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JSC NC KazMunayGas announces financial results for the first quarter of 2021

Nur-Sultan, 20 May 2021 – Joint-stock (JSC) National Company (NC) KazMunayGas (**“KMG” or Company**), Kazakhstan's national vertically integrated oil and gas company, published its interim condensed consolidated financial statements according to International Financial Reporting Standards (IFRS) 34 “Interim financial statements” for the three months ended March 31, 2021 with independent auditor's report.

Key financial indicators for the first quarter of 2021¹:

- Revenue amounted to 1,433 bln tenge (USD 3,413 mln) in the first quarter of 2021, compared to 1,376 bln tenge (USD 3,513 mln) in the first quarter of 2020;
- EBITDA was at 494 bln tenge (USD 1,176 mln), compared to 275 bln tenge (USD 702) in the first quarter of 2020;
- The Company's net profit for the period amounted to 286 bln tenge (USD 681 mln) in the reporting period, compared to 70 bln tenge (USD 177 mln) in the first quarter of 2020. Net profit attributable to shareholders of the parent company amounted to 287 bln tenge (USD 683 mln);
- FCF amounted to 35 bln tenge (USD 83 mln), compared to 26 bln tenge (USD 66 mln) in the first quarter of 2020;
- The Company's net debt was at USD 6,123 mln as of 31 March 2021, having decreased by 0.6% from USD 6,162 mln at the end of 2020;
- Total debt decreased by 0.4% to USD 9,655 mln as of 31 March 2021 compared to 31 December 2020.

	UoM	1Q 2021	1Q 2020	%
Dated Brent ¹ , average	\$/bbl	61.12	50.10	22.0%
Exchange rate, average	KZT/USD	419.94	391.72	7.2%
Revenue	bln tenge	1,433	1,376	4.1%
Share in profit of JVs and associates, net	bln tenge	218	65	235.4%
Net profit	bln tenge	286	70	308.6%
Net profit attributable to shareholders of the Parent Company	bln tenge	287	86	233.7%
EBITDA ²	bln tenge	494	275	79.6%
Adjusted EBITDA ³	bln tenge	277	217	27.6%
FCF ⁴	bln tenge	35	26	34.6%
CAPEX (accrual basis)	bln tenge	52	143	-63.6%
CAPEX (cash basis)	bln tenge	82	127	-35.4%

¹ The amounts were converted to US dollars for user convenience at average exchange rates for respective periods (average USD/KZT for the first quarter of 2021 and the first quarter of 2020 were at 419.94 and 391.72, respectively; USD/KZT as of 31 March 2021 and 31 December 2020 were at 424.89 and 420.91, respectively).

Net debt ⁵	bln tenge	2 602	2 594 ⁷	0.3%
Total debt ⁶	bln tenge	4 102	4 078 ⁷	0.6%

¹ Source: S&P Global Platts.

² 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.

³ 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.

⁴ 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 plus Proceeds from the loan previously provided to Caspian Pipeline Consortium due to transfer of Kazakh pipeline assets to CPC-K. In 2020, CPC fully repaid the interest on the loan to KMG in the amount of 38 bln tenge.

⁵ Net debt = Noncurrent borrowings plus Current borrowings minus Cash and cash equivalents minus Short-term bank deposits minus Long-term bank deposits. Guaranteed obligations are not included in the calculation.

⁶ Total debt = Noncurrent borrowings plus Current borrowings. Guaranteed obligations are not included in the calculation.

⁷ As of 31 December 2020.

Operating results for the first quarter of 2021:

- Oil and gas condensate production amounted to 5,318 thous. tonnes compared to 5,929 thous. tonnes in the first quarter of 2020;
- The volumes of oil and gas transportation amounted to 18,327 thous. tonnes of oil and 22,149 million m³ of gas, respectively, which is 1.0% and 21.8% lower than in the first quarter of 2020;
- Hydrocarbons refining volumes at the Kazakh and Romanian refineries remained practically unchanged and amounted to 4,662 thous. tonnes.

	1Q 2021 (net to KMG)	1Q 2020 (net to KMG)	%
Oil production, thous. tonnes	5,318	5,929	-10.3%
Gas production, mln m ³	2,058	2,260	-8.9%
Oil transportation, thous. tonnes	18,327	18,517	-1.0%
Gas transportation, mln m ³	22,149	28,320	-21.8%
Oil refining, thous. tonnes	4,662	4,660	-0.04%

Operating results presented in accordance with KMG's ownership interest in joint ventures and associates and 100% of results for consolidated subsidiaries, unless specifically indicated otherwise.

For more information, please see the Trading Update for 1Q2021:

<https://kmg.kz/eng/investoram/reporting-and-financial-result/>

Financial Highlights for the first quarter of 2021

Revenue

Revenue amounted to 1,433 bln tenge (USD 3,413 mln) in the first quarter of 2021, up by 4.1% vs. the same period of 2020. The positive impact on revenue dynamics was mainly attributable to an increase in average Dated Brent oil price by 22.0% year-on-year, weakening of the average exchange rate of tenge vs. the US dollar by 7.2% and increase in trading volumes of KMG International N.V (KMGI). Revenue growth was restrained by the production restrictions at certain fields under the OPEC+ agreement and a decrease in the revenue of KazTransGas JSC (KTG) due to a decrease in the gas sale volumes for export and international transit, as well as the average price of gas sales.

Share in profit of joint ventures and associates

Share in the profit of joint ventures and associates increased from 65 bln tenge (USD 167 mln) in the first quarter of 2020 to 218 bln tenge (USD 518 mln) in the first quarter of 2021. The following companies mainly supported the growth: Tengizchevroil LLP (TCO) at 89 bln tenge (USD 213 mln), Asian Gas Pipeline LLP (AGP) at 56 bln tenge (USD 133 mln) and Beineu-Shymkent Gas Pipeline LLP (BSGP) at 20 bln tenge (USD 47 mln). According to the results of the first quarter of 2021, the accounting net loss was at Teniz Service LLP in the amount of 1 bln tenge (USD 2 mln), Ural Group Limited (UGL) in the amount of 2 bln tenge (USD 4 mln).

EBITDA

EBITDA in the first quarter of 2021 was 494 bln tenge (USD 1,176 mln), demonstrating growth compared to 275 bln tenge (USD 702 mln) in the first quarter of 2020 due to an increase of segmented EBITDA in Gas trading and transportation, Exploration and production of oil and gas, Refining and trading of crude oil and refined products and Corporate centre.

Adjusted EBITDA

Adjusted EBITDA, reflecting dividends received from joint ventures and associates, in the first quarter of 2021 amounted to 277 bln tenge (USD 659 million), showing an increase of 27.6% year-on-year.

Net profit

The Company's net profit increased from 70 bln tenge (USD 177 mln) in the first quarter of 2020 to 286 bln (USD 681) in the first quarter of 2021 due to an increase in average oil price, increase in revenues and share in the profit of joint ventures and associates, as well as decline of production expenses, general and administrative expenses and the absence of significant impairment of exploration and evaluation assets.

Net profit for the period attributable to shareholders of the Parent Company amounted to 287 bln tenge (USD 683 mln).

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

Cost of purchased oil, gas, petroleum products and other materials increased by 0.8% year-on-year to 747 bln tenge (USD 1,779 mln) in the reporting period due to higher average price and volumes of oil purchases and weakening of the average exchange rate of tenge vs. the US dollar. The cost of purchasing oil for resale increased by 39.8% to 569 bln tenge (USD 1,355 mln). This was partially offset by a decrease in the cost of purchased gas for resale and a decrease in the cost of oil for refining. The decrease in purchased gas for resale from 146 bln tenge (USD 373 mln) in the first quarter of 2020 to 27 bln tenge (USD 64 mln) in the first quarter of 2021 was due to a decrease in the price and volumes of gas purchases at KTG.

Other expenses

In the first quarter of 2021, production expenses decreased by 5.7% year-on-year to 164 bln tenge (USD 391 mln) due to the reduction of short-term lease costs by 56.3% to 7 bln tenge (USD 16 mln).

Transportation and distribution costs increased by 3.4% year-on-year to 123 bln tenge (USD 292 mln) due to higher loading, transportation and storage costs.

General and administrative expenses decreased by 15.8% year-on-year to 32 bln tenge (USD 75 mln) because of a decline in expenses for consulting services and reversal of impairment of VAT receivable.

Taxes other than income tax decreased by 2.1% year-on-year to 92 bln tenge (USD 218 mln) mainly due to a decrease in export customs duty.

In the first quarter of 2021, finance costs were at 68 bln tenge (USD 162 mln), up by 1.5% year-on-year due to higher expenses on lease agreements.

Capital expenditures

In the first quarter of 2021, capital expenditures (on an accrual basis, segment reporting) amounted to 52 bln tenge (USD 123 mln) compared to 143 bln tenge (USD 366 mln) in the first quarter of 2020. Capital expenditures on a cash basis amounted to 82 bln tenge (USD 194 mln) with a decrease by 35.4% year-on-year. Capital expenditures decreased at Atyrau Refinery due to payment of arrears in the first quarter of 2020, at KMGI due to scheduled overhaul, at Ozenmunaigas due to lower volume of fixed assets purchase, at KMG Karachaganak LLP due to the smaller work volume on investment projects.

Debt management

Debt indicators

	UoM	31 March 2021	31 December 2020	%
Bonds	bln tenge	3,031	2,978	1.8%
Loans	bln tenge	1,071	1,101	-2.7%
Total debt	bln tenge	4,102	4,078	0.6%
Guarantee obligations under the syndicated loan of Beineu-Shymkent Gas Pipeline LLP	bln tenge	214	227	-5.7%
Guarantee obligations under the syndicated loan of AstanaGas KMG JSC	bln tenge	1.9	1.9	0.0%
Total debt with guarantee obligations	bln tenge	4,318	4,308	0.2%

Numbers may not add up due to rounding.

Total debt was at 4,102 bln tenge as of 31 March 2021 increased in tenge terms by 0.6% compared to 31 December 2020 (4,078 bln tenge). Total debt in US dollar terms was at USD 9,655 mln as of 31 March 2021, slightly decreased by 0.4% compared to 31 December 2020 (USD 9,690 mln).

Total debt including guaranteed obligations² amounted to 4,318 bln tenge (USD 10,163 mln) as of 31 March 2020, increased by 0.2% in tenge terms (in the US dollar terms: decrease by 0.7%) vs. 31 December 2020.

During the reporting period, Atyrau Refinery partially repaid a loan from the Export-Import Bank of China for USD 79 mln and fully repaid the loan from the Development Bank of Kazakhstan JSC for USD 142 mln. Atyrau Refinery received a long-term loan from Halyk Bank JSC for a total amount of 54 bln tenge with a maturity of 4 years to refinance existing loans. KMG received a USD 50 mln short-term loan from Cargill to finance working capital.

KMG's net debt amounted to 2,602 bln tenge (USD 6,123 mln) as of 31 March 2020, 0.3% higher in tenge terms compared to 31 December 2020 (in the US dollar terms: decrease by 0.6%).

Cash and cash equivalents

Consolidated cash and cash equivalents including deposits

	UoM	31 March 2021	31 December 2020	%
Cash and cash equivalents	bln tenge	1,174	1,146	2.4%
Short-term deposits	bln tenge	271	282	-3.9%
Long-term deposits	bln tenge	56	57	-1.8%
Cash and cash equivalents including deposits	bln tenge	1,501	1,485	1.1%

Consolidated cash and cash equivalents including deposits increased by 1.1% to 1,501 bln tenge as of 31 March 2020 vs. 31 December 2020. Consolidated cash and cash equivalents in the US dollar terms slightly increased by 0.1% to USD 3,532 mln as of 31 March 2020 vs. USD 3,528 mln as of 31 December 2020.

The increase in cash and cash equivalents is mainly due to positive net cash flow from operating activities at 116 bln tenge (USD 277 mln), and effects of exchange rate changes on cash and cash equivalents at 7 bln tenge (USD 16 mln).

Key corporate events from the beginning of 2021:

- On March 11, 2021, KMG and NWF Samruk-Kazyna JSC signed a trust management agreement for 100% of ordinary shares of KTG;
- Starting from 30 March 2021, KMG Eurobonds for a total amount of USD 6.25 bln have been included in the official list of Astana International Exchange;
- On 21 April 2021, a meeting of KTG bondholders was held, as a result of which, by a decision of a qualified majority, consent was obtained to change the terms of the bond issue prospectus in accordance with the memorandum of consent dated 30 March 2021. The amount of remuneration to the holders of KTG bonds amounted to USD 3.5 mln;
- On 30 April 2021, the international rating agency S&P Global Ratings affirmed KMG's credit rating at "BB" with a "negative" outlook.

² It includes nominal amounts of guaranteed obligations on a syndicated loan of Beineu-Shymkent Gas Pipeline (BSGP) in the amount of 214 bln tenge (USD 504 mln), guaranteed obligation on a loan of JSC "AstanaGas KMG" in the amount of 1.9 bln tenge (USD 4.4 mln).

For further information, please visit

<https://kmg.kz/eng/investoram/reporting-and-financial-result/>

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About JSC National Company KazMunayGas:

JSC National Company KazMunayGas is Kazakhstan's leading vertically integrated oil and gas company, operating assets across the entire production cycle from the exploration and production of hydrocarbons to transportation, refining and specialised services. Established in 2002, the Company represents the government's interests in the national oil and gas industry.

KMG's main assets are as follows:

Upstream: Ozenmunaigas (OMG) - 100%, Embamunaigas (EMG) - 100%, Kazakhturkmunai (KTM) - 100%, KazMunayTeniz - 100%, Urikhtau Operating (UO) – 100%, Mangistaumunaigas (MMG) - 50%, Kazgermunai (KGM) - 50%, Karazhanbasmunai (KBM) - 50%, KazakhOil Aktobe (KOA) - 50%, Petrokazakhstan Inc (PKI) - 33%, Tengizchevroil (TCO) - 20%, Karachaganak (KPO) - 10%, Kashagan – 8.44%.

Midstream: KazTransOil - 90% Kazakhstan China Pipeline (KCP) - 50%, Munai Tas - 51%, Batumi Oil Terminal - 100%, CPC - 20.75%, Kazmortransflot - 100%, KazTransGas - 100%, ICA - 100%, AGP - 50%, KTG Aimak - 100%, BSGP - 50%, KazRosGas - 50%.

Downstream: Pavlodar refinery - 100%, Atyrau refinery - 99.53%, Shymkent refinery - 49.72%, KMG International - 100% (Petromidia refinery - 54.63%, Vega refinery - 54.63%).