

## REVENUE AND OTHER INCOME

During 2019, our revenue decreased by 1.9% year-on-year to KZT 6,859 bln (USD 17,915 mln). The downtrend was mainly attributable to the decrease in average Brent prices by 10.0% and the decrease in KMG International's (KMG I) crude oil sales volumes, which was partially offset by increased gas exports to China and tenge depreciation against US Dollar by 11.0%. The crude oil sales of KMG I decreased by 13.2% year-on-year to KZT 1,567 bln (USD 4,092 mln). Gas export increased by 22.9% and amounted to KZT 674 bln (USD 1,761 mln).

The earnings from shares in the net profit of joint ventures and associates of KMG increased by 18.7% year-on-year to KZT 828 bln (USD 2,163 mln). The increase is mainly the result of a full recovery of accumulated unrecognized shares in the loss of Asia Gas Pipeline LLP<sup>1</sup> to the amount of KZT 168 bln (USD 439 mln).

Finance income for 2019 increased by 49.6% year-on-year to KZT 241 bln (USD 629 mln). The increase was mainly driven by derecognition of loans from partners of the Pearls project for the total amount of KZT 111 bln (around USD 290 mln) due to the partners' decision to voluntarily relinquish the contract area under the Pearls PSA.

## COSTS AND EXPENSES

The cost of purchased oil, gas, petroleum products and refining costs amounted to KZT 3,914 bln (USD 10,222 mln), reflecting a decrease of 9.3% year-on-year due to lower cost of purchased crude oil and the lower global oil prices partially offset by increase in gas purchase volumes and tenge depreciation against US Dollar. Crude oil purchases decreased by 6.1% year-on-year to KZT 2,448 bln (USD 6,395 mln). KTG's cost of purchased gas increased by 53.3% year-on-year and amounted to KZT 473 bln (USD 1,235 mln).

Production expenses amounted to KZT 722 bln (USD 1,885 mln), reflecting an increase of 19.4% year-on-year due to increase of salary expenses, repair and maintenance and the lease expenses. Salary expenses for production employees for 2019 were up by 15.9% year-on-year and amounted to KZT 338 bln (USD 883 mln) due to the salary indexation by around 7% for the employees at KMG-operated assets and KTG. Repair and maintenance costs for 2019 amounted to KZT 129 bln (USD 338 mln), reflecting an increase of 31.5% year-on-year explained by the workover of the wells at oilfields of the Ozenmunaigas JSC and Embamunaigas JSC, scheduled overhauls at Karachaganak mega projects and the service maintenance of processing equipment at the Atyrau refinery (ANPZ). Increase of the lease expenses can be explained by attraction of third-party ship-owners for providing oil transportation services in accordance with the agreement on oil transportation between Kazmortransflot (KMTF), KMG and KMG I.

Transportation and selling expenses for 2019 were up by 13.4% year-on-year to KZT 420 bln (USD 1,098 mln) mostly due to an increase of gas export volumes to China.

General and administrative expenses were almost stable year-on-year and amounted to KZT 214 bln (USD 559 mln). In 2019, KMG recognized a provision in the amount of KZT 34 bln (USD 90 mln) related to litigation issues between KMG Drilling & Services and the Consortium of companies Ersai Caspian Contractor LLP and Caspian Offshore and Marine Construction LLP on the issues arising from the contract for the purchase of integrated works on construction of a jack-up floating drilling rig.

Finance costs were down by 25.8% year-on-year and amounted to KZT 317 bln (USD 829 mln) due to recognized interest for the early redemption of Eurobonds in 2018.



For more details see the [Financial Statements section](#)

<sup>1</sup> AGP is a joint company of KazTransGas JSC (100% KMG subsidiary) and Trans-Asia Gas Pipeline Company Limited (shareholder – CNODC, CNPC subsidiary).