

August 3, 2020

## JSC NC KazMunayGas 1H 2020 Trading Update

**Nur-Sultan, 3 August 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 first half of 2020.

### Highlights 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.

	1H 2020	1H 2019	%
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%

### Operational results the first half of 2020<sup>1</sup>

#### Upstream

In the first half of 2020, KMG's oil and gas condensate production amounted to 11,345 thous. tonnes (467 kbopd), showed a decrease by 3.1% year-on-year. Natural and associated gas production increased by 3.9% year-on-year to 4,321 mln m<sup>3</sup>.

	1H 2020	1H 2019	%
Oil production, thous. tonnes			
Tengiz (20%)	2,852	2,992	-4.7%
Kashagan (8.44%)	673	472	42.5%
Karachaganak (10%)	562	535	5.2%
OMG (100%)	2,746	2,751	-0.2%
MMG (50%)	1,526	1,579	-3.3%
EMG (100%)	1,353	1,430	-5.4%
Other	1,631	1,946	-16.2%
<b>Total</b>	<b>11,345</b>	<b>11,704</b>	<b>-3.1%</b>

<sup>1</sup> Throughout the text, operating results are based on the net to KMG's operating share, unless specifically indicated otherwise.

Oil production and natural and associated gas production at Tengiz, Kashagan, and Karachaganak increased by 2.2% and 4.3% year-on-year and amounted to 4,088 thous. tonnes (179 kbopd) and 3,021 mln m<sup>3</sup>, respectively.

KMG's share in oil production at Tengiz declined by 4.7% year-on-year and amounted to 2,852 thous. tonnes (125 kbopd) and gas production decreased by 4.0% to 1,571mln m<sup>3</sup>, respectively. A significant impact on the decline in oil and gas production was exerted by a reduction in planned production.

Oil production at Kashagan increased by 42.5% year-on-year to 673 thous. tonnes (29 kbopd). Natural and associated gas production increased by 46.0% year-on-year and amounted to 406 mln m<sup>3</sup>. Oil and gas production increased as a result of the conducted overhaul in 2019, which influenced the increase in the operational efficiency of the offshore and onshore facilities, increase the injection fund from 4 to 6 wells, installation of additional reboilers on oil processing lines, and new wells commissioning. In the first half of 2020, the average gross daily production at Kashagan amounted to 354 kbopd.

Oil and condensate production at Karachaganak increased by 5.2% year-on-year and amounted to 562 thous. tonnes (24 kbopd). Gas production amounted to 1,044 mln m<sup>3</sup>, up by 6.3% 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 5.8% year-on-year and amounted to 7,257 thous. tonnes (289 kbopd) while gas production increased by 2.9% to 1,300 mln m<sup>3</sup>. The decrease in oil production volumes at KMG-operated assets was mainly attributable to the natural decline in production levels at JV Kazgermunai LLP and JSC PetroKazakhstan Inc. by 29.6% and 22.9%, respectively.

## Midstream

In the first half of 2020, oil transportation decreased by 4.2% year-on-year and amounted to 37,329 thous. tonnes<sup>2</sup> (net to KMG).

Oil transportation, thous. tonnes	KMG's share	100%	6M2020 vs 6M2019, %
KazTransOil (90%)	21,510	21,510	-3.1%
Kazakhstan-China Pipeline (50%)	3,766	7,532	-6.9%
Munai Tas (51%)	686	1,345	-22.9%
Caspian Pipeline Consortium (20,75%)	6,473	31,195	2.3%
Kazmortransflot (100%)	4,894	4,894	-10.8%
<b>Total</b>	<b>37,329</b>	-	-

The volume of oil transportation through the trunk pipelines decreased by 3.1% year-on-year and amounted to 32,435 thous. tonnes (net to KMG). The slight decrease is explained by the limited oil supply from CNPC Aktobemunaigas JSC due to finding and crucial excess of organochlorine

<sup>2</sup> 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.

compounds in oil in January 2020 and the decrease in oil supply from oil companies operating the Kumkol group of fields.

In the first half of 2020, offshore oil transportation decreased by 10.8% year-on-year to 4,894 thous. tonnes. The decrease is majorly attributable to lower dispatch volumes in the Mediterranean Sea.

In the first half of 2020, gas transportation through KMG's gas pipelines reduced by 9.8% year-on-year to 45,172 mln m<sup>3</sup>. The decline is mainly attributable to lower Central Asian gas transit volumes to China, a decrease in transit volumes of Russian gas from PJSC Gazprom through the territory of Kazakhstan, and a decrease in export supplies of Karachaganak gas to Russia.

Gas transportation, mln m <sup>3</sup>	KMG's share	100%	6M2020 vs 6M2019, %
Intergas Central Asia (100%)	30,982	30,982	-10.4%
Asia Gas Pipeline (50%)	9,629	19,258	-17.4%
Beineu-Shymkent Gas Pipeline (50%)	3,192	6,383	24.3%
KazTransGas Aimak (100%)	1,369	1,369	7.4%
<b>Total</b>	<b>45,172</b>	-	-

In the first half of 2020, gas sales slightly increased by 1.6% year-on-year to 11,813 mln m<sup>3</sup>. Exports of sales gas amounted to 4,224 mln m<sup>3</sup>, of which 84% 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 m<sup>3</sup>. Because of the pandemic in the first half of 2020, gas exports to China were below the planned volumes however the decline in actual export volumes was only 1.5% decrease year-on-year.

## Trading

The sales volume of KMG's own produced oil and gas condensate decreased by 3.1% in the first half of 2020 year-on-year and amounted to 11,447 thous. tonnes, of which 72% was exported.

In the first half of 2020, the domestic supply of own produced oil and gas condensate amounted to 3,245 thous. tonnes, including the crude oil supply from KMG-operated assets (JSC OzenMunayGas, JSC EmbaMunayGas, and Kazakhturkmunay LLP) in the amount of 1,696 thous. tonnes to Atyrau and Pavlodar refineries for further oil refining and sale of oil products.

## Downstream

In connection with the introduction of quarantine measures in almost all cities of Kazakhstan in the first half 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 accordance with the required volume of oil products production. Currently, the refineries continue their production activities.

Oil refining, thous. tonnes	6M 2020	6M 2019	%
Atyrau refinery (100%)	2,633	2,699	-2.4%
Pavlodar refinery (100%)	2,056	2,475	-16.9%
Shymkent refinery (50%)	1,135	1,315	-13.7%
Caspi Bitum (50%)	196	181	8.5%
Petromidia (54,63%)	2,116	3,126	-32.3%
Vega (54,63%)	154	202	-23.6%
<b>Total</b>	<b>8,290</b>	<b>9,997</b>	<b>-17.1%</b>

In the first half of 2020, refining volume decreased by 17.1% and totaled to 8,290 thous. tonnes:

- Refining volumes of Kazakh refineries declined by 9.7% and amounted to 6,020 thous. tonnes. The reduction is due to a decrease in oil refining volumes at the Pavlodar and Shymkent to avoid overstocking of oil products and due to the impact of the coronavirus infection COVID-19 on the consumption of oil products;
- Refining at KMG International refineries (Petromidia, Vega) significantly decreased by 31.8% year-on-year to 2,270 thous. tonnes as a result of a production shutdown at Petromidia refinery related to scheduled overhaul from March 15 to May 1, 2020.

In the first half of 2020, the production of oil products at Kazakh and Romanian refineries decreased by 18.3% year-on-year to 7,646 thous. tonnes:

- Production of oil products at Kazakh refineries decreased by 11.3% year-on-year to 5,415 thous. tonnes due to the decrease in the oil refining volumes as a result of the impact of the coronavirus infection COVID-19 on the consumption of oil products;
- Oil products production at KMG International refineries (Petromidia, Vega) in Romania decreased by 31.5% year-on-year to 2,231 thous. tonnes as a result of production shutdown at Petromidia refinery due to scheduled overhaul.

For further information, please visit <http://ir.kmg.kz/ru> or contact:

**Tel:** +7 7172 78 63 43

**Email:** [ir@kmg.kz](mailto:ir@kmg.kz)

**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%<sup>3</sup>, 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%<sup>4</sup>, 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%.

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<sup>3</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>4</sup> 19% through the KMG itself and 1.75% through Kazakhstan Pipeline Ventures (KPV).