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JSC NC KazMunayGas 9M 2020 Trading Update

Nur-Sultan, 30 October 2020 - Joint-stock (JSC) National Company (NC) KazMunayGas (“KMG” or “Company”), Kazakhstan's national vertically integrated oil and gas company, announces its operating results for the nine months of 2020.

Highlights for the nine months of 2020:

- Oil and condensate production decreased by 6.6% year-on-year to 16,423 thous.tonnes;
- Oil and gas transportation segment showed a decrease of 5.9% and 14.7%, and amounted to 55,225 thous. tonnes of oil and 63,448 mln m³ of gas, respectively;
- Refining volumes at Kazakh and Romanian refineries decreased by 14.4% to 13,081 thous. tonnes.

	9M 2020	9M 2019	%
Oil production, thous. tonnes	16,423	17,593	-6.6%
Gas production, mln m ³	6,173	6,227	-0.9%
Oil transportation, thous. tonnes	55,225	58,696	-5.9%
Gas transportation, mln m ³	63,448	74,369	-14.7%
Oil refining, thous. tonnes	13,081	15,281	-14.4%

Operational results the nine months of 2020¹

Upstream

In the nine months of 2020, KMG’s oil and gas condensate production amounted to 16,423 thous. tonnes (449 kbopd), having decreased by 6.6% year-on-year. Natural and associated gas production decreased marginally by 0.9% to 6,173 mln m³.

Oil and condensate production, thous. tonnes	9M 2020	9M 2019	%
Tengiz (20%)	4,032	4,394	-8.2%
Kashagan (8.44%)	954	838	13.8%
Karachaganak (10%)	816	760	7.4%
OMG (100%)	4,027	4,177	-3.6%
MMG (50%)	2,229	2,395	-6.9%
EMG (100%)	1,967	2,165	-9.1%
Others	2,397	2,864	-16.3%
Total	16,423	17,593	-6.6%

Oil production at Tengiz, Kashagan, and Karachaganak decreased by 3.2% year-on-year to 5,803 thous. tonnes (168 kbopd). Meanwhile, natural and associated gas production amounted to 4,315 mln m³, having unchanged year-on-year.

¹ Throughout the text, operating results are based on the net to KMG’s operating share, unless specifically indicated otherwise.

KMG's share in oil production at Tengiz declined by 8.2% year-on-year to 4,032 thous. tonnes (117 kbopd), and gas production decreased by 6.9% to 2,238 mln m³. Restrictions under the OPEC+ agreement had a significant impact on the decline in oil production.

Oil production at Kashagan increased by 13.8% to 954 thous. tonnes (28 kbopd). Natural and associated gas production increased by 14.6% to 576 mln m³. Oil and gas production increased as a result of the conducted overhaul in 2019, which led to the higher operational efficiency of offshore and onshore facilities, as well as an increase the injection fund from 4 to 6 wells, installation of additional reboilers on oil processing lines, and new wells commissioning. In the nine months of 2020, the average gross daily production at Kashagan (100%) amounted to 333 kbopd.

Oil and condensate production at Karachaganak increased by 7.4% to 816 thous.tonnes (23 kbopd). Gas production amounted to 1,501 mln m³, up by 7.9% year-on-year. The growth of oil and gas production is associated with modernisation of the facilities of Karachaganak Processing Complex (KPC) and gas-processing units (Unit 2 and Unit 3) after planned preventive maintenance in September-October 2019.

Oil production at KMG-operated assets decreased by 8.5% year-on-year to 10,620 thous. tonnes (281 kbopd). Gas production decreased by 3.7% to 1,858 mln m³. The decrease in oil production volumes at KMG-operated assets was mainly attributable to restrictions under the OPEC+ agreement, as well as the natural decline in production levels at JV Kazgermunai LLP and JSC PetroKazakhstan Inc of 29.6%, and 23.1% respectively.

Midstream

In the nine months of 2020, oil transportation decreased by 5.9% to 55,225 thous. tonnes².

Oil transportation, thous. tonnes	KMG's share	100%	9M2020 vs 9M2019, %
KazTransOil (90%) ³	31,742	31,742	-4.8%
Kazakhstan-China Pipeline (50%)	5,821	11,642	-4.2%
Munai Tas (51%)	1,199	2,351	-5.3%
Caspian Pipeline Consortium (20,75%)	9,253	44,595	-4.0%
Kazmortransflot (100%)	7,210	7,210	-13.9%
Total	55,225	-	-5.9%

The volume of oil transportation through the trunk pipelines decreased by 4.6% year-on-year to 48,015 thous. tonnes. The decrease is attributable to the limited oil supply from CNPC Aktobemunaigas JSC due to finding and crucial excess of organochlorine compounds in oil in January 2020, the decrease in oil supply from oil companies operating the Kumkol group of fields, affected by the natural decline in oil production, and restrictions under OPEC+ agreement.

² Oil transportation volume includes trunk pipeline and marine oil transportation. In addition oil transportation volume takes into account the transportation volume of each pipeline company, including the operating share of KMG. Part of the volume of oil can be transported by two or three pipeline companies, and correspondingly these volumes are counted more than once in the consolidated volume of oil transportation.

³ The operating share of KMG in the oil transportation volumes of KazTrasOil is 100%, with an actual ownership share of 90%.

Offshore oil transportation decreased by 13.9% to 7,210 thous. tonnes, affected by lower volumes in the Mediterranean Sea as a result of delays in anticipation of loading, as well as adverse weather conditions.

Gas transportation through KMG's gas pipelines decreased by 14.7% to 63,448 mln m³. The decline is mainly attributable to lower Central Asian gas transit volumes to China, lower transit volumes of Russian gas from PJSC Gazprom through the territory of Kazakhstan, a decrease in export supplies of Karachaganak gas to Russia, and lower export volumes of Tengiz gas due to a decline in its production.

Gas transportation, mln m ³	KMG's share	100%	9M2020 vs 9M2019, %
Intergas Central Asia (100%)	42,626	42,626	-17.9%
Asia Gas Pipeline (50%)	14,469	28,938	-15.6%
Beineu-Shymkent Gas Pipeline (50%)	4,464	8,929	27.2%
KazTransGas Aimak (100%)	1,889	1,889	3.8%
Total	63,448	-	-14.7%

Trading

In the nine months of 2020, the sales volume of KMG's own produced oil and gas condensate decreased by 4.5% year-on-year to 17,011 thous. tonnes, of which 71% was exported.

The domestic supply of own produced oil and gas condensate amounted to 4,955 thous. tonnes, including crude oil supplies from KMG-operated assets (JSC OzenMunayGas, JSC EmbaMunayGas, and Kazakhturkmunay LLP) in the amount of 2,500 thous. tonnes to Atyrau and Pavlodar refineries for further oil refining and sale of oil products.

Gas sales slightly decreased by 1.5% year-on-year to 15,498 mln m³. Exports of sales gas reached 5,936 mln m³, of which 88% was exported to China under the agreement dated in October 2018 on the supply of natural gas to China in the amount of up to 10 bln m³. Because of the pandemic in the nine months of 2020, gas exports to China were below the planned volumes, however, actual export volumes unchanged compared to nine months of last year.

Downstream

In connection with the introduction of quarantine measures in almost all cities of Kazakhstan in nine months of 2020 the demand for the main types of oil products in Kazakhstan significantly decreased, which had a corresponding impact on the production activities of Kazakhstani oil refineries. The volumes of oil refining and production of oil products were reduced to avoid overstocking, while the production process was not stopped, the utilization of refineries was balanced in line with the required volume of oil products production. Currently, the refineries continue their production activities.

Hydrocarbon refining ⁴ , thous. tonnes	9M 2020	9M 2019	%
Atyrau refinery (99.53%)	3,679	3,915	-6.0%
Pavlodar refinery (100%)	3,519	3,931	-10.5%
Shymkent refinery (49.72%)	1,767	2,023	-12.6%
Caspi Bitum (50%)	346	332	4.4%
Petromidia (54.63%)	3,504	4,756	-26.3%
Vega (54.63%)	265	325	-18.5%
Total	13,081	15,281	-14.4%

In nine months of 2020, refining volume decreased by 14.4% and amounted to 13,081 thous. tonnes:

- Refining volumes at Kazakh refineries declined by 8.7% to 9,312 thous. tonnes, which is mainly attributable to lower oil refining volumes at three major refineries in line with the level of consumption of petroleum products;
- Refining at KMG International refineries (Petromidia, Vega) amounted to 3,769 thous. tonnes, down by 25.8% year-on-year, as a result of a production shutdown at Petromidia refinery related to scheduled overhaul from 15 March to 1 May 2020.

In the nine months of 2020, the production of oil products at Kazakh and Romanian refineries decreased by 14.7% to 12,202 thous. tonnes:

- Production of oil products at Kazakh refineries amounted to 8,510 thous. tonnes, down by 8.8% year-on-year due to lower oil refining volumes, amidst the COVID-19 implications on oil products consumption;
- Oil products production at KMG International refineries (Petromidia, Vega) amounted to 3,692 thous. tonnes, down by 25.8% year-on-year due to production shutdown at Petromidia refinery due to scheduled overhaul.

⁴ The following operating shares are used as KMG's operating share in hydrocarbon refining volumes: Atyrau refinery - 100%, Pavlodar refinery - 100%, PKOP - 50%, Caspi Bitum - 50%, Petromidia - 100%, Vega - 100%. The operating share of KMG in the oil transportation volumes of KazTrasOil is 100%, with an actual ownership share of 90%.

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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 specialized services. Established in 2002, the company represents Kazakhstan'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%⁵, Ozenmunaigas (OMG) - 100%, Mangistaumunaigaz (MMG) - 50%, Embamunaigaz (EMG) - 100%, Kazgermunai (KGM) - 50%, Petrokazakhstan Inc (PKI) - 33%, 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%, Caspian Pipeline Consortium (CPC) - 20.75%⁶, Kazmortransflot - 100%, KazTransGas - 100%, Intergas Central Asia (ICA) - 100%, Asia Gas Pipeline (AGP) - 50%, KazTransGas Aimak - 100%, Beineu-Shymkent Gas Pipeline (BSGP) - 50%, KazRosGas - 50%.

Downstream: Pavlodar refinery - 100%, Atyrau refinery – 99,53%, Shymkent refinery– 49,72%, KMG International - 100%, Petromidia – 54,63%, Vega – 54,63%.

⁵ 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.

⁶ 19% through the KMG itself and 1.75% through Kazakhstan Pipeline Ventures (KPV).