

14 March 2024

JSC National Company KazMunayGas Financial results of 2023

Astana, 14 March 2024 – Joint-stock National Company **KazMunayGas** (“**KMG**” or **Company**), Kazakhstan's national oil and gas company, published its consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) for 2023 with an independent auditor's report.

Key financial indicators for 2023¹ compared to 2022:

- Revenue amounted to 8,320 bln tenge (USD 18,236 mln) compared to 8,693 bln tenge (USD 18,860 mln);
- EBITDA amounted to 1,995 bln tenge (USD 4,372 mln) compared to 2,536 bln tenge (5,502 mln);
- The Company's net profit including share in income of joint ventures and associates amounted to 924 bln tenge (USD 2,026 mln) compared to 1,307 bln tenge (USD 2,835 mln);
- Net profit adjusted for share in profit of joint ventures and associates² amounted to 1,010 bln tenge (USD 2,214 mln) compared to 778 bln tenge (USD 1,687 mln);
- Free cash flow amounted to 984 bln tenge (USD 2,157 mln) compared to 1,116 bln tenge (USD 2,421 mln);
- Gross debt as of 31 December 2023 amounted to 3,757 bln tenge (USD 8,265 mln) compared to 4,154 bln tenge (USD 8,980 mln) as of 31 December 2022;
- The Company's net debt as of 31 December 2023 was at 1,645 bln tenge (USD 3,620 mln) compared to 2,154 bln tenge (USD 4,655 mln) as of 31 December 2022.

Name of the indicator	UoM	2023	2022	%
Dated Brent ³ , average	\$/bbl	82.64	101.32	-18.4%
Dated Urals ³ , average	\$/bbl	64.69	76.87	-15.8%
KEBCO ³ , average	\$/bbl	81.74	77.20 ⁴	-
Exchange rate, average	KZT/USD	456.21	460.93	-1.0%
Revenue	bln tenge	8,320	8,693	-4.3%
Share in profit of JVs and associates, net	bln tenge	534	991	-46.1%

¹ The amounts were converted to US dollars for user convenience at average exchange rates for respective periods (average USD/KZT for 2023 and 2022 were at 456.21 and 460.93 respectively; period-end USD/KZT as of 31 December 2023 and 31 December 2022 were at 454.56 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 2022 is indicated for the period from 06/06/2022 till 31/12/2022.

Name of the indicator	UoM	2023	2022	%
Dividends received from JVs and associates, net	bln tenge	620	462	34.1%
Net profit	bln tenge	924	1,307	-29.2%
Net profit adjusted for the share in profit of JVs and associates	bln tenge	1,010	778	29.9%
EBITDA ⁵	bln tenge	1,995	2,536	-21.4%
Adjusted EBITDA ⁶	bln tenge	2,080	2,007	3.6%
CAPEX (accrual basis)	bln tenge	804	535	50.2%
CAPEX (cash basis)	bln tenge	683	451	51.4%
Free cash flow ⁷	bln tenge	984	1,116	-11.8%
Gross debt ⁸	bln tenge	3,757	4,154	-9.6%
Net debt ⁹	bln tenge	1,645	2,154	-23.6%

Operating results for 2023¹⁰ compared to 2022:

- KMG's proven and probable hydrocarbon reserves (2P) increased by 3.7% and amounted to 733 mln tonnes of oil equivalent;
- The volume of oil and gas condensate production increased by 6.9% and amounted to 23,532 thous. tonnes;
- Oil transportation volumes increased by 7.6% and amounted 80,359 thous. tonnes;
- The volume of refining of hydrocarbons at Kazakhstani and Romanian refineries amounted 19,593 thous. tonnes compared to 19,900 thous. tonnes.

	2023 (net to KMG)	2022 (net to KMG)	%
Proved plus Probable (2P), mln. toe	733	707	+3.7%
Oil production, thous. tonnes	23,532	22,012	+6.9%
Gas production, mln m ³	9,459	8,241	+14.8%
Oil transportation, thous. tonnes	80,359	74,658	+7.6%
Oil refining, thous. tonnes	19,593	19,900	-1.5%

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 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.

¹⁰ 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 2023 at the link: [12M 23 Operating press-release ENG clean.pdf \(kmg.kz\)](#)

Financial highlights for 2023

Revenue

Revenue amounted to 8,320 bln tenge (USD 18,236 mln), which is 4.3% lower compared to 2022.

Revenue dynamics were negatively impacted by an 18.4% decrease in the average Brent price for crude oil in 2023 compared to 2022.

Share in profit of joint ventures and associates

The share in income of joint ventures and associates decreased by 46.1% and amounted to 534 bln tenge (USD 1,171 mln) mainly due to a decrease in profits of “Tengizchevroil” LLP by 402 bln tenge (USD 864 mln) and CPC by 53 bln tenge (USD 114 mln).

EBITDA

EBITDA for 2023 amounted to 1,995 bln tenge (USD 4,372 mln) and decreased by 21.4% compared to 2,536 bln tenge (USD 5,502 mln) mainly due to a decrease in the segment of oil and gas exploration and production by 21.9%. 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 2,080 bln tenge (USD 4,560 mln), showing a growth of 3.6% mainly due to an increase in dividends from TCO.

Net profit

The Company's net profit decreased in comparison with 2022 by 29.2% and amounted to 924 bln tenge (USD 2,026 mln).

Net profit adjusted for share in profit of JVs and associates

Net profit adjusted for the share in profit joint ventures and associates increased by 29.9% from 778 bln tenge (USD 1,687 mln) to 1,010 bln tenge (USD 2,214 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 6.8% and amounted to 4,622 bln tenge (USD 10,131 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 6.6% and amounted to 1,220 bln tenge (USD 2,674 mln) mainly due to the indexation of wage 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 246 bln tenge (USD 538 mln), up 19.6% compared to 2022. An increase in costs was mainly due to an increase in the volume of oil sales by 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 10.8% and amounted to 178 bln tenge (USD 390 mln). The growth is associated with an increase in salary costs and an increase in reserves for accounts receivable, formed in accordance with IFRS requirements.

Taxes other than income tax decreased by 12.4% and amounted to 594 bln tenge (USD 1,302 mln) mainly due to decrease in rent tax on crude oil exports, mineral extraction tax due to decrease in crude oil prices, as well as due to decrease in export customs duty expenses.

Impairment of property, plant and equipment and intangible assets

As of 31 December 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 114.5 bln tenge.

As of 31 December 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 June 2023, an incident occurred at the Petromidia Refinery, a subsidiary of KMG International, which led to the temporary decommissioning of the Mild Hydrocracker installation. Petromidia Refinery conducted assessments to estimate the incident consequences and recognized impairment of property, plant and equipment for 2.7 bln tenge.

The total amount of loss from impairment of fixed assets, intangible assets and exploration expenses for the KMG group for 2023 amounted to 230.6 billion tenge.

Capital expenditures

The Company's capital expenditures accrual basis (disclosed in segment reporting) amounted to 804 bln tenge (USD 1,761 mln), an increase of 50.2% mainly due to well drilling expenditures in Ozenmunaigas JSC, Embamunaigas JSC and replacement of the section of the pipelines "Uzen-Atyrau-Samara", the reconstruction and expansion of the "Astrakhan-Mangyshlak" main waterline.

Dividends received from JVs and associates

Dividends received from joint ventures and associated companies compared to the same period increased by 34.1% and amounted to 620 bln tenge (USD 1,359 mln) mainly due to an increase in dividends from "Tengizchevroil" LLP by 219 bln tenge (USD 485 mln) and "PETROSUN" LLP by 29.4 bln tenge (USD 65 mln).

Free cash flow

Free cash flow decreased in comparison with 2022 by 11.8% and amounted to 984 bln tenge (USD 2,157 mln). The reduction was associated with a decrease in oil prices as well as with an increase in capital expenditures.

Debt management

Debt indicators

Name of the indicator	UoM	31 Dec 2023	31 Dec 2022	%
Bonds	bln tenge	3,046	3,282	-7.2%
Loans	bln tenge	711	873	-18.5%
Gross debt	bln tenge	3,757	4,154	-9.6%

Numbers may not add up due to a rounding.

Total debt as of 31 December 2023 amounted to 3,757 bln tenge (USD 8,265 mln), a decrease in tenge by 9.6% and by 8% 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. In December 2023, Atyrau Refinery LLP carried out full repayment of the loan from VTB Bank for 42,371 million rubles (equivalent to 213,729 mln tenge) including accrued interest and carried out partial repayment of the loan from Halyk Bank for a total amount of 102,674 mln tenge including interest.

The decrease in total debt was partially offset by KMG International's attraction of a syndicated loan in the amount of USD 307 mln (equivalent to 140 bln tenge), a loan from the Bank of Tokyo Mitsubishi UFJ. Ltd in the amount of USD 101 mln (equivalent to 46 bln tenge) and a loan from Banque de Commerce et de Placements in the amount of USD 83 mln (equivalent to 38 bln tenge) for the working capital financing.

Net debt

Net debt as of 31 December 2023 amounted to 1,645 bln tenge (USD 3,620 mln), a decrease in tenge by 23.6% and in US dollar terms by 22.3% 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	31 Dec 2023	31 Dec 2022	%
Cash and cash equivalents	bln tenge	1,051	763	37.7%
Short-term deposits	bln tenge	997	1,178	-15.4%
Long-term deposits	bln tenge	64	59	7.9%
Cash and cash equivalents including deposits	bln tenge	2,112	2,001	5.6%

Numbers may not add up due to a rounding.

Consolidated cash, cash equivalents, including deposits as of 31 December 2023 increased by 5.6% compared to the indicator as of 31 December 2022 and amounted to 2,112 bln tenge. In US dollar terms, the indicator amounted to USD 4,646 mln and increased by 7.4% compared to the indicator as of 31 December 2022.

Key corporate events from the beginning of 2023:

- On 9 February 2023, KMG and PJSC LUKOIL signed an Agreement of Participants, a Purchase and Sale Agreement for a 50% share in the authorized capital of Kalamkas-Khazar Operating LLP (KCO) and an Agreement on the terms of financing of the operator's activities by the Participants.
- 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).
- On 20 March 2023, the supply of Tengiz oil began in the direction of Baku, in April 2023 from Ceyhan. At the end of 2023, 1,057 thousand tons were shipped from the port of Aktau.
- On 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 20 June, 2023, KMG and Rosneft Deutschland signed an agreement on the supply of crude oil in the amount of 100 thousand tons per month until the end of 2023 from the resources of the Karachaganak field to the PCK Raffinerie oil refinery in the city of Schwedt.
- 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 installation was launched on 26 February 2024.
- 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 bln tenge. The dividends per common share amounted to 491.71 tenge.
- On October 17, 2023, KMG, SIBUR and China Petroleum & Chemical Corporation (Sinopec) signed Sale and Purchase Agreements for the participation interest in the polyethylene production project.
- 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.
- In November 2023, KMG completed the acquisition from TotalEnergies EP Danmark A/S (a subsidiary of TotalEnergies S.E.) 100% of the shares in the authorized capital of Total E&P Dunga GmbH, which holds the subsoil use right in the Dunga project. KMG's share in the Dunga subsoil use project is 60%.
- On 22 November 2023, KMG issued bonds in the amount of 20 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".

- At the end of 2023, Samruk-Kazyna sold KMG shares worth 1.3 trillion tenge (122,023,898 ordinary shares) in favor of the Ministry of Finance of the Republic of Kazakhstan. The share of the Ministry of Finance of the Republic of Kazakhstan is 20%.
- On 13 December 2023, Moody's rating agency confirmed KMG's credit rating at "Baa2", revising the outlook to "positive", on the back of an upgrade of the standalone credit rating. KMG's rating was equated to Kazakhstan's sovereign rating.
- On 26 December 2023, Standard & Poor's Ratings agency confirmed KMG's credit rating at "BB+", revising its standalone credit rating from "bb-" to "bb".
- In December 2023, Atyrau Refinery LLP made full repayment of the loan from VTB Bank for 42,371 million Rubles (equivalent to 213,729 mln tenge), including accrued interest.
- On 18 January 2024, KMG and Eni S.p.A. (Eni) signed the Joint Confirmation Agreement on initiation of the Zhanaozen hybrid power plant construction project.
- On 21 February 2024, a purchase and sale agreement for 50% shares of Karaton Operating Ltd. was signed between KMG and PJSC Tatneft.
- 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 March 2024, the Board of Directors of KMG consists of 9 people (Berdigulov Ye.K. – Chairman of the Board of Directors, Otynshiyev 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., Soyunov N.D.).

For further information, please visit
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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%, Dunga – 60%, Ural Oil and Gas (UOG) – 50%, Mangistaumunaigaz (MMG) – 50%, Kazgermunai (KGM) – 50%, Karazhanbasmunai (KBM) – 50%, KazakhOil Aktobe (KOA) – 50%, PetroKazakhstan Inc (PKI) – 33%, Tengizchevroil (Tengiz) – 20%, Karachaganak – 10%, Kashagan – 16.88%.

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

Downstream: Pavlodar refinery – 100%, Atyrau refinery – 99,53%, Shymkent refinery – 49,72%, Caspi Bitum – 50%, KMG International – 100%, Petromidia – 54,63%, Vega – 54,63%, KazRosGas – 50%, Kazakhstan Petrochemical Industries Inc – 49.5%.