

JSC NC KazMunayGas announces 2021 FY financial results

Nur-Sultan, 17 March 2022 – 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 2021 with an independent auditor's report.

Dauren Karabayev, Deputy Chairman for Economics and Finance:

«In 2021 we observed a gradual recovery of company's financial metrics to the level of pre-pandemic period amidst an aggregate influence of external market factors. Global demand rebounding and OPEC+ oil market regulations are the key factors for and oil price rise. Timely response to market challenges allowed the company to deliver better than expected results.»

Key financial indicators for 2021¹:

- Revenue increased by 61.1% to 5,839 bln tenge (USD 13,704 mln) in 2021, compared to 3,625 bln tenge (USD 8,767 mln) in 2020;
- EBITDA increased by 98.6% to 1,609 bln tenge (USD 3,776 mln), compared to 810 bln tenge (USD 1,960 mln) in 2020;
- The Company's net profit increased 6-fold to 1,197 bln tenge (USD 2,810 mln) in the reporting period. Net profit attributable to shareholders of the parent company for 2021 amounted to 1,216 bln tenge (USD 2,853 mln);
- FCF amounted to 669 bln tenge (USD 1,570 mln), compared to 50 bln tenge (USD 121 mln) in 2020;
- Gross debt decreased by 8.1% to 3,746 bln tenge (USD 8,676 mln) as of 31 December 2021, compared to 31 December 2020;
- The Company's 2021 year-end balance of net debt was at 2,204 bln tenge (USD 5,104 mln), reflecting a decrease of 15% compared to 2020 year-end balance of 2,594 bln tenge (USD 6,162 mln).

	UoM	2021	2020	%
Dated Brent ² , average	\$/bbl	70.91	41.84	69.5%
Exchange rate, average	KZT/USD	426.06	413.46	3.0%
Revenue	bln tenge	5,839	3,625	61.1%
Share in profit of JVs and associates, net	bln tenge	769	281	173.8%
Net profit	bln tenge	1,197	172	596.5%

¹ The amounts were converted to US dollars for user convenience at average exchange rates for respective periods (average USDKZT for 2021 and 2020 were at 426.06 and 413.46 respectively; year-end USDKZT as of 31 December 2020 and 31 December 2019 were at 431.8 and 420.91, respectively).

² Source: S&P Global Platts.

Net profit attributable to shareholders of the Parent Company	bln tenge	1,216	273	344.9%
EBITDA ³	bln tenge	1,609	810	98.6%
Adjusted EBITDA ⁴	bln tenge	1,256	664	89.0%
FCF ⁵	bln tenge	669	50	1,234.3%
CAPEX (accrual basis)	bln tenge	414	454	-8.8%
CAPEX (cash basis)	bln tenge	410	396	3.3%
Gross debt ⁶	bln tenge	3,746	4,078	-8.1%
Net debt ⁷	bln tenge	2,204	2,594	-15.0%

³ 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.

⁴ 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.

⁵ 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.

⁶ 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.

⁷ 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.

* On March 11, 2021, the Company and Samruk-Kazyna signed a trust management agreement in respect of 100% of the common shares of JSC KazTransGas ("KTG"). On November 9, 2021, the Company transferred 100% of KTG shares to Samruk-Kazyna for 1 tenge and the trust management agreement was terminated. The transaction was preceded by the fulfillment of a number of legal and financial conditions, including obtaining approvals from state bodies and KMG's creditors. The last of the conditions was fulfilled on November 8, 2021. Effective November 8, 2021, KTG has been classified as a discontinued operation. For more details, see Note 5 of the 2021 Consolidated Financial Statements.

Operating results for 2021:

- Oil and gas condensate production amounted to 21,651 thous. tonnes as compared to 21,752 thous. tonnes in 2020;
- Oil transportation volume increased by 1.9% to 74,565 thous. tonnes;
- Hydrocarbons refining volumes at the Kazakh and Romanian refineries increased by 4.2% to 18,833 thous. tonnes.

	UoM	2021 (net to KMG)	2020 (net to KMG)	%
Oil production	thous. tonnes	21,651	21,752	-0.5%
Gas production	mln m ³	8,081	8,191	-1.4%
Oil transportation	thous. tonnes	74,565	73,171	1.9%
Gas transportation	mln m ³	81,851	86,590	-5.5%
Oil refining	thous. tonnes	18,833	18,077	4.2%

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 refer to the Trading Update for 2021: <https://www.kmq.kz/eng/investoram/reporting-and-financial-result/>.

Financial Highlights for 2021

Revenue

Revenue amounted to 5,839 bln tenge (USD 13,704 mln) in 2021, up by 61.1% vs. 2020. The positive impact on revenue dynamics was mainly attributable to an increase in average Dated Brent oil price by 69.5% year-on-year, average exchange rate of tenge depreciation against the US dollar by 3.0% year-on-year, and increase of oil trading volumes at KMG International N.V (KMGI). Revenue growth was partially offset by the production restrictions at certain fields under the OPEC+ agreement and an organic decrease in oil production of mature fields.

Share in profit of joint ventures and associates

Share in the profit of joint ventures and associates significantly increased to 769 bln tenge (USD 1,804 mln), mainly as a result of an increase in profits of Tengizchevroil LLP (TCO) with 268 bln tenge (USD 617 mln), PCLL "KMG Kashagan B.V." (Kashagan) with 95 bln tenge (USD 224 mln), Mangistaumunaigas JSC (MMG) for 63 bln tenge (USD 148 mln), and LLP KazRosGas for 20 bln tenge (USD 47 mln).

EBITDA

EBITDA increased by 98.6% year-on-year and equaled 1,609 bln tenge (USD 3,776 mln), mainly due to Upstream and Corporate center EBITDA growths on the back of increase in oil price, tenge depreciation against US dollar, sales volumes increase at the Corporate center by 29% and an increase in sales price of corresponding oil products.

Adjusted EBITDA

Adjusted EBITDA reflecting dividends received from joint ventures and associates (cash basis) instead of share in the profit of joint ventures and associates were 89% up year-on-year and amounted to 1,256 bln tenge (USD 2,947 mln).

Net profit

The Company's net profit increased from 172 bln tenge (USD 416 mln) to 1,197 bln tenge (USD 2,810 mln) for 2021, reflecting a 6-fold increase. On the back of oil price rise, increase of share in profits of joint ventures and associates and in the absence of significant impairments of fixed assets, Company has delivered higher net profit in 2021.

Net profit for the period attributable to shareholders of the Parent Company amounted to 1,216 bln tenge (USD 2,853 mln).

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

Cost of purchased oil, gas, petroleum products and other materials increased by 89,2% year-on-year and equaled to 3,596 bln tenge (USD 8 441 mln). Increase in costs is largely attributable to the oil price soar and the average exchange rate of tenge weakening against the US dollar.

Operating expenses

Production expenses slightly increased by 5.6% year-on-year and amounted to 693 bln tenge (USD 1,627 mln).

Transportation and distribution costs decreased by 3.8% year-on-year and equaled 132 bln tenge (USD 310 mln).

General and administrative expenses slightly increased by 1.3% year-on-year and amounted to 148 bln tenge (USD 348 mln).

Taxes other than income tax for 2021 increased by 68.5% year-on-year and amounted to 429 bln tenge (USD 1,006 mln) mainly due to increase in rent tax on crude oil export, export customs duty and mineral extraction tax on the back of oil price rise.

Finance costs were at 249 bln tenge (USD 585 mln), down by 6,1% year-on-year due to a full redemption of bonds maturing in 2022 and 2023 ahead of the schedule (in October - November 2020).

Capital expenditures

In 2021, capital expenditures (on an accrual basis, segment reporting) amounted to 414 bln tenge (USD 972 mln), down by 8.8% compared to 2020.

Debt management

Debt indicators

	UoM	31 Dec. 2021	31 Dec. 2020	%
Bonds	bln tenge	2,706	2,978	-9.1%
Loans	bln tenge	1,040	1,101	-5.5%
Gross debt	bln tenge	3,746	4,078	-8.1%
Guarantee obligations	bln tenge	1.6	238	-99.3%
Gross debt with guarantee obligations	bln tenge	3,748	4,316	-13.2%

Numbers may not add up due to a rounding.

Gross debt as of 31 December 2021 was at 3,746 bln tenge (USD 8,676 mln), reflecting a decrease in tenge terms by 8.1% compared to 2020 year-end balance (decrease in the US dollar terms: 10.5%) as a result of KazTransGas JSC deconsolidation.

Gross debt including guaranteed obligations as of 31 December 2021 amounted to 3,748 bln tenge (USD 8,680 mln) with a decrease of 13.2% in tenge terms (decrease in the US dollar terms: 15.4%) compared to 2020 year-end balance.

During 2021, as part of debt management measures on currency risk mitigation, Company has carried out a number of loan refinancing transactions. In 2021, Atyrau refinery refinanced the following loans denominated in foreign currency: 1) In January 2021, Atyrau refinery made full early repayment of a loan from JSC Development Bank of Kazakhstan in the amount of USD 126 mln by a loan receipt from JSC Halyk Bank of Kazakhstan in the amount of 54 bln tenge; 2) in November 2021, Atyrau refinery made a reservation for the full early repayment of the loan from the Export-Import Bank of China (Eximbank) in January 2022 in the amount of USD 518 mln by a loan receipt from PJSC VTB in the

amount of 38 billion rubles; 3) in December 2021, Atyrau Refinery made a full early repayment of the Japan Bank for International Cooperation (JBIC) loan in the amount of USD 119 mln by a loan raising from JSC Halyk Bank of Kazakhstan in the amount of 56 bln tenge.

Gross debt, including the fully repayment of loan from Eximbank in January 2022 (ahead of the schedule), amounted to 3,524 bln tenge (USD 8,158 mln).

KMG I raised loans from Cargill in the amount of USD 50 mln and from Banque de Commerce et de Placements in the amount of USD 46 mln for working capital financing. Additionally, KMG I partially settled a short-term loan from ING Bank NV in the amount of USD 71 mln, including an interest.

Net debt

KMG's 2021 year-end net debt amount equaled to 2,204 bln tenge (USD 5,104 mln), reflecting a decrease of 15% in tenge terms compared to a net debt balance as of 31 December 2020.

Cash and cash equivalents

Consolidated cash and cash equivalents including deposits

	UoM	31 Dec. 2021	31 Dec. 2020	%
Cash and cash equivalents	bln tenge	976	1,146	-14.8%
Short-term deposits	bln tenge	511	282	80.7%
Long-term deposits	bln tenge	56	57	-0.8%
Cash and cash equivalents including deposits	bln tenge	1,542	1,485	3.9%

Consolidated cash and cash equivalents 2021 year-end balance amounted to 1,542 bln tenge (USD 3,572 mln), reflecting a 3.9% increase compared to the year-end balance of 2020. The increase in cash and cash equivalents is mainly attributable to positive net cash flows from operating activities at 1,078 bln tenge (USD 2,531 mln), which was partially offset by a cash disposal related to JSC KazTransGas spin-off in the amount of 380,438 mln tenge. Consolidated cash and cash equivalents in the US dollar terms increased by 1.3% to USD 3,572 mln.

Key corporate events from the beginning of 2021:

- On 11 March 2021, KMG and 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, 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"
- On 20 September 2021, the international rating agency Fitch Ratings has affirmed the NC KazMunayGas JSC's Long-Term Issuer Default Rating at BBB- (one notch below the sovereign rating) with Stable Outlook
- On 25 October 2021 International agency Sustainalytics has improved the ESG risk rating of KMG in sustainable development from 34.5 to 28.4 points
- On 27 October 2021, the KMG guarantee for the BSGP was terminated. Amendments to the loan documentation for the BSGP loan have been concluded. As a result of this transaction, KMG is the 100% guarantor of loan obligations to a syndicate of foreign banks
- In November 2021, The Board of Directors of KMG has approved the Company's 2022–2031 Development Strategy as well as Low Carbon Development Program for 2022-2031
- On 8 November 2021, Atyrau Refinery drew up a loan from VTB Group in the amount of 38.2 billion RUB in order to refinance a foreign currency loan from Eximbank. The funds were used to reserve funds in favor of Eximbank, and the funds will be debited on schedule in January 2022. To secure the liabilities of the Atyrau Refinery KMG has issued a corporate guarantee;
- On 9 November 2021, the Company transferred 100% of shares of KazTransGas in favour of Samruk-Kazyna. The transaction amount is 1 tenge. On the same day, the trust management agreement concluded on March 11, 2021 between KMG and Samruk-Kazyna JSC was terminated.

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%, Mangistaumunaigaz (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%, 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%).