

STATEMENT FROM THE CHAIRMAN OF THE MANAGEMENT BOARD



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MAGZUM MIRZAGALIYEV
Chairman of the Management Board
of JSC NC KazMunayGas

DEAR SHAREHOLDERS, INVESTORS AND PARTNERS,

The Company keeps successfully navigating its strategic path and achieving the goals that serve the best interests of all stakeholders, including KMG's shareholders and investors, employees, partners, communities in the regions of operation, and the entire nation.

In the reporting year, KMG delivered growth across key production indicators in almost all of its business segments. Oil and gas condensate production increased by 6.9% year-on-year, reaching 23.5 mln tonnes. 2P hydrocarbon reserves grew by 3.7% to 733 mln toe. Oil transportation volume was up 7.6% to 80.4 mln tonnes. Our refineries in Kazakhstan and Romania cumulatively processed 19.6 mln tonnes of hydrocarbons.

In 2023, the global average oil price went down by 18.4%, hence the Company's financials were lower than in 2022, while staying moderately high and robust. In June 2023, the Company paid record-high dividends in the amount of KZT 300 bln, or KZT 491.71 per ordinary share, to its shareholders.

Exploration

We made significant progress on the Kalamkas-Sea, Khazar and Auezov project. We established a joint venture with our partner and signed a production contract, moving on to the FEED (Front End Engineering Design) stage. The commercial production at the field is expected to commence in 2028–2029.

In 2023, KMG entered into an agreement with Sinopec to launch a joint geological study on 17 exploration projects within the main and underexplored sedimentary basins.

The Company used its own resources in 2023 to do the seismic as part of its subsoil exploration programme. Field seismic surveying was completed at three blocks – Northern Ozen, Zharkyn, and Berezovsky – in the Mangistau and West Kazakhstan Regions. Field work is underway at the Mugodzhyr block in the Aktobe Region.

As part of the in-house Turgai Palaeozoic project, the reporting period saw completion of preparations for the first prospecting well 5,500 m deep to be drilled in 2024.



Hydrocarbon production

As part of an initiative to increase gas production at operating and exploration assets, we started production operations at three new fields in the reporting year. In May, we launched South Aksay, in early December – East Urikhtau, and in late 2023 – Rozhkovskoye.

In late November 2023, the Company closed a deal to buy 60% of the Dunga oil and gas project (Mangistau Region) from France's TotalEnergies.

The Government supported the reclamation project at the Uzen and Karamandybas fields operated by our subsidiary Ozenmunaigas, and the capital released as a result of tax incentives will be invested in the financing thereof, including drilling new wells, applying new reservoir recovery enhancement technologies, and upgrading surface infrastructure at the Uzen and Karamandybas fields.

Oil transportation

The Company keeps diversifying its export routes. As part of the Trans-Caspian International Transport Route development, we started pumping oil via the port of Aktau and further on through the Baku–Tbilisi–Ceyhan pipeline, with approximately 1 mln tonnes transported in 2023, and through the Atyrau–Samara pipeline and further on towards Germany – about another 1 mln tonnes of oil.

Other highlights included establishing in January 2023 a sea transportation joint venture with Abu Dhabi Ports (ADP), a partner from the UAE, and the purchase of two tankers, Taraz and Liwa, with a deadweight of 8,000 tonnes each. These vessels are now actively engaged in transporting Kazakhstan's oil in the Caspian Sea.

Refining and marketing

In the reporting year, we ensured stable lubricant and fuel supplies to the domestic market. Petrol and liquefied gas production hit a new high, growing by 7% and 8% respectively, while the light product yield exceeded 72% for the first time (compared to 66% average in previous years). In 2023, Atyrau Refinery started producing Euro-5 petrol, which is in line with today's environmental requirements.

Petrochemicals

The petrochemical sector is a significant driver of the Company's growth, and it also has a positive multiplier effect on the entire national economy. At KPI Inc., KMG's polypropylene plant, the work is underway to reach its design capacity. The plant has already commenced the production of six polypropylene grades. The completion of all procedures for SIBUR to purchase a 40% stake in KPI Inc. was another highlight of the reporting year. I am convinced that cooperation with SIBUR will benefit all project stakeholders.

Another large-scale petrochemical project implemented by KMG is the construction of a polyethylene plant with a capacity of 1.25 mln tonnes per year. To date, we have completed a feasibility study and signed strategic partnership agreements with SIBUR and Sinopec.

Ensuring sustainable development

Sustainable development and gradual reduction in the carbon intensity of production are among the Company's priorities set out in its long-term development strategy. KMG makes continuous progress towards its targets in this

area, including through the Low-Carbon Development Programme. We are currently completing a feasibility study for 1 GW Mirny wind power plant constructed jointly with Total Eren. Commencement of construction is scheduled for this year for a hybrid power plant project implemented jointly with Eni.

In 2023, the Company paid KZT 1,162 bln as taxes and other mandatory contributions to the country's budget. In addition to that, KMG runs a number of social projects at its own initiative. The December of the reporting year saw such an important event as the launch of the Astrakhan-Mangyshlak main water pipeline after its reconstruction and expansion. This project increased the pipeline's daily throughput capacity from 110 thous. to 170 thous. m³, ensuring a higher supply of water from the Volga River to the region's residents, industrial and agricultural facilities.

KZT 1,162 bln

Company paid as taxes and other mandatory contributions to the country's budget

Looking back on 2023, I would like to thank each employee of the Company and everyone involved in KMG's operations for their responsible work and achievements in the reporting year. The team's united efforts are key to implementing the Company's mission to use natural resources in an efficient and sustainable manner with a view to ensuring energy security, development and prosperity of Kazakhstan, while also caring about future generations. To have our strategic vision come to life, we will continue this work across the board. We have ambitious targets set for the next year. To achieve them, the Company needs strong engagement and proof of professionalism from everyone. I am confident that together we can achieve all set goals.

MAGZUM MYRZAGALIEV

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