

FINANCIAL REVIEW

STATEMENT FROM THE DEPUTY CHAIRMAN OF THE MANAGEMENT BOARD FOR ECONOMICS AND FINANCE

DEAR INVESTORS, SHAREHOLDERS, COLLEAGUES AND PARTNERS,

Despite the volatility on financial markets, fast inflation, rate hikes from central banks around the world, and a challenging geopolitical situation, we managed to deliver strong performance in the reporting year.

This is relevant for both operating and financial results and achievement of our strategic goals and sustainable development objectives. That said, we often had to respond to a multitude of divergent factors.

Higher global oil prices and a positive trend in operating performance supported the growth of nearly all our financials in 2022. Our US dollar-denominated revenue increased by 24.3% to USD 18.8 bln, while EBITDA went up 16.4% to USD 5.5 bln, including our share in profit from joint ventures and associates coming in at USD 1.0 bln. Free cash flow excluding share buyback in KMG Kashagan B.V. reached USD 2.4 bln. In June 2022, we paid our shareholders a record KZT 200 bln in dividends for 2021.

A strategic milestone for our business was an IPO on KASE and AIX local stock exchanges. The IPO was worth KZT 154 bln, or 3% of the Company's equity – the largest ever on Kazakhstan's stock market. Orders from retail investors accounted for 52% of the placement. The IPO was priced at KZT 8,406 per share, implying a market capitalisation of USD 11 bln. In April 2023, the share price exceeded KZT 10,000, up more than 20% from the IPO date.

In September 2022, the Company increased its share in the Kashagan megaproject from 8.44% to 16.88% after acquiring Samruk-Kazyna's 50% stake in KMG Kashagan B.V. for USD 3.8 bln – one of the biggest deals for KMG in recent years. As regards the transaction background, KMG sold its 50% stake in KMG Kashagan B.V. to Samruk-Kazyna in October 2015. The transaction provided for a

call option to buy back the stake in order to prevent the breach of Eurobond covenants. In 2017, the Amsterdam court levied attachment on Samruk-Kazyna's shares in KMG Kashagan B.V., including their disposal. In June 2022, as a result of the joint efforts from Samruk-Kazyna and the Government of the Republic of Kazakhstan, the Amsterdam court lifted the restrictions, enabling KMG to buy back the stake. The transaction was possible thanks to our previous work towards improving our financial standing, eliminating some burdensome Eurobond covenants, reducing and extending total debt, and upgrading the Company's credit ratings. The Company financed the deal on favourable terms through a bond issue and set-off of counter claims with payment in instalments. The deal received a positive feedback from the investment community and rating agencies, with Standard&Poor's upgrading the Company's rating to BB+ following the deal.

Our 2022 results prove that today KMG has a strong position and a massive potential as the nation's oil and gas major. At the same time, these achievements come on the back of our consistent efforts taken in the previous years to ensure the Company's financial stability. By strengthening its resilience and competitive edge, KMG is moving to the next level of growth, expanding the boundaries of its business, and adding value for all stakeholders.

Dauren Karabayev

Deputy Chairman of the Management Board – Chief Financial Officer of JSC NC KazMunayGas



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