

CHIEF EXECUTIVE OFFICER'S STATEMENT



Dear Investors, Shareholders, Colleagues and Partners,

2019 was another successful year of strategic delivery for KMG. We significantly strengthened our financial position and achieved a positive operational performance while making further improvements in occupational safety.

GOOD OPERATING PERFORMANCE AND FINANCIAL STABILITY

Our full-year results demonstrate that KMG is strongly positioned, and comfortably on track, to achieve its strategic goals. I am proud of the operational targets we have achieved.

We produced more than 23.6 mln tonnes of oil and gas condensate, slightly above our 2018 results.

Gas exports were a key growth driver for KMG during the year, with 103.5 bcm of gas transported via trunk pipelines. Our gas exports stood at 8.8 bcm, of which around 7 bcm were sent to China.

Three refineries reached a record annual throughput of almost 17 mln tonnes of oil. In 2019, we fully met the domestic demand for light products and started exports to neighbouring countries for the first time in KMG's history.

We have made considerable progress on the Future Growth Project at Tengiz, one of our key expansion projects. TCO partners approved the increase of the total project budget from USD 37 bln to around USD 45 bln due to higher costs of services and equipment.

In 2019, Kashagan reached a new peak production of 400 thousand barrels per day, with the average daily output in 2019 being 307 thousand barrels per day.

We have maintained our focus on strengthening our financial stability. Despite falling Brent prices, our EBITDA increased slightly year-on-year to USD 5.1 bln. We reduced our debt load majorly by accelerated settlement of TCO prepayment facilities. We have also balanced out our debt portfolio through steps, in recent years, to convert short-term into long-term debt and aligning our Eurobond covenants.

In 2019 we reset our Transformation Program: we are increasing the level of our assets digitalization to improve our operational performance. Thus, we create conditions for integrating our Company's business into new digital reality, which is a critical requirement at present times.

Additionally during the year, we put considerable effort into engaging strategic partners in new upstream projects and expanding relations with international oil and gas majors like ENI, LUKOIL, BP, EQUINOR and TATNEFT in exploration.

In 2019, we adopted international reserve estimation standards to underline our commitment to transparency. Our proven plus probable (2P) hydrocarbon reserves stood at 5.2 bln boe at the end of 2019, leaving us well-positioned to focus on driving further economically viable reserve growth.

FURTHER ESG IMPROVEMENTS

We work constantly to improve operational safety, but regrettably in the second half of 2019 we lost two employees in a highway traffic accident and a fire in living quarters. Any fatal accident is unacceptable to us, and I would like to express once again my sincere condolences to the families and friends of the deceased.

Despite these tragedies, we managed to reduce the overall injury rate in 2019 by 4%, the number of major (critical) accidents was down by 11%, and the number of traffic accidents and fires were reduced by 33% and 17%, respectively, year-on-year.

We also made considerable progress in raising the APG utilisation rate to 97% in 2019. Another major achievement was a step forward in sustainable water use: in the reporting year, we signed a Statement of Commitment to Sustainable Water Management and implemented several large-scale projects to treat wastewater and saltwater.

KMG IN KAZAKHSTAN

In the past year, KMG once again confirmed its status as one of the largest taxpayers in Kazakhstan, having paid about USD 4 bln in taxes and other mandatory payments to the national budget.

Our social responsibility strategy aims to facilitate development across our operating regions. During the year, we spent 7.6 bln tenge on social investments under subsoil use contracts across KMG Group. Furthermore, KMG allocated 22.8 bln tenge to develop infrastructure in Turkistan as instructed by the Government of the Republic of Kazakhstan.

In 2020, we will progress towards the targets announced in our development strategy and further maximise efficiencies across our business processes to stay agile in an ever-changing environment. We are committed to openness and transparency in our relations with all stakeholders.

To conclude, I would like to thank each and every member of our team for their dedication and commitment and for working so well together to deliver our corporate values.

Alik Aidarbayev,
Chairman of the Management Board of NC KazMunayGas JSC