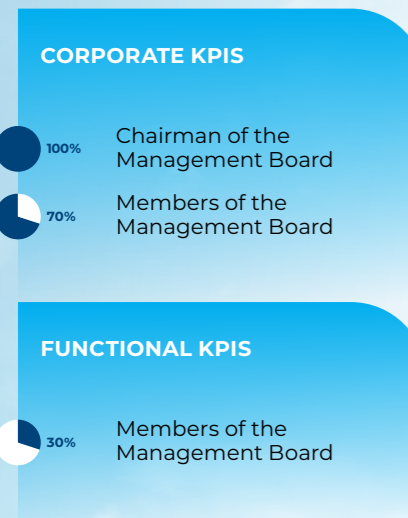


KPI SYSTEM

Weights of corporate and functional KPIs for the final performance evaluation of the Management Board



The performance evaluation system is among the Company's strategic and day-to-day management tools to ensure that the Company's business processes are aligned with its strategic goals.

The KPI system relies on the following principles:

- a balanced approach where production, financial and economic KPIs come along with sustainability and ESG KPIs;
- a top-down approach with the breakdown of strategic KPIs into operational KPIs and the top-down cascading of strategic KPIs through the organisational structure and by type of activity.

Corporate KPIs are the same for all employees and are based on KMG's priorities for the reporting period. Functional KPIs are individual KPIs of the Company's Management Board members and are based on their individual strategic targets.

KPIs and targets for members of KMG's Management Board are approved annually by KMG's Board of Directors. Performance evaluation for awarding bonuses is carried out after the Company has analysed its financial and economic results for the reporting year.

Corporate KPIs for 2022 were developed based on the sustained need for the management to focus on operational efficiency improvements and on ESG aspects of the Company's operations.

PERFORMANCE UNDER INVESTMENT PROJECTS

Investment portfolio overview

In line with the KMG Development Strategy for 2022–2031, the Company's investment portfolio includes projects both in conventional areas (exploration, transportation and refining of oil) and new realms (petrochemicals and sustainability). KMG is also considering new projects

with a focus on alternative energy and reduction of carbon footprint across its existing operating assets. Sources of project financing are determined on a case-by-case basis, with the Company relying insofar as possible on its own funds and raising debt solely for certain new projects.

To improve investment and financial discipline, KMG seeks to raise debt mostly at the project level with the lowest recourse to the Company.

In 2022, the investment portfolio totalled KZT 47.030 bln, including KZT 16.713 bln attributable to KMG.

Performance against corporate KPIs in 2022

Nº	KPI	Unit	Actual ¹
1	Oil and gas condensate production ²	thous. tonnes	22.012
2	Free Cash Flow (FCF) ³	KZT bln	1.116
3	Lost Time Incident Rate (LTIR)	Ratio	0.36
4	ESG risk rating	Rating	28.4
5	Preparation for IPO	%	100
6	Performance under investment projects	%	60

Performance against KMG corporate KPIs in 2021

Nº	KPI	Unit	Actual
1	Performance under investment projects	%	43
2	Operational efficiency improvement	%	98
3	FCF available for development and distribution as dividends ⁴	KZT bln	-31
4	Net Asset Value (NAV) ⁵	KZT bln	10.255
5	Debt/EBITDA ⁶	Ratio	2.4
6	ESG rating	Rating	72
7	Local content across KMG Group ⁷	%	78

1 — The final approval by the KMG Board of Directors of the actual values for 2022 is expected in July 2023, and therefore the values indicated in the table may be slightly adjusted.
 2 — KMG Kashagan B.V.'s oil and gas production volumes are included at 50% until 15 September 2022 and 100% after 15 September 2022.
 3 — Free Cash Flow = Net cash flow from operating activities minus Purchase of property, plant and equipment, intangible assets, investment property and exploration and evaluation assets. Dividends received from JVs and associates are included in cash flow from operating activities.
 4 — Cash flow from operating activities (excluding joint ventures and associates) less maintenance CAPEX
 5 — On November 9, 2021, KMG transferred 100% of the shares of QazaqGaz NC JSC in favor of Samruk-Kazyna JSC. Therefore, QazaqGaz NC JSC was excluded from the consolidation perimeter. However, the actual figure includes QazaqGaz NC.
 6 — As per approved methodology of JSC Samruk-Kazyna.
 7 — A composite indicator reflecting performance against local content targets set across KMG Group.

Oil and gas exploration and production

In 2022, in order to strengthen the investment case for the country's oil and gas industry, the Government of Kazakhstan together with foreign investors and KMG developed an improved model contract offering a number of regulatory and fiscal benefits for complex projects that require additional support (new complex onshore, offshore and gas projects). In December 2022, the President of Kazakhstan signed a relevant set of amendments to the national Code on Subsoil and Subsoil Use and Tax Code. These amendments will impact several KMG's projects helping intensify work both on the Caspian Sea shelf and on a number of complex and gas projects onshore.

In early December 2022, the Company launched the mobilisation stage and commenced the drilling of a 3.300 m deep exploration well for the Zhenis block in Kazakhstan's part of the Caspian Sea. We expect to complete the drilling in 2023.

Портфель инвестиционных проектов

Project type	Total investment portfolio, KZT bln	Share of investment portfolio attributable to KMG, KZT bln
Oil and gas exploration and production	39.809	12.058
Infrastructure projects	371	371
Oil transportation	410	149
Refining and marketing of oil products	208	123
Petrochemicals	6.096	3.926
Other	137	86
Total	47.030	16.713

In early 2023, the Company signed a subsoil use contract for the Kalamkas-Sea-Khazar-Auezov block, which has proven reserves. The next step is to agree on the field development concept with LUKOIL, our partner.

KMG also conducts active onshore exploration. In 2022, we proceeded with preparations to drill an exploration well for the Turgai Palaeozoic block, with plans to drill a 5.500 m deep well there in 2023.



TENGIZ, KASHAGAN AND KARACHAGANAK MEGAPROJECTS

KMG partners with strategic investors in projects at large fields: Tengiz (20%), Kashagan (16.88%) and Karachaganak (10%).

- At Tengiz, the Company is implementing the Future Growth Project and Wellhead Pressure Management Project (FGP – WPMP). We expect to complete our main construction work and start pre-commissioning in 2023. The commissioning of the WPMP facilities is slated for December 2023. The implementation of the projects will boost oil production by 12 mln tonnes per year.
- Projects to maintain production plateau at the Karachaganak field are ongoing. In 2021, we successfully completed the KPC gas debottlenecking (KGDBN) project at the Karachaganak Processing Complex and the installation of the 4th injection compressor (4ICP). The 5th injection compressor project is now in the active construction phase. The overall progress on this project is expected to reach 85% by the end of 2023.
- In addition, 2022 saw the Company make a final investment decision on the 6th injection compressor project.
- In 3Q 2022, the project to upgrade existing raw gas injection compressors at the Kashagan field was completed. The upgraded compressors are expected to help increase crude oil production by 8.5 mln tonnes by 2041.
- The Kashagan field is currently in Phase 1 of the development. Phase 2 is considered in terms of three separate projects. The two most deeply studied of the three projects (Phase 2A and Phase 2B) will seek to increase crude oil and condensate output by a total of ca. 710 thous. bbl per day (ca. 89.5 thous. tonnes per day) over the next ten years. Further decisions on the implementation of these projects are expected in 2023–2024.

In December 2022, we signed exploration and production contracts for the Taisoigan-1 and Taisoigan-2 blocks in the Atyrau Region. Comprehensive high-resolution 3D seismic surveying of these blocks carried out back in 2019 and unique to Kazakhstan helped identify 328 mln tonnes of mineral reserves.

In 2022, the Company obtained subsoil exploration licences for five blocks: Mugodzhary, Berezhovskiy, Zharkyn, Bolashak, and Northern Ozen. The analysis and modelling of main sedimentary basins identified five most prospective areas that require further exploration. In 2023, we plan to conduct pro-active seismic surveying as part of the subsoil exploration programme.

Work continues to add new reserves through further exploration at existing onshore fields. In 2022, Embamunaigas' projects at the S. Nurzhanov, North Uaz and Southeast Novobogat fields saw the completion of further exploration and switched to commercial production. At another field, West Karasor, works are underway and production is expected to commence in 2023. At East Urikhtau and the Rozhkovskoye field development project, pilot production is ongoing, with start of commercial production expected in 2023–2024.

Oil transportation

In 2021, we completed the first stage of flow reversal at the Kenkiyak–Atyrau oil pipeline section with a throughput of up to 6 mln tonnes per year. In 2022, the reverse flow of oil totalled 4.3 mln tonnes.

Work is underway to increase the CPC pipeline's throughput capacity to 83 mln tonnes per year, including 72.5 mln tonnes through Kazakhstan. We are also looking into ways to ramp up exports via an alternative route from the port of Aktau through the Caspian Sea.

Refining and marketing of oil products

One of KMG's key objectives in the coming years is to ensure the supply of locally manufactured oil products to Kazakhstan's domestic market to meet the expected consumption growth.

To ensure energy security of Kazakhstan's northern and eastern regions, KMG implements projects at Pavlodar Refinery to remove sulphur compounds from LPG and make winter diesel fuel. The project units are scheduled for launch in 2024 and 2025, respectively.

We are also exploring options to ramp up the capacity of domestic refineries (PetroKazakhstan Oil Products and Caspi Bitum). In 2023, we expect to complete the pre-feasibility study that will underlie all further decisions on the refineries.

In 2021, the Kazakh-Romanian Investment Fund KMG International N.V. completed Phase 1 of the project to expand the retail network for the sale of oil products in Romania by constructing 25 filling stations. In 2023, more filling stations will be built as part of the next phase of this project, which aims to gradually build 44 new filling stations in Romania.



Petrochemicals

In 2022, KMG actively worked to complete Phase 1 of the Atyrau petrochemical complex, engage strategic partners and source financing for petrochemical projects.

On 8 November 2022, we launched a polypropylene plant with a capacity of 500 thous. tonnes per year. On 7 November 2022, Samruk-Kazyna, KMG and SIBUR signed binding documents for SIBUR to join the polypropylene and polyethylene projects. In 2022, 32.3 thous. tonnes of polypropylene was manufactured. Currently, KPI Inc. together with the contractor, CNCEC, and the licensor, Lummus Technology, conducts comprehensive testing of process equipment/units to bring the whole Complex to stable process parameters and identify bottlenecks in the operation of process units, as well as carries out performance guarantee tests to verify that the design parameters have been reached. A petrochemical cluster is expected to be established in Kazakhstan to manufacture petrochemical products using feedstock from the Tengiz field, including export-oriented products with high added value. The project will be commissioned in 2Q 2023.

KMG also implements a project to build a polyethylene plant with a capacity of 1.250 thous. tonnes per year. To date, we have completed a feasibility study. The project to produce polyethylene and sell petrochemicals is implemented in strategic partnership with SIBUR Holding. Apart from that, KMG progresses with the projects to create infrastructure for polyethylene production. We completed a

feasibility study and developed design and estimate documentation for the construction of a gas separation unit, as well as technical specifications for an ethane pipeline. The polyethylene project and related infrastructure projects are scheduled to be completed in 2028.

Projects to address water supply issues and improve the environment

As a national company, KMG runs projects that are aimed at:

- addressing water supply issues in its regions of operation, such as an upgrade of the Astrakhan–Mangyshlak water pipeline and construction of a desalination plant in Kenderly with a daily capacity of 50.000 m³. The Astrakhan–Mangyshlak water pipeline upgrade project is currently at the construction and installation stage, with financing secured by signing an agreement with a second tier bank in Kazakhstan. This project is both important for industrial consumers and has major social significance for households in the Atyrau and Mangistau regions. It is expected to be completed in 2024. The Kenderly project to build a desalination plant with a daily capacity of 50.000 m³ saw the adjustment of the feasibility study (in line with recommendations by the project consultant, PMC). Currently, the results of the EPC contractor selection are being finalised and a list of potential contractors is being drafted. The project will be completed by the end of 2024;

- ensuring uninterrupted gas processing, including as a way to meet the needs of local residents. We completed the pre-FEED and feasibility study for the project to build a new gas processing plant in Zhanaozen and reached an agreement with a second tier bank in Kazakhstan to secure project financing. The pre-qualification of suppliers for the project is currently underway. The commissioning is slated for 2025;
- improving the environment by preventing air pollution in Atyrau from treatment plants and evaporation fields of Atyrau Refinery as part of the Tazalyq project. In 2022, the Company completed Phase 1 of the mechanical treatment plants upgrade and drained two sectors of four evaporation fields. Phase 2 of the treatment plants upgrade and the evaporation field recultivation are slated for completion by the end of 2023.

TRANSFORMATION AND DIGITALISATION

In 2022, the KMG Corporate Centre underwent structural changes with a focus on advancing digitalisation. The Information Technology Department and the Transformation and Digitalisation Department were consolidated into the Digital Development Department.

During the reporting period, progress was made to implement digital initiatives across the Company's core business areas. In particular, as part of the key project to digitalise oil production, Development of the ABAI Information System, two new modules were put into operation to tackle specific production issues. The Reservoir Fluids module introduced at Kazakhoil Aktobe supports the automated collection, interpretation and substantiation of oil reservoir fluid properties for accurate reserves estimation and field development engineering.

The Economics module launched at the KMG Corporate Centre serves to estimate the total value of assets of oil producing companies or the value of their individual existing fields and to forecast operating performance under various scenarios.

Earlier, five pilot ABAI information system modules were put into operation and proved to be highly effective: ABAI Database, Visualisation Centre, Well Operation Mode, Monitoring of Process Complications and Selection of Downhole Pumping Equipment. The Well Operation Mode module launched at Kazgermunai analyses the performance and calculates the production potential of wells, thus ensuring more efficient distribution of planned oil production among wells and reservoirs and optimising field development. It now takes the module only six hours to complete these operations instead of the five days previously required for human experts. Data accuracy went up from 85% to 95%.

