

STRATEGY

Market overview



1. Global demand drivers

In 2023, global demand for oil demonstrated considerable growth, driven largely by strong economic activity and the lifting of COVID-19 restrictions, particularly in China. The International Energy Agency (IEA) reported that oil demand surged by around 2.3 mln bbl per day, reaching 101.7 mln bbl per day. However, the weakening global economy slowed this momentum, with flailing demand in Europe contributing to over half of the deceleration. For 2024, the IEA forecasts that oil demand growth will drop twofold to 1.1 mln bbl per day as major economies face subdued GDP growth and advances in energy efficiency, coupled with the proliferation of electric vehicles (EVs), take effect.

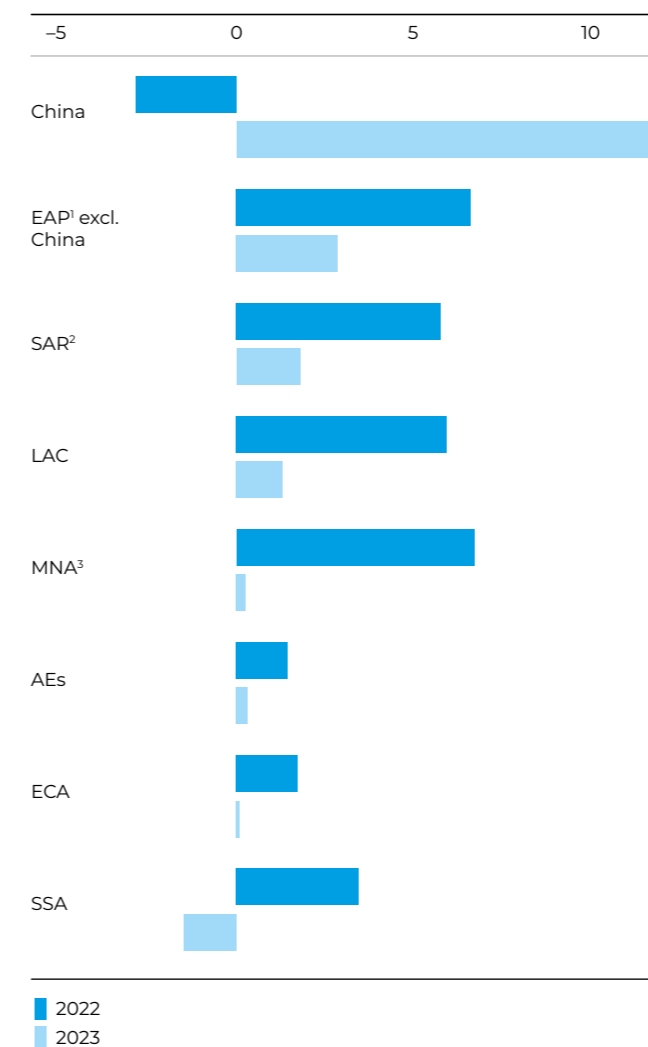
1.1. China as the main driver behind growing demand

According to the IEA, China contributed nearly half of the increase in global oil demand in 2023, following the removal of COVID-19 restrictions. This surge was underscored by China's record-breaking oil demand, peaking at 17.1 mln bbl per day in September, fuelled by a thriving petrochemical sector, which saw a 1.7 mln bbl per day growth from 2019. China's contribution accounted for 1.8 mln bbl per day out of the worldwide growth of 2.3 mln bbl per day.

Refinery capacities in China rose to a record high in 2023 —

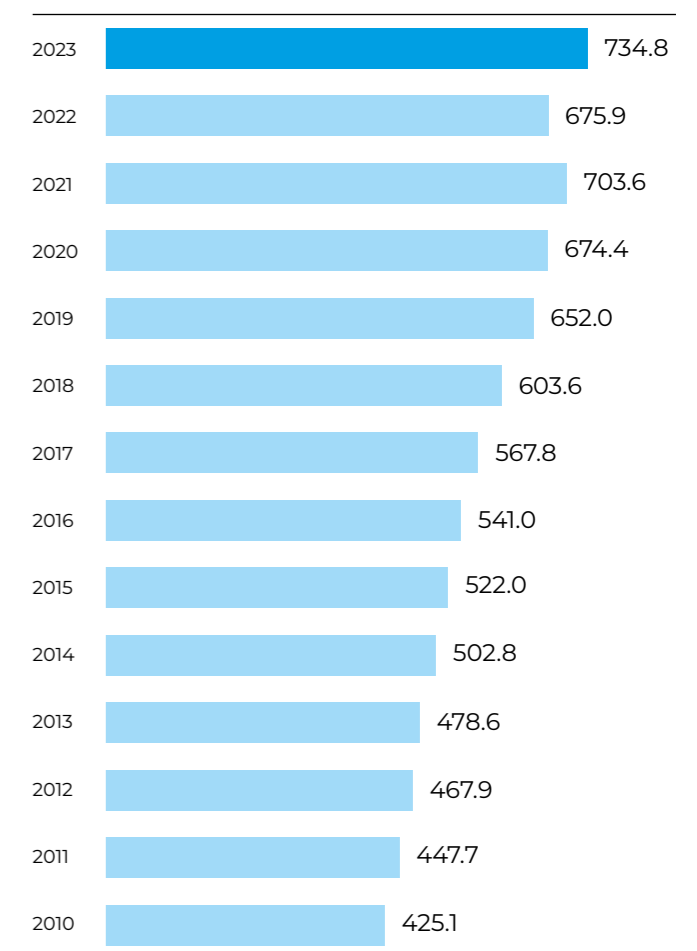
by **9.3%**

Oil demand growth by region, %



Source: IEA, World Bank

Chinese refinery throughput, mln t



Source: National Bureau of Statistics of China

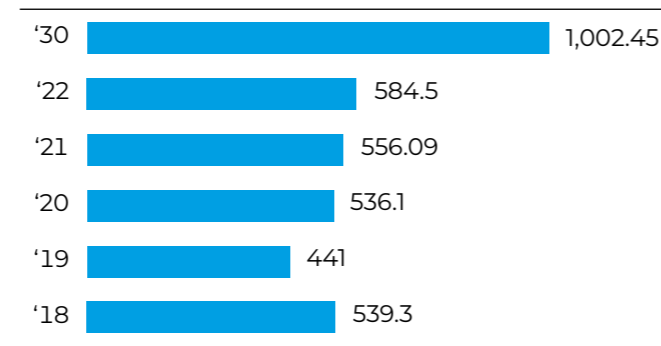
¹ Asia and the Pacific.
² South Asian Association for Regional Cooperation.
³ Middle East and North Africa.

1.2. Petrochemical industry growth

In 2023, the global petrochemicals market was propelled by the increasing demand for ethylene and methanol on the back of their extensive application across various industries. Ethylene, accounting for over 40% of the market share in terms of revenue, saw strong demand mostly from the construction, packaging, and transport sectors, particularly in emerging markets such as India and China. Methanol, which is expected to deliver the highest growth rate, has been a major component of essential chemicals such as formaldehyde and acetic acid, catering to construction, cars, and pharmaceuticals. This substantial market expansion is evidenced by the projected annual growth rate of 7.3% from 2024 to 2030, with an estimated market size of USD 1,002.45 bln by 2030.

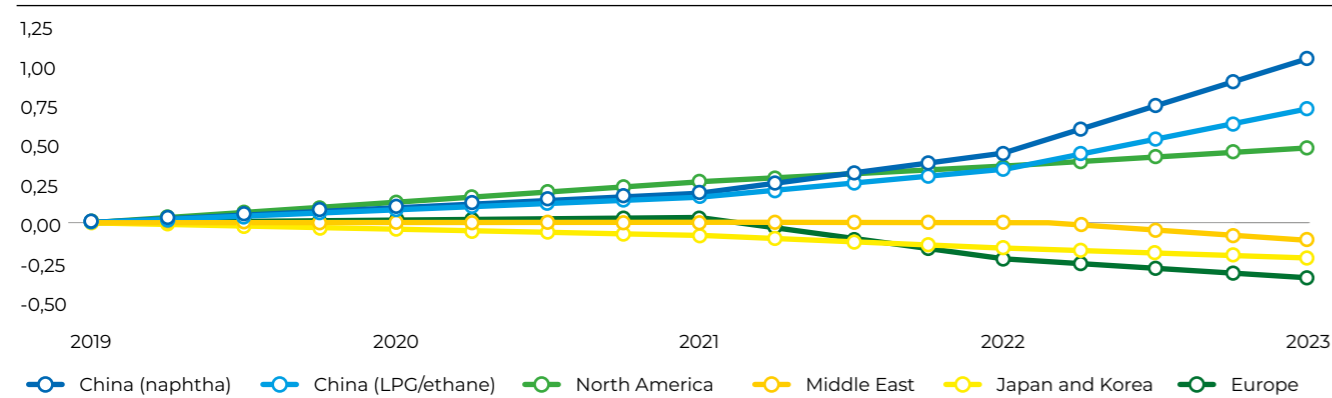
From 2022 to 2028, Petroleum Economist projects demand for petrochemical feedstocks like LPG/ethane and naphtha to increase by 1.7 mln and 1.5 mln bbl per day respectively.

Global petrochemicals market size, USD bln



Source: IEA

Growing regional demand for crude-based petrochemical feedstock from 2019, mln bbl per day



Source: IEA

1.3. Energy transition

Global investment in clean energy surged by 17% in 2023, setting a new record at USD 1.77 tln. This growth underscores the rapid transition to renewable energy, EVs, and other low-carbon technologies, despite challenges like geopolitical tensions and cost inflation.

According to McKinsey's Global Energy Perspective 2023, the ongoing energy transition has significantly altered the global oil demand trajectory. Although oil demand rebounded to pre-pandemic levels in 2023, it is projected to peak before 2030, mainly due to efficiency improvements in various sectors and the rising adoption of EVs, with demand for them increasing by a third in 2023.

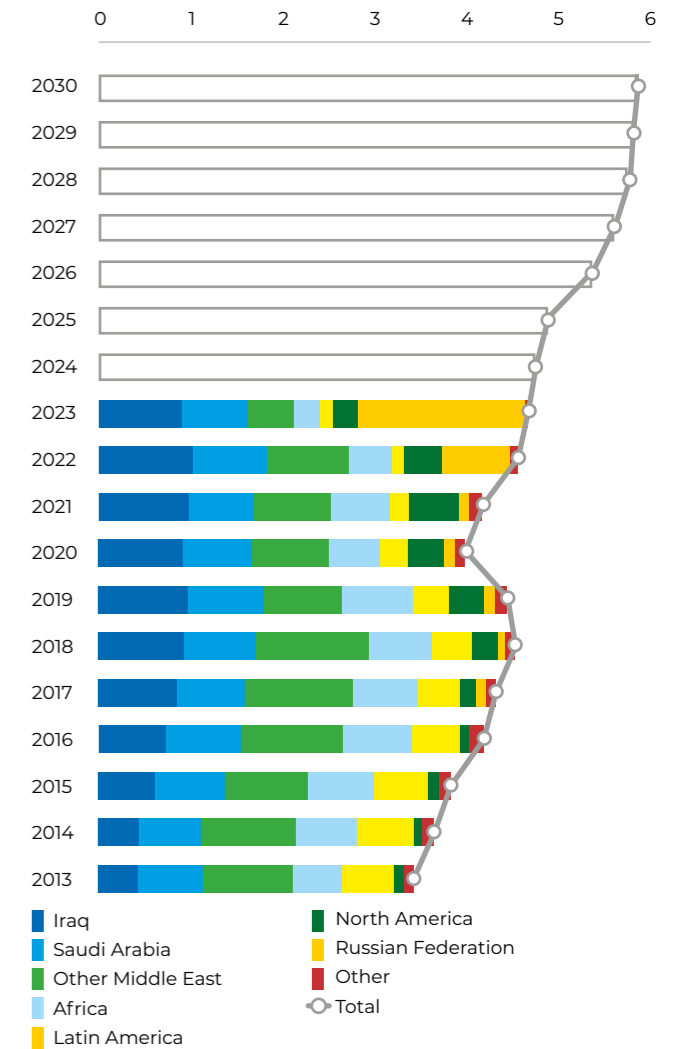
1.4. Refocus of India's demand

Over the last decade, India has emerged as the second largest net importer of crude oil globally (4.6 mln bbl per day in 2023), lagging behind only China (10.6 mln bbl per day) and significantly outpacing South Korea (2.8 mln bbl per day), which came third. This resulted from the consistent growth of India's refining capacities.

Since the start of the conflict between Russia and Ukraine, Indian refineries have altered their import structure. India started purchasing more Russian oil, mostly Urals, as well as considerable volumes of light low-sulphur oil from the Pacific region. Russia's share in India's total imports increased from less than 3% in 2021 to almost 40% in 2023, reducing other regions' share. The Middle East's share dropped from 61% to 45%, West Africa's share from 12% to 4.5%, and Latin America's share from 4.5% to 3%.

Global oil trade flows continue to undergo major changes as a result of international embargoes on the export of energy resources from Russia. India is now one of the biggest buyers of highly discounted Russian oil, increasing imports from near-zero levels to 1.7 mln bbl per day in 2023, peaking at 2.2 mln bbl per day in May 2023. In 2023, India purchased 36% of Russian crude oil exports, with Russia making up 38% of India's crude oil imports. On the other hand, in 2023 India increased its imports of Russian petroleum products from 70 thous. bbl per day to 130 thous. bbl per day (mainly fuel oils and feedstock), which was only 5% of Russia's total sales.

India's oil and gas condensate imports by source country, mln bbl per day



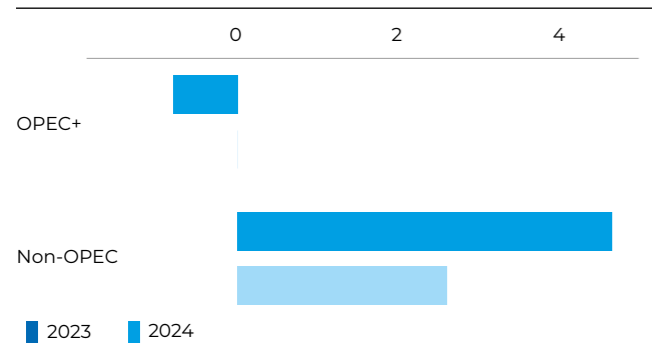
Source: IEA

2. Supply

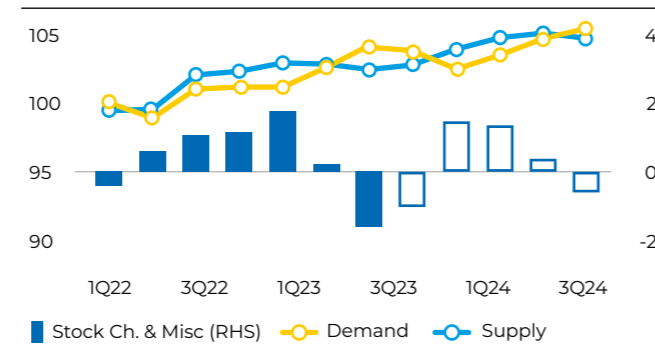
In 2023, global oil supply was shaped by several key factors, resulting in an overall production increase despite challenges and geopolitical tensions. The USA, Brazil, and Iran made substantial contribution to this growth. The increase was partially triggered by record-breaking oil shipments from the USA, surpassing 4.5 mln bbl per day in December 2023. Brazil and Iran also delivered strong production records at 3.4 mln and 1.29 mln bbl per day respectively. Despite voluntary output cuts and sanctions, the stability of Russian oil supplies remained an important factor, with exports peaking before the conflict began.

According to the IEA, the complex interplay of supply and demand factors led to an overall increase in supply of 1.9 mln bbl per day for the year. Compared to the previous year, when growth was triggered by OPEC+, a 1.9 mln bbl per day rise in supply in 2023 indicated a slowdown compared with the previous years. This was caused by a projected increase in production outside of OPEC+ by 1.9 mln bbl per day, offset by a soft reduction in OPEC+ by 870 thous. bbl per day, mainly due to an expected decline in Russia.

Global oil supply, %

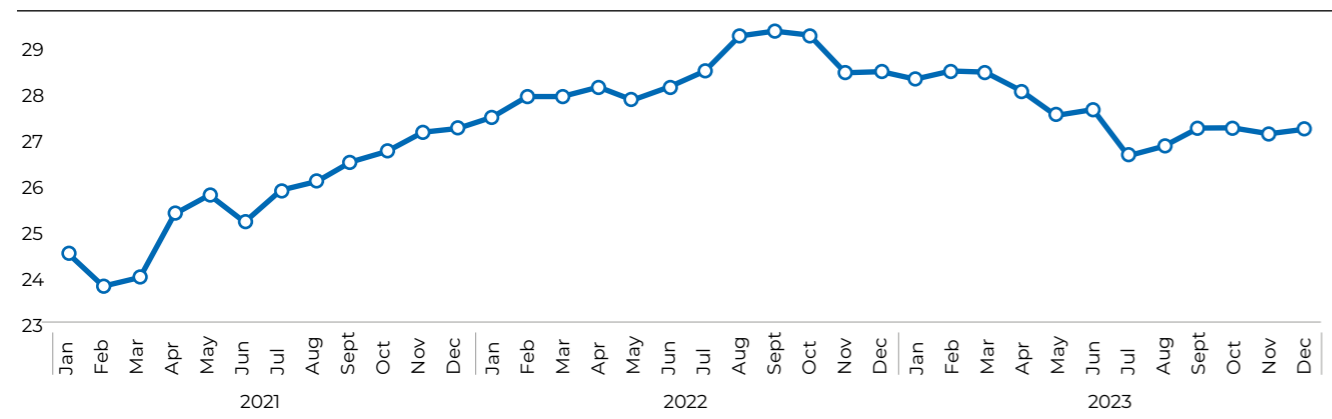


Supply and demand, mln bbl per day



Sources: IEA,

Oil production by OPEC in 2021-2023 according to the OPEC Secretariat, mln bbl per day



Sources: IEA, World Bank

The IEA expressed confidence about the current level of oil reserves held by member countries, stating that those are sufficient to stabilise oil markets if necessary. According to the IEA, there is no immediate need to increase strategic reserve requirements. The IEA member countries maintain petroleum reserves equivalent to at least 90 days of net oil imports, amounting to approximately 1.2 bln bbl in total. The IEA believes that this level is adequate for the current environment, providing relative stability in oil prices in the short term.

Impact on KMG

As the world energy market faces restructuring and geoeconomic fragmentation, KMG is also evolving to meet the changing landscape. Traditionally an oil and gas company, KMG maintains its core business and is venturing into new areas: petrochemicals and green projects, aiming to provide the world with oil as a foundation for stability during the energy transition.

3. Impact of the conflict in Ukraine on energy markets

Energy prices have skyrocketed and grown more volatile since the beginning of the conflict, reflecting market uncertainty and supply disruption risks. Oil, coal, and gas prices soared by around 40%, 130%, and 180% respectively in the first two weeks after the conflict began to unfold. Despite subsequent decline, prices remain higher than pre-conflict levels and fluctuate in response to conflict developments and sanctions against Russia.

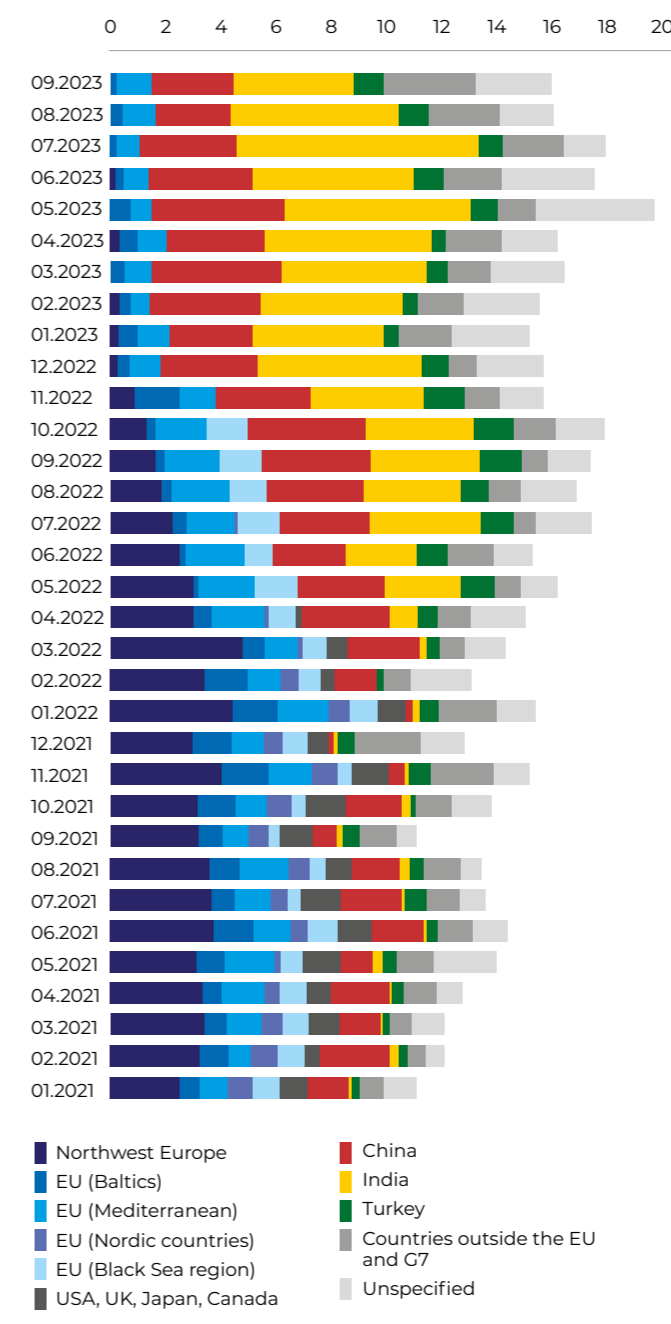
Eurozone energy markets have been particularly affected owing to heavy reliance on Russian supplies. In 2019, Russia accounted for 12% of global oil, 5% of coal, and 16% of gas supplies. The EU has been attempting to diversify energy sources and bolster reserves, but it still faces energy security and resource availability challenges.

The conflict has affected the global oil supply chain, causing transportation and refining disruptions, increased insurance and security costs for carriers, and diminished investment and research activities in the region.

Higher energy prices have raised production and consumption costs for many industries and households, leading to mass inflation and lower demand. The IEA estimates that the conflict caused the global GDP to shrink by 0.4 p.p. in 2022 and 0.3 p.p. in 2023.

The conflict also contributed to a faster transition to a more sustainable and flexible energy system. Higher fossil fuel prices drive investments in renewable energy sources and energy efficiency measures, which can reduce GHG emissions and enhance energy security. The IEA predicts that the share of renewable energy sources in global electricity generation will grow from 28% in 2020 to 30% in 2023.

Russian oil exports by destination, mln tonnes



Source: Bloomberg.

KMG's adjustment

The European embargo on Russian oil led to increased demand for medium heavy oil, resulting in a decrease in the average discount on Kazakhstan's KEBCO crude oil compared to Brent by USD 8 to USD 4 per barrel in 2023 compared to 2022.

Given the geopolitical uncertainty, KMG focused on diversifying its export routes to minimise risks of supply chain disruption. In 2023, the country's oil exports increased by 10% year-on-year.

As part of the Trans-Caspian International Transport Route development, which covers oil exports via the Caspian Sea, Kazakhstan started pumping oil towards Baku in 2023 and further on through the Baku-Tbilisi-Ceyhan pipeline. KMG also began transporting oil through the Atyrau-Samara pipeline and further through Transneft's pipelines towards Germany.



4. Inflation

Many governments worldwide implemented unprecedented fiscal and monetary policies to support their economies in consequence of the COVID-19 pandemic. These measures included large-scale stimulus packages aimed at mitigating the economic downturn triggered by the pandemic. While these efforts helped prevent a deeper recession, they brought about an increase in money supply in many countries, resulting in consistently high inflation rates.

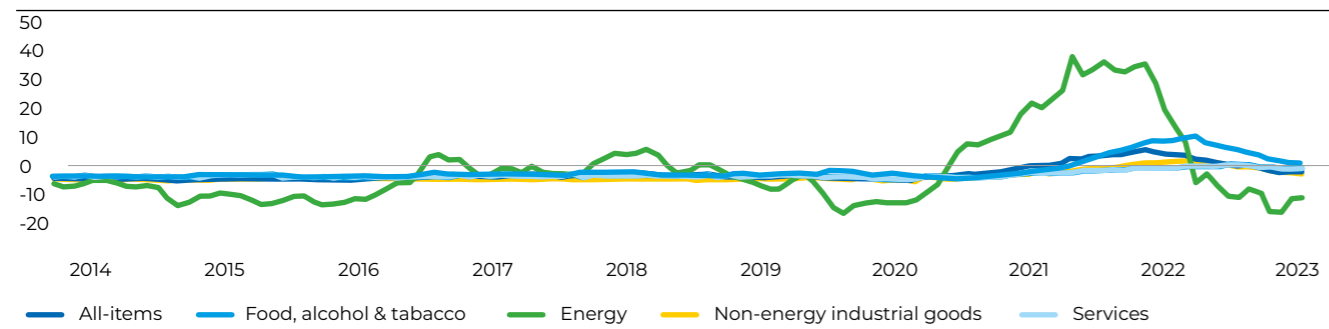
In 2023, the oil market went through considerable fluctuations resulting from various factors, including geopolitical tensions, supply restrictions, and changes in demand patterns as the global economy continued to recover from the COVID-19 pandemic. According to data from the US Energy Information Administration (EIA), the average Brent price in 2023 was USD 83 per barrel, down from USD 101 per barrel in 2022. This decline was mainly due to expectations that global oil production was to exceed consumption. Despite the persistence of global inflationary pressures, which reached 8.7% in 2022 and 6.9% in 2023, and monitoring of the situation by central banks as they tightened their monetary policies, oil prices remain significantly above pre-pandemic levels.

OPEC+ has been actively managing global oil supply in response to the turbulent economic landscape, marked by global inflation and changing demand patterns, especially in view of the easing of COVID-19 restrictions in China. In this environment, seeking to support weakened oil prices, Saudi Arabia voluntarily cut oil production by 1 mln bbl per day in July, along with a broader OPEC+ agreement to curb supplies in 2024. This decision reflects the desire of OPEC+ to stabilise the market amid inflationary pressures that have been affecting global economic growth and demand for oil. OPEC increased its forecast for global oil demand growth to 2.32 mln bbl per day (a 2.3% rise), adjusting it for a tighter market caused by strong demand from China, which is now expected to grow by 590 thous. bbl per day. This adjustment is a direct reaction to the global economic environment, where OPEC also slightly raised its forecast for 2023 from 2.5% to 2.6% despite potential risks such as geopolitical tensions and internal problems in China. By taking these steps, OPEC+ has spotlighted its critical role in attempting to balance the oil market, dealing with the complexities introduced by global inflation and its impact on demand and energy prices.

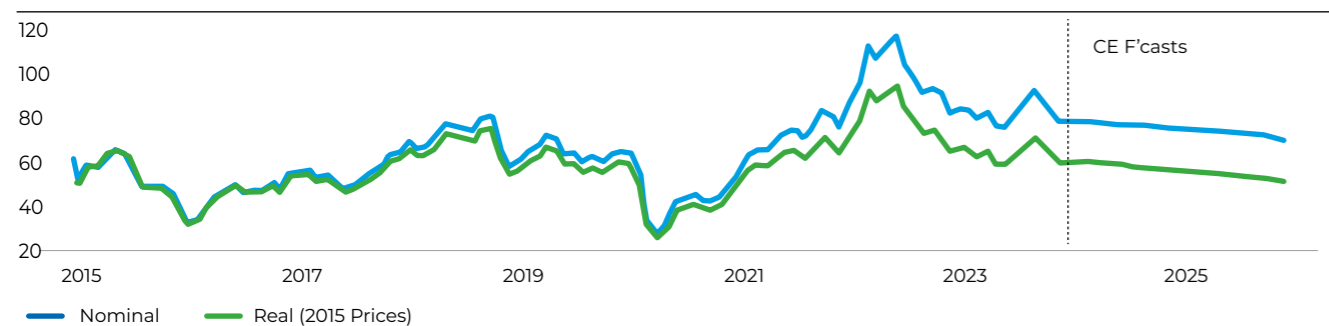
KMG strategy

Amid ongoing inflationary pressures, KMG's Development Plan addresses the risk of a significant drop in global oil prices.

Annual EUR inflation and its key drivers from January 2014 to January 2024, %



Brent price, USD



5. On track for a low-carbon future

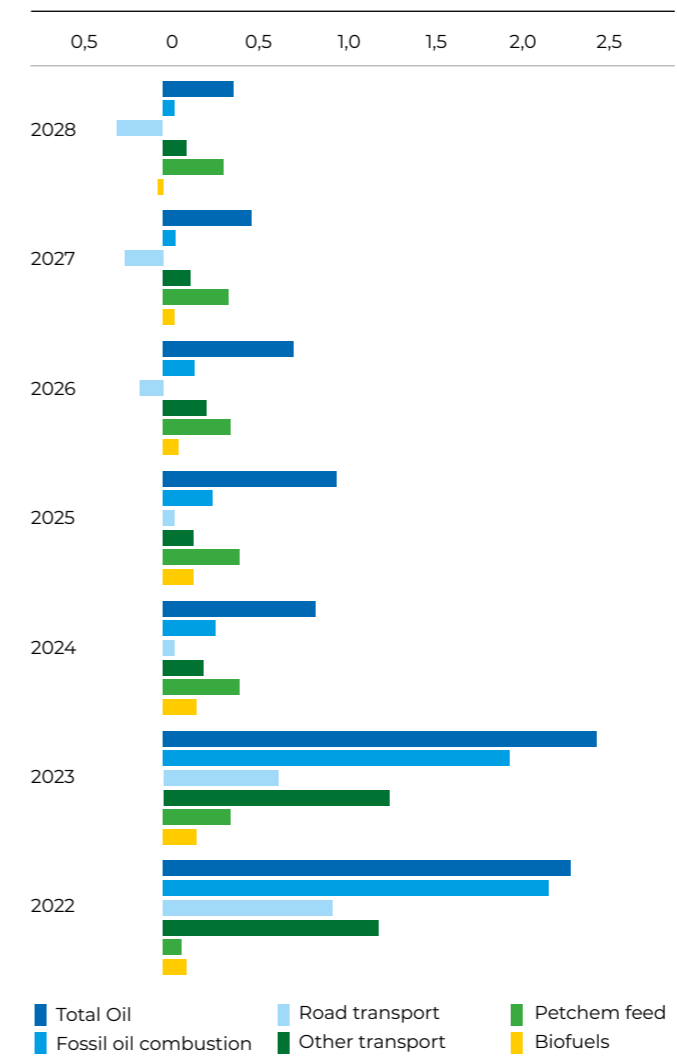
In 2023, global clean energy investments reached a hefty amount, sustaining the swift shift towards renewable and sustainable energy sources. Funding for clean energy set a course to hit USD 1.8 tln, a USD 400 bln rise from 2022, demonstrating a robust pledge by governments, corporations, and investors to back the move from fossil fuels to greener options. The drive towards clean energy is propelled by consumer preferences, technological innovation, and policies encouraging reductions in GHG emissions. A remarkable surge in EV sales of over 35% in 2023 highlights the automotive sector's swift adaptation to electrification. These commitments represent a sizeable chunk of the energy industry investments, which totalled USD 2.8 tln for the year, revealing that a growing fraction of global energy financing is being used to fund clean energy initiatives.

According to the World Bank, inaction could shrink Kazakhstan's economy by 1.6% by 2050, with an associated 3% rise in poverty and 2.1% drop in real wages. Failing to decarbonise may entail a long-term economic downturn of 2–2.5% per year.

Europe's Carbon Border Adjustment Mechanism (CBAM) is set to curb carbon leakage by imposing tariffs on imports based on carbon content. The CBAM may cause Kazakhstan to forfeit over USD 250 mln in annual export revenue, especially in the iron and steel sectors. Should the CBAM extend to include oil, potential losses could escalate to USD 1.5 bln. In response to global climate efforts, Kazakhstan's President has approved the Strategy for Carbon Neutrality by 2060, proposing rigorous goals for net zero carbon emissions.

In spite of the hurdles, oil exports remain central to Kazakhstan's economic stability. The hydrocarbon industry is a substantial contributor to the national GDP, accounting for about 20% in 2022 (a slight decrease from 23% in 2019).

Annual growth in oil demand by sectors, 2022–2028, mln bbl per day



Strategic direction

In 2021, KMG launched the 2022–2031 Low-Carbon Development Programme, affirming the carbon neutrality ambitions set for Kazakhstan by President Kassym-Jomart Tokayev in the Strategy for Carbon Neutrality by 2060. This Programme targets a 15% cut in CO₂ emissions by 2031, taking 2019 as the baseline. KMG actively pursues emissions reduction, having pledged to the Decarbonisation Charter at COP-28 and partnering with UNEP by signing a Memorandum of Understanding. The Company's efforts include slashing methane emissions, fostering hydrogen energy, producing low-carbon hydrogen and its derivatives, investing in carbon capture, usage and storage (CCUS) research, and aligning with international hydrogen storage standards. Initiatives to construct hybrid wind power plants are underway, integral to diminishing carbon footprints and advancing environmental practices in Kazakhstan.

Source: IEA



Internal drivers and their impact on strategy implementation

1. Kazakhstan's oil and gas industry in 2023

According to the Energy Information Administration (EIA), Kazakhstan, an oil producer since 1911, has the second largest oil production after Russia among the CIS countries.

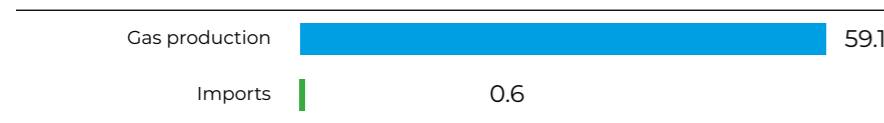
The oil and gas industry is a key sector of Kazakhstan's economy due to its significant hydrocarbon reserves. This industry, together with related sectors (transportation, construction of production facilities and geology), accounts for approximately 17% of the total gross domestic product (GDP) of Kazakhstan, according to estimates by the Kazakhstan Association of Oil, Gas and Energy Sector Organisations, KAZENERGY.

As production expanded over the past decades, Kazakhstan has significantly strengthened its position in the global hydrocarbon market. According to BP's Statistical Review of World Energy, Kazakhstan ranks 12th globally by the volume of its proved reserves.

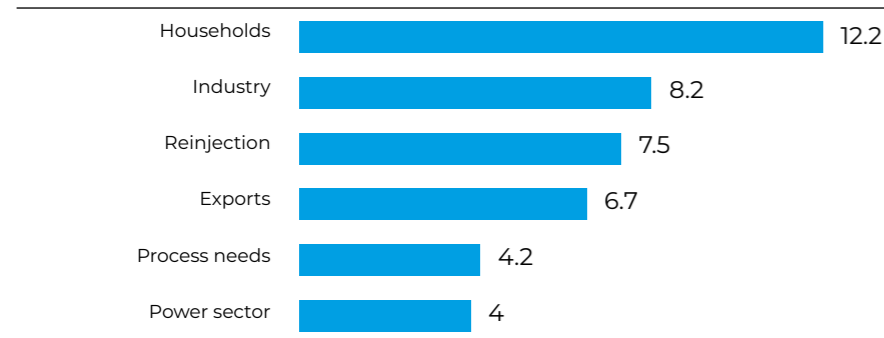
According to the data and analysis provided by the Information and Analytical Centre of Oil and Gas of the Ministry of Energy of the Republic of Kazakhstan, the country produced 89.9 mln tonnes of crude oil in 2023, up 6.8% year-on-year. According to the Ministry of Energy, the country exported 70.5 mln tonnes of crude oil. Gas production in 2023 totalled 59.1 bln m³, up 10.5% year-on-year. According to the Ministry of Energy, 29.8 billion m³ of commercial gas was produced from the extracted gas. 19.43 and 5.6 billion m³ of commercial gas were directed to domestic consumption and export, respectively. The remaining 4.8 billion m³ was used for the own technological needs of subsoil users¹.

In late December 2023, Kazakhstan's Ministry of Energy expected the country's oil output in 2024 at 90.3 mln tonnes. Oil exports in 2024 are estimated at 67.5 mln tonnes.

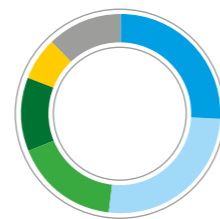
Gas balance in Kazakhstan in 2023, bln m³



Kazakhstan's gas balance in 2023 by destination, bln m³



Oil and gas condensate production in Kazakhstan in 2023, %



26	KMG	12	Karachaganak
26	Tengizchevroil	7	CNPC International Actobe Petroleum
17	North Caspian Operating Company (NCOC)	12	Others

Source: Information and Analytical Centre of Oil and Gas of the Ministry of Energy of the Republic of Kazakhstan

Oil and gas transportation

Kazakhstan has advanced and diversified oil and gas transportation, refining and processing infrastructure, which facilitates the country's access to global sales markets.

Oil refining and gas processing

According to the Information and Analytical Centre of Oil and Gas of the Ministry of Energy, the throughput at Kazakhstan refineries in 2023 was 19.6 mln tonnes, down 1.5% year-on-year. The production of all grades of petrol was at 5.3 mln tonnes (up 6.9% year-on-year), jet fuel at 624 thous. tonnes (up 42.4% year-on-year), and diesel fuel at 5.3 mln tonnes (down 1.1% year-on-year).

KMG's position in Kazakhstan's oil and gas industry

KMG is the national leader in Kazakhstan's oil and gas industry with a fully integrated value chain.

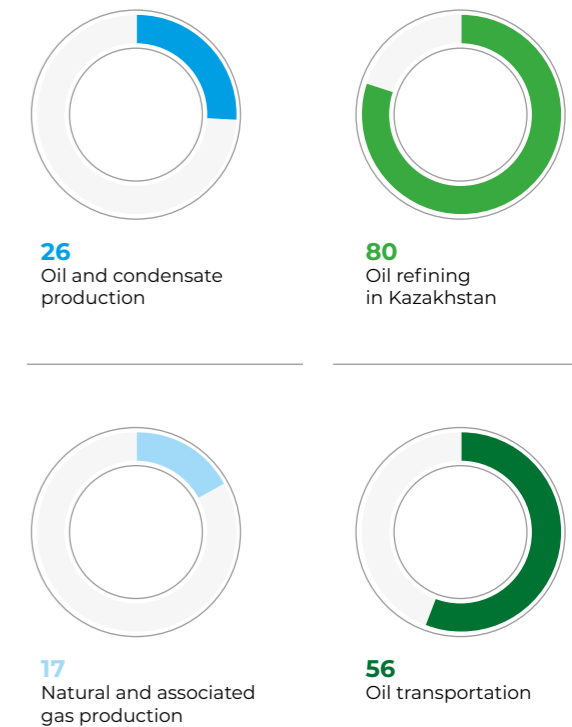
Proved (1P) oil and condensate reserves life was 16 years (based on the 2022 output), far exceeding the average of about 11 years for the global oil majors (based on the 2022 output). KMG's proved and probable (2P) oil and condensate reserves life (based on the 2022 output) was 26 years.

KMG showed the best operating results in Kazakhstan's oil and condensate production segment in 2023, according to the Company's in-house estimates. In 2023, the share of KMG in Kazakhstan's oil and condensate production was 26%, while its share in the nation's gas production came in at 17%.

The Company operates four largest refineries in Kazakhstan with the refining market share of 80% in 2023. KMG completed an ambitious investment programme to upgrade three core refineries in Kazakhstan. As a result, the Company ramped up its refining capacity and improved product quality, fully met the domestic demand for petroleum products and expanded their exports to regional markets.

The oil transportation infrastructure managed by KMG is highly diversified and has a strong transit and export potential. The Company's share in the oil transportation market, including trunk pipelines and transportation by sea, totalled 56% for 2023.

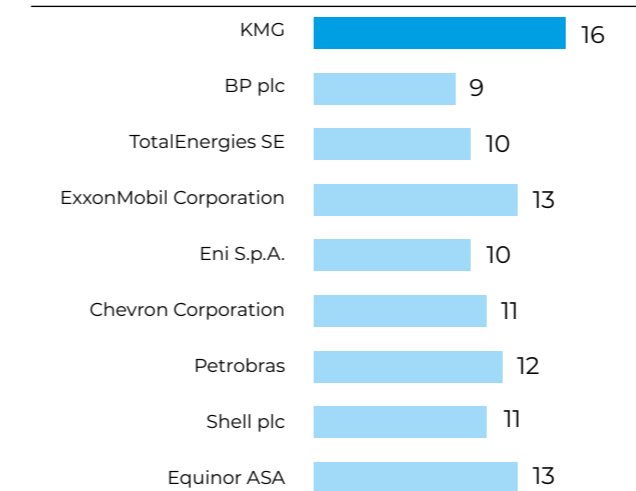
KMG's market share in Kazakhstan by segment in 2023, %



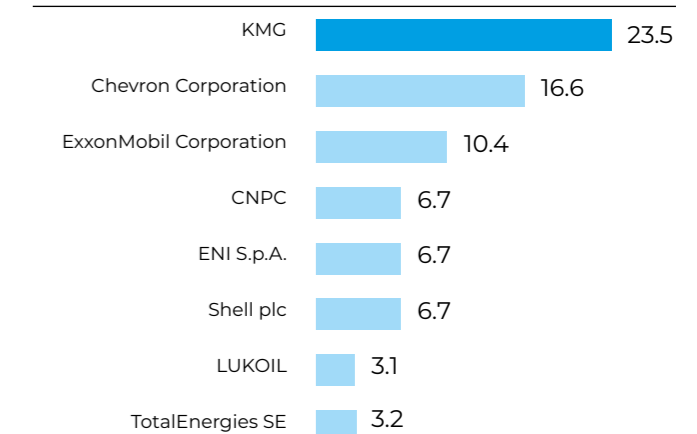
Sources: Company estimates, Information and Analytical Centre of Oil and Gas of the Ministry of Energy of the Republic of Kazakhstan

Competition analysis

1P oil and condensate reserves life in 2022, years



Estimated oil and condensate output in Kazakhstan in 2023, mln tonnes



Sources: Company estimates, Information and Analytical Centre of Oil and Gas of the Ministry of Energy of the Republic of Kazakhstan

Source: Bloomberg

¹ The information of the Ministry of Energy was published in the article of international news agency "Kazinform" www.inform.kz.

Strategic direction

KMG focuses closely on further development of the nation's oil and gas industry, while also helping the Government to address the challenges of social and economic development in Kazakhstan. The Company acts on behalf of the government in the oil and gas industry and demonstrates strong social responsibility. Successful and sustainable business development is inextricably linked to the nation's economic competitiveness, social welfare, conservation and rational use of natural resources. KMG sees its mission in the effective and sustainable use of natural resources to ensure energy security, development and prosperity of Kazakhstan, while caring about future generations. In line with the KMG mission, we have set out four strategic goals:

1. resource base sufficient to support the Company's growth,
2. improved efficiency across the Company's value chain,
3. business diversification and product portfolio expansion,
4. sustainable development and gradual reduction in carbon intensity of production.

2. Development of Kazakhstan's petrochemical industry

Kazakhstan actively develops its petrochemical industry. Over the past ten years, the nation's petrochemical output has been growing driven by the launch of new manufacturing facilities.

In 2023, petrochemical production came in at 359¹ thous. tonnes (as compared to the target of 515 thous. tonnes), with plans to increase it to 628 thous. tonnes in 2024.

Kazakhstan's petrochemical industry relies on a number of completed landmark projects. The key of them include Atyrau Refinery (manufacturer of aromatic hydrocarbons such as benzene and paraxylene), Kazakhstan Petrochemical Industries Inc. and Kompaniya Neftekhim (polypropylene production facility), HILL Corporation, LUKOIL Lubricants Central Asia (manufacturer of lubricants), Shymkent Chemical Company (producer of petrol additives such as MTBE) and more. Their total annual production capacity is around 850 thous. tonnes.

To ensure the comprehensive development of its petrochemical industry, Kazakhstan has put in place a special economic zone – the National Industrial Petrochemical Technopark (NIPT), while also introducing tax and customs benefits and providing production facilities with infrastructure (access motor road, overpass, access rail road, railway station, water pipeline, power transmission line and substation, water treatment unit).

To address the rising demand for light oil products and to adjust Atyrau Refinery's processes for Tengiz oil, Atyrau Refinery initiated the Efficiency Improvement project. This initiative involves deploying cutting-edge technologies across several units, including the catalytic reformer LG-35-11/300-95, delayed coker unit, and EDD-ADU-2. The project's objective is to boost the output of high-quality fuels such as motor petrol, diesel, and LNG.

Progress against anchor petrochemical projects with the greatest impact on the national economy.

Pursuant to Kazakhstan's Concept for the Development of the Fuel and Energy Sector in 2022–2026, the national output of petrochemical products is expected to reach 1.2 mln tonnes by 2026.

On top of that, the Ministry of Energy of the Republic of Kazakhstan joined forces with KMG to draft legislative amendments introducing a special investment agreement to be used as a "one-stop document" for the nation's petrochemical projects as a way to drive their investment case. The amendments, which are expected to be included in Kazakhstan's Entrepreneurial and Tax Codes, offer businesses tax benefits for a period of 25 years.

The distinctive feature of investment agreements for petrochemical projects is that they allow the Government to select customised state support tools based on the results of the project's financial and economic assessment and to provide the required benefits for the entire payback period.

Strategic direction

With the support from the Government, KMG will be strongly involved in developing Kazakhstan's petrochemical industry, which is expected to significantly boost the national economy as growth in the petrochemical sector creates a multiplier effect across the entire domestic market.

3. Kazakhstan's Environmental Code

KMG Group prioritises minimising its environmental footprint. The recently adopted Environmental Code of the Republic of Kazakhstan expands the liability of facility operators and introduces stricter monitoring and control requirements. Anticipating the shift to best available techniques (BAT), BAT guidelines for oil refining and gas processing and production were drafted, setting the stage for the 50 largest polluters, including the Group's Atyrau Refinery, Pavlodar Refinery, Shymkent Refinery, and Kazakhoil Aktobe, to obtain comprehensive environmental approvals starting 2025.

The Government of Kazakhstan is also developing a new Water Code to tighten water resource management, securing water availability for the nation's both current needs and future generations. KMG actively contributes to the dialogue surrounding this prospective legislation.

In 2023, Mangistaumunaigaz and Kazakhoil Aktobe began streaming data from the automated monitoring system to the Ministry of Ecology, Geology, and Natural Resources in real time via infrastructure of National Information Technologies. The installation of the automated monitoring system at other KMG facilities is in progress.

Strategic direction

KMG's Environmental Policy was updated in 2021 to align with the recently approved Environmental Code of the Republic of Kazakhstan. KMG Group takes a zero-tolerance approach to losses and harm caused by environmental pollution. KMG has developed a draft Water Resources Management Programme with measurable targets and deadlines to curtail water use. Over the next few years, the Group plans to draft a programme to bring down pollutant emissions, a biodiversity preservation programme, and a corporate waste management standard, alongside revising existing environmental impact and water resources management corporate standards.

Environmental stewardship remains a focal point for KMG. On an annual basis, we take measures to clean oil-contaminated soils.

4. Kazakhstan's Strategy for Carbon Neutrality by 2060

Kazakhstan's Strategy for Carbon Neutrality by 2060 was developed in 2022 and approved on 2 February 2023. It identifies two scenarios for the country's economy. The used scenario-based analysis and assessment of investments needed for transition to carbon neutrality were based on the comprehensive models of potential industrial solutions, system evolution and macroeconomic effects.

The strategy is set to become a major landmark in the long-term development of Kazakhstan, as it outlines transition from a linear development model to a cyclical one (the so-called circular economy). The adoption of the strategy means the need to review the existing economic programmes, tax and budgeting policies, and business plans. For example, industrial and household waste should be used as production resources, while woodlands are to be perceived as carbon capturing assets.

To encourage the growth of businesses fit for the low-carbon economy, the government will put in place clearly defined state support tools and incentives. Furthermore, agricultural subsidies are to be granted in consideration of the ESG criteria to phase out the use of harmful chemical fertilisers. The strategy will also unlock new opportunities for environmentally clean production facilities.

Strategic direction

KMG is fully aware of the material impact its operations may have on the economy, environment, and society. That is why we are embedding sustainability principles in our key business processes as a way to align economic, environmental and social priorities with core management objectives. The Company is committed to high social responsibility standards inspired by the principles of partnership with its employees and trade unions. Sustainalytics, an international rating agency, assessed the Company's current ESG risk rating at 32.3.

5. Kazakhstan's Concept of Geological Industry Development

The nation's Concept of Geological Industry Development for 2023–2027 underscores minerals' pivotal role in economic expansion. Global patterns indicate a reduction in profitable reserves due to relentless extraction and burgeoning complexity.

Kazakhstan has implemented legal reforms to enhance subsoil use, including the adoption of the first-come-first-served licencing principle. The introduction of "smart regulation" measures and the establishment of the National Geological Service are designed to bolster exploration and mitigate investment risks. These initiatives are enhancing Kazakhstan's appeal for investments in exploration and necessitating institutional reforms.

Adopting international reporting standards is also improving the national image as a solid investment case. The Concept stresses the strategic role of the mineral resource sector for the country's economy, notably in energy and metals, advocating for the prudent use and development of resources to secure long-term industrial and economic growth.

Strategic direction

KMG will be exploring and developing new reserves in Kazakhstan, including with reliance on the subsoil exploration programme aiming to appraise prospective blocks previously unexplored with modern techniques. To speed up the reserve growth, exploration will rely on the latest technologies and methodologies, including

¹ Includes benzene, paraxylene, motor oils, industrial oils, gear oils, lubricants, MTBE and polypropylene.

new processing approaches, high-quality re-interpretation of geological and geophysical materials, and the use of next generation technologies in seismic surveys.

6. Kazakhstan's economy

In 2023, Kazakhstan's economy grew by 5.1%, marking an impressive achievement despite a slowdown in global economic growth. The country's economy proved resilient to a variety of stress factors thanks to the efficient fiscal policy of the Government and monetary policy of the National Bank of Kazakhstan. Nevertheless, the disruption of existing logistics chains, strong domestic demand and the migration flow to Kazakhstan drove inflation up to 9.8% in 2023. Food prices grew by 8.5%, while the cost of non-food products and services rose by 9.1% and 12.4% respectively.

In the medium term, inflation is expected to slow down due to a number of external factors such as waning global demand for goods and services, and tighter

monetary policies pursued by central banks across the world. Even so, food prices are predicted to remain fairly high. One of the key risks is the ongoing conflict in Ukraine.

The Ministry of National Economy projects that inflation will likely settle between 6% and 8% in 2024. Currently, there's a global shift towards disinflation. Factors that help curb domestic inflation include high commodity prices, the strengthening of the tenge against the currencies of Kazakhstan's key trading partners, and the country's impressive trade surplus.

Strategic direction

We remain committed to pursuing Kazakhstan's core strategic interests within the oil and gas sector, adhering to the nation's strategic directives and implementing measures that support economic growth and the Republic's social endeavours.

KMG development strategy

Context

In its Development Strategy, KMG continues to prioritise embedding sustainable development into its core business processes, as the Company is aware of its considerable impact on the economy, environment, and society. KMG's growth over the next ten years will be driven by expanding the resource base, enhancing production efficiency, extending the value chain, adopting advanced technologies, and minimising the carbon footprint.

The Company carefully selects and prioritises investment opportunities, considering only highly effective strategic projects for investments. KMG is committed to prudent capital allocation and focuses on maximising benefits for the shareholders and respecting the interests of the government in the oil and gas industry. The Company seeks to adhere to a conservative financial policy maintaining a balanced debt profile and securing a strong liquidity position.

KMG has a competitive edge in terms of a resilient production cycle from upstream to downstream that generates cash flows sufficient to deliver against the Company's strategic targets. The Company exercises its priority right to assets onshore and offshore of the Caspian Sea to grow its resource base.

With cheap feedstock readily available, KMG sees petrochemicals as its natural point of growth to rely on in expanding and improving the Company's value chain.

KMG's successful growth story is underpinned by sustained cash flow generation on the back of increased production and a sustainable development strategy. Given the long-term trends in the energy transition, KMG is building its portfolio of low-carbon projects to remain financially successful in a future zero-emissions world.

VISION	MISSION
Vertically integrated national oil and gas company that meets the highest standards of safety, is committed to sustainability principles, and strives to maximise its financial performance.	<p>We are effective and sustainable in our use of natural resources to ensure energy security, development and prosperity of Kazakhstan while also caring about future generations.</p> <p>Reflecting its Mission, KMG has outlined two strategic directions of activity and set four strategic goals.</p>
	<p>1. Value creation. Goals:</p> <ul style="list-style-type: none"> - resource base sufficient to support the Company's growth, - improved efficiency across the Company's value chain, - business diversification and product portfolio expansion. <p>2. Energy transition. Goal:</p> <ul style="list-style-type: none"> - sustainable development and gradual reduction in carbon intensity of production.

STRATEGIC FOCUSES

