

## JSC NC KazMunayGas announces financial results for the first quarter of 2020

**Nur-Sultan, 3 June 2020** – 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 for the first quarter of 2020, prepared in accordance with IAS 34, *Interim Financial Reporting* with independent auditor's report on review of interim financial information.

### Highlights for the first quarter of 2020<sup>1</sup>:

- EBITDA<sup>2</sup> was down by 43.7% year-on-year to 275 bln tenge (USD 702 mln);
- FCF<sup>3</sup> amounted to 26 bln tenge (USD 66 mln);
- Net debt amounted to USD 6,185 mln, almost unchanged compared to USD 6,171 mln as at 31 December 2019.

	UoM	1Q 2020	1Q 2019	%
Dated Brent, average	\$/bbl	50.10	63.13	-20.6%
Exchange rate, average	KZT/USD	391.72	378.04	3.6%
Revenue	bln tenge	1,376	1,765	-22.0%
Share in profit of JVs and associates, net	bln tenge	65	219	-70.2%
Net profit	bln tenge	70	309	-77.5%
EBITDA <sup>2</sup>	bln tenge	275	488	-43.7%
FCF <sup>3</sup>	bln tenge	26	-46	156.0%
Net Debt <sup>4</sup>	bln tenge	2,769	2,361 <sup>5</sup>	17.3%

### Operating results for the first quarter of 2020:

<sup>1</sup> Amounts shown in US Dollars throughout the press-release were converted solely for the convenience of the reader at the average exchange rate for the applicable period for amounts taken from the consolidated statement of income and consolidated statement of cash flows and the period-end rates for amounts taken from the consolidated balance sheet (average exchange rates for the first quarter of 2020 and 2019 were 391.72 and 378.04 KZT/USD, respectively; period-end exchange rates as at 31 March 2020 and 31 December 2019 were 447.67 and 382.59 KZT/USD, respectively).

<sup>2</sup> Starting from 2019, the Company revised the calculation approach of Earnings before interest, taxes, depreciation and amortization (EBITDA), excluding the finance income from the methodology. In the reports for 2019, and for further periods, the Company calculates EBITDA as “Revenue + Share in profit of JVs and associates, net – Cost of purchased oil, gas, petroleum products and other materials – Production expenses - G&A expenses – Transportation and selling expenses – Taxes other than income tax. Financial metrics for prior periods were recalculated respectively.

<sup>3</sup> Starting from 2019, the Company revised the calculation approach of the Free cash flow (FCF), including proceeds from the loan previously provided to Caspian Pipeline Consortium. The Company calculates FCF as “CFO - TCO prepayments, net – Capex (cash basis) + Proceeds from the loan previously provided to Caspian Pipeline Consortium”. FCF metrics for prior periods were recalculated respectively.

<sup>4</sup> Net Debt figures as of 31 March 2020 do not include guaranteed obligations on a syndicated loan of Beineu-Shymkent Gas Pipeline (BSGP) in the amount of 290 bln tenge (USD 648 mln), guaranteed obligation on a loan of JSC “AstanaGas KMG” in the amount of 1.9 bln tenge (USD 4.2 mln), lease liabilities in the amount of 52 bln tenge (USD 116 mln); and Net Debt figures as of 31 December 2019 do not include guaranteed obligations on a syndicated loan of BSGP in the amount of 262 bln tenge (USD 684 mln), guaranteed obligation on a loan of JSC “AstanaGas KMG” in the amount of 1.9 bln tenge (USD 4.9 mln) and lease liabilities in the amount of 47 bln tenge (USD 123 mln).

<sup>5</sup> Net debt as of December 31, 2019.

- Oil and gas condensate production was stable year-on-year and amounted to 5,929 thous. tonnes;
- Oil and gas transportation segment was relatively stable at 18,517 thous. tonnes of oil and 28,320 mln m<sup>3</sup> of gas transported;
- Refining volumes at Kazakh and Romanian refineries decreased by 4.9% year-on-year to 4,660 thous. tonnes.

	1Q 2020	1Q 2019	%
Oil production, thous. tonnes	5,929	5,939	-0.2%
Gas production, mln m <sup>3</sup>	2,260	2,173	4.0%
Oil transportation, thous. tonnes	18,517	19,660	-5.8%
Gas transportation, mln m <sup>3</sup>	28,320	25,881	9.4%
Oil refining, thous. tonnes	4,660	4,901	-4.9%

For more information, please see the Trading Update for the first quarter of 2020: <http://ir.kmg.kz/>.

## Financial results for the first quarter of 2020

### *Revenue and other income*

During the first quarter of 2020 revenue amounted to 1,376 bln tenge (USD 3,513 mln), down by 22.0% year-on-year largely due to a 19.7% decline in average Brent price and the decrease in KMG International's (KMG I) crude oil sales volume, which was slightly offset by higher gas exports and Tenge devaluation against the US Dollar. Crude oil and oil products sales of KMG I decreased by 44.1% and 30.5% year-on-year to 236 bln tenge (USD 602 mln) and 267 bln tenge (USD 681 mln), respectively. Gas export revenues increased by 15.3% and amounted to 206 bln tenge (USD 527 mln) on the back of increase in export volumes.

The earnings from shares in the net profit of joint ventures and associates was down by 70.2% year-on-year to 65 bln tenge (USD 167 mln), mainly due to lower earnings from shares in profit of Tengizchevroil LLP (TCO), JSC Mangistaunaygas (MMG), Asian Gas Pipeline LLP (AGP), Beyneu-Shymkent Gas Pipeline (BSGP) and KazRosGas LLP. With oil prices declining by 19.7% year-on-year, the earnings from shares in profit of TCO and MMG declined by 39.5% and 73.7% year-on-year to 64 bln tenge (USD 163 mln) and 6 bln tenge (USD 16 mln), respectively. The shares in profit of AGP, BSGP, and KazRosGas decreased due to the recognition of foreign exchange losses due to Tenge weakening against US Dollar by around 13.7%.

### *Costs and other expenses*

The cost of purchased oil, gas, petroleum products and refining costs amounted to 741 bln tenge (USD 1,893 mln), reflecting a decrease of 30.5% year-on-year due to lower cost of purchased crude oil and lower global oil prices partially offset by an increase in gas purchase volumes and Tenge weakening against US Dollar. Crude oil purchases decreased by 33.8% year-on-year to 407 bln tenge (USD 1,038 mln). The cost of oil for refining declined by 45.5% year-on-year and amounted to 123 bln tenge (USD 315 mln). KaztransGas's (KTG) cost of purchased gas increased by 9.4% year-on-year to 140 bln tenge (USD 359 mln).

During the first quarter of 2020, on the back of the revised price assumptions used in value-in-use impairment testing, KMG recognized the impairment charges for JSC Embamunaigas's fixed assets in the amount of 60 bln tenge (USD 154 mln), as well as the impairment of investments in

joint ventures and associates such as Ural Group Limited and PetroKazakhstan Inc. in the amount of 20 bln tenge (USD 51 mln) and 18 bln tenge (USD 46 mln), respectively.

Production expenses increased by 7.1% year-on-year to 174 bln tenge (USD 445 mln).

Taxes other than income tax were down by 20.5% year-on-year and amounted to 94 bln tenge (USD 241 mln) mainly due to decrease in rent and mineral extraction taxes as a result of lower oil prices.

Finance costs were down by 21.5% year-on-year and amounted to 67 bln tenge (USD 171 mln) mainly due to early fulfillment of obligations under the TCO crude oil prepayment agreement in the later part of 2019.

#### *Net profit*

Net profit decreased by 77.5% year-on-year to 70 bln tenge (USD 177 mln) as a result of lower oil prices and recognition of asset impairments, which was partially offset by decrease in cost of sales, taxes other than income tax and recognition of foreign exchange gain as a result of Tenge weakening against US Dollar.

Taxes and other obligatory payments amounted to 281 bln tenge (USD 718 mln), reflecting a decrease of 24.3% year-on-year.

#### *Debt load*

Gross debt as of 31 March 2020 increased by 15.5% to 4,433 bln tenge (USD 9,901 mln) compared to 31 December 2019. Gross debt including guaranteed obligations as of 31 March 2020 amounted to 4,725 bln tenge (USD 10,554 mln), reflecting an increase by 15.2% compared to 31 December 2019 (decrease by 1.5% in US Dollar terms). The increase of gross debt by 469 bln tenge was mainly attributable to the effect of Tenge weakening against US Dollar on USD denominated bonds and loans. However, gross debt in US Dollar terms was down by 1.3% to USD 9,901 mln compared to USD 10,030 mln as at 31 December 2019. In January 2020, Atyrau refinery (ANPZ) received long-term loan from DBK in the amount of 46 bln tenge (USD 121 mln) to refinance US Dollar denominated loan from the Export-Import Bank of China (Eximbank), which was obtained to fund new oil refining facilities, and made an early partial repayment in the amount of USD 110 mln (42 bln tenge).

Cash and cash equivalents as of 31 March 2020 including cash in deposits increased by 12.7% to 1,664 bln tenge (USD 3,716 mln) compared to 1,476 bln tenge (USD 3,859 mln) as of 31 December 2019 mainly due to the effect of Tenge depreciation against US Dollar by around 13.7%. Cash and cash equivalents in US Dollar terms decreased slightly to USD 3,716 mln compared to USD 3,869 mln as of 31 December 2019.

As a result of the above, KMG's net debt as of 31 March 2020 amounted to 2,769 bln tenge (USD 6,185 mln) reflecting an increase of 17.3% compared to 31 December 2019 (increase by 0.2% in US Dollar terms).

#### **Key corporate events:**

- On 27 March 2020, S&P Global ratings affirmed its "BB" rating and revised its outlook on KMG from "stable" to "negative" on the back of lower oil prices;

- On 27 March 2020, Fitch affirmed its rating at the level “BBB-” with a Stable Outlook;
- In April-May 2020, KTG made a partial redemption of its guaranteed bonds due in 2027 for the early repayment in the amount of USD 43.38 mln.

For further information, please visit <http://ir.kmg.kz/ru> or contact:

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**About JSC National Company KazMunayGas:**

JSC National Company KazMunayGas (KMG) 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 significant assets are as follows:

**Upstream:** Tengizchevroil (TCO) - 20%, Karachaganak (KPO) - 10%, Kashagan - 8.44%<sup>6</sup>, Ozenmunaigas (OMG) - 100%, Mangistaumunaigas (MMG) - 50%, Embamunaigas (EMG) - 100%, Kazgermunai (KGM) - 50%, Petrokazakhstan Inc (PKI) - 33.0%, Karazhanbasmunai (KBM) - 50%, KazakhOil Aktobe (KOA) - 50%, KazakhTurkmunai (KTM) - 100%, KazMunayTeniz - 100%

**Midstream:** KazTransOil - 90% (Kazakhstan China Pipeline (KCP) - 50%, Munai Tas - 51%, Batumi Oil Terminal - 100%), CPC - 20.75%<sup>7</sup>, 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%)

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<sup>6</sup> In October 2015, KMG sold 50% of its shares in Kashagan to Samruk-Kazyna with a call option to buy back all part of shares at any time between 2020 and 2022. KMG and Samruk-Kazyna own 16.88% in total.

<sup>7</sup> 19% through the KMG itself and 1.75% through Kazakhstan Pipeline Ventures (KPV).