

27 August 2020

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

**Nur-Sultan, 27 August 2020** - Joint-stock (JSC) National Company (NC) KazMunayGas (“**KMG**” or “**Company**”), Kazakhstan's vertically integrated oil and gas company, published its interim condensed consolidated financial statements for the first half of 2020, prepared in accordance with IAS 34, *Interim Financial Reporting* with independent auditor's report on review of interim financial information.

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

- Revenue amounted to 2,254 bln tenge (USD 5,570 mln), down by 33.8% year-on-year.
- EBITDA decreased by 46.6% year-on-year to 552 bln tenge (USD 1,364 mln);
- The Company's net profit decreased by 96.7% year-on-year to 21 bln tenge (USD 51 mln). Net profit for the period attributable to Equity Holders of the Parent Company amounted to 104 bln tenge (USD 256 mln).
- FCF was negative at -5 bln tenge (USD -12 mln);
- The Company's net debt amounted to USD 6,432 mln as of 30 June 2020, having increased by 4.2% compared to USD 6,171 mln at the end of 2019.
- Total debt was at USD 9,822 mln as of 30 June 2020, down by 2.1% compared to 31 December 2019.

	UoM	1H2020	1H2019	%
Dated Brent, average	\$/bbl	40.07	65.95	-39.2%
Exchange rate, average	KZT/USD	404.71	379.29	6.7%
Revenue	bln tenge	2,254	3,403	-33.8%
Share in profit of JVs and associates	bln tenge	224	445	-49.6%
Net profit	bln tenge	21	622	-96.7%
Net profit attributable to Equity holders of the Parent Company	bln tenge	104	624	-83.4%
EBITDA	bln tenge	552	1,033	-46.6%
FCF	bln tenge	-5	141	-103.4%
Net Debt <sup>2</sup>	bln tenge	2,598	2,361 <sup>3</sup>	10.0%
Gross debt	bln tenge	3,967	3,838 <sup>3</sup>	3.4%

<sup>1</sup> The amounts were converted to the US dollars for user convenience at average exchange rates in corresponding periods (average rates for the first half of 2020 and 2019 were at 404.71 and 379.29 USD/KZT, respectively; exchange rates at the end of periods - as of 30 June 2020 and 31 December 2019 were at 403.93 and 382.59 USD/KZT, respectively).

<sup>2</sup> Net Debt as of 30 June 2020 does not include guaranteed obligations on a syndicated loan of Beineu-Shymkent Gas Pipeline (BSGP) in the amount of 247 bln tenge (USD 612 mln), guaranteed obligation on a loan of JSC “AstanaGas KMG” in the amount of 1.9 bln tenge (USD 4.6 mln), lease liabilities in the amount of 46 bln tenge (USD 113 mln); and Net Debt as of 31 December 2019 does 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>3</sup> As of 31 December 2019

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

- Oil and gas condensate production decreased by 3.1% year-on-year and amounted to 11,345 thous. tonnes;
- Oil and gas transportation segment showed a decrease of 4.2% and 9.8% and totaled to 37,329 thous. tonnes of oil and 45,172 mln m<sup>3</sup> of gas transported correspondingly;
- Refining volumes at Kazakh and Romanian refineries decreased by 17.1% year-on-year to 8,290 thous. tonnes.

	1H2020	1H2019	%
Oil production, thous. tonnes	11,345	11,704	-3.1%
Gas production, mln m <sup>3</sup>	4,321	4,160	3.9%
Oil transportation, thous. tonnes	37,329	38,949	-4.2%
Gas transportation, mln m <sup>3</sup>	45,172	50,078	-9.8%
Oil refining, thous. tonnes	8,290	9,997	-17.1%

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

### Financial Highlights for the first half of 2020

#### *Revenue and other income*

Revenue for the first half of 2020 amounted to 2,254 bln tenge (USD 5,570 mln), having decreased by 33.8% year-on-year. The main negative impact on revenue dynamics was mainly attributable to a decrease in average Brent crude oil price of 39.2% year-on-year, lower volumes of oil trading and sales of petroleum products at KMG International (KMG I), which was slightly offset by the weakening of the average exchange rate of tenge vs. the US dollar by 6.7%. Revenue from export sales of Kazakh gas decreased by 3.6% to 328 bln tenge (USD 809 mln), mainly due to lower gas export volumes.

Earnings from shares in the profit of joint ventures and associates decreased by 49.6% year-on-year to 224 bln tenge (USD 554 mln), mainly attributable to lower earnings from shares in the profit of Tengizchevroil LLP (TCO), JSC Mangistaumunaigas (MMG), KMG Kashagan B.V (Kashagan), KazRosGas LLP (KazRosGas) and the Beineu-Shymkent Gas Pipeline (BSGP). The earnings from shares in the profit of TCO and MMG decreased by 68.9% and 89.7% year-on-year, amounting to 70 bln tenge (USD 172 mln) and 5 bln tenge (USD 12 mln), respectively, reflecting lower average oil prices, and lower production volumes. The earnings from share in Kashagan's loss amounted to 11 bln tenge (USD 28 mln) due to lower oil prices, higher depreciation and amortization expenses in cost of sales, higher selling expenses, which was partially offset by an increase in oil production. The earnings from shares in the profit of KazRosGas and BSGP decreased, reflecting a recognition of foreign exchange losses amidst the weakening of tenge vs. the US dollar.

#### *Costs and other expenses*

Cost of purchased oil, gas, petroleum products for further sale and the cost of refining crude oil in the reporting period decreased by 42.0% year-on-year to 1,126 bln tenge (USD 2,782 mln). The decrease was due to lower cost of purchased oil for resale, lower cost of oil for refining, and lower oil prices, which was partially offset by an increase in the cost of purchased gas for resale and the weakening of tenge vs. the US dollar. The cost of purchased oil for resale decreased by 41.5% year-on-year to 652 bln tenge (USD 1,612 mln). The cost of oil for refining slid by 66.1% year-on-

year to 153 bln tenge (USD 378 mln). At KazTransGas JSC (KTG), the cost of purchased gas was at 197 bln tenge (USD 488 mln) in the first half of 2020.

Production expenses in the first half of 2020 increased by 8.0% year-on-year to 364 bln tenge (USD 898 mln).

Taxes other than income tax decreased by 38.3% year-on-year to 139 bln tenge (USD 345 mln), mainly due to lower rent tax on crude oil export, export customs duty, and mineral extraction tax amidst a decrease in oil prices.

Finance costs for the first half of 2020 amounted to 135 bln tenge (USD 334 mln), down by 15.9% year-on-year. The decrease was mainly attributable to the early fulfillment of obligations under the TCO crude oil prepayment agreement at the end of 2019.

#### *Impairment of assets*

Amidst significant changes in market prices in the first half of 2020, weighted by concerns over the COVID-19 pandemic and its impact on the economy, assumptions on Brent crude oil price, forecasted refinery margins, exchange rate and inflation were revised during impairment testing. KMG recognized an impairment of 225 bln tenge (USD 557 mln) in the interim consolidated statement of comprehensive income for the first half of 2020. This includes asset impairment in Embamunaigas JSC (EMG) at 60 bln tenge (USD 149 mln), KMG International at 159 bln tenge (USD 393 mln), and others at 6 bln tenge (USD 15 mln).

#### *Net profit*

In the reporting period, the Company's net profit decreased by 96.7% year-on-year to 21 bln tenge (USD 51 mln) due to a decrease in average oil price, a decrease in revenues and earnings from a share in the profit of JVs and associates, and a recognition of asset impairment. This was partially offset by a lower cost of purchased oil, gas, petroleum products, and taxes other than income tax.

Net income for the period attributable to the Equity Holders of the Parent Company amounted to 104 bln tenge (USD 256 mln).

Taxes and other obligatory payments amounted to 539 bln tenge (USD 1,331 mln), down by 26.4% year-on-year.

#### *Debt*

Total debt was at 3,967 bln tenge (USD 9,822 mln) as of 30 June 2020, up by 3.4% compared to 31 December 2019. Total debt including guarantees<sup>4</sup> was at 4,216 bln tenge (USD 10,438 mln) as of 30 June 2020, up by 2.8% (in the US dollar terms: a decrease of 2.6%) from 31 December 2019.

A 130 bln tenge increase in gross debt mainly reflects the impact of the foreign exchange rate on the US Dollar-denominated bonds and loans. Gross debt in the US dollar terms decreased by 2.1% to USD 9,822 mln as of 30 June 2020 from USD 10,030 mln at year-end 2019. In January 2020, Atyrau Refinery (ANPZ) received a long-term loan from DBK in the amount of 46 bln tenge

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<sup>4</sup> Nominal amount of guaranteed obligations.

(USD 114 mln) to refinance a foreign currency loan received from The Export-Import Bank of China (Exim Bank), which was obtained to fund new oil refining facilities. In May 2020, KTG made early partial redemption of bonds for the nominal amount of USD 43.68 mln (18 bln tenge), paying in cash USD 41 mln (18 bln tenge) at a discount price.

Consolidated cash and cash equivalents and cash in the form of deposits were at 1,369 bln tenge (USD 3,390 mln), having decreased by 7.3% from 31 December 2019. The decrease was due to capital expenditures in cash terms in the amount of 227 bln tenge (USD 561 mln), and repayment of loans of KZT 181 bln tenge (USD 448 mln). In the US dollar terms, consolidated cash and cash equivalents and cash in the form of deposits decreased by 12.2% to USD 3,390 mln as of 30 June 2020 from USD 3,859 mln as of 31 December 2019.

As a result of the above, KMG's net debt amounted to 2,598 bln tenge as of 30 June 2020 (USD 6,432 mln), which is 10.0% higher compared to 31 December 2019 in tenge terms (in the US dollar terms: an increase of 4.2%).

*Key corporate events in the first half of 2020:*

- 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 May 2020, KTG made an early partial redemption of its guaranteed bonds due in 2027 for the nominal amount of USD 43.68 mln;
- After announcing dividends for 2019 in May 2020 in accordance with the decision of Samruk-Kazyna and the National Bank of Kazakhstan, KMG paid dividends in a full amount of 82 bln tenge (USD 202 mln). This includes dividends to Samruk-Kazyna in the amount of 74 bln tenge (USD 183 mln), and dividends to the National Bank of Kazakhstan in the amount of 8 bln tenge (USD 19 mln).

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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 main assets are as follows:

**Upstream:** Tengizchevroil (TCO) - 20%, Karachaganak (KPO) - 10%, Kashagan - 8.44%<sup>5</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>6</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>5</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>6</sup> 19% through the KMG itself and 1.75% through Kazakhstan Pipeline Ventures (KPV).