

May 26, 2023

JSC NC KazMunayGas announces financial results for the first quarter of 2023

Astana, May 26, 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 months ended on 31 March 2023, with a report on the results of the review of interim financial information by an independent auditor.

Key financial indicators for the first quarter of 2023¹ compared to the first quarter of 2022:

- Revenue amounted to 1,887 bln tenge (USD 4,149 mln) compared to 2,182 bln tenge (USD 4,770 mln);
- EBITDA amounted to 550 bln tenge (USD 1,210 mln) compared to 596 bln tenge (USD 1,304 mln);
- The Company's net profit including share in income of jointventures and associates amounted to 288 bln tenge (USD 632 mln) compared to 332 bln tenge (USD 726 mln);
- Net profit adjusted for the share in profits of joint ventures and associates², amounted to 96 bln tenge (USD 211 mln) compared to 112 bln tenge (USD 245 mln);
- FCF amounted to minus 53 bln tenge (USD minus116 mln), compared to 162 bln tenge (USD 355 mln);
- Gross debt as of 31 March 2023 amounted to 4,229 bln tenge (USD 9,362 mln) compared to the amount of 4,143 bln tenge (USD 8,956 mln) as of 31 December 2022;
- The Company's net debt as of 31 March 2023 amounted to 2,117 bln tenge (USD 4,688 mln) to the amount of 2,143 bln tenge (USD 4,632 mln) as of 31 December 2022.

	UoM	1Q 2023	1Q 2022	%
Dated Brent ³ , average	\$/bbl	81.17	102.23	-20.6%
Dated Urals ³ , average	\$/bbl	51.32	90.20	-43.1%
KEBCO ³ , average	\$/bbl	77.96	-	-
Exchange rate, average	KZT/ USD	454.82	457.41	-0.6%
Revenue	bln tenge	1,887	2,182	-13.5%
Share in profit of JVs and associates, net	bln tenge	192	273	-29.7%
Dividends received from JVs and associates, net	bln tenge	0.25	52	-99.5%
Net profit	bln tenge	288	332	-13.4%

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 2023 and 2022 were at 454.82 and 457.41 respectively; period-end USD/KZT as of 31 March 2023 and 31 December 2022 were at 451.71 and 462.65 respectively).

² Net profit adjusted for the share in profits of joint ventures and associates = Net profit plus dividends received from joint ventures and associated companies, minus the share in the profits of jointly controlled enterprises and associated companies.

³ Source: S&P Global Platts.

Net profit adjusted for shares in JVs and associates	bln tenge	96	112	-14.1%
EBITDA ⁴	bln tenge	550	596	-7.7%
Adjusted EBITDA ⁵	bln tenge	359	376	-4.6%
CAPEX (accrual basis)	bln tenge	151	74	+105.1%
CAPEX (cash basis)	bln tenge	189	91	+106.7%
FCF ⁶	bln tenge	-53	162	- 132.4%
Gross debt ⁷	bln tenge	4,229	4,143 ⁸	+2.1%
Net debt ⁹	bln tenge	2,117	2,143 ⁸	-1.2%

Operating results for the first quarter of 2023¹⁰ compared to the first quarter of 2022:

- The volume of oil and gas condensate production increased by 8.7% and amounted to 5,961 thousand tonnes;
- Oil transportation volumes amounted to 18,858 thousand tonnes compared to 18,309 thousand tonnes;
- The volume of refining of hydrocarbons at Kazakhstani and Romanian refineries in aggregate increased by 8.1% and amounted to 4,936 thousand tonnes.

	1Q 2023 (net to KMG)	1Q 2022 (net to KMG)	%
Oil production, thous. tonnes	5,961	5,484	+8.7%
Gas production, mln m ³	2,410	2,145	+12.3%
Oil transportation, thous. tonnes	18,858	18,309	+3.0%
Oil refining, thous. tonnes	4,936	4,566	+8.1%

⁴ 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.

⁵ 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.

⁶ 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.

⁷ 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.

⁸ Gross debt and Net debt are shown as of 31 December 2022.

⁹ Net debt at the end of the reporting period: Bonds plus loans minus cash and cash equivalents minus bank deposits (short-term and longterm). Guarantees issued are not included in the calculation.

¹⁰ Production figures are given in accordance with KMG's share of ownership in shares and associates and 100% of indicators for consolidated subsidiaries. More detailed information is available in the press release on the production results for the first quarter of 2023 at the link: <https://www.kmg.kz/upload/iblock/1ce/acr3yimheo0sym3c32ykfjzgmwlf0oqz/1Q%2023%20Operating%20press-release%20ENG.pdf>

Financial Highlights for the first quarter of 2023

Revenue

Revenue amounted to 1,887 bln tenge (USD 4,149 mln), which is 13.5% lower than in the first quarter of 2022.

Revenue dynamics were negatively impacted by a 20.6% year-on-year decrease in the average price of Brent crude oil.

Share in profit of joint ventures and associates

The share of profits of joint ventures and associates decreased by 29.7% and amounted to 192 bln tenge (USD 421 mln), mainly as a result of a decrease in profits of “Tengizchevroil” LLP by 71 bln tenge (USD 153 mln), “Mangistau Investments B.V.” by 24 bln tenge (USD 52 mln).

EBITDA

EBITDA for the first quarter of 2023 amounted to 550 bln tenge (USD 1,210 mln), a decrease of 7.7% compared to 596 bln tenge (USD 1,304 mln), mainly due to a decrease in the segment of oil and gas exploration and production by 28.6%. This reduction was due to a decrease in the average price of Brent crude oil by 20.6%.

Adjusted EBITDA

Adjusted EBITDA, reflecting dividends received from joint ventures and associates, instead of a share in the income of joint ventures and associates, amounted to 359 bln tenge (USD 789 mln), showing a decrease of 4.6%.

Net profit

The Company's net profit decreased in comparison with the first quarter of 2022 by 13.4% and amounted to 288 bln tenge (USD 632 mln).

Net profit adjusted for shares in JVs and associates

Net profit adjusted for shares in JVs and associates decreased by 14.1% from 112 bln tenge (USD 245 mln) to 96 bln tenge (USD 211 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 29.6% and amounted to 1,032 bln tenge (USD 2,268 mln). The decrease in cost was mainly due to a reduction in the cost of purchased oil for resale due to the decrease in the average oil price.

Operating expenses

Operating expenses increased by 38.9% and amounted to 260 bln tenge (USD 572 mln), mainly due to the increase in salary costs for employees in the regions where KMG operates as a whole and remuneration costs for short-term leases.

Transportation and distribution costs amounted to 61 bln tenge (USD 134 mln), up 33.6% compared to the first quarter of 2022.

General and administrative expenses remained at the level of the first quarter of 2022, amounting to 33 bln tenge (USD 73 mln).

Taxes other than income tax increased by 12.7% to 142 bln tenge (USD 312 mln) mainly due to an increase in the excise tax rate.

Finance costs amounted to 77 bln tenge (USD 168 mln), which is 10.0% less than the amount of the same period in 2022, due to the presence in the first quarter of 2022 of expenses of Atyrau Oil Refinery LLP for the commission for early repayment of the Eximbank loan in the amount of 259 bln tenge (USD 604 mln).

Capital expenditures

The Company's capital expenditures (accrual basis, disclosed in segment reporting) amounted to 151 bln tenge (USD 332 mln), an increase of 105.1% mainly due to the replacement of the section of the pipelines "Uzen-Atyrau-Samara", the reconstruction and expansion of the "Astrakhan-Mangyshlak" main water pipeline, as well as in connection with the costs of the "Kalamkas Sea, Khazar, Auezov" and Zhenis projects.

FCF

Free cash flow was minus 53 bln tenge (USD minus 116 mln) compared to 162 bln tenge (USD 355 mln) in the first quarter of 2022. The negative value was associated with a decrease in oil prices, as well as an increase in capital expenditures.

Debt management

Debt indicators

	UoM	31 March, 2023	31 Dec., 2022	%
Bonds	bln tenge	3,253	3,282	-0.9%
Loans	bln tenge	976	862	+13.2%
Gross debt	bln tenge	4,229	4,143	+2.1%

Numbers may not add up due to a rounding.

Total debt as of 31 March 2023 was 4,229 bln tenge (USD 9,362 mln), an increase of 2.1% in tenge and by 4.5% in US dollar compared to 31 December 2022.

In the first quarter of 2023, the change in KMG loans related to the financing of working capital of KMG International N.V.: syndicated loan in the amount of USD 240 mln (109.3 bln tenge), a loan from BCP in the amount of USD 78 mln (35.5 bln tenge), a loan from Bank of Tokyo-Mitsubishi UFJ. Ltd in the amount of USD 53.6 mln (24.4 bln tenge).

In order to reduce the debt burden, in April 2023, KMG carried out a full early repayment of Eurobonds due in 2025 in the amount of USD 500 mln (to be disclosed in the semi-annual consolidated financial statements).

Net debt

Net debt as of 31 March 2023 was 2,117 bln tenge (USD 4,688 mln), which is 1.2% lower in tenge than as of 31 December 2022. Company's net debt, considering the remaining debt to Samruk-Kazyna JSC for the exercise of the call option to buyback Kashagan's share, amounted to 2,280 bln tenge (USD 5,048 mln).

Cash and cash equivalents

Consolidated cash and cash equivalents including deposits

	UoM	Mar.31, 2023	Dec.31, 2022	%
Cash and cash equivalents	bln tenge	971	763	+27.2%
Short-term deposits	bln tenge	1,081	1,178	-8.2%
Long-term deposits	bln tenge	59	59	0.0%
Cash and cash equivalents including deposits	bln tenge	2,111	2,000	+5.6%

Numbers may not add up due to a rounding.

Consolidated cash, cash equivalents, including cash in the form of deposits as of 31 March 2023 increased by 5.6% compared to the indicator as of 31 December 2022, and amounted to 2,111 bln tenge (USD 4,674 mln). In dollar terms, indicator increased by 8.1% from USD 4,323 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 from negative to stable, which reflects the agency's rating action in relation to Kazakhstan (the rating was confirmed at BBB-, the forecast was revised from negative 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 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.
- 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 26 May 2023, the Board of Directors of KMG consists of 8 people (Walton C.J. – Chairman of the Board of Directors, Mirzagaliyev M.M., Karabalin U.S., Zhanadil Ye.B., Holland P.M., Miller T.G., Zhubayev A.S., Berdigulov Ye.K.), 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.).
- In May 2023, the Board of Directors of KMG recommended that from the net income received by the end of 2022, an amount of 300 bln tenge be allocated for the payment of dividends to KMG shareholders. The amount of dividends for 2022 per common share will be 491.71 tenge. The decision to pay dividends is a subject to approval by shareholders at the Annual General Meeting of Shareholders (AGM), which will be held on 30 May 2023.

For further information, please visit
<https://www.kmg.kz/en/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%, KMG International – 100%, Petromidia refinery – 54.63%, Vega refinery – 54.63%, Petromidia refinery – 54.63%, Vega refinery – 54.63%, Kazakhstan Petrochemical Industries Inc. – 49.5%.