

26 August 2021

## JSC NC KazMunayGas announces financial results for the first half of 2021

**Nur-Sultan, 26 August 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 and six months ended June 30, 2021, with the independent auditor's report on review of interim financial information.

### Key financial indicators for the first half of 2021<sup>1</sup>:

- Revenue increased by 38.5% to 3,122 bln tenge (USD 7,360 mln) in the first half of 2021, compared to the same period of last year;
- EBITDA was at 1,063 bln tenge (USD 2,507 mln) in the first half of 2021, up by 92.6% year-on-year;
- The Company's net profit for the period increased 31-fold to 644 bln tenge (USD 1,519 mln) in the reporting period, compared to 21 bln tenge (USD 51 mln) in the first half of 2020. Net profit attributable to shareholders of the parent company amounted to 644 bln tenge (USD 1,518 mln);
- FCF amounted to 291 bln tenge (USD 685 mln), compared to -5 bln tenge (USD -12 mln) in the first half of 2020;
- The Company's net debt was at USD 5,533 mln as of 30 June 2021, having decreased by 10.2% from USD 6,162 mln at the end of 2020;
- Total debt decreased by 0.6% to USD 9,629 mln as of 30 June 2021 compared to 31 December 2020.

	UoM	1H2021	1H2020	%
Dated Brent <sup>1</sup> , average	\$/bbl	64.98	40.07	62.2%
Exchange rate, average	KZT/USD	424.22	404.71	4.8%
Revenue	bln tenge	3,122	2,254	38.5%
Share in profit of JVs and associates, net	bln tenge	481	224	114.7%
Net profit	bln tenge	644	21	-
Net profit attributable to shareholders of the Parent Company	bln tenge	644	104	519.2%
EBITDA <sup>2</sup>	bln tenge	1,063	552	92.6%
Adjusted EBITDA <sup>3</sup>	bln tenge	704	344	104.7%
FCF <sup>4</sup>	bln tenge	291	-5	-
CAPEX (accrual basis)	bln tenge	167	243	-31.3%
CAPEX (cash basis)	bln tenge	153	227	-32.6%

<sup>1</sup> The amounts were converted to US dollars for user convenience at average exchange rates for respective periods (average USD/KZT for the first half of 2021 and the first half of 2020 were at 424.22 and 404.71, respectively; USD/KZT as of 30 June 2021 and 31 December 2020 were at 427.89 and 420.91, respectively).

Net debt <sup>5</sup>	bln tenge	2,367	2,594 <sup>7</sup>	-8.8%
Total debt <sup>6</sup>	bln tenge	4,120	4,078 <sup>7</sup>	1.0%

<sup>1</sup> Source: S&P Global Platts.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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.

<sup>5</sup> 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.

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

<sup>7</sup> As of 31 December 2020.

### Operating results for the first half of 2021:

- Oil and gas condensate production amounted to 10,738 thous. tonnes as compared to 11,345 thous. tonnes in the first half of 2020;
- The transportation volume of oil amounted to 36,949 thous. tonnes as compared to 37,328 thous. tonnes in the first half of 2020;
- Transportation volume of gas increased by 2.7% to 46 411 million m<sup>3</sup> in the first half of 2021;
- Hydrocarbons refining volumes at the Kazakh and Romanian refineries increased by 17.0% to 9,704 thous. tonnes in comparison with 8,290 thous. tonnes in the previous year.

	1H 2021 (net to KMG)	1H 2020 (net to KMG)	%
Oil production, thous. tonnes	10,738	11,345	-5.3%
Gas production, mln m <sup>3</sup>	4,079	4,321	-5.6%
Oil transportation, thous. tonnes	36,949	37,328	-1.0%
Gas transportation, mln m <sup>3</sup>	46,411	45,172	2.7%
Oil refining, thous. tonnes	9,704	8,290	17.0%

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 the first half of 2021:

[https://www.kmg.kz/uploads/reporting-and-financial-result/operating-results/Operating\\_results\\_6M\\_2021\\_ru.pdf](https://www.kmg.kz/uploads/reporting-and-financial-result/operating-results/Operating_results_6M_2021_ru.pdf)

### Financial Highlights for the first half of 2021

#### Revenue

Revenue amounted to 3,122 bln tenge (USD 7,360 mln) in the first half of 2021, up by 38.5% 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 62.2% year-on-year, weakening of the average exchange rate of tenge vs. the US dollar by 4.8% and increase in trading volumes of oil and oil products at 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, 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 224 bln tenge (USD 554 mln) in the first half of 2020 to 481 bln tenge (USD 1,134 mln) in the first half of 2021.

The following companies mainly supported the growth of a share in the profit: Tengizchevroil LLP (TCO) with 199 bln tenge (USD 469 mln), Asian Gas Pipeline LLP (AGP) with 121 bln tenge (USD 285 mln), KMG Kashagan B.V. with 31 bln tenge (USD 73 mln), Mangistau Investment B.V. (MMG) with KZT 27 bln (USD 63 mln) and Beineu-Shymkent Gas Pipeline LLP (BSGP) with 36 bln tenge (USD 85 mln) of net profit. According to the results of the first half of 2021, the accounting net loss was at Ural Group Limited (UGL) in the amount of 5 bln tenge (USD 12 mln), and Teniz Service LLP in the amount of 3 bln tenge (USD 7 mln).

#### *EBITDA*

EBITDA in the first half of 2021 was 1,063 bln tenge (USD 2,507 mln), demonstrating growth compared to 552 bln tenge (USD 1,364 mln) in the first half of 2020 due to an increase of segmented EBITDA in Exploration and production of oil and gas, Gas trading and transportation, Refining and trading of crude oil and refined products, and Corporate centre.

#### *Adjusted EBITDA*

Adjusted EBITDA, reflecting dividends received from joint ventures and associates, and not including share in the profit of joint ventures and associates in the first half of 2021 amounted to 704 bln tenge (USD 1,659 million), showing an increase of 104.7% year-on-year.

#### *Net profit*

The Company's net profit increased from 21 bln tenge (USD 51 mln) in the first half of 2020 to 644 bln (USD 1,519 mln) in the first half 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 644 bln tenge (USD 1,518 mln).

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

Cost of purchased oil, gas, petroleum products and other materials increased by 50.0% year-on-year to 1,689 bln tenge (USD 3,981 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. This was partially offset by a decrease in the cost of purchased gas for resale and a decrease in the cost of petroleum products for resale. The purchased gas for resale decreased by 58.5% year-on-year and amounted to 85 bln tenge (USD 201 mln) in the first half of 2021.

### *Other expenses*

In the first half of 2021, production expenses decreased by 3.6% year-on-year to 351 bln tenge (USD 827 mln) due to the reduction of short-term lease costs by 51.7% to 14 bln tenge (USD 32 mln).

Transportation and distribution costs increased by 5.4% year-on-year to 234 bln tenge (USD 552 mln) due to higher loading, transportation and storage costs.

General and administrative expenses decreased by 8.0% year-on-year to 69 bln tenge (USD 162 mln) because of a decline in expenses for consulting services, reversal of impairment of VAT receivable, and a decrease in labour costs mainly as a result of changes in the organizational structure at the KMG Corporate Center in 2020.

Taxes other than income tax increased by 41.7% year-on-year to 197 bln tenge (USD 465 mln) mainly due to higher average oil prices.

In the first half of 2021, finance costs, including interest expense on lease liabilities, were at 137 bln tenge (USD 323 mln), up by 1.5% year-on-year due to higher expenses on lease agreements, reflecting the new lease agreement for the Saryarka gas pipeline for 2021, and long-term office lease agreements and archival premises at KTG.

### *Capital expenditures*

In the first half of 2021, capital expenditures (on an accrual basis, segment reporting) amounted to 167 bln tenge (USD 392 mln), down by 31.3% from 243 bln tenge (USD 602 mln) in the first half of 2020. Capital expenditures on a cash basis amounted to 153 bln tenge (USD 361 mln) with a decrease of 32.6% year-on-year. Capital expenditures decreased at KMGI due to scheduled overhaul in 2020, at KTG due to the completion of large investment projects in the reporting period of 2020, and at Atyrau Refinery due to the payment of arrears in the first half of 2020 for fixed assets related to the advanced oil refining complex, acquired in 2019.

### *Debt management*

#### **Debt indicators**

	UoM	30 June 2021	31 December 2020	%
Bonds	bln tenge	2,996	2,978	0.6%
Loans	bln tenge	1,124	1,101	2.1%
<b>Total debt</b>	<b>bln tenge</b>	<b>4,120</b>	<b>4,078</b>	<b>1.0%</b>
Guarantee obligations under the syndicated loan of Beineu-Shymkent Gas Pipeline LLP	bln tenge	200	227	-11.9%
Guarantee obligations under the syndicated loan of AstanaGas KMG JSC	bln tenge	1.7	1.9	-10.5%
<b>Total debt with guarantee obligations</b>	<b>bln tenge</b>	<b>4,322</b>	<b>4,308</b>	<b>0.3%</b>

*Numbers may not add up due to rounding.*

Total debt was at 4,120 bln tenge as of 30 June 2021, having increased in tenge terms by 1.0% compared to 31 December 2020 (4,078 bln tenge), reflecting the change of tenge vs. the US dollar. Total debt in the US dollar terms was at USD 9,629 mln as of 30 June 2021, decreased by 0.6% compared to 31 December 2020 (USD 9,690 mln).

Total debt including guaranteed obligations<sup>2</sup> amounted to 4,322 bln tenge (USD 10,101 mln) as of 30 June 2021, increased by 0.3% in tenge terms (in the US dollar terms: a decrease of 1.3%) 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. KMGI received a USD 50 mln short-term loan from Cargill, and a USD 44 mln short-term loan from Banque de Commerce et de Placements to finance working capital. KMGI received a Syndicated loan used to finance its working capital for the total amount of USD 63 mln and made partial repayment for USD 10 mln, including accrued interest.

KMG's net debt amounted to 2,367 bln tenge (USD 5,533 mln) as of 30 June 2021, down by 8.8% in tenge terms compared to 31 December 2020 (in the US dollar terms: decrease by 10.2%).

#### *Cash and cash equivalents*

#### **Consolidated cash and cash equivalents including deposits**

	UoM	30 June 2021	31 December 2020	%
Cash and cash equivalents	bln tenge	1,445	1,146	26.1%
Short-term deposits	bln tenge	253	282	-10.3%
Long-term deposits	bln tenge	55	57	-3.5%
<b>Cash and cash equivalents including deposits</b>	<b>bln tenge</b>	<b>1,753</b>	<b>1,485</b>	<b>18.0%</b>

Consolidated cash and cash equivalents including deposits increased by 18.0% to 1,753 bln tenge as of 30 June 2021 vs. 31 December 2020. Consolidated cash and cash equivalents in the US dollar terms increased by 16.1% to USD 4,096 mln as of 30 June 2021 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 444 bln tenge (USD 1,046 mln), and lower capital expenditures compared to the same period last year.

#### *Key corporate events from the beginning of 2021:*

- On 11 March 2021, KMG and SWF 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;

<sup>2</sup> It includes nominal amounts of guaranteed obligations on a syndicated loan of Beineu-Shymkent Gas Pipeline (BSGP) in the amount of 200 bln tenge (USD 468 mln), guaranteed obligation on a loan of JSC "AstanaGas KMG" in the amount of 1.7 bln tenge (USD 4.0 mln).

- On 21 April 2021, KTG obtained a consent from the holders of Eurobonds with maturity in 2027 to change the terms of the bond issue prospectus under the memorandum of consent dated 30 March 2021;
- On 30 April 2021, the international rating agency S&P Global Ratings affirmed KMG's credit rating at "BB" with a "negative" outlook;
- On 3 June 2021, Atyrau Refinery and the European Bank for Reconstruction and Development have signed an agreement to provide an amount denominated in tenge totalling up to USD 80 mln for financing the TAZALYQ project;
- On 4 June 2021, KMG and PJSC LUKOIL signed the Agreement on Purchase of 49.99% Interest in Al-Farabi Operating LLP;
- On 16 June 2021, KMG received the consent of the holders of KMG Eurobonds with maturity in 2025, 2027, 2030, 2047, 2048 to bring them into line with the terms of the KMG Eurobonds 2020 issue;
- After the announcement of dividends for 2020 in May 2021 in line with the decision of Samruk-Kazyna and the National Bank of Kazakhstan, as of 3 August, KMG paid dividends in full in the amount of 50 bln tenge (USD 118 mln), including dividends paid to Samruk-Kazyna in the amount of 45 bln tenge (USD 107 mln) and the National Bank in the amount of 5 bln tenge (USD 11 mln);
- On 12 August 2021, the international rating agency Moody's Investors Service upgraded KMG's credit rating from Baa3 to Baa2 following the upgrade of the sovereign rating of Kazakhstan. The outlook has been changed from "positive" to "stable".

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%).