of a stake in Kashagan.

Debt management

Debt management

Debt management	Unit	31 December 2022	31 December 2021	%
Bonds	bn tenge	3,282	2,706	+21.3%
Loans	bn tenge	862	1,040	-17.2%
Total debt	bn tenge	4,143	3,746	+10.6%

Numbers may not add up due to rounding.

Total debt as of 31 December 2022 was 4,143 bn tenge (USD 8,956 mn), an increase of 10.6% in tenge terms and 3.2% in US dollar terms compared to 31 December 2021.

In September 2022, the Company placed bonds in the amount of 752 bn tenge with a coupon rate of 3.0% per annum and maturing in 2035. These bonds were fully purchased by Samruk-Kazyna JSC as part of the acquisition of shares of KMG Kashagan B.V. The difference between fair value and face value of the bond in the amount of 380 bn tenge is reflected as transactions with Samruk-Kazyna JSC in the consolidated statement of changes in equity.

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

As of 31 December 2022, amounts owed to Samruk-Kazyna JSC are mainly represented by amounts owed for exercise of the Option in the amount of 165 bn tenge. This amount in the Company's consolidated financial statements for the period is included in other current financial liabilities. At the same time the total debt of the Company, including this debt to Samruk-Kazyna JSC for execution of the Call Option to buy back Kashagan shares, amounted to 4,308 bn tenge (USD 9,312 mn).

Net debt

Net debt as of 31 December 2022 was 2,143 bn tenge (USD 4,632 mn), which is 8.0% higher in tenge terms than as of 31 December 2021. At the same time the Company's net debt including the debt to Samruk-Kazyna for exercise of the Kashagan shares Buy-Back Option was 2,308 bn tenge (USD 4,989 mn).

Cash and cash equivalents

Consolidated cash and cash equivalents including deposits

Name of the indicator	Unit	31 December 2022	31 December 2021	%
Cash and cash equivalents	bn tenge	763	1,144	-33.3%
Short-term deposits	bn tenge	1,178	562	+109.5%
Long-term deposits	bn tenge	59	56	+5.7%
Cash and cash equivalents including deposits	bn tenge	2,000	1,763	+13.5%

The numbers may not add up due to rounding.

Consolidated cash, cash equivalents, including cash in the form of deposits as of 31 December 2022 increased by 13.5% compared to the indicator as of 31 December 2021, and amounted to 2,000 bn tenge (USD 4,323 mn). In US dollar terms, it also increased by 5.9% to USD 4,323 mn compared to USD 4,082 mn as of 31 December 2021.

Key corporate events since the beginning of 2022:

- On 21 January 2022, Atyrau Refinery made full early repayment of the loan from Eximbank in the amount of USD 604 mn (259 bln tenge), including interest.
- Since 15 April 2022, Mirzagaliev M.M. has been appointed as the Chairman of the Management Board of KMG.
- On 13 June 2022, the Company completed the acquisition of a 49.5% stake in Kazakhstan Petrochemical Industries Inc. LLP, which is implementing a large-scale project for the construction of a polypropylene plant.
- On 20 June 2022, the Company, in accordance with the decision of Samruk-Kazyna JSC and the National Bank of the Republic of Kazakhstan, completed the payment of dividends on KMG shares for 2021 in the amount of 327.80 tenge per share for a total amount of 200 bln tenge.
- On 23 June 2022, KMG opened its representative office in Aktau in order to strengthen work in the region of presence on issues of interaction with local executive bodies, trade unions of KMG subsidiaries and contractors, implementation of projects to ensure employment of the population, control over the execution of production programs, as well as fields development.
- In July 2022, the Company acquired a 49% stake in Petrosun LLP, the main activity of which is the sale of liquefied petroleum gas and petroleum products.
- On 12 September 2022 the Company placed 752 bn tenge bonds with 3.0% coupon rate and maturity in 2035 to finance execution of a call option to buy back KMG Kashagan B.V.'s shares from Samruk-Kazyna JSC.
- On 15 September 2022, the Company exercised its right under a call option agreement entered into in 2015 and acquired from Samruk-Kazyna JSC a 50% interest in NC KMG Kashagan B.V. for USD 3.8 bn. The Company is the owner of 16.88% in the Production Sharing Agreement for the North Caspian Project (the Kashagan project).
- 27 September 2022 Standard & Poor's Ratings Services upgraded the Company's rating to BB+, Outlook Negative, following the call option exercise to buy back KMG Kashagan B.V.'s shares from Samruk-Kazyna JSC.
- On 27 October 2022 the Company approved a new dividend policy in respect of its shareholders which sets out a new dividend policy and corresponding procedure for dividend payments.
- In November 2022 hydrocarbon production at Kashagan is fully resumed after the shutdown of the Bolashak integrated oil and gas treatment facility on 3 August 2022, due to the detection of signs of gas leakage at the production site.
- On 8 November 2022 the President gave the start of a large-scale integrated gas chemical complex LLP Kazakhstan Petrochemical Industries Inc. designed to produce up to 500 thousand tonnes of polypropylene per year.
- On 8 December 2022 KMG shares started trading at the AIX and KASE stock exchanges. KMG's IPO is not only the largest IPO in the history of the Kazakhstan stock market in terms of the number of applications received (129.9 thousand), the placement volume (153.9 billion tenge) and the participation of individuals in the placement volume (52.1%), but also and the first "digital" IPO (99% of applications are submitted online).
- On 9 March 2023 Standard & Poor's Ratings Services affirmed the Company's ratings on 'BB+' and revised its outlook to stable from negative. The outlook revision mirrors agency's rating action on Kazakhstan ('BBB' ratings affirmed, outlook revised to stable from negative).

More detailed information is available at: <https://www.kmg.kz/en/investors/reporting/>

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About JSC National Company KazMunayGas:

JSC National Company KazMunayGas is the leading vertically integrated oil and gas company in Kazakhstan. KMG manages assets across the entire production cycle from hydrocarbon exploration and production to transportation, processing and specialized services. Founded in 2002, the company represents Kazakhstan's interests in the country's oil and gas industry.

KMG's main assets are as follows:

Exploration and Production: Ozenmunaigas (OMG) - 100%, Embamunaigas (EMG) - 100%, Kazakhturkmunai (KTM) - 100%, KazMunayTeniz - 100%, Urikhtau (UO) - 100%, Mangistaumunaigas (MMG) - 50%, Kazgermunai (KGM) - 50%, Karazhanbasmunai (KBM) - 50%, Kazakhoil Aktobe (KOA) - 50%, PetroKazakhstan Inc (PKI) - 33%, Tengizchevroil (Tengiz) - 20%, Kashagan - 16.88%, Karachaganak - 10%.

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

Downstream and other: Pavlodar refinery - 100%, Atyrau refinery - 99.53%, Shymkent refinery - 49.72%, KMG International - 100%, Petromidia - 54.63%, Vega - 54.63%, KazRosGas - 50%, Kazakhstan Petrochemical Industries Inc. - 49.5%.