

STATEMENT FROM THE CHAIRMAN OF THE MANAGEMENT BOARD



Dear sharegolders, investors and partners!

As the leader of Kazakhstan's oil and gas sector and a key contributor to the country's social and economic well-being, KMG is committed to long-term development with a clear focus on people, environment, and development of the regions where it operates.

Gradually recovering our performance

With the recovery in global business activity, the Company saw its performance returning to pre-pandemic levels. As OPEC+ restrictions were gradually lifted in 2021, we were able to raise our oil and gas condensate production to 21.7 mln tonnes or 444 kbopd, which is virtually equivalent to the volumes of 2020 when OPEC+ restrictions were introduced only in the second quarter.

The total oil transportation by pipeline and by sea cumulatively increased by 1.9% to 74.6 mln tonnes. The growth came on the back of higher volumes delivered by pipelines to Kazakhstan refineries for domestic refining as well as greater tonnages of marine transportation, predominantly in the Mediterranean where the Company's tankers most strongly benefited from the oil shipping market recovery.

Kazakhstan refineries raised their refining volumes by 8.4% to 13.9 mln tonnes, as they fully regained their pre-pandemic levels thanks to higher domestic demand for oil products. However, the processing of hydrocarbon feedstock at our refineries in Romania saw a 6.1% decline to 4.9 mln tonnes following a three-month shutdown of Petromidia Refinery because of a fire at the refinery's diesel hydrotreating plant in July 2021.

The reporting year witnessed a remarkable improvement in our financial performance mainly off the back of a rise in the average oil price and higher income from the share in profits of our joint ventures and associates. EBITDA totalled KZT 1,609 bln vs KZT 810 bln in 2020. The Company's net profit climbed to KZT 1,197 bln while the free cash flow amounted to KZT 669 bln. Importantly, the Company's net debt as of the year end totalled KZT 2,204 bln, down 15% year-on-year from KZT 2,594 bln.

Implementing strategic initiatives

As part of our development strategy updated in 2021, the Company is focused on intensifying efforts to grow hydrocarbon reserves through prospective exploration projects, including new and follow-up exploration. KMG made notable progress in its exploration initiatives. The East Zhetybai field produced 38 tonnes per day in a gushing flow of Jurassic oil. The oil flow at the South Zhetybai field was 36 tonnes per day. New oil deposits were found during follow-up exploration at Uzen in the Mangystau Region. As a result, the recoverable reserves grew by 39.9 mln tonnes. Subsoil use licence was acquired with respect to the Al-Farabi project in the Kazakhstan section of the Caspian Sea, implemented as part of a partnership with carry financing.

As part of diversification efforts, KMG retains its focus on petrochemicals as a promising area of business. In late 2021, the construction of a polypropylene plant with a 500 ths tonnes capacity was completed at the KPI Inc.'s gas chemical complex and the facility received the first batch of propane from the Tengiz field. We proceeded to the design stage of the project for the production

of polyethylene with a capacity of 1,250 ths tonnes. An investment project to produce 180 ths tonnes of butadiene rubbers is also underway in the Atyrau region. The project will create 700 new jobs.

In November 2021, we consummated a deal to transfer our subsidiary, KazTransGas (renamed later as QazaqGaz), to our majority shareholder Samruk-Kazyna for independent implementation of gas projects. It should be noted that following the transfer of KazTransGas the Company retained its investment grade ratings.

Environmental safety efforts

The Company succeeded in cutting its air emissions by 19% vs 2017. We are doing a lot to manage our crude and refined oil waste disposal and remediate oil-contaminated lands, including legacy ones.

KMG continues to implement several socially oriented and environmental projects. The Company constructs a desalination plant at the Karazhanbas field, which is expected to add 17 ths m³ of water per day for use by the local community. In 2023, we plan to complete the construction

of a 50 ths m³ per day desalination plant in Kenderly to cover the water consumption deficit in Zhanaozen. Another important project is the reconstruction of the "Astrakhan–Mangyshlak" water pipeline, which will increase the throughput from 110 to 170 ths m³ per day and will cover current and future industrial and community needs in fresh water of the Atyrau and Mangystau regions. We continue the construction and installation as part of the TAZALYQ project intended to improve the environment in Atyrau through a 10% cut in water withdrawal from the Ural river, with Atyrau Refinery expected to reuse 15% of its treated effluents.

In 2021, KMG entered into a number of agreements with major global companies to support the development of green technologies. We plan to cooperate with Eni in developing energy transition projects for generating and selling energy from renewable sources. The Company is considering a pilot project of carbon capture, utilisation and storage (CCUS) jointly with Shell. This technology is an important method of cutting emissions across the energy system. Linde and KMG are exploring the opportunity of producing hydrogen and ammonia using natural gas as feedstock.

Social responsibility

The Company's development is inseparable from decent working conditions for its employees.

In personnel development, we promote meritocracy and fairness, provide equal opportunities and assess each employee's contribution to achieving common goals. Wages and salaries are subject to annual indexation in line with inflation.

In accordance with collective bargaining agreements, KMG provides 35 types of social support for employees, their families, and non-working retirees. The Company increased its investments in employee social support from KZT 21 bln in 2020 to KZT 22 bln in 2021.

We make efforts to reduce the wage gap between our and contractors' employees, the latter have a bonus scheme and guaranteed social package. This resulted in significant employee pay rises across our contractors. In addition, at the beginning of 2022 KMG has increased wages in corporate centre by 10% and up to 30% within its footprint.

Among other things, favourable employment conditions include high standards of health and safety, which is a priority across KMG operations. CEOs of subsidiaries are personally responsible for ensuring industrial safety at their assets. To strengthen control over fire safety requirements in 2021, a comprehensive plan for 2022-2024 was developed. A pilot project "Travel Management" was implemented at Embamunaigas to improve the level of transport security, create a culture of safe driving and a single centralised digital platform, which is planned to be replicated to other subsidiaries and affiliates from 2022. It is also worth noting that the Company takes measures to fight the COVID-19 pandemic. As at the end of 2021, over 50 thousand employees of the Group were immunised, including 73% of employees with the full course of vaccination.

In 2021, KMG, as a major taxpayer, paid KZT 787 bln as taxes and other compulsory payments to the national budget. KZT 56 bln was distributed as dividends to shareholders.

Conclusion

2021 showed that the Company can keep the balance between stability and development of new activities while maintaining a responsible approach to people and environment.

Alik Aidarbayev,

Chairman of the Management Board of JSC NC KazMunayGas