

CONSOLIDATED FINANCIAL RESULTS ACCORDING TO IFRS¹

In 2020, revenue was KZT

4,556 BLN

(USD 11,019 mln) compared to KZT 6,859 bln in 2019

EBITDA amounted to KZT

1,151 BLN

(USD 2,785 mln) compared to KZT 1,963 bln in 2019

Free cash flow was KZT

88 BLN

(USD 213 mln) compared to KZT 592 bln in 2019

Net profit for the period was KZT

172 BLN

(USD 416 mln) compared to KZT 1,158 bln in 2019. Net profit for the period attributable to the parent company's shareholders was KZT 273 bln (USD 661 mln)

The Company's net debt as at 31 December 2020 was USD


6,162 MLN

down 0.2% from USD 6,171 mln at end-2019

Total debt as at 31 December 2020 was USD 9,690 mln, down

3.4%

year-on-year.

For more details see the Financial Statements section 

Consolidated financial results according to IFRS

Indicator	Unit	2019	2020	%
Oil ²	USD/bbl	64.21	41.84	-34.8
Average exchange rate	KZT/USD	382.87	413.46	8.0
Revenue	KZT bln	6,859	4,556	-33.6
	USD mln	17,915	11,019	-38.5
Share in profit of JVs and associates	KZT bln	828	511	-38.3
	USD mln	2,163	1,236	-42.8
Net profit	KZT bln	1,158	172	-85.2
	USD mln	3,026	416	-86.3
Net profit for the period attributable to the parent company's shareholders	KZT bln	1,197	273	-77.2
	USD mln	3,127	661	-78.9
EBITDA ³	KZT bln	1,963	1,151	-41.3
	USD mln	5,126	2,785	-45.7
Free cash flow ⁴	KZT bln	592	88	-85.1
	USD mln	1,537	213	-86.2
Net debt ⁵	KZT bln	2,361	2,594	9.9
	USD mln	6,171	6,162	-0.2
Total debt ⁶	KZT bln	3,838	4,078	6.3
	USD mln	10,030	9,690	-3.4

¹ For reader convenience, amounts in USD were converted at the average exchange rate for the applicable period (average exchange rates for 2020 and 2019 were 413.46 and 382.87 KZT/USD, respectively; period-end exchange rates as at 31 December 2020 and 31 December 2019 were 420.91 and 382.59 KZT/USD, respectively).

² Source: S&P Global Platts.

³ EBITDA = revenue plus share in profit from JVs and associates, net, minus cost of purchased oil, gas, oil products and other materials minus production expenses minus G&A expenses minus transportation and selling expenses minus taxes other than income tax.

⁴ Free cash flow (FCF) = cash flow from operating activities (net of net movement in TCO prepayments) minus acquisition of property, plant and equipment, intangible assets, investment properties, exploration and evaluation assets plus proceeds from the loan previously provided to the Caspian Pipeline Consortium.

⁵ Net debt = non-current borrowings plus current borrowings minus cash and cash equivalents minus short-term bank deposits minus long-term bank deposits. Guarantees issued are not included in the calculation.

⁶ Total debt = non-current borrowings plus current borrowings. Guarantees issued are not included in the calculation.

Statement of profit or loss¹

KZT mln	2019 ¹	2020	Change	%
Revenue and other income				
Revenue	6,858,856	4,556,037	-2,302,819	-33.6
Share in profit from joint ventures and associates, net	827,979	511,195	-316,784	-38.3
Finance income	240,880	109,753	-131,127	-54.4
Gain on sale of subsidiaries	17,481	519	-16,962	-97.0
Other operating income	24,936	24,576	-360	-1.4
Total revenue and other income	7,970,132	5,202,080	-2,768,052	-34.7
Costs and expenses				
Cost of purchased oil, gas, oil products and other materials	-3,913,744	-2,277,066	1,636,678	-41.8
Production expenses	-721,693	-740,786	-19,093	2.6
Taxes other than income tax	-454,295	-269,559	184,736	-40.7
Depreciation, depletion and amortization	-337,424	-360,283	-22,859	6.8
Transportation and selling expenses	-420,402	-458,186	-37,784	9.0
General and administrative expenses	-213,967	-170,208	43,759	-20.5
Impairment of property, plant and equipment, intangible assets, exploration and evaluation assets	-150,751	-243,694	-92,943	61.7
Exploration expenses	-57,068	-19,807	37,261	-65.3
Impairment of investments in joint ventures and associate	-	-30,654	-	-
Finance costs	-317,433	-297,551	19,882	-6.3
Other expenses	-7,203	-32,151	-24,948	346.4
Net foreign exchange (loss)/gain	8,479	-23,935	-32,414	-382.3
Total costs and expenses	-6,585,501	-4,923,880	1,661,621	-25.2
Profit before income tax	1,384,631	278,200	-1,106,431	-79.9
Income tax expenses	-226,180	-106,303	119,877	-53.0
Profit for the year from continuing operations	1,158,451	171,897	-986,554	-85.2
Discontinued operations				
Profit after income tax for the year from discontinued operations	6	-	-	-
Net profit for the year	1,158,457	171,897	-986,560	-85.2
Net profit/(loss) for the year attributable to:				
the parent company's shareholders	1,197,157	273,237	-923,920	-77.2
the non-controlling interest	-38,700	-101,340	-62,640	161.9
	1,158,457	171,897	-986,560	-85.2

¹ Certain amounts shown in this column do not correspond to the amounts shown in the consolidated financial statements as at 31 December 2019 because they reflect reclassifications made.

Profit

Revenue for 2020 was KZT 4,556 bln (USD 11,019 mln), down 33.6% year-on-year. The downtrend was mainly attributable to a 34.8% year-on-year decrease in the average Dated Brent oil price, lower oil sales due to production cuts at certain fields in accordance with the OPEC+ deal, as well as lower volumes of oil trading and sales of oil products by KMG International. The decrease in revenue was partially offset by the tenge's depreciation against US dollar by 8.0%.

Share in profit from joint ventures and associates

The share in profit from joint ventures and associates in 2020 decreased by 38.3% year-on-year to KZT 511 bln (USD 1,236 mln) mainly due to a decrease in the profit from Tengizchevroil LLP (TCO), JSC Mangistaumunaigaz (MMG) and Kashagan. The share in the profit from TCO and MMG decreased by 58.2% and 79.6% in the reporting period, to KZT 173 bln (USD 420 mln) and KZT 17 bln (USD 41 mln), respectively, due to lower average oil prices and production decline. The share in Kashagan's loss in 2020 was KZT 7 bln (USD 17 mln) as a result of lower oil prices. At the same time, Kashagan's free cash flow was positive at USD 463 mln. In 2020, Ural Group Limited (UGL), PetroKazakhstan Inc. (PKI) and Valseira Holdings B.V. (Valseira) also made a loss of KZT 10 bln (USD 25 mln), KZT 9 bln (USD 21 mln) and KZT 6 bln (USD 15 mln) in terms of KMG's share, respectively.

Costs

In the reporting period, the cost of purchased oil, gas, oil products and other materials amounted to KZT 2,277 bln (USD 5,507 mln), reflecting a decrease of 41.8% year-on-year, due to lower cost of purchased crude oil and oil for refining, as well as lower global oil prices, which was partly offset by the tenge's depreciation against US dollar. Purchases of oil for resale decreased by 46.4% year-on-year to KZT 1,311 bln (USD 3,171 mln). The cost of oil for refining fell by 50.9% year-on-year to KZT 314 bln (USD 758 mln).

Other expenses

In 2020, production expenses increased slightly year-on-year to KZT 741 bln (USD 1,792 mln).

General and administrative expenses decreased by 20.5% to KZT 170 bln (USD 412 mln).

Taxes other than income tax decreased by 40.7% to KZT 270 bln (USD 652 mln) mainly as a result of lower expenses on rent tax, export customs duty and MET as a result of lower oil prices.

Payroll expenses in 2020 amounted to KZT 427 bln (USD 1,034 mln), showing a 0.3% year-on-year decrease, and were reflected in production expenses, transportation and selling expenses, and general and administrative expenses in the consolidated statement of comprehensive income.

Finance costs in 2020 were KZT 298 bln (USD 720 mln), down 6.3% year-on-year, mainly due to early settlement of TCO prepayment facilities in 2019.

Impairment of assets

As a result of significant changes in market prices amid concerns over the COVID-19 pandemic and its impact on the economy in 2020, assumptions on oil prices, projected refinery margins, production volumes, exchange rates and inflation were revised in impairment testing. In 2020, KMG recognised impairment of assets in the amount of KZT 244 bln (USD 589 mln) in its consolidated statement of comprehensive income, including KZT 162 bln (USD 393 mln) for KMG International, KZT 60 bln (USD 146 mln) for JSC Embamunaigaz, KZT 10 bln (USD 25 mln) for Sunkar, Barys and Berkut self-propelled barges, and KZT 11 bln (USD 25 mln) for other assets.

Net profit

The Company's net profit fell 85.2% year-on-year to KZT 172 bln (USD 416 mln) due to lower average oil prices, lower revenue and income attributable to the share in profit from joint ventures and associates, and recognition of impairment of assets, which was partly offset by lower costs and taxes other than income tax.

Net profit for the period attributable to the parent company's shareholders was KZT 273 bln (USD 661 mln).

CAPEX

In 2020, the Company's CAPEX on an accrual basis (disclosed in the segment reporting) was KZT 454 bln (USD 1,098 mln), down 10.1% year-on-year. The main impact came from a 35% year-on-year decrease in CAPEX in the Oil and Gas Exploration and Production segment to KZT 168 bln (USD 405 mln). CAPEX on a cash basis amounted to KZT 396 bln (USD 959 mln) in 2020 compared to KZT 444 bln (USD 1,160 mln) in 2019.

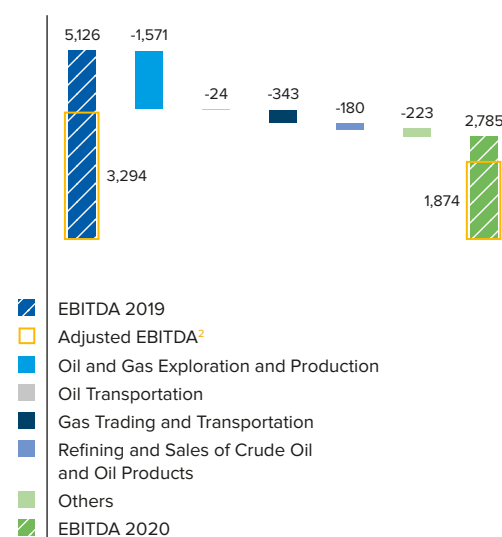
EBITDA structure

We analyse segmented information according to IFRS. Segment performance is evaluated based on revenues and net profit. The Group's operating segments have their own structure and management according to the type of produced goods and provided services. Moreover, all segments are strategic directions of the business, which offer different types of goods and services in different markets. The Company's activity consist of four main operating segments: oil and gas exploration and production, oil transportation, gas trading and transportation, refining and sales of crude oil and refined products, NC KMG's Corporate Centre, etc. (oilfield service companies and other insignificant companies). KMG presents the Corporate Centre's activities separately, since NC KMG not only performs the functions of the parent company, but also carries out operational activities (processing of crude oil at Atyrau and Pavlodar refineries, and further sale of oil products to both domestic and export markets).

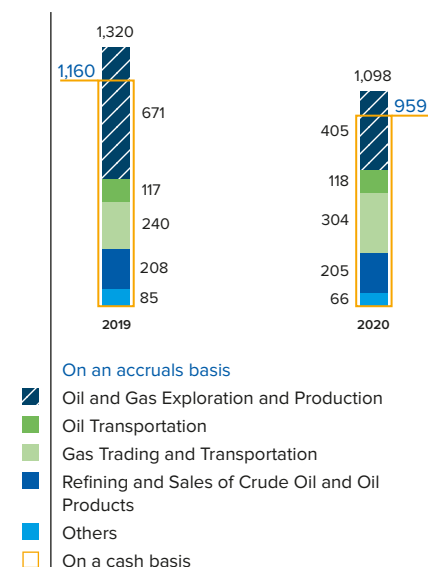
Key factors that affected changes in EBITDA by segment in 2020:

- Oil and gas exploration and production segment's EBITDA decreased by USD 1,571 mln due to lower oil prices and decreased sales of crude oil
- Gas trading and transportation segment's EBITDA decreased by USD 343 mln due to a decrease in revenues from gas exports and international transit
- Refining and sales of crude oil and oil products segment's EBITDA decreased by USD 180 mln mainly due to lower sales by KMG International

EBITDA¹ by segment, million USD³



CAPEX, USD mln³



¹ EBITDA = revenue plus share in profit from JVs and associates, net, minus cost of purchased oil, gas, oil products and other materials minus production expenses minus G&A expenses minus transportation and selling expenses minus taxes other than income tax.
² Adjusted EBITDA = revenue plus dividends received from joint ventures and associates minus cost of purchased oil, gas, oil products and other materials minus production costs minus G&A expenses minus transportation and selling expenses minus taxes other than income tax.
³ Numbers may not add up due to rounding.

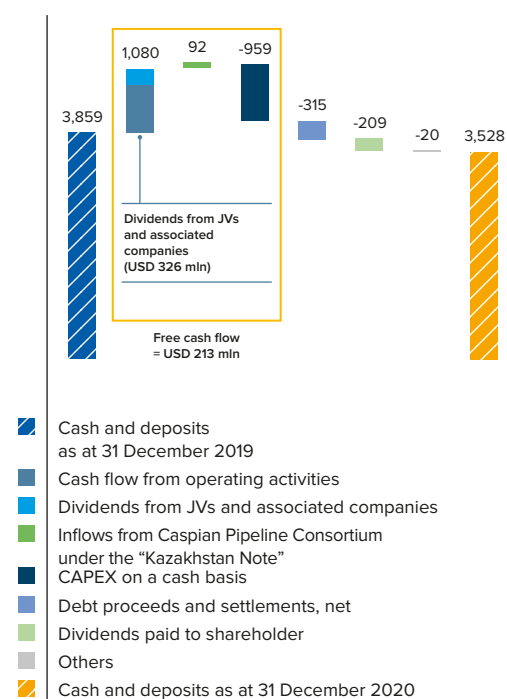
Segments	Unit	2019	2020	%
Oil and gas exploration and production	KZT mln	962,778	390,221	-59
	USD mln	2,515	944	-62
	% of EBITDA	49	34	-15 pp
Oil transportation	KZT mln	219,204	226,838	3
	USD mln	573	549	-4
	% of EBITDA	11	20	9 pp
Gas trading and transportation	KZT mln	457,829	352,565	-23
	USD mln	1,196	853	-29
	% of EBITDA	23	30	7 pp
Refining and sales of crude oil and oil products	KZT mln	268,013	214,839	-20
	USD mln	700	520	-26
	% of EBITDA	14	19	5 pp
Corporate Centre	KZT mln	42,345	-25,077	-159
	USD mln	111	-61	-155
	% of EBITDA	2	-2	-4 pp
Others ¹	KZT mln	12,565	-7,959	-163
	USD mln	33	-19	-159
	% of EBITDA	1	-1	-2 pp
EBITDA	KZT mln	1,962,734	1,151,427	-41
	USD mln	5,126	2,785	-46
	% of EBITDA	100	100	0 pp



¹ Including eliminations, which represent exclusion of intra-group turnovers. Inter-segment transactions were made on terms agreed to between the segments, i.e. not necessarily at market rates, except for certain regulated services, which are provided based on the tariffs available to related and third parties.

Statement of cash flows, KZT mln

	2019	2020	Change	%
Net cash flows from operating activities	123,801	446,533	322,732	261
Adjusted cash flows from operating activities¹	988,251	446,533	-541,718	-55
Net cash flows used in investing activities	-319,562	-205,611	113,951	-36
Net cash flows used in financing activities	-270,371	-245,227	25,144	-9
Effects of exchange rate changes	-14,985	85,341	100,326	-670
Change in allowance for expected credit losses	-279	376	655	-235
Net change in cash and cash equivalents	-481,396	81,412	562,808	-117
Net change in cash and cash equivalents, USD mln	-1,257	197	1,454	-116

Cash sources and uses, USD mln ²

^{1.} Adjusted cash flows from operating activities = Net cash flows from operating activities minus TCO prepayments, net.

^{2.} Numbers may not add up due to rounding.

Cash and cash equivalents

Consolidated cash and cash equivalents, including cash on deposit, increased marginally by 0.6% year-on-year to KZT 1,485 bln (USD 3,528 mln) as at 31 December 2020. The increase in cash and cash equivalents is mainly due to a positive net cash flow from operating activities in the amount of KZT 447 bln (USD 1,080 mln) and the effect of exchange rate changes on cash and cash equivalents in the amount of KZT 85 bln (USD 206 mln). US dollar-denominated consolidated cash and cash equivalents decreased by 8.6% to USD 3,528 mln compared to USD 3,859 mln as at 31 December 2019.

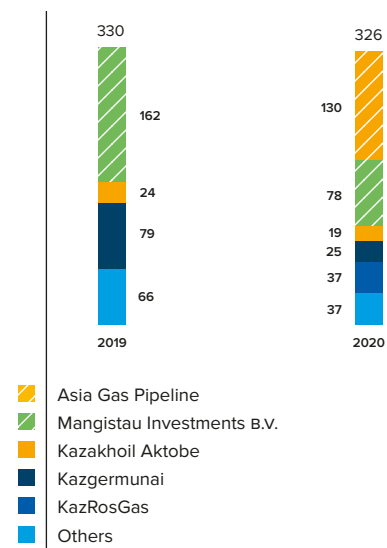
Dividends received

The Company is a parent company of the Group and receives dividends from its subsidiaries, JVs and associated companies. The Company received dividends in the amount of KZT 135 bln (USD 326 mln) and KZT 126 bln (USD 330 mln) in 2020 and 2019, respectively. In 2020, dividends from Asia Gas Pipeline LLP (AGP) amounted to KZT 54 bln (USD 130 mln), from Mangistau Investments B.V. (MIBV) – KZT 32 bln (USD 78 mln), and from KazRosGas LLP – KZT 15 bln (USD 37 mln).

Dividends paid

In May 2020, KMG paid dividends in the amount of KZT 82 bln (USD 198 mln), including KZT 74 bln (USD 178 mln) paid to Samruk-Kazyna and KZT 8 bln (USD 19 mln) paid to the National Bank of the Republic of Kazakhstan in line with Samruk-Kazyna's resolution.

Dividends from JVs and associates, USD mln¹



¹ Numbers may not add up due to rounding.

Statement of financial position

	2020	2019	Change	%
Assets				
Property, plant and equipment	4,369,745	4,484,271	-114,526	-2.6
Long-term bank deposits	56,528	52,526	4,002	7.6
Investments in joint ventures and associates	6,471,021	5,590,384	880,637	15.8
Other non-current assets	1,279,570	1,314,823	-35,253	-2.7
Short-term bank deposits	282,472	359,504	-77,032	-21.4
Cash and cash equivalents	1,145,864	1,064,452	81,412	7.6
Other current assets	1,001,569	1,208,351	-206,782	-17.1
Assets classified as held for sale	46,518	7,604	38,914	511.8
Total assets	14,653,287	14,081,915	571,372	4.1
Total assets, USD mln	34,813	36,807	-1,993	-5.4
Equity and liabilities				
Total equity	8,636,679	8,196,656	440,023	5.4
Total equity, USD mln	20,519	21,424	-905	-4.2
Non-current borrowings	3,716,892	3,584,076	132,816	3.7
Other non-current liabilities	966,341	862,741	103,600	12.0
Current borrowings	361,556	253,428	108,128	42.7
Other current liabilities	971,819	1,185,014	-213,195	-18.0
Total liabilities	6,016,608	5,885,259	131,349	2.2
Total liabilities, USD mln	14,294	15,383	-1,088	-7.1
Total equity and liabilities	14,653,287	14,081,915	571,372	4.1
Total equity and liabilities, USD mln	34,813	36,807	-1,993	-5.4

DEBT MANAGEMENT

KMG's gross debt is represented by bonds and loans. The debt portfolio is mainly formed in US dollars – the currency of principal incomes. Accordingly, the “organic” hedging of currency risk is achieved without the need to use derivative financial instruments.

Total debt

Total debt as at 31 December 2020 was KZT 4,078 bln (USD 9,690 mln), up 6.3% year-on-year in tenge terms (down 3.4% in US dollars). Total debt including guarantees¹ as at 31 December 2020 was KZT 4,308 bln (USD 10,234 mln), up 5.0% year-on-year in tenge (down 4.5% in US dollars).

The increase in total debt by KZT 241 bln is mainly driven by the impact of foreign currency exchange rates on US dollar-denominated bonds and loans. At the same time, total debt in US dollar terms decreased by 3.4% to USD

9,690 mln as at 31 December 2020 compared to USD 10,030 mln as at 31 December 2019.

In January 2020, Atyrau Refinery received a tenge-denominated long-term loan from the Development Bank of Kazakhstan in the amount of KZT 46 bln to refinance a foreign currency loan received from The Export-Import Bank of China to finance new refining facilities. In May 2020, KazTransGas made an early partial redemption of its bonds at par value in the amount of USD 43.68 mln (KZT 18 bln), paying USD 41 mln (KZT 17 bln) in cash at a discounted price.

In October 2020, the Company issued Eurobonds for a total amount of USD 750 mln (KZT 322 bln) with a coupon rate of 3.5% per annum maturing in 2033 with a simultaneous full early redemption of the Eurobonds for a total amount of USD 906.6 mln (KZT 392 bln) maturing in 2022 and 2023. Significant demand from international investors allowed for the lowest yield in US dollars in KazMunayGas' history. In addition, the yield

¹ It includes nominal amounts of guaranteed obligations on a syndicated loan of Beineu-Shymkent Gas Pipeline (BSGP) in the amount of 227 bln tenge (USD 540 mln), guaranteed obligation on a loan of JSC “AstanaGas KMG” in the amount of 1.9 bln tenge (USD 4.4 mln) and lease liabilities in the amount of 62 bln tenge (USD 148 mln).