

STATEMENT FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS



Dear investors, shareholders, colleagues and partners,

2021 was a busy year for the Company, the nation, and the world at large. As pandemic-related restrictions were eased, we saw a rapid recovery in international business activity, which had a positive impact on a number of social and economic indicators of the global economy and the oil and gas industry in particular. In 2021, KMG improved its performance in a wide range of areas. On a positive side note, growing vaccination rates have led to reduced coronavirus morbidity and mortality. However, the fight against the pandemic is still ongoing.

KMG's new strategy

The pandemic, which started in 2020, today's global challenges, and domestic developments have caused the Company to rethink its activities, key priorities, and contribution to the lives of people. As the leader in the oil and gas industry of Kazakhstan and a representative of government interests, KMG is aware of its growing responsibility to all existing stakeholders as well as future generations. In the reporting year, we have updated our development strategy and strategic objectives for the next ten years. As part of its strategic goals, the Company aims to expand its resource base, improve operational efficiency, add new products to its production portfolio, engage in sustainable development, and consistently reduce carbon intensity of production. In November 2021, KMG's gas transportation and marketing business was transferred to JSC Samruk-Kazyna, the Company's key shareholder, as a way to give an impetus to the gas industry in Kazakhstan. As part of diversification efforts, KMG retains its focus on petrochemicals as a promising area of business.

Maintaining its conventional activities in hydrocarbon production, the Company plans to grow reserves both organically and inorganically through further exploration at existing fields and new exploration. Also, KMG has strong partnerships with international oil and gas majors.

To improve operational efficiency, the Company's focus in hydrocarbons is to stabilise oil production at operating assets, start commercial production at new fields, and implement production expansion and plateau extension projects at large oil and gas fields. In oil transportation, we plan to increase existing capacity utilisation by maintaining oil transit volumes, supplying oil to the refineries in Pavlodar and Shymkent, and ramping up volumes of export to China. The core

objective of our upgraded refineries is to improve refining depth and grow the output of high-margin petrochemicals in Kazakhstan while also enhancing vertical integration across the assets of KMG International. We also have a lot to do to optimise our marketing, procurement, and finance.

We continue to rapidly grow the petrochemical business in order to diversify activities and stabilise future cash flows, which will act as the Company's value driver. A polypropylene plant of KPI Inc. is scheduled for launch in 2022, and there are projects to engage in production of butadiene and polyethylene as part of strategic partnerships with international oil and gas companies going forward.

We retain a very special focus on sustainable development. Our updated strategy provides a more explicit message about the importance of sustainability and adds a phased reduction in carbon intensity of production to our agenda. We have now defined specific objectives to be overseen by the Board of Directors, both as part of regular meetings with officers in charge and by having respective targets included into key performance indicators (KPIs).

The Board of Directors takes very seriously any feedback from the Management Board and other officers to develop the right approaches and set new objectives to help take timely steps that will benefit the Company and society at large.

Recovery in global business activity

In 2021, recovery in global oil demand and efforts by OPEC+ were the key drivers that pushed oil prices up. The average annual price of Brent crude oil was USD 71 per bbl, an increase of 70% year-on-year and a record high over the past three years. On the back of the upward trends of 2021, KMG's net profit went up to KZT 1,207 bln, with free cash flow reaching KZT 669 bln. A major driver that supported our improved financial performance was the ongoing efforts to optimise costs across the board, a measure initiated as part of the Company's crisis response programme in 2020.

Sustainable development

To ensure the Company's sustainable development, the Board of Directors initiates and oversees efforts to have sustainability firmly embedded into KMG's key business processes. We want employees to understand high standards of sustainability and rely and act on them in everything they do. In 2020, for the first time ever, the Company included ESG rating in the list of corporate KPIs for Management Board members. In the reporting year, we revised the target upwards and also included progress against specific sustainability projects into our corporate KPIs. As part of this momentum to enhance the role of ESG across the Company, we added a LTIR (Lost Time Incident Rate) reduction target to our KPIs for 2022. The Sustainalytics international rating agency improved the Company's ESG risk rating from 34.5 to 28.4, reaffirming KMG's strong positions in managing material ESG risks in the global oil and gas market.

In the reporting year, the Board of Directors approved the Low-Carbon Development Programme. The document outlines KMG's existing opportunities to reduce its carbon footprint through improved energy efficiency and resource management and describes additional focus areas for decarbonisation using renewable energy sources (RES), CO₂ capture, utilisation and storage, forest carbon projects, and hydrogen production. We also set preliminary targets to achieve a 15% reduction in greenhouse gas emissions by 2031 from the 2019 level, which is equivalent to 1.6 mln tonnes of CO₂. To have the Programme successfully implemented, KMG established a project office on low-carbon development, with competent professionals engaged to that end.

In 2021, KMG underwent a review of its corporate governance, initiated by its key shareholder JSC Samruk-Kazyna. Following the review, KMG was assigned a "BBB" corporate governance rating, a major improvement on the "BB" rating assigned in 2018. The results show that some of the positive trends include major enhancement in the efficiency of the Board of Directors and the executive

body, risk management, internal control and audit, and sustainable development.

This is a testament to the exceptionally successful and consistent efforts to improve the Company's corporate governance. We are confident that we have chosen the right path.

Caring about people

Treating the lives and health of its employees as a priority compared to operating performance, KMG uses a zero-tolerance approach to accidents related to work. In the reporting year, the number of accidents related to work declined from 30 to 28 year-on-year.

However, I am sorry to say that in the reporting year, there was a fire at the Petromidia Refinery in Romania that claimed the lives of three people. I would like to convey the Company's condolences to the families and friends of the victims.

Caring about people goes beyond our employees. KMG plays an active role in developing its regions of operations and providing social support to vulnerable population groups.

In 2021, we allocated more than KZT 5 bln to social infrastructure, including utilities, sports and healthcare facilities, and more.

Conclusion

While 2021 saw a recovery in business activity, in 2022 the global community has been exposed to geopolitical developments, which have already begun to affect businesses globally. As a result, there are risks for the oil and gas industry in the region and for the Company's operations. Pursuing a pragmatic approach, we have been consistently working to ensure long-term development, reduce leverage, upgrade our production assets, improve infrastructure, and diversify across the board. KMG has a strong track record of operating in turbulent environments and has been making use of its experience to foster sustainability at the present time. We have every confidence in our future performance and we are ready to quickly adjust to the ever changing conditions in the oil and gas business.

Christopher Walton,

Chairman of the Board of Directors
of JSC NC KazMunayGas