

SUMMARY OF PROJECT IMPLEMENTATION ALIGNED WITH STRATEGIC PRIORITIES

Investment projects are implemented to advance progress towards KMG's strategic goals, i.e. to achieve reserves growth, increase oil and condensate production, grow gas exports to China, and supply the domestic market with oil products and sales gas.

KMG is committed to smart and efficient capital allocation with a focus on priority projects aligned with our strategic goals and targets for cash flows, debt reduction, and higher returns on equity to drive shareholder value growth.

TRANSITION TO INVESTMENT AND PROJECT PORTFOLIO MANAGEMENT

Aimed at effectively achieving strategic goals under KMG's Development strategy the Company started a transition to portfolio-based investment management in 2019. One tool of the portfolio-based investment management is project ranking, prioritizing highly efficient strategically important projects.

Prioritized portfolio of projects based on their ratings enables effective allocation of the Company's set limited financial resources, leading to increased competition for investments in the business segments.

In 2019, the Company also launched an initiative to introduce a project management system. The system aims to improve the quality of planning and implementation of investment projects by applying the best practices of project management from the world's oil & gas companies.

In 2020, it is planned to introduce a unified project management standard for the Company, conduct full-scale training for participants of project management and launch an information system to control and monitor projects.

In general, the objectives of the reorganization of the investment process in 2019 and for the future are aimed at improving existing processes to increase the maturity of the Company in terms of investment management and project management.

INVESTMENT PORTFOLIO OVERVIEW

KMG's investment portfolio encompasses development projects related to various business segments in the medium and long term. As previously, KMG devotes significant resources to the implementation of oil exploration and production projects. Projects for the development of the oil and gas transportation infrastructure of Kazakhstan also continue to be actively implemented. Completed refinery modernization projects have enabled the production of K4 and K5 quality oil products and increased refining depth. In addition to the upstream, midstream and downstream projects, KMG is also interested in implementing social and environmental projects.

UPSTREAM

In the context of KMG's strategic initiative for Improving Operational Efficiency under the Strategic Goal "Value creation for shareholders by improving production efficiency and investment in growth", driving increases in reserves and cost-effective production are among the Company's top priorities.

Approximately 40% of KMG's investment portfolio relates to oil and gas exploration and production projects. These projects are funded both directly by KMG and in conjunction with strategic partners on a parity basis. For example, several offshore projects are implemented on the basis of carry financing (Abay, Isatay, Zhenis, I-P-2, Bekturly Vostochny), where capital investments at the exploration stage are borne only by KMG's strategic partner. In the event of hydrocarbons discovery, KMG and its partner finance production at subsequent stages of the project implementation.

KMG holds interests in mega projects Tengiz (20%), Karachaganak (10%) and Kashagan (8.44%).

Tengizchevroil is implementing two integrated projects – the Future Growth Project (FGP) and the Wellhead Pressure Management Project (WPMP). The implementation of the projects will boost oil production from Tengiz field by 12 mln tonnes per year.