

STATEMENT FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS



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its solid status
of the largest oil
and gas company
in Kazakhstan.**

YERNAT BERDIGULOV
Chairman of the Board of Directors
of JSC NC KazMunayGas

DEAR SHAREHOLDERS, INVESTORS AND PARTNERS

KMG maintains its solid status of the largest oil and gas company in Kazakhstan, successfully working as the nation's principal oil and gas operator.

In 2023, the Company showed strong production results, demonstrating growth in most of its business segments. The downturn in world oil prices from the peak figures of 2022 had its impact on the Company's financial performance. Still, we have maintained financial health and stability. Total revenue reached USD 18.2 bln, while EBITDA came in at USD 4.4 bln.

The eagerly anticipated IPO, a milestone in KMG's history, unfolded with resounding success, marking a commendable feat in both investor engagement and the magnitude of capital raised on Kazakhstan's stock market. Now that the first reporting year after the IPO is over, we can draw some conclusions. As of 31 December 2023, the price of KMG shares has gone up by 37.3% since the offering date. In 2023, we paid our shareholders record-high dividends in the amount of KZT 300 bln. Accounting for the dividends paid, total shareholder return (TSR) for KMG shareholders in the period from the offering date until the end of the reporting year came in at approximately 43.1%. As of the end of 2023, KMG has a market capitalisation of KZT 7.0 tln or USD 15.5 bln.

Ensuring an adequate resource base

KMG is earnestly consolidating its resource base through exploration endeavours, engaging experienced international partners for the exploration of new blocks on the basis of carry financing (projects such as Kalamkas-Sea, Khazar and Auezov, and Karaton Subsalt). There are also ongoing exploration projects run exclusively by KMG (for example, Turgai Paleozoic where the first 5,500 m prospecting well is planned to be drilled in 2024).

Improving efficiency across the value chain

Ramping up oil and gas output continues to be a strategic priority for KMG. In his speeches, Kazakhstan's President has repeatedly emphasised the importance of developing the nation's gas industry as a major driver of economic growth. To this end, in the reporting year the Company started operations at three new fields – South Aksay, Rozhkovskoye, and East Urikhtau.



In 2023, there was an impressive rise in oil production of 1.7 mln tonnes due to an increase of the Company's stake in the Kashagan field after the successful completion of a stake buy-back deal in the second half of 2022. A considerable acquisition enhancing KMG's upstream portfolio was the purchase of a 60% interest in the Dunga field, previously held by France's TotalEnergies.

1.7 mln tonnes

rise in oil production from an increased share in the Kashagan field

KMG continues to capitalise on its robust oil transportation infrastructure to enhance export and transit businesses. We introduced new export routes: via the Trans-Caspian International Transport Route towards Baku and further on through the Baku–Tbilisi–Ceyhan pipeline, as well as to Germany through the Druzhba pipeline. Efforts are underway to increase oil shipments via these pipelines. That said, CPC remains our primary and economically viable route for delivering our oil to the export markets.

up to 12 mln tonnes per year

a plan to expand the Shymkent Refinery's capacity by 2030

One of KMG's key objectives for the coming years is to ensure the supply of locally manufactured oil products to Kazakhstan's domestic market. Following the comprehensive modernisation of all refineries in recent years, KMG's refining capacities have significantly amplified. With the oil product demand expected to rise, we are considering joining forces with our partner CNPC to expand the Shymkent Refinery's capacity from 6 to 12 mln tonnes by 2030.

Expanding product portfolio

As part of our strategic goal to diversify product offering, we have commenced manufacturing six polypropylene grades at KPI Inc.'s petrochemical complex, a polypropylene production facility brought on stream at the end of 2022. This endeavour is undertaken in partnership with our strategic ally, SIBUR, which holds a 40% stake in the project. Polypropylene from Kazakhstan is already successfully exported to China, Turkey, Europe, and Russia. But in the mid term, our key objective is to meet the domestic demand for locally produced polypropylene, as this would ensure a ripple effect stimulating broader economic growth.

1.25 mln tonnes a year

a projected capacity of the new polyethylene plant

The proposed polyethylene production plant with a capacity of 1.25 mln tonnes annually will embody our commitment to furthering product refinement and advancing the petrochemical sector. Owing to its technological sophistication and capital intensity, we are engaging in this venture with SIBUR (30%) and Sinopec (30%) as our partners. To provide the necessary feedstock inputs for this project and create the infrastructure required for extracting ethane from dry gas, KMG is considering joining forces with Tengizchevroil for the construction of a gas separation unit with a capacity of 9.7 bln m³.

These petrochemical projects do not only promise economic returns for our nation, but will also contribute to the sustainable development of our regions and create new employment opportunities: we expect over 9,600 jobs at the construction phase and approximately 940 permanent positions post-commissioning.

KMG continues to integrate sustainability principles into its key business processes.

Ensuring sustainable development

The new status of a public company has provided an additional impetus for the Company's development, improvement of its corporate governance and increased transparency in line with global best practices. KMG continues to integrate sustainability principles into its key business processes. In 2023, the Company received a "strong" rating for its ESG risk management from Sustainalytics, with an ESG score of 32.3. According to the analysts, KMG's exposure to ESG risks is on a par with the industry average, i.e. risks inherent in the oil and gas industry.

In its commitment to limit carbon footprint, the Company pursues a balanced approach, targeting a 15% reduction in greenhouse gas emissions by 2031 from the 2019 level. Considering that on 2 February 2023 Kazakhstan approved the national Strategy for Carbon Neutrality by 2060, the Company plans to enhance its Low-Carbon Development Programme by the end of 2024, with the planning horizon extended to 2060.

Another important step towards reducing the carbon footprint was made when KMG joined UNEP's OGMP (Oil & Gas Methane Partnership) 2.0, an initiative which involves setting and reporting individual targets for reducing methane emissions.

Alongside climate initiatives, we consistently focus on human rights, social responsibility, and improvements in the management of human capital to fully unlock the potential of our employees, as skilled and motivated employees committed to the Company's values are the main asset of any organisation. KMG strives to ensure

social stability at its enterprises through a constructive dialogue with employee representatives and aims to prevent potential labour disputes. The results of an annual survey reflect an uptick in the overall index, marking progress from the prior year. In 2023, the Corporate Centre introduced the practice of visiting KMG subsidiaries and providing assistance in drafting action plans to improve social stability.

Turning to corporate governance matters, it stands to note that in August 2023 Christopher Walton, independent director and former Chairman of KMG's Board of Directors, stepped down from the Board. During his more than 9 years on the Board of Directors, Mr Walton made a significant contribution to safety, corporate governance and financial resilience improvements. We take this opportunity to express our sincere gratitude to Mr Walton and wish him further success.

Reflecting on the past year, I extend my heartfelt appreciation to our team, the Management Board, shareholders, partners, and all stakeholders for their collective input and steadfast support. Looking ahead, we anticipate a future filled with challenging yet promising pursuits. Achieving these ambitions requires great expertise and strong commitment from our senior leadership and every member of our team.

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