

STATEMENT FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS



KMG was successful in accomplishing its strategic goals, which align with the interests of all the Company's stakeholders 

DEAR SHAREHOLDERS, INVESTORS AND PARTNERS

In 2024, Kazakhstan's oil and gas industry, in general, and the Company's operations, in particular, were under pressure from a host of global macro factors, such as geopolitical tensions, OPEC+ decisions, economic slowdown in China, and the growth of shale oil production in the USA. Despite these macroeconomic headwinds, KMG was able to achieve its strategic goals that serve the best interests of all stakeholders, including its shareholders and investors, employees, partners, communities in the regions of operation, and the entire nation.

Ensuring a sufficient resource base

In line with its Development Strategy (the "Strategy"), KMG remains focused on adding new reserves sufficient both for conventional oil and gas operations and new promising areas of activity through organic growth and strategic partnerships and acquisitions. That said, we pay a lot of attention to exploration initiatives implemented independently and jointly with other international oil and gas players. In the reporting period,

we started drilling at Turgai Palaeozoic, Karaton Subsalt, Karazhar and Taisoigan wells boasting resources in excess of 800 mln tonnes in oil equivalent, and embarked on the Kalamkas-Sea project whose recoverable oil reserves amount to 86 mln tonnes of oil and 22 bln m³ of gas.

Improving efficiency across the value chain

KMG seeks to improve the efficiency of its entire value chain comprising production, transportation, refining and marketing of oil, while also achieving operational excellence across all key segments.

At our operating assets, we take measures to streamline and increase the efficiency of oil production, including projects to boost energy security, extend time between repairs, optimise costs, and reclaim Ozenmunaigas fields, investment projects at Embamunaigas, upgrade of motor vehicles and special-purpose machinery, production automation, and digitalisation.



YERNAT BERDIGULOV

Chairman of the Board of Directors

In the short term, we plan to boost output at Tengiz where we are currently stepping up production for the Future Growth Project to reach its full design capacity. In March 2024, with a view to developing the Trans-Caspian route, KMG and SOCAR signed an agreement for a phased stepping up of oil transportation, which provides for an increase in the transit of Kazakhstan's oil via the Baku–Tbilisi–Ceyhan pipeline to 2.2 mln tonnes per year.

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increase in the transit of Kazakhstan's oil via the Baku–Tbilisi–Ceyhan pipeline

The Company is actively advancing maritime routes in the Caspian, Black and Mediterranean Seas. As part of the partnership with AD Ports Group, Taraz and Liwa tankers acquired in 2023 transported 874 thous. tonnes of oil along the Aktau–Makhachkala route in 2024.

874 thous. tonnes of oil
transported along the Aktau–Makhachkala route in 2024

Given the projected growth in consumption, one of KMG's key objectives in the coming years is to ensure the supply of locally refined oil products to Kazakhstani domestic market, which necessitates the expansion of existing capacities. For this purpose, KMG is doubling Shymkent Refinery capacities to 12 mln tonnes by 2030. To date, adjustments are made to the pre-feasibility study. In 2025, we also plan to increase refining capacities at Caspi Bitum by 500 thous. tonnes to 1.5 mln tonnes.

Expanding product portfolio

As part of its strategic goal to expand the product portfolio, the Company places a strong emphasis on major petrochemical projects that are primarily geared towards the growing export markets, while also aiming to fully meet domestic demand for polypropylene and polyethylene to provide additional economic incentives for related industries in Kazakhstan.

The reporting year marked an important milestone in our progress towards the strategic goal, as we launched construction under the Polyethylene project and adopted the final investment decision on building a gas separation unit. Analysis of the Polyethylene project shows that with exports of up to 1 mln tonnes per year it could

generate export revenues of up to USD 2.5 bln, bolstering the country's GDP by up to 1.2% and fostering SMEs.

1.2 %
potential growth the country's GDP thanks to Polyethylene project

We also made important progress on other petrochemical projects of the Company. A pre-feasibility study was approved for the Polyethylene Terephthalate project, with active steps taken to team up with strategic partners. Under the Urea project, an agreement was reached to establish a joint venture with CNPC. Furthermore, KMG PetroChem (100% subsidiary of KMG) and CNPC International Aktobe Petroleum signed an agreement of intent on raw material supply.

Ensuring sustainable development

In line with the global climate goals of achieving carbon neutrality by 2060 and reducing GHG emissions by 15% from the 1990 level, the Board of Directors of KMG approved the Group's 2060 Low-Carbon Development Programme (LCDP) in November 2024. This LCDP replaces the previous programme, which covered a period from 2021 to 2031. The updated 2060 LCDP embraces three scenarios for reducing GHG emissions: a realistic scenario with a 48% decline in GHG emissions, a green development scenario with a reduction of up to 58%, and a deep decarbonisation scenario envisaging a drop in GHG emissions of up to 64%.

48 %
minimum decline in GHG emissions by 2060

Key initiatives to achieve these goals include the development of renewable energy, introduction of methane management, the carbon capture, utilisation and storage (CCUS) project, promotion of hydrogen energy, and production of sustainable aviation fuel (SAF).

In 2024, Sustainalytics assessed KMG's ESG risk management at 32.8. The Company's risk of exposure to ESG factors is high. The Company received a "strong" score for its ESG risk management from Sustainalytics. At the same time, ESG risk exposure was rated as "high". According to the analysts, KMG's high exposure to ESG risks is on a par with the industry average, i.e. risks inherent in the oil and gas industry.

Ensuring financial stability

The financial results for the reporting year show predominantly positive changes compared to 2023. While net profit increased by 18.1% to KZT 1.094 bln and free cash flow rose by 21.8% to KZT 1.199 bln, the Company's revenue and EBITDA remained practically flat year-on-year.

18.1 %
net profit growth in 2024

As part of effective debt management, in September 2024, the Company made a partial early redemption of bonds due 2027 for a total of USD 750 mln. As a result, total debt as at the end of the reporting year came in at KZT 4.0 tln or USD 7.6 bln, increasing by 5.6% in tenge terms and decreasing by 8.6% in USD terms compared to 2023.

Despite significant macroeconomic risks for KMG, the Company maintains relatively high credit ratings from the leading rating agencies: Moody's upgraded KMG's rating from Baa2 to Baa1 (stable outlook), while Fitch reaffirmed the rating at BBB (stable outlook).

As regards market capitalisation, the price of one KMG share stood at KZT 14,621 as at the end of the reporting year, reflecting a 27% increase over the year. As a result, the Company's total market capitalisation reached KZT 8.9 tln or USD 17 bln. With dividend payments considered, the total shareholder return for 2024 amounted to 31%, highlighting KMG's strong investment potential.

Conclusion

As we conclude the reporting year, I would like to extend my sincere gratitude to the employees of the Company, the management team, our partners and all stakeholders for their collective efforts in driving the growth of KMG, Kazakhstan's national oil and gas operator. I am confident that the achievements of this year lay a strong foundation for even greater successes in the future.

Yernat Berdigulov

Chairman of the Board of Directors

