

22 November 2023

JSC National Company KazMunayGas Financial results for the nine months of 2023

Astana, 22 November 2023 – Joint-stock National Company **KazMunayGas** (“**KMG**” or **Company**), Kazakhstan's national oil and gas company, published its interim condensed consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) 34 "Interim Financial Statements" for the three and nine months ended 30 September 2023, with a report on the results of the review of interim financial information by an independent auditor.

Key financial indicators for nine months of 2023¹ compared to nine months of 2022:

- Revenue amounted to 6,087 bln tenge (USD 13,439 mln) compared to 6,776 bln tenge (USD 14,774 mln);
- EBITDA amounted to 1,680 bln tenge (USD 3,708 mln) compared to 2,020 bln tenge (4,404 mln);
- The Company's net profit including share in income of joint ventures and associates amounted to 949 bln tenge (USD 2,095 mln) compared to 1,161 bln tenge (USD 2,532 mln);
- Net profit adjusted for share in profit of joint ventures and associates², amounted to 600 bln tenge (USD 1,324 mln) compared to 633 bln tenge (USD 1,381 mln);
- Free cash flow amounted to 459 bln tenge (USD 1,013 mln) compared to 996 bln tenge (USD 2,172 mln);
- Gross debt as of 30 September 2023 amounted to 4,114 bln tenge (USD 8,671 mln) compared to 4,143 bln tenge (USD 8,956 mln) as of 31 December 2022;
- The Company's net debt as of 30 September 2023 was at 2,084 bln tenge (USD 4,392 mln) compared to 2,143 bln tenge (USD 4,632 mln) as of 31 December 2022.

Name of the indicator	UoM	9M 2023	9M 2022	%
Dated Brent ³ , average	\$/bbl	82.07	105.51	-22.2%
Dated Urals ³ , average	\$/bbl	61.00	81.07	-24.8%
KEBCO ³ , average	\$/bbl	81.13	79.53 ⁴	-
Exchange rate, average	KZT/USD	452.97	458.60	-1.2%
Revenue	bln tenge	6,087	6,776	-10.2%

¹ The amounts were converted to US dollars for user convenience at average exchange rates for respective periods (average USD/KZT for the nine months of 2023 and 2022 were at 452,97 and 458,60 respectively; period-end USD/KZT as of 30 September 2023 and 31 December 2022 were at 474,47 and 462.65 respectively).

² Net profit adjusted for share in profit of joint ventures and associates = Net profit plus dividends received from joint ventures and associates, minus share of income of joint ventures and associates.

³ Source: S&P Global Platts.

⁴ The start of quotations for KEBCO oil from 06/06/2022. The average price for 9M 2022 is indicated for the period from 06/06/2022 till 30/09/2022.

Name of the indicator	UoM	9M 2023	9M 2022	%
Share in profit of JVs and associates, net	bln tenge	565	779	-27.4%
Dividends received from JVs and associates, net	bln tenge	216	250	-13.8%
Net profit	bln tenge	949	1,161	-18.3%
Net profit adjusted for the share in profit of JVs and associates	bln tenge	600	633	- 5.3%
EBITDA ⁵	bln tenge	1,680	2,020	-16.8%
Adjusted EBITDA ⁶	bln tenge	1,330	1,492	-10.8%
CAPEX (accrual basis)	bln tenge	494	325	52.0%
CAPEX (cash basis)	bln tenge	498	293	70.0%
Free cash flow ⁷	bln tenge	459	996	- 53.9%
Gross debt ⁸	bln tenge	4,114	4,143 ⁹	-0.7%
Net debt ¹⁰	bln tenge	2,084	2,143 ⁹	-2.8%

Operating results for nine months of 2023¹¹ compared to nine months of 2022:

- The volume of oil and gas condensate production increased by 9.0% and amounted to 17,508 thous. tonnes;
- Oil transportation volumes increased by 7.8% and amounted 59,371 thous. tonnes;
- The volume of refining of hydrocarbons at Kazakhstani and Romanian refineries amounted 14,901 thous. tonnes compared to 14,896 thous. tonnes.

	9M 2023 (net to KMG)	9M 2022 (net to KMG)	%
Oil production, thous. tonnes	17,508	16,061	+9.0%
Gas production, mln m ³	7,008	5,942	+17.9%
Oil transportation, thous. tonnes	59,371	55,085	+7.8%
Oil refining, thous. tonnes	14,901	14,896	+0.03%

⁵ 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.

⁶ Adjusted EBITDA = Revenue plus Dividends from 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.

⁷ 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.

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 Gross debt and net debt are shown as of 31 December 2022.

¹⁰ 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.

¹¹ 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 nine months of 2023 at the link: <https://www.kmg.kz/upload/iblock/17b/jkar9eee6n03isel82ku1rq2efjuof/9%D0%9C%2023%20Operating%20press-release%20RUS%20clean.pdf>

Financial highlights for nine months of 2023

Revenue

Revenue amounted to 6,087 bln tenge (USD 13,439 mln), which is 10.2% lower compared to nine months of 2022.

Revenue dynamics were negatively impacted by a 22.2% decrease in the average Brent price for crude oil in the first nine months of 2023 compared to nine months of 2022.

Share in profit of joint ventures and associates

The share in income of joint ventures and associates decreased by 27.4% and amounted to 565 bln tenge (USD 1,248 mln), mainly due to a decrease in profits of “Tengizchevroil” LLP by 243 bln tenge (USD 520 mln), “Mangistau Investments B.V.” by 16.1 bln tenge (USD 34 mln) and CPC by 16 bln tenge (USD 33 mln).

EBITDA

EBITDA for nine months of 2023 amounted to 1,680 bln tenge (USD 3,708 mln), decreased by 16.8% compared to 2,020 bln tenge (USD 4,404 mln) mainly due to a decrease in the segment of oil and gas exploration and production by 20.1%. The reduction was due to a decrease in the average Brent price for crude oil.

Adjusted EBITDA

Adjusted EBITDA, reflecting dividends received from joint ventures and associates, instead of share in income of joint ventures and associates, amounted to 1,330 bln tenge (USD 2,937 mln), showing a decrease of 10.8%.

Net profit

The Company's net profit decreased in comparison with 9 months of 2022 by 18.3% and amounted to 949 bln tenge (USD 2,095 mln).

Net profit adjusted for share in profit of JVs and associates

Net profit adjusted for the share in profit joint ventures and associates decreased by 5.3% from 633 bln tenge (USD 1,381 mln) to 600 bln tenge (USD 1,324 mln).

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 decreased by 14.4% and amounted to 3,382 bln tenge (USD 7,466 mln). The decrease in cost was largely due to a decrease in the average price of purchased oil for resale.

Operating expenses

Operating expenses increased by 4.7% and amounted to 865 bln tenge (USD 1,910 mln) largely due to the increase in salary costs for employees in the regions of presence, as well as an increase in transportation costs and costs for short-term leases.

Transportation and distribution costs amounted to 176 bln tenge (USD 390 mln), up 22% compared to nine months of 2022. An increase in costs was mainly due to an increase in the sales volume of KMG Kashagan B.V. as well as due to an increase in the sales volume of petroleum products of KMG International.

General and administrative expenses increased by 11.8% and amounted to 117 bln tenge (USD 257 mln) due to an increase in payroll costs.

Taxes other than income tax decreased by 14.9%, amounted to 433 bln tenge (USD 955 mln), mainly due to a decrease in the cost of export customs duty, rent tax on crude oil export and mineral extraction tax due to lower oil prices.

Impairment of property, plant and equipment and intangible assets

As of 30 September 2023, due to the impairment indicators presence, in particular, increased refining margins volatility in the oil and gas market, KMG International conducted an impairment test for property, plant and equipment and intangible assets and recorded a loss of 95 bln tenge.

In September 2023, a fire broke out at a light hydrocracking unit at the Petromidia refinery, a subsidiary of KMG International. An impairment loss of property, plant and equipment in the amount of 3.7 bln tenge was recorded based on the results of the assessment.

As of 30 September 2023, due to negative results of drilling at the Zhenis project, as well as the receipt of a notification from the Ministry of Energy of the Republic of Kazakhstan about the termination of the subsoil use right in relation to the Aktoty and Kairan subsoil plots, a loss from impairment of exploration and exploration assets was estimated at a total amount of 102.4 bln tenge.

The total amount of loss from impairment of fixed assets, intangible assets and exploration expenses for the KMG group for the nine months of 2023 amounted to 200.8 billion tenge.

Capital expenditures

The Company's capital expenditures accrual basis (disclosed in segment reporting) amounted to 494 bln tenge (USD 1,091 mln), an increase of 52% mainly due to well drilling expenditures in Ozenmunaigas JSC, Embamunaigas JSC, KMG Karachaganak LLP and replacement of the section of the pipelines "Uzen-Atyrau-Samara", the reconstruction and expansion of the "Astrakhan-Mangyshlak" main waterline.

Free cash flow

Free cash flow decreased in comparison with 9 months of 2022 by 53.9% and amounted to 459 bln tenge (USD 1,013 mln). The decrease was associated with a decrease in oil prices in the period as well as with an increase in capital expenditures.

Debt management

Debt indicators

Name of the indicator	UoM	30 Sep 2023	31 Dec 2022	%
Bonds	bln tenge	3,186	3,282	-2.9%
Loans	bln tenge	928	862	7.7%
Gross debt	bln tenge	4,114	4,143	-0.7%

Numbers may not add up due to a rounding.

Total debt as of 30 September 2023 amounted to 4,114 bln tenge (USD 8,671 mln), a decrease in tenge by 0.7% and by 3.2% in US dollar terms compared to 31 December 2022.

In April 2023, KMG carried out a full early repayment of Eurobonds due in 2025 in the amount of USD 500 mln.

The decrease in total debt was partially offset by the attraction of a syndicated loan in the amount of USD 290 mln (equivalent to 131 bln tenge) and a loan from Banque de Commerce et de Placements in the amount of USD 63 mln (equivalent to 29 bln tenge) by KMG International for the working capital financing.

Net debt

Net debt as of 30 September 2023 amounted to 2,084 bln tenge (USD 4,392 mln), a decrease in tenge by 2.8% and in US dollar terms by 5.2% in comparison to the volume as of 31 December 2022.

Cash and cash equivalents

Consolidated cash and cash equivalents including deposits

Name of the indicator	UoM	30 Sep 2023	31 Dec. 2022	%
Cash and cash equivalents	bln tenge	1,266	763	66.0%
Short-term deposits	bln tenge	702	1,178	-40.4%
Long-term deposits	bln tenge	62	59	3.8%
Cash and cash equivalents including deposits	bln tenge	2,030	2,000	1.5%

Numbers may not add up due to a rounding.

Consolidated cash, cash equivalents, including deposits as of 30 September 2023 increased by 1.5% compared to the indicator as of 31 December 2022 and amounted to 2,030 bln tenge. In US dollar terms, the indicator decreased by 1% compared to USD 4,279 mln as of 31 December 2022.

Key corporate events from the beginning of 2023:

- On 9 March 2023, Standard&Poor's rating agency confirmed the Company's rating at BB+, revising the outlook to stable, which reflects the agency's rating action in relation to Kazakhstan (the rating was confirmed at BBB-, the forecast was revised to stable).
- In 26 April 2023, KMG made a full early repayment of Eurobonds due in 2025 in the amount of USD 500 mln.

- On 27 April 2023, KMG issued bonds in the amount of 50 bln tenge with a term of 10 years and an interest rate of 0.5% in order to finance the project “Reconstruction and expansion of the main water pipeline “Astrakhan-Mangyshlak” 1st stage”.
- On 3 May 2023, the Standard&Poor's rating agency raised the probability of government support from "high" to "very high", the Company's rating remained unchanged.
- On 21 June 2023, KMG issued a guarantee in favor of the Eurasian Development Bank as security for the fulfillment of obligations of Kazakhstan Petrochemical Industries Inc. LLP (the amount of the credit line is USD 150 mln, the loan term is 3 years).
- On 21 June 2023, at the Petromidia refinery in Constanta (Romania), a fire broke out at a light hydrocracking unit after special maintenance work was carried out. The firemen managed to localize the fire and take the situation under full control even before the arrival of special vehicles of the Inspectorate for Emergency Situations. Now actions are being taken according to the corrective action plan. The planned launch date of the unit is the end of 2023.
- On 22 June 2023, Fitch Ratings upgraded KMG's credit rating from BBB- to BBB with a stable outlook, against the background of an increase in the rating of creditability. KMG's rating was equated to Kazakhstan's sovereign rating.
- On 26 June 2023, KMG completed the payment of dividends to shareholders for 2022. The total amount of dividends was 300.0 bln tenge. The dividends per common share amounted to 491.71 tenge.
- In October 2023, KMG and TOTALENERGIES EP DENMARK A/S company signed a purchase and sale agreement for a 100% share of Total E&P Dunga GmbH.
- In October 2023, Kazakhstan Petrochemical Industries Inc (KPI) LLP started production of a new grade of polypropylene in the gas chemical complex. Polypropylene grade PP H031 BF/7 is used in Europe and Kazakhstan in the production of polymer film packaging for food products and goods for everyday life.
- In November 2023, KMG received updated 2022 ESG Risk Rating Score, which amounted to 32.3 points, while previously the rating was 28.5 points.
- Since the beginning of 2023, new appointments have been made in the structure of the Board of Directors and the Management Board of KMG. As of November 2023, the Board of Directors of KMG consists of 9 people (Berdigulov Ye.K. – Chairman of the Board of Directors, Otyynshiyev E.M., Karabalin U.S., Mirzagaliyev M.M., Zhubayev A.S., Argingazin A.A., Holland P.M., Mynsharipova S.N., Shakirov A.O.), the Management Board of KMG consists of 9 people (Mirzagaliyev M.M. – Chairman of the Management Board, Abdulgafarov D.Ye., Zakirov B.K., Lavrenov V.S., Makeyev D.S., Aryssova D.A., Brekeshev S.A., Kudaibergenov K.M., Khasanov D.K.).
- On 26 October 2023, Samruk-Kazyna JSC and the National Bank of Kazakhstan concluded purchase and sale agreement on the Company's 122,024 thous. common shares. The transaction is expected to be finalized by the end of 2023.

For further information, please visit
<https://www.kmg.kz/ru/investors/reporting/>

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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 (UO) – 100%, Mangistaumunaigaz (MMG) – 50%, Kazgermunai (KGM) – 50%, Karazhanbasmunai (KBM) – 50%, KazakhOil Aktobe (KOA) – 50%, Petrokazakhstan Inc (PKI) – 33%, Tengizchevroil (TCO) – 20%, Kashagan – 16.88%, Karachaganak (KPO) – 10%.

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

Downstream: Pavlodar refinery – 100%, Atyrau refinery – 99.53%, Shymkent refinery – 49.72%, Caspi Bitum – 50%, KMG International – 100%, Petromidia refinery – 54.63%, Vega refinery – 54.63%, Petromidia refinery – 54.63%, Vega refinery – 54.63%, KazRosGas – 50%, Kazakhstan Petrochemical Industries Inc. – 49.5%, Silleno – 49.9%