

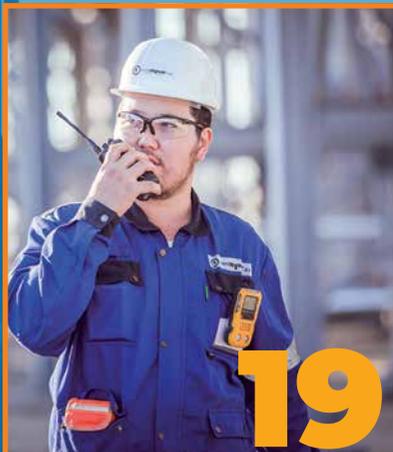
The Kazakhstan Oil is 120 years old

ANNUAL
Report 2019



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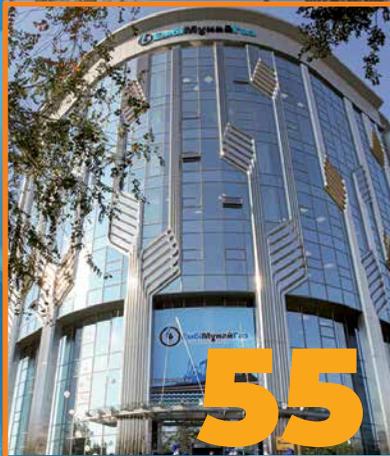
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The following symbols indicate important information:



Report page with more detailed information on the topic



Additional video and interactive information

Key Indicators



2,900
thous. tonnes
Oil Production 2019



450,945
mln KZT
Earnings 2019



101,401
mln KZT
Net profit 2019

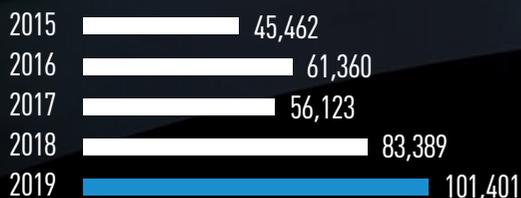
Oil Production, thous. tonnes



Earnings, mln KZT



Net profit, mln KZT



Net cash flow for the period (before financial activity), mln KZT



Capital expenditures, mln KZT



Lifting (oil+gas)



89,702
mln KZT

Net cash flow
for the period (before
financial activity)



40,162
mln KZT

Capital
expenditures 2019

25,608
KZT/tonne

Lifting 2019

Key Events



For the first time Embamunaigas JSC ranked third in the Rating of Environmental Responsibility Openness of Kazakhstani oil and gas companies by the World Wide Fund for Nature (WWF) Russia and CREON group supported by the RoK Ministry of Energy, in cooperation with the UN Environment Program in Central Asia.

For the first time Embamunaigas JSC held a visiting regional meeting of the KAZENERGY Women's Energy Club "The role of women in the oil and gas industry".



During the 18th annual Regional North-Caspian exhibition "Atyrau Oil and Gas – 2019" the company presented a new web portal – "Information system of the commercial offer database of Embamunaigas JSC – <http://tru.emba.kz>.



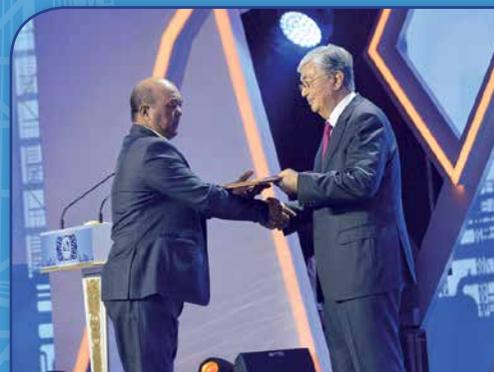
Emba's production structural unit, the Embamunaienergo department, celebrated the 20th anniversary.



Embamunaigas JSC was awarded the Zhomart Zhurek award in the Tugan Olke nomination for implementing socially minded projects on a voluntary and free basis to support vulnerable social groups of the population.

Associated gas treatment unit of the Prova group of fields has sold the first batch of sulfur.

On the eve of the 120th anniversary of Kazakhstani oil in the Karashungul area, management and employees of Embamunaigas JSC paid tribute to the workers of the first Emba fields on the site of the historical well No. 7, which gave the first oil gush on Kazakh ground in 1899. The ceremony was attended by administration of the Zhylyoi region, representatives of partner companies and veterans of the oil and gas industry.



On September 5, Kassym-Jomart Tokayev, the President of the Republic of Kazakhstan took part in the solemn meeting for the 120th anniversary of Kazakhstani oil. The country's leader presented state awards to three employees of Embamunaigas JSC.



Embamunaigas JSC held the first forum of young specialists in the history of the company, dedicated to the 120th anniversary of Kazakhstani oil and the RoK Year of Youth. The forum was organized by the HR and Payroll Department and the Council of Young Specialists.



In 2019, a significant increase in the hydrocarbon resource base of Embamunaigas JSC was provided, mainly due to the additional exploration of existing fields. The RoK State Commission on mineral reserves approved and accepted oil reserves in the amount of 14.8 mln tonnes for the existing fields S. Nurzhanov, Kenbai (Eastern Moldabek site), Dosmukhambetovskoye, Botakhan and the newly discovered Western Karasor field.

Emba oilmen were awarded five prizes in the finals of the professional arts contest "Best Performer" in the KazMunayGas National Company JSC group of companies.



The RoK State Commission for Reserves approved increase in reserves of 9 mln tonnes in the S. Nurzhanov field of Embamunaigas JSC. Consequently, recoverable reserves of this field increased from 40.5 mln tonnes to 50.1 mln tonnes.



EMG completed large-scale 3D CDPM field seismic survey work on the Taisoigan site in the amount of 5,600 sq. km. Based on results of processing and interpretation of obtained 3D CDPM data, promising structures will be prepared for setting up exploration drilling.

By the decision of the Board of Directors of Embamunaigas JSC, the Deputy Chairman of the Management Board on Production of KazMunayGas National Company JSC Marabayev Zhakyp Nasibkaliyevich was elected Chairman of the Board of Directors of the Company.

The primary party organization "Nur Otan" recognized Embamunaigas JSC as the best primary party organization in the Atyrau region.

Bereket ELEULIYEV, a young specialist, operator for maintaining reservoir pressure of Kainarmunaigas OGPO of Embamunaigas JSC won the nomination "The Best Oilman of the Year" at the annual youth award "Leader of the Year 2019" in Atyrau region.



In order to ensure efficient development of mature fields of Embamunaigas JSC, 5 horizontal wells were drilled, of which 4 are in operation and provide good oil production rates.

Message of the Chairman of the Board of Directors



Zhakyp MARABAYEV

Dear colleagues and partners,

Before you lies the report on the results of activities of Embamunaigas Joint Stock Company for 2019. Last year was marked by the 120th anniversary of the Kazakh oil and gas industry, which history dates back to the first oil gush on the Emba Karashungul structure in 1899.

Emba of today conducts efficient production activities, and according to its mission, it successfully provides profit to the shareholder – KazMunayGas National Company JSC and consistency for its workers. In the industry's anniversary year, the Emba oilmen beat the oil production plan. According to the results of 2019, net profit amounted to more than 101 bln tenge, which is 18 bln tenge more than the indicator of 2018. The Company paid 193.1 bln tenge to the country's budget in 2019.

Within the framework of the tasks defined by the Development Strategy of KazMunayGas National Company JSC and the Company's Development Concept, Embamunaigas JSC successfully conduct systematic work to replenish the oil and gas resource base through geological exploration at exploration sites and further exploration of existing fields. As a result of comprehensive work in this direction, a significant increase in reserves in the amount of 14.8 mln tonnes was provided in 2019.

Having determined the value of preserving the life and health of workers, the Company implements initiatives to improve safety culture at work, which promotes keeping zero workers mortality rates for the second consecutive

Last year was marked by the 120th anniversary of the Kazakh oil and gas industry, which history dates back to the first oil gush on the Emba Karashungul structure in 1899.

year. Based on results of the investigation of five cases of injuries of the Company workers, major efforts are put to eliminate the factors that caused them within the framework of standards of the corporate center – KazMunayGas National Company JSC.

By commissioning the associated petroleum gas treatment unit of the Prorva group of fields, the Company significantly reduced the volume of associated petroleum gas burned. Extensive work to eliminate historical pollution is underway. Within the framework of implementation of the approved Plan for restoration of oil contaminated lands, area of the contaminated territory decreased from 2016 to 2020 from 136.43 ha to 78 ha, the volume of historical waste – from 595,339 tonnes to 371,120 tonnes. It is planned to clean up an area of 23.9 ha with a volume of 143,310 tonnes of oiled waste in 2020. We introduce initiatives for rational use of water resources, waste management and greening production facilities. In 2019 Embamunaigas JSC was ranked third in the Rating of Environmental Responsibility Openness of Kazakhstani oil and gas companies by the World Wide Fund for Nature (WWF) Russia and CREON group supported by the RoK Ministry of Energy, in cooperation with the UN Environment Program in Central Asia.

Guided by the value of achieving the stated results and set goals, Embamunaigas JSC successfully replicates the concept of “Smart Field” to

the Company's profitable fields. This work is expected to be done in 2023. At the same time, work to study new IT solutions, including those introduced by international oil and gas companies is underway in order to expand the “Smart Field” project and implement other projects.

The Company successfully implements new technologies to increase oil extraction coefficient, projects to develop gas business, upgrade production infrastructure, oilfield equipment and special machinery, invests in repair and construction of roads and everything that is necessary for the Emba's further development.

I am certain that in 2020 the oil Emba will maintain the growth rates gained in the anniversary year and continue successful implementation of the tasks outlined by the parent company in order to further develop the Kazakhstani oil and gas industry and economy of the country!

Best regards,
Zhakyp MARABAYEV
 Chairman of the Board of Directors
 of Embamunaigas JSC
 Deputy Chairman of the Management Board
 on Production
 KazMunayGas National Company JSC

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Message of the Chairman of the Management Board



Esen KAIRZHAN

We bring to your notice the report on the activities of Embamunaigas Joint Stock Company for 2019. Last year, marked by the 120th anniversary of the Kazakhstan oil and gas industry, was rich in events and fruitful in terms of the enterprise's production achievements.

As of the end of the anniversary year, Emba people produced 2 mln 899 thous. 693 tonnes of oil (4 thous. 693 tonnes more than the planned indicator) and 260 mln 173 thous. 367 cubic m of gas (246 thous. 258 cubic m more than the planned indicator) for the Kazakhstan oil industry. The amount of taxes paid by the Company to the budget of the country and Atyrau region from 2012 to 2019 exceeded 1,072 bln tenge.

Due to rational and careful approach to development of mature fields and active exploration work, the Company has maintained a stable volume of oil extraction over the past years and provides multiple replenishment of reserves. Thanks to the significant increase in oil reserves last year, residual recoverable reserves of Embamunaigas JSC amounted to 86.2 mln tonnes as of 01.01.2020, against 74.3 mln tonnes as of 01.01.2019. In 2019, the RoK State Commission on Mineral Reserves reapproved and additionally put on the books oil reserves in the amount of 14.8 mln tonnes for the existing fields S. Nurzhanov, Kenbai (Eastern Moldabek site), Dosmukhambetovskoye, Botakhan and the newly discovered Western Karasor field.

We completed large-scale 3D CDPM field seismic survey work on the Taisoigan site, Kyzylkoginskiy region in the amount of 5,600 sq. km. Processing and interpretation of obtained 3D CDPM data is currently being carried out, based on which promising structures will be prepared for setting up exploration drilling.

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Embamunaigas JSC applies modern approaches and technologies for production of residual oil reserves. One of these technologies is horizontal wells development, which shows higher efficiency than vertical ones. In 2019, 5 horizontal wells were drilled at Emba. 4 currently operate and provide good oil production rates and 1 well is being tested. The Company further plans to drill horizontal wells in highly viscous layers lying at a vertical depth of up to 300 m and annually increase the share of horizontal wells in production drilling.

The Company continues systematic work to increase efficiency of production activities. The annual plan of organizational and technical measures to fulfill the planned indicators of oil production was successfully implemented. At the end of 2019, overhaul life has increased to 331 days against planned 305 days. As part of replication of the “Smart Field” project for profitable field groups, energy saving amounted to 30%.

In 2019, thanks to the implemented cloud solutions for the project of using special-purpose equipment in real time, Embamunaigas JSC switched to single fleet management system. Consequently, consumption level of fuels and lubricants were reduced, vehicle metering was automated, accuracy of calculating cost price of expenses was enhanced, losses at production sites were minimized by reducing waiting time of special-purpose equipment for repair work. As of today, the solutions have been implemented in six units of the company, and integration with

existing IT systems has been carried out. As a result of the project, organizational structure was revised, changes to internal procedures and the accounting system were made, efficiency of using the fleet was increased, IT solutions-based single integrated information environment was created, which allowed solving several problems at one stroke: ensure transparency of management, control and accounting processes; reduce time for preparing regulatory and management reporting, increase data reliability and minimize human factor impact.

In 2019, 1,663 company workers received professional development training, 4 employees from the talent pool were appointed to leading positions. During the ceremonial meeting in Atyrau celebrating the 120th anniversary of Kazakhstani oil, Kassym-Jomart Tokayev, the President of the Republic of Kazakhstan, presented state awards to 2 veterans and 2 workers of Emba. Two young specialists of the Company entered the presidential youth talent pool, six Emba people won prizes during the finals of the “Best Performer” contest in the group of companies of KazMunayGas National Company JSC.

The Company continues optimization of the number and costs of personnel related to non-core activities by transferring unskilled labor workplaces to a competitive environment and outsourcing drivers of cars, buses, dropside and dump trucks. As part of this activity, the total number of personnel has been optimized by 72 units.

Being a socially responsible subsoil user, Embamunaigas supports domestic producers and companies of Kazakhstan with limited capacities. To date, more than five hundred Kazakhstani companies, from individual entrepreneurs to large domestic plants partner with Embamunaigas JSC. Local content level in procurement of goods, works and services amounted to: in goods – 48%, in works – 97%, in services – 98% as of 01.01.2020. All procurement and contracting processes are transparent, processed in electronic format and within the framework of the Rules for procurement of goods, works and services of Samruk-Kazyna JSC posted on the website zakup.sk.kz. The Company's procurement plans and all information about the Company's procurement are posted on the corporate website – zakup.emba.kz. Both resident and non-resident companies of the Republic of Kazakhstan can participate in procurement.

As part of supporting domestic suppliers, under clause 17 of the Rules for procurement of goods, works and services of Samruk-Kazyna Joint-Stock Company, conditional discounts are applied to the holding's producers, 30% advance payment is provided when concluding agreements with domestic producers. Embamunaigas workers take part in factory and laboratory tests of equipment manufactured by domestic producers to ensure uninterrupted and efficient production process. Thanks to this type of cooperation, participation of diligent producers in procurement supplying quality goods is ensured. We regularly meet with

domestic producers and ensure the give-and-take dialogue with entrepreneurs.

Historically being a city-forming and socially responsible enterprise, the Company provides various types of support to the region and local population, focusing on vulnerable social groups and children suffering from severe diseases.

Last year, on the occasion of the 120th anniversary of Kazakhstani oil, Emba built and put onto the books of the Atyrau University of Oil and Gas a monument to Safi Utebayev, a prominent figure of domestic oil industry, reconstructed stela at the site of historical well Karashungul.

In the anniversary year, our team provided housing for eight large lower-income families in five districts of Atyrau region. Since 2015, the Emba people have provided housing for 21 Kazakhstani families from Atyrau region and East Kazakhstan. In the course of participation in the republican campaign "Arys. Biz birgemiz" last year, thanks to voluntary help of employees, school uniform was purchased and transferred for more than 400 pupils of 16 schools from lower-income families of Arys town who were injured in the explosions. Moreover, about 70 pupils of urban and district schools from vulnerable social groups throughout the Atyrau region were provided with school uniform and footwear using personal funds of the Emba oilmen. Charity fairs have become a good tradition of the Company. In 2019, the Emba team presented New Year gifts to more than 200

children from socially vulnerable groups of Atyrau region. Later, workers of oil production structural units joined the initiative.

In 2020, Embamunaigas JSC will continue its activities to meet the production plan, replenish the oil resource base; optimize production costs; resolve issues related to limitation of existing infrastructure for crude gas processing in OGPO Zhylyoimunaigas and OGPO Zhaiykmunaigas; return unprofitable fields to state ownership; work with low margin well stock.

I am sure that thanks to high skilled and put together team, this year the Company will ensure reaching of the planned indicators set by the national company and implement scheduled projects in order to further develop our historical enterprise!

Chairman of the Management Board
 Embamunaigas JSC
Esen KAIRZHAN

The amount of taxes paid by the Company to the budget of the country and Atyrau region from 2012 to 2019 exceeded 1,072 bln tenge.

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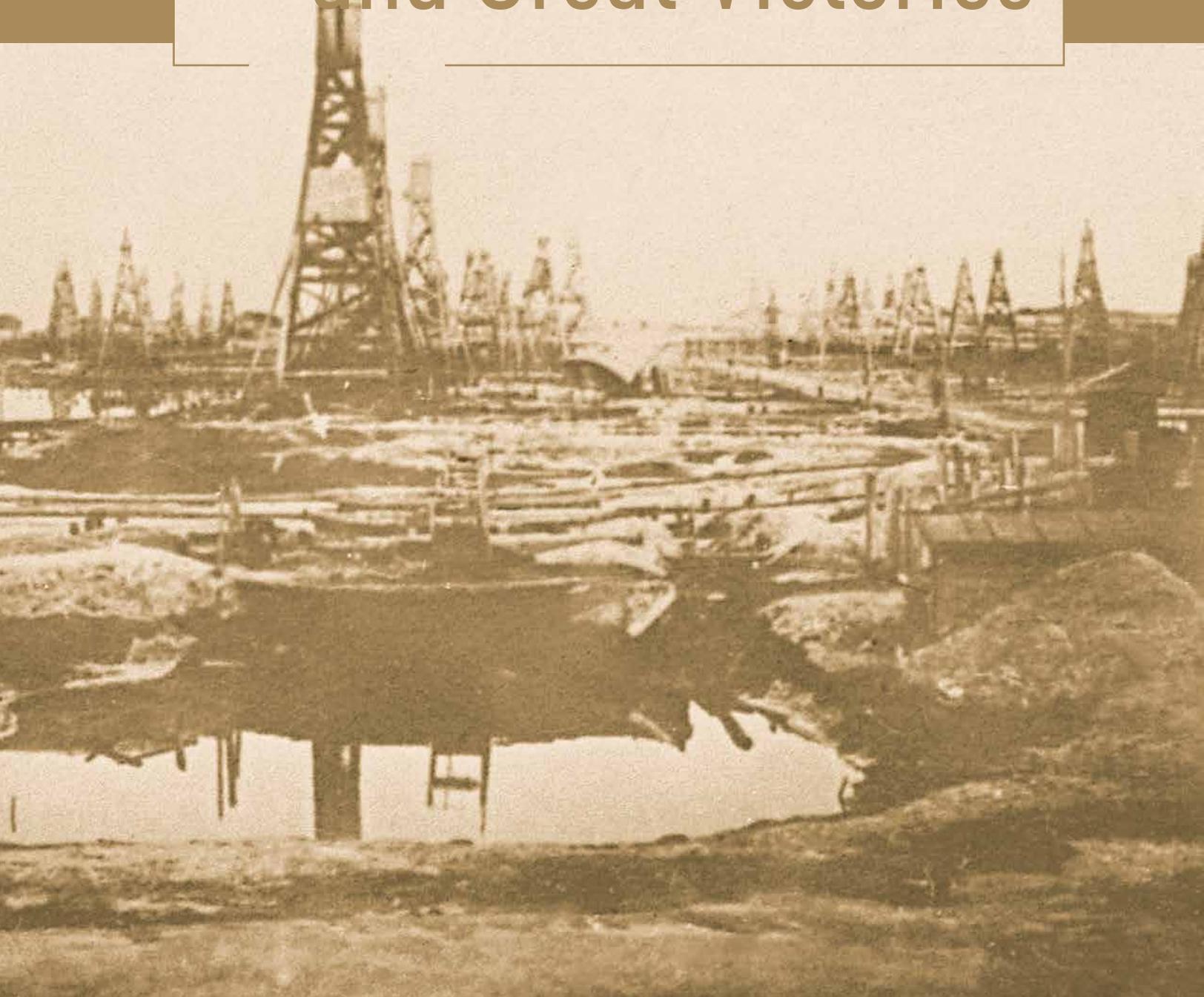
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The Country of the Subsoil Assets and Great Victories



The Kazakhstan Oil is 120 years old: Everything started in Emba

In 2019 the national oil-and-gas industry celebrated the 120-year jubilee. Absolutely this is the remarkable date for all Kazakhstan and for Embamunaigas JSC. There was in the first Emba fields that the glorious future of the Kazakhstan oil industry was built, which is today the locomotive of the country socio-economic development.

The history of the Kazakhstan oil industry begins upon in Atyrau terrain, from the first gush of oil in the well №7 of the Karashungul structure in 1899 (now this is the contract territory of Embamunaigas JSC in Zhylyoyskiy district in Atyrau region).

This event was the result of almost two hundred years of research in this region, starting with the expeditions of Prince Alexander Bekovich-Cherkasskiy, the campaigns of Ivan Buchholz (1671–1741), the companion of Tsar Peter the Great, and other researchers.

According to the historical data, the first oil geological-and-prospecting and exploration works started in the deposit Iskine in 1892. In 1893 in Dossor, Karaton, Makat and Karashungul districts, the intensive exploration drilling developed within the territory, which area is equal to 24,000 square versts.

The drilling logs of those years have the information on 17 wells drilled in Karashungul in 1899. Lake Karashungul is characterized as “no doubt, karst / cave-in lake / the phenomenon, which nevertheless occurred in the South-Eastern wing, of at least two folds, composed of the suite of the alternating layers of gypsum and sandy clays / of gray color / with carbonaceous inclusions, sometimes the bituminous ones”.

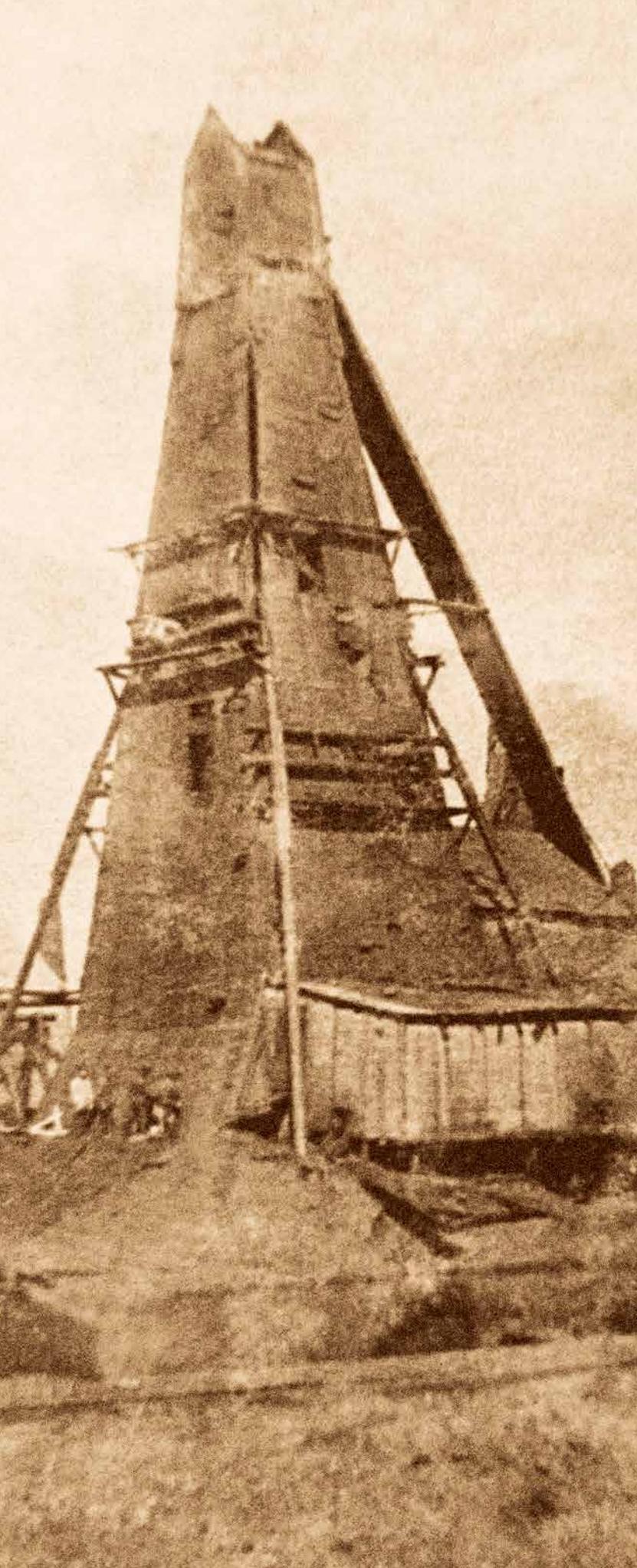
The oil of Karashungul is described as “...very light oil, / specific weight of the freshly mined oil in 2–3 days makes 0.849 /, transparent and prolific in gases”.

There is also the information on 20 wells in Karaton, drilled in 1900, and some wells drilled in 1908. Karaton is characterized as “dome-shaped occurrence of oil-bearing strata”.

In 1908 in Iskine deposit, in the well №5, from the depth 228 meters, the petroleum industrialist Stakheyev obtained the gush of the light oil with daily flow rate near 8 tons. However, the oil-bearing areas attracted the world-wide attention after the large oil deposit was discovered in Dossor in April of 1911, the quality of which by its chemical composition exceeded the one produced in Baku.

In the short span of time, in the region, the “Western-Ural oil society”, “Central-Ural-Caspian society”, “Northern-Caspian oil company” and some others began the oil production, in which, in addition to the British, the investors from Germany, France and Switzerland owned the part of the shares.

Some years after the discovery of the Dossor oil field, the Makat field discovered by Nobel company, produced the first oil in 1915. This event led to the fact that at the turn of 1914–1915, the oil production in these two fields for the first time passes the figure of 200,000 tons.



The revolution and the subsequent civil war constrained the development of the Emba oil fields. Realizing the value of the raw hydrocarbons for the economy of the new state, the army fought the violent battles for the capture of the mouth of the Ural and the Emba. It was necessary to restore the destroyed, partially burned oil fields and the oil production under conditions of complete destruction, shortage of highly qualified specialists, staff turnover due to the lack of food and fresh water, lack of social conditions and epidemics, associated with these factors.

In these years the first head of Emba, Ruvim Friedman, the Board chairman of the oil fields of Ural-Emba region, had to solve the whole complex of the difficult challenges: to restore the oil fields, to construct the infrastructure in the industrial facilities, to provide the oilers and their families with the primary goods, to have responsibility for the health of the inhabitants and the education of children, to fight with the absenteeism and to ensure the discipline in the oil fields.



In those difficult years along with the oil fields development, there was in progress the formation of the Kazakh national specialists in the oil industry. If in the first production fields the Kazakhs worked as unskilled workers, watchmen and cargo delivery men, already in the 20–30 years of the past century the implementation of the program of the indigenization of the workforce started.

According to the prospective five-year plan for qualified workforce preparation in the Ural-Emba district for 1928–1933, in 1928–1929, the number of Kazakhs was more than 30% out of 371 employees, near 46% out of 2,277 operators.

By the 40-s, the ratio of operators in the oil fields is changing in favor of the representatives of indigenous people. Their professionalism is also growing. According to the summary table of the number of Stakhanovites for the “Kazakhstanneftekombinat”, for 182 Stakhanovites of the Dossor department there were 152 (83.5%) employees of Kazakh nationality, in Makat – 242 Kazakhs-Stakhanovites (91% of the total number of Stakhanovites), Iskine – 108 or 97%, Koschagyl – 127 or 88%, Baychunas – 213 or 97%, etc.



Despite the difficulties of the first years, the oil fields production grew steadily. In the second half of the 20-s of the last century, the Emba oilmen began to implement the rotary drilling, that contributed to the development of the drilling operations, to the depth increasing of wells, to the rate of opening and exploration of the oil reservoirs. The rotary drilling in Emba was applied for the first time in the USSR. The Emba oilmen were the first in the USSR and Europe who mastered the super-deep drilling in Dossor and Makat – up to 2,500–2,800 m.

The acceleration of the prospecting and exploration and the opening of a number of fields in the 30-s resulted from the need to create the solid raw material base for the oil- and-gas industry, were created the laboratories, was opened the oil technical college. The construction of the Guryev – Emba – Orsk oil pipeline has begun.



The Great Patriotic War was the severe trial for all the country. The tireless work of the Emba oilmen, who produced thousands of tons of oil and supplied the fuel to the army, was the significant contribution to the victory over the fascism. During the Great Patriotic War, Embaneft did not stop its work for a minute. In these years, Emba produced



the oil by 39% more than during 5 pre-war years. In defiance the difficulties of the wartime, the Sagiz, Zholdybai, Komsomolskoye and Koshkar fields were put into production, the Komsomolsk – Makat and Koshkar – Sagiz oil pipelines were laid, and the steam power plant was built at Kamyskul.

The great demand for the high-quality fuel during the war and post-war years gave the powerful impulse to the development of the national oil production and petroleum refining industry in total. The Guryevskiy petroleum processing plant was built. The oilmen of Kazakhstan were first who mastered the secondary method of the oil production in the USSR. The Munayly, Bekbike and Karaton fields were put into operation. The method of drilling with hydraulic turbine downhole motor was acquired.

And since 1945, the Embaneft trust, transformed into the production enterprise “Kazakhstanneft”, included all the oil industry enterprises that operated after the war in the territory of the Kazakh SSR.



The 50-s period was marked by the active geological exploration, due to which were open the new deposits: Terenozek, Tazhigali, Tules, Kara arna etc. These years the oil production in Kazakhstan reached the level of 1 million tons per year.

In the 60-s the high-speed turbine drilling was implemented, and the technical capabilities of the drilling rigs increased significantly. There were open and put into development the deposits Karsak, Prorva, Martyshi, Tanatar, Kamyshtovoye South-Zapadnoye, Kenkiyak.



During its entire long and glorious history, the oil country of Emba has accumulated the large amount of information and the wealth of the experience in the theory and practice of the geological research and the oil production. The generations of the talented Kazakhstani oilmen and managers have grown up here. The Emba geologists discovered the largest raw hydrocarbon deposits in the territory of Western Kazakhstan – Tengiz, Uzen, Mangyshlak, Prorva, Kenbai, etc.

All the company achievements are the merit of its managers and of the ordinary oilmen who, despite the difficulties, due to their strength of purpose and selfless work, were creating the well-being of the future generations. Among these people are Safi Utebayev, Bulekbay Saguinaliyev, Zholdaskali Dosmukhambetov, Makhambet Batyrbayev, Naif Kamalov and many others.



The basis of the company stability is the labor dynasties. Today, Embamunaigas employs the representatives of more than twenty dynasties, which three or more generations linked their

lives with the difficult profession of an oilman. The total work experience of some of them exceeds 200 years. Among them are the dynasties of Zhylykshiev, Kurmankulov, Torekhanov, Saliyev, Kulbaliyev, Bekmurziyev, Ondashev, Beshimov, Korpebayev, Ualiyev, Bisenbayev, Zhakashev, Aidarbekov, Rayimberguenov, etc.

Due to the labor dynasties, the Company preserves the continuity of generations, supports the family inheritance of the profession and passes on the invaluable experience, the respect for labor and the pride in their profession are raised in the younger generation.

It should be remembered also the contribution of people who, not being an oilman by profession, offered their labor mite to the development of the industry. Among them are power engineers, suppliers, automation engineers, heavy equipment drivers, servicing employees, medical staff and many others.



Today, Embamunaigas Joint Stock Company is a modern oil company that carries out the geological exploration, the development of the oil-and-gas fields, the production and the preparation of oil and gas. In the production activity of Embamunaigas joint stock company the main priorities are the safety of the staff and of the operations. In this area the company has achieved zero mortality and accidents indicators.

In order to determine the strategic directions for the further development of the Company, in 2018 was adopted the Concept for development of Embamunaigas JSC for the next 10 years. In the future, Emba is the highly efficient oil-and-gas company with majority state participation that meets the highest safety standards, has the highly qualified staff and the cost-efficient resource base that ensures the long-term development.



Video
120th
anniversary
of the
Kazakhstan oil
in Atyrau







Company's Profile

01

Company's Profile

Embamunaigas Joint-Stock Company (hereinafter referred to as the Company) was founded in the Republic of Kazakhstan on February 27, 2012 as a result of the implementation of the decision of the Board of Directors of KazMunayGas Exploration Production JSC (hereinafter referred to as KMG EP) to establish new subsidiaries on the basis of production branches of KMG EP. The Company began its production activities on October 1, 2012, after obtaining subsoil use rights from KMG EP under contracts for the production and exploration of hydrocarbons, as well as assets and liabilities of Embamunaigas production branch.

KazMunayGas National Company JSC (KMG NC) is the trustee of 100% of the shares of KazMunayGas Exploration Production JSC in Embamunaigas JSC. KMG NC represents state interests in the oil and gas industry of Kazakhstan and is fully owned by Samruk-Kazyna National Welfare Fund JSC (Samruk-Kazyna NWF), which in turn is fully owned by the Government of the Republic of Kazakhstan (the Government).

The Company is engaged in the exploration, development, production and export of raw hydrocarbons. The Company's main operating oil and gas activity is performed at oil and gas assets located in Atyrau region of the Republic of Kazakhstan.

Development of oil fields included in the Company lasts for more than 100 years. The official history of the Company started in 1922 – since the establishment of Embaneft Trust for the development of the Dossor and Makat fields. On October 1, 2012, Embamunaigas was transformed into a joint-stock company after eight years as a production branch.

The Company supplies the produced oil for export and to the domestic market. Oil is supplied to the domestic market at oil refineries of Kazakhstan. Oil is exported via two main routes, such as the pipelines of the Caspian Pipeline Consortium (CPC) and Uzen – Atyrau – Samara

(UAS). The marketable gas is sold via the oil and gas national provider of the Republic of Kazakhstan – KazTransGas JSC.

Embamunaigas JSC has six structural units located in Atyrau and in four districts of Atyrau region: production structural units Zhaiymunaigas, Dossormunaigas, Kainarmunaigas, and Zhylyoimunaigas; and divisions Embamunaigenergo and Equipment Procurement and Maintenance (EP&M).

Embamunaigas JSC has 46 fields with residual oil reserves in categories A+B+C1 (oil-in-place/recoverable oil) of 470.6/85.6 mln tonnes. The average depletion of reserves is 70%.

Embamunaigas JSC operates in accordance with international standards ISO 9001, ISO 14001, OHSAS 18001, ISO 50001.

Business model

Data is provided as for the end of 2019

Our capital

Financial capital



Assets **410.2** billion tenge

Capital **297.2** billion tenge

Profit **450.9** billion tenge

Production capital



The subsoil use

8 contracts

85.6 mln tonnes of oil (ABC1)

or

35 mln tonnes of oil (2P) – total volume of reserves

46 deposits

2.8 mln tonnes of oil is the annual mean extraction

Experienced personnel



4,928 employees

More than **20** family dynasties

694 young professionals aged under 33 years

Advantageous geographical location



The Caspian depression which has a high potential for the discovery of the new oil and gas fields (near 65% of the hydrocarbon resources in the RoK)

Operating model

Mission / Vision / Values

OPERATIONAL PROCESSES

Geological exploration



Oil production



Gas production



Sales



Investment



STRATEGIC
MANAGEMENT

CORPORATE
MANAGEMENT

RISK
MANAGEMENT

27

55

81

FOREIGN ECONOMIC FACTORS

Average exchange rate
382.87 (tenge per 1 US dollar)

Increase by **11%**

Rate of inflation in
Kazakhstan – 5.75 %

Increase by **0.75 p.p.**

Average price of Brent
(DTD) – 64.21

Reduction by **10%**

The carrying out of the active geological exploration works contributes to the formation of the competitive reserves base

In the producing fields the Company carries out the oil production and intensifies it through the implementation of the new technologies in order to increase the oil recovery factor

The company upgrades the existing processing plants of the associated gas and constructs the new ones in order to produce the commercial gas, methanol, diesel fuel using the GTL technology

The export makes 93% of sales and the domestic consumption makes 7%

The company carries out the active investment operations to overcome the restrictions and to achieve the strategic goals

Value creation for the stakeholders

Shareholder

p. 37

Net profit
101.4 bln tenge

ROACE
33%

EVA
172.8 mln US dollars

Oil production
2,899.7 thous. tonnes

EBITDA
430.2 mln US dollars

CAPEX
40.2 bln tenge

State

p. 50

Taxes except the Corporate income tax p.a.
160.1 bln tenge

Income tax p.a.
30.3 bln tenge

Staff

p. 85

Social payments to the employees p.a.
1.04 bln tenge

Staff turnover
2.9%

Remuneration of the employees
51.4 bln tenge

350 employees participated in the modular training programs

Expenses for security and occupational safety
1.3 bln tenge

700 young specialists are part of the Youth Council

Local communities

p. 94

Allocated for the infrastructure development in Atyrau region
126.5 bln tenge

The proportion of the local content in the procurement
91%

ISO International standards 9001, ISO 14001, OHSAS 18001, ISO 50001.

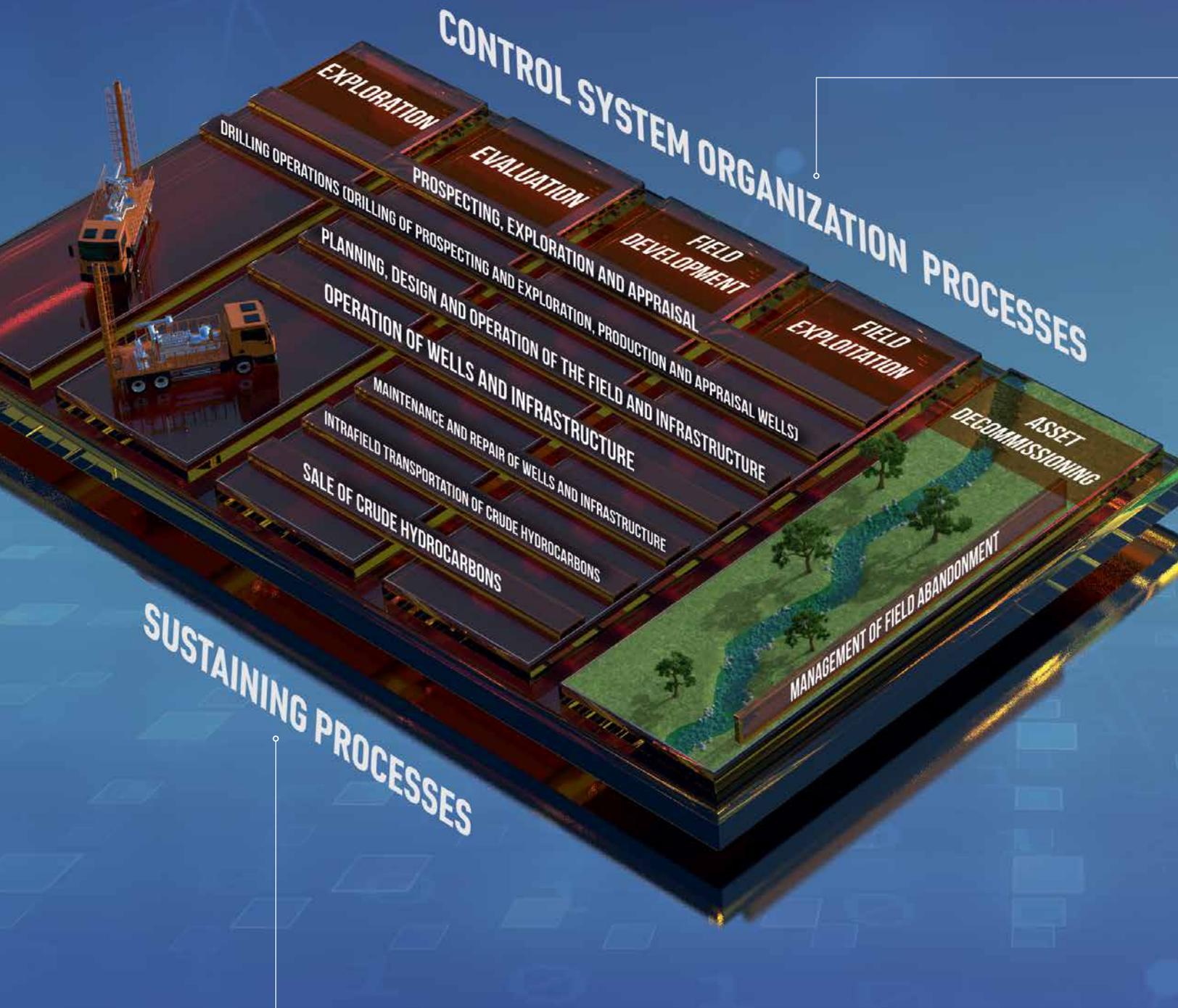
During the year
41 students received the dual training

Energy Efficiency Index
0.050 toe/t.

90% level of the associated gas utilization

38 ha of the historically contaminated territories were cleared over the year

Business Map



The Company is engaged in the exploration, development, production and export of raw hydrocarbons. The Company's main operating oil and gas activity is performed at oil and gas assets located in Atyrau Region of the Republic of Kazakhstan.

CONTROL SYSTEM ORGANIZATION PROCESSES

- Strategy Management
- Production Planning, Budgeting and Investment Analysis
- Asset Portfolio Management
- Performance and Quality Management
- Internal Audit
- Risk Management and Internal Control
- Stakeholder Relation Management

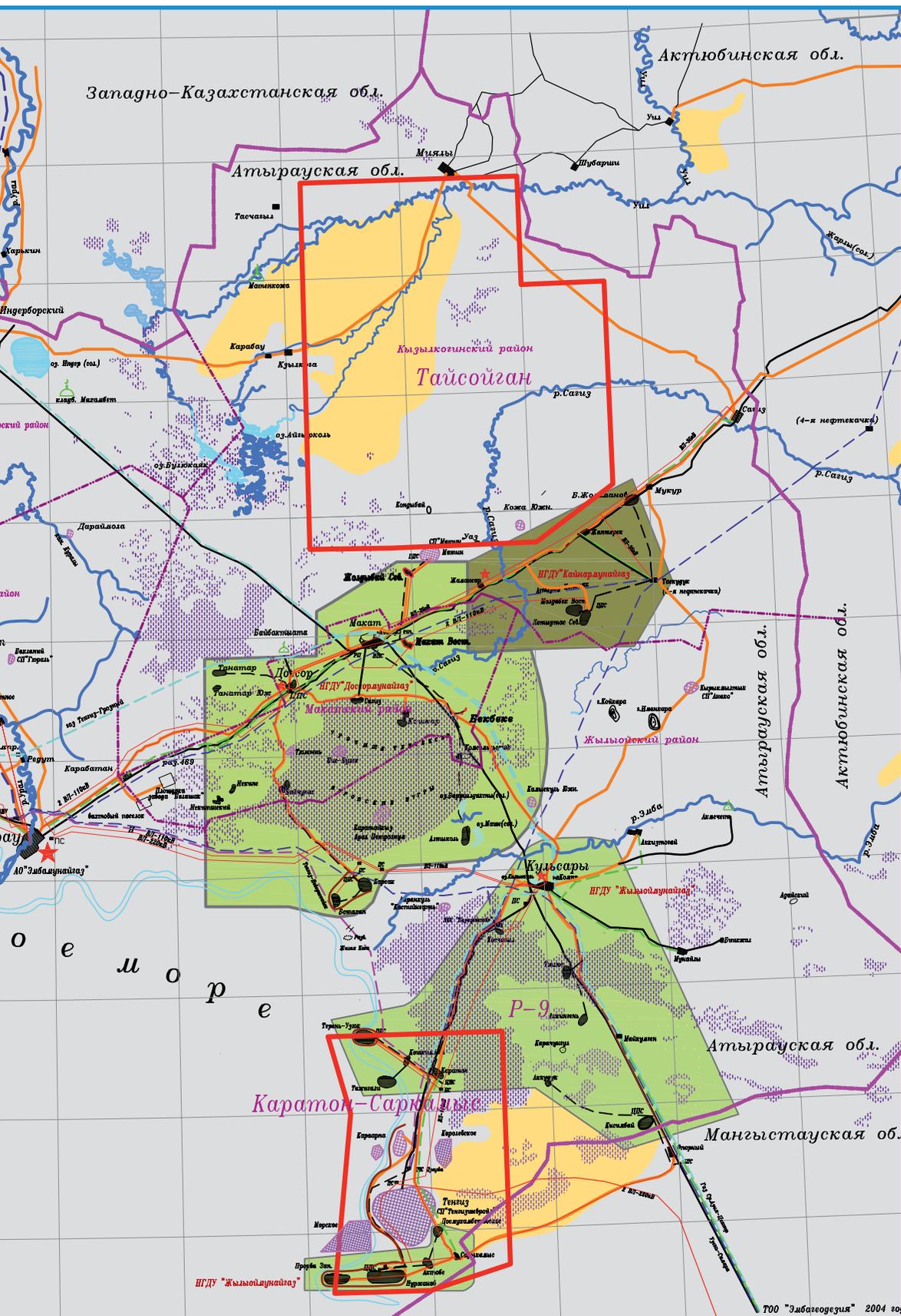
SUSTAINING PROCESSES

- HR. Personnel Management
- HSE
- Finance Management
- Legal Support
- Procurement Management
- Production Automation and IT Management
- Data Management
- Innovative and Technological Development Management
- Corporate Governance
- Administrative Operations

Geographic Reach

Обзорная карта
района деятельности
АО "Эмбаунгаз"
Масштаб 1:500000





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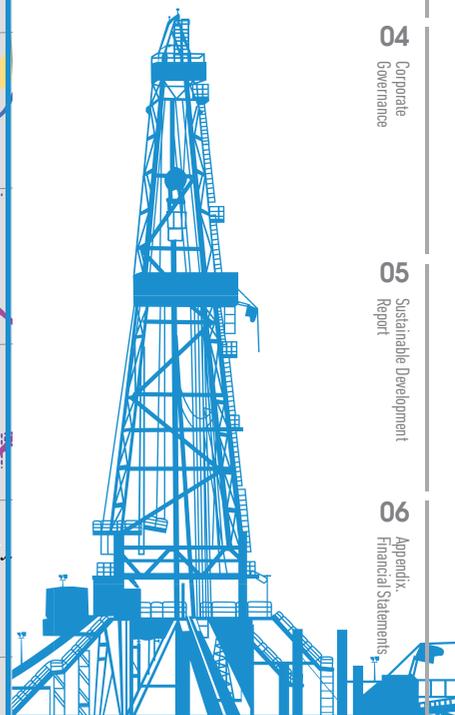
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Development Strategy 02



Development Strategy

Embamunaigas JSC is a highly efficient oil and gas Company with majority state interest, meeting the highest safety standards, with highly qualified personnel and a profitable resource base ensuring long-term development.

**OUR
VISION**

We produce oil and gas in order to ensure stability for employees and efficiency for the shareholder by balancing social and business interests well.

**OUR
MISSION**

Human life is our absolute value. Ensuring the safety of life and health of our employees through the introduction of a safety culture for themselves and their colleagues. An employee who comes to work must return home safe and sound.

Making it through. The Company is committed to achieving the stated results and goals. We value result-motivated employees.

Careful attitude to the motherland and the Company. The Company appreciates the environmentally friendly employees and those taking care of Company's assets.

Expertise. The Company creates conditions to improve the expertise of its employees. We value employees seeking to acquire new knowledge and create equal conditions for career growth.

Ethics and respect for the individual. The Company is committed to creating a culture of relations based on mutual respect and trust.

**OUR
VALUES**

Development Strategy [continued]

Strategic Priorities

Strategic Priorities

The Board of Directors of Embamunaigas JSC approved the Development Concept of the Company until 2027. The Concept was developed in accordance with strategic documents of the Republic of Kazakhstan, including the Development Strategy of the Republic of Kazakhstan 2050, the “Digital Kazakhstan” State Program and the development strategy of KazMunayGas National Company JSC.

The development concept defines a set of rules and principles that guide the Company in making decisions and which, in its opinion,

define successful development of the business. This document is the basis for elaboration of subsequent program documents, forecast financial and economic models (business plans), risk management system, annual budget of the Company, as well as in formation of the portfolio of the Company’s projects, including investment projects.

According to the Development Concept, the main strategic priorities of the Company in decision making are as follows:

Profitability

as an essential condition for the existence of the Company.

Energy efficiency.

When choosing technologies for new and existing projects, the Company will give priority to the use of energy efficient technologies.

Environment.

Rational use of subsoil and reduction of adverse environmental impact. With the growth of production, the Company is introducing new technologies that reduce the adverse environmental impact.

Social stability.

Ensuring the employment of the Company’s employees through the rational distribution of staff for current and new projects.

Automation of production.

Improving performance and occupational safety.

The implementation of the Development Concept of Embamunaigas JSC will allow the Company to make a significant contribution to the economic development of the region and confidence in the future for a team of many thousands.

Development Strategy [continued]

Advantages of the Company

Advantages of the Company

Field experience at the last stage of operation.

Over a long period of time, the Company has been steadily maintaining the production bar of 2.8 mln tonnes despite depletion of fields.

Put together team. Trust and mutual understanding between the management and employees of the Company.

Stable financial position and high liquidity.

Favorable geographical position. The Company operates in the Caspian Depression, which has a high potential for discovering new oil and gas fields (about 65% of crude hydrocarbon in the RoK) and a developed oil transportation infrastructure.

Strategic Lines of Activities

The priority line of activities of the Company is the formation of a competitive resource base supporting the stable and long-term (more than 25 years) development of Embamunaigas JSC to provide employment and create shareholder value through:

- conducting exploration operations under existing and new contracts,
- conducting additional exploration at existing fields, and
- acquiring new assets.

The Company produces oil and intensifies production at the operating fields through the introduction of new technologies to increase the oil recovery factor (ORF).

In order to ensure the continuous production processes, the Company develops oil service processes aimed at increasing the time between overhauls (TBO) of wells, increasing the operation factor of the special-purpose equipment fleet and providing comfortable living conditions for personnel.

The utilization of associated gas generated in the process of oil production is a prerequisite for the environmental friendliness. In addition,

the portfolio of investment projects of the Company contains projects for the exploration and production of gas fields. Thus, the Company considers the development of the gas business as a promising direction, including measures to upgrade the existing and build new associated gas processing plants to produce marketable gas and other products. In addition, the Company implements measures for the construction of gas piston power plants (GPPP) in order to generate its own electricity. The Company will use the products for its own needs as well as for sale in the domestic market

In order to maintain the production and social infrastructure at the fields, the Company builds and repairs highways, solves the problems of staff accommodation and meals, and ensures the rational use of economic infrastructure facilities.

In order to ensure the stable development of all business lines, the Company pays great attention to the development of occupational health and safety, HR and production automation.

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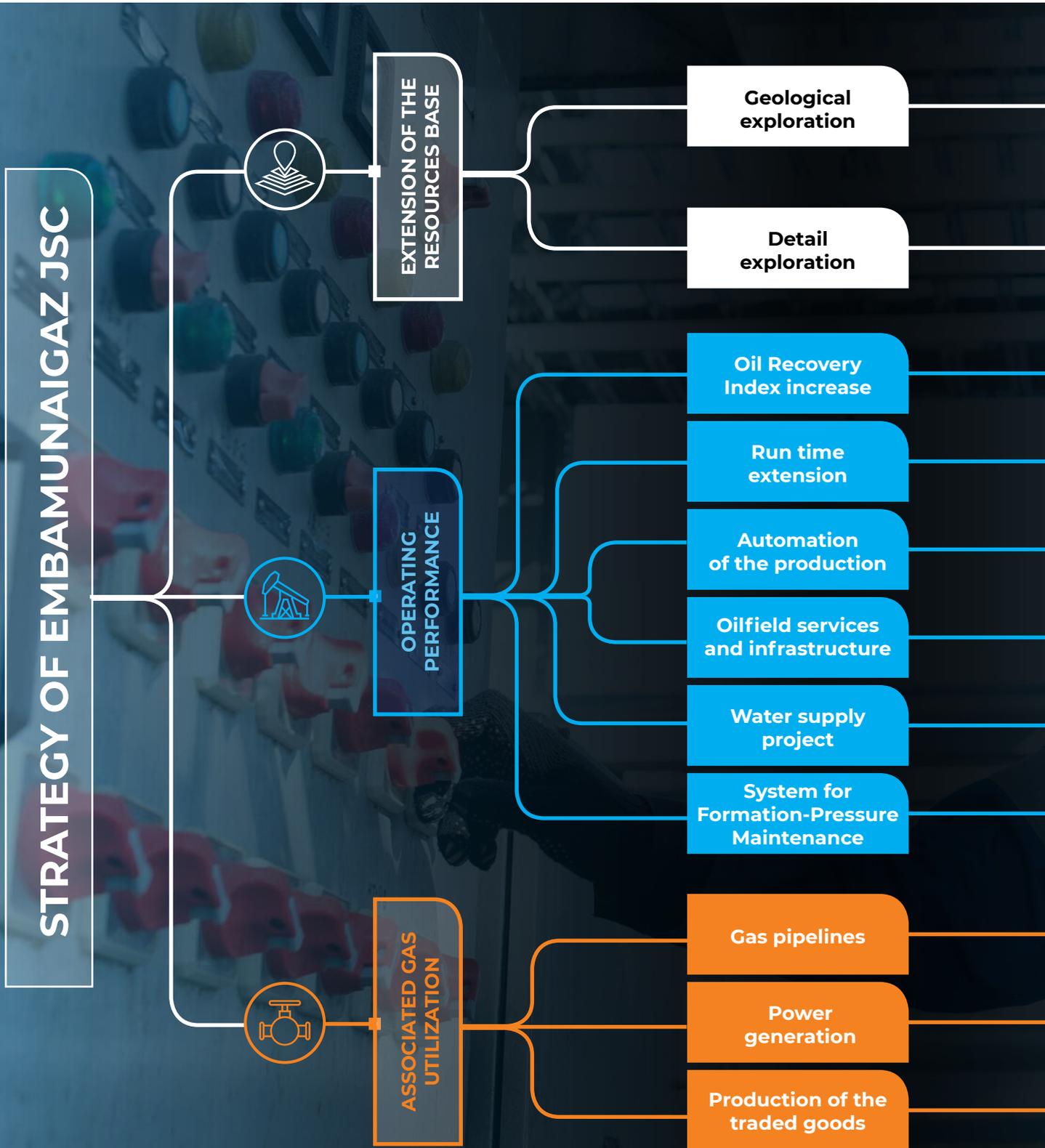
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Tree of objectives of the strategic projects



Exploration of Zhaiyk site

Geological survey in Emba 5 site

Exploration of Karaton-Sarkamys site

Exploration of Taisogan site

Transfer C2 reserves in C1

Detail exploration of the unopened layers

Polymer waterflooding technology replication

Utilization of technology on the high-viscosity oil fields development

New approaches for the organization of the oilfield operations (leasing of equipment, tools, repair works carrying out)

Replication of the project "Intellectual deposit"

Realization of the program of the heavy equipment fleet renewal and the wheeled transport transfer to the outsourcing

Realization of the project of the transportation provision automation

Water supply organization for the oil facilities of the Prorva group deposits

Realization of the program on the improvement of the system for formation-pressure maintenance

Construction of the gas pipeline of the Complex Gas Treatment Unit "Prorva" from GMP "Tolkyn" up to the system "Intergas Central Asia"

Construction of the gas pipeline of the "Gas Treatment Unit v. Balgimbayev - v. Tumannoje"

Gas engine generator station installation for the proper power production

Modernization and reconstruction of gas plants and units, output of the new products out of the oil-associated gas

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Development Strategy [continued]

Interim Results for 2018–2019 | Increase of Resource Base

Interim Results for 2018–2019

Increase of Resource Base:

GPE:

1. **Geological survey at Emba-5** – works are completed, contract territory transferred to the State
2. **Contract 3577 (for the Karaton pre-salt complex)** – under implementation (currently, seismic data dynamic interpretation is underway)
3. **Contract 327 “Exploration and production of crude hydrocarbons at the Taisoigan block”** – under implementation (structural and dynamic interpretation is underway)

Further Exploration:

Within the framework of the tasks determined by the Development Strategy of KazMunayGas National Company JSC and the Company's Development Concept, Embamunaigas JSC successfully carries out systematic work to replenish the oil and gas resource base by conducting geological prospecting in exploration areas and further exploration of existing fields. In 2019, as a result of comprehensive work in this direction, a significant increase in reserves in the amount of 14.8 mln tonnes was ensured.

According to the results of the year, the remaining recoverable reserves of Embamunaigas JSC as of 01.01.2020 amounted to 86.2 mln tonnes as

compared to 74.3 mln tonnes as of 01.01.2019. In 2019, the RoK State Commission on Mineral Reserves reapproved and additionally put on the books oil reserves for the existing fields S. Nurzhanov, Kenbai (Eastern Moldabek site), Dosmukhambetovskoye, Botakhan and the newly discovered Western Karasor field.

Large-scale 3D CDPM field seismic survey work on the Taisoigan site, Kyzylkoginskiy region in the amount of 5,600 sq. km are completed. Processing and interpretation of obtained 3D CDPM data is currently being carried out, based on which promising structures will be prepared for setting up exploration drilling.

Embamunaigas JSC applies modern approaches and technologies for production of remaining oil reserves. One of these technologies is horizontal wells development, which shows higher efficiency than vertical ones. In 2019, 5 horizontal wells were drilled at Emba. 4 currently operate and provide good oil production rates and 1 well is being tested. The Company further plans to drill horizontal wells in highly viscous layers lying at a vertical depth of up to 300 m and annually increase the share of horizontal wells in production drilling.

Development Strategy [continued]

Interim Results for 2018–2019 | Operating Efficiency

Operating Efficiency:

The Company continues systematic work to increase efficiency of production activities. The annual plan of organizational and technical measures to fulfill the planned indicators of oil production was successfully implemented. At the end of 2019, overhaul life has increased.

In 2019, thanks to the implemented cloud solutions for the project of using special-purpose equipment in real time, Embamunaigas JSC switched to single fleet management system. Consequently, consumption level of fuels and lubricants were reduced, vehicle metering was automated, accuracy of calculating cost price of expenses was enhanced, losses at production sites were minimized by reducing waiting time

of special-purpose equipment for repair work. As of today, the solutions have been implemented in six units of the company, and integration with existing IT systems has been carried out. As a result of the project, organizational structure was revised, changes to internal procedures and the accounting system were made, efficiency of using the fleet was increased, IT solutions-based single integrated information environment was created, which allowed solving several problems at one stroke: ensure transparency of management, control and accounting processes; reduce time for preparing regulatory and management reporting, increase data reliability and minimize human factor impact.

Utilization of Associated Gas:

By commissioning of the associated petroleum gas treatment unit of the Prorva group of fields,

the Company significantly reduced the volume of associated petroleum gas burned.

Strategic Indicators

KPI	UoM	2018 (ACTUAL)	2019 (PLAN)	2019 (ACTUAL)	2020 (PLAN)	2022 (PLAN)	2027 (PLAN)	2032 (PLAN)
Reserves	mIn tonnes	74.30	77.009	86.6235	85.820	202.64	184.68	146.24
Production output	mIn tonnes	2.9	2.9	2.9	2.8	3.99	3.15	11.3
Lifting costs	tenge/tonne	23,000.44	26,981.68	24,458.14	30,868.58	–	–	–
Headcount	ppl	4,942	5,222	4,928	5,150	5,100	5,060	–
ROACE	%	27%	25%	33%	17%	>WACC	>WACC	>WACC
EBITDA	mIn USD	337.7	376.8	430.8	265.6	384.1	248.3	1,840.7
EVA	mIn USD	139.21	103.1	172.8	42.8	>0	>0	>0

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Development Strategy [continued]

Key Risks

Key Risks

In order to manage risks, the Company has developed and approved risk management documents and procedures. The Company identified the following key risks in implementing the Development Concept and risk mitigation measures:

No.	Factors	Potential impact	Mitigation measures
1	Decreased production at fields that are in the final stages of development due to the high cost of production	Reduced production volumes	Increased reserves due to exploration operations and M&A transactions
2	The high level of geological risks due to the depth of the promising layers of the pre-salt Karaton project	Decreased Company's value	A strategic partner recruitment
3	Reduced investment potential for financing projects due to the shareholder withdrawing a significant amount of dividends	No increase in reserves and production rates	The Concept approved by the shareholder (including the investment and dividend policies) as well as business plans for investment projects.
4	Reduced oil prices (below baseline)	Reduced Company's earnings	Search for business cost reduction initiatives
5	Negative change in the economic macroparameters of Kazakhstan (KZT-to-USD exchange rate, inflation rate)	Reduced Company's value, increased costs	Developed and implemented measures to optimize the Company's tax policy
6	The risk of unauthorized strikes	Break of continuous operation	Weighted policy on process outsourcing Prompt implementation of staff retraining programs. Monitoring and analysis of the social climate in the Company





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Management Report

Business Environment Review

The main macroeconomic factors affecting the financial position of the Company include the dynamics of oil prices, inflation rates, fluctuations in exchange rates, in particular, the KZT-to-USD exchange rate.

Key Macroeconomic Indicators Dynamics

Name	2016	2017	2018	2019
Average Brent price (DTD)	43.73	54.19	71.31	64.21
Inflation rate – Kazakhstan (%)	8.50%	7.10%	5.00%	5.75%
Average exchange rate (KZT to 1 USD)	342.16	326	344.71	382.75

The average Brent price in 2019 decreased by 10% compared to the level of 2018. Besides fundamental economic factors (supply and demand), the oil market is extremely sensitive to geopolitical events. Currently, the oil market can be affected by several key geopolitical confrontations, both in the direction of increasing and decreasing oil prices: trade war between the USA and China, Brexit, sanctions against Iran and Venezuela, the US presidential election 2020, the Middle East (Syria, Yemen) instability, India – Pakistan armed conflict.

Around 55 tln barrels of oil equivalent of hydrocarbon reserves have been discovered in the world. Existing technologies allow producing around 4.9 tln o.e. barrels. With advances in technology, by 2050, technically recoverable reserves can grow by 50% – this is one of the reasons why Embamunaigas JSC place high emphasis on development of new technologies and innovations.

According to the RoK Ministry of Energy preliminary data, the volume of oil production in Kazakhstan in 2019 amounted to 90.4 mln tonnes. Thus, the record rates of 2018 were maintained, when production rates reached 90.36 mln tonnes. Maintaining high production rates is a significant achievement, given repairs carried out on large projects (Tengiz, Karachaganak and Kashagan).

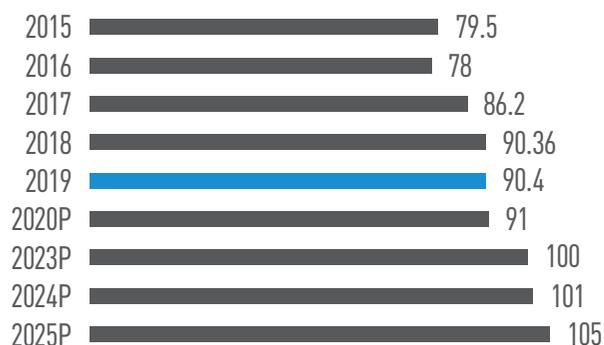
By 2025, the annual oil production in Kazakhstan is expected to reach 105 mln tonnes, which will be ensured primarily by investment projects to expand and extend production at largest projects.

According to preliminary data, gas production in 2019 amounted to 56.3 bln cubic meters, or 1.4% to 2018. According to the RoK Ministry of Energy, the volume of domestic gas consumption is annually growing at the level of 4–5%. In 2019, domestic gas consumption amounted to 15.8 bln cubic meters (5% increase as compared to 2018).

Management Report [continued]

Operating Results | Oil Production

Oil Production in Kazakhstan, mln tonnes



Source: RoK Ministry of Energy

Operating Results

Oil Production

In 2019, the volume of oil production exceeded the planned value by 4.69 thous. tonnes and also exceeded the level of 2018 by 4.36 thous. tonnes, which was no less significant. In total, 2,899.69

thous. tonnes were produced in 2019. The average daily oil production amounted to 7,932 tonnes per day. The plan for 2020 is set at the level of 2,820 thous. tonnes.

Oil production within Embamunaigas JSC, thous. tonnes

OGPO	2014	2015	2016	2017	2018	2019		2020	
	Actual	Actual	Actual	Actual	Actual	Plan	Actual	Var.	Plan
Zhaiymunaigas OGPO	962.6	960.3	954.2	953.7	944.2	922.0	923.3	1.3	881.0
Zhylyoimunaigas OGPO	964.5	962.6	989.1	1,034.9	1,109.9	1,118.6	1,120.4	1.8	1,100.7
Dossormunaigas OGPO	404.7	411.8	404.3	371.5	366.5	365.3	365.8	0.5	358.1
Kainarmunaigas OGPO	490.9	488.4	484.4	479.9	474.8	489.1	490.2	1.1	480.2
Embamunaigas JSC	2,822.7	2,823.0	2,832.0	2,840.0	2,895.3	2,895.0	2,899.7	4.7	2,820.0

Management Report [continued]

Operating Results | Associated Petroleum Gas Production

Associated Petroleum Gas Production

Associated petroleum gas is produced at 25 fields of Embamunaigas JSC.

Associated petroleum gas production, thous. m³

Indicators	2017	2018	2019		2020	
	Actual	Actual	Plan	Actual	Var.	Plan
Zhaiykmanaigas OGPO	24,858.2	30,035.0	37,490.8	37,594.7	103.9	28,984.4
Zhylyoimanaigas OGPO	146,834.4	163,878.6	194,379.5	194,465.0	85.5	168,053.5
Dossormanaigas OGPO	19,709.4	19,116.9	19,164.3	19,197.7	33.4	18,584.5
Kainarmanaigas OGPO	8,353.7	8,197.8	8,892.5	8,916.0	23.5	9,042.1
Embamunaigas JSC	199,755.6	221,228.4	259,927.1	260,173.4	246.3	224,664.5

Geological Exploration

Seismic exploration

As part of the state geological study of the subsoil, 2D CDPM seismic surveys were conducted at the Emba-5 site of the Aktobe region, processing and interpretation of obtained data were completed. Besides that, works on the long-term contract "Building geological model based on retrospective seismic data in the subsoil use areas of Embamunaigas JSC with the application of Multifocusing technology" were completed.

3D CDPM field seismic exploration at the Karaton-Sarkamys and Taisoigan Exploration Blocks, were conducted. Currently, processing and interpretation of the data is being carried out. Also, works on re-processing and re-interpretation of 3D CDPM data at the Zhanatalap field were completed.

Prospecting and exploratory drilling

Under Contract No. 327, in 2019, 7 wells were drilled, of which 4 appraisal wells, 2 pre-drilled-producing

wells of the Northern Uaz field and 1 appraisal well No. 101 of the Uaz field. Based on the drilling and testing results, oil free flows were obtained in 4 wells. Under Contract No. 3577, the NSV-11 well is being drilled at the S. Nurzhanov field.

Research and development

In 2019, current estimation of oil and dissolved gas reserves of the Western Karasor field was carried out. The oil and gas reserves of the Botakhan, Dosmukhambetovskoye, Kenbai and S. Nurzhanov fields were re-estimated.

The project of trial operation of the Western Karasor field and the Addendum to the Exploration Project at the Karaton-Sarkamys block with drafts of Preliminary assessment of the environmental impact of the proposed activity have been agreed with the Central Commission for the Exploration and Development of Minerals of the Republic of Kazakhstan.

Management Report [continued]

Operating Results | Capital Expenditures

Capital Expenditures

The Company carries out active investment policy aimed at implementing the investment potential. All investments are made in accordance with the Strategic priorities, and are aimed at overcoming limitations of the Company and achieving its strategic goals.

In 2019, capital expenditures of Embamunaigas JSC amounted to 40.2 bln KZT. Last year, 36% of CAPEX accounted for production drilling, 28% for construction operations, 21% for the acquisition of fixed assets and 10% for prospecting and exploration drilling.

Capital expenditures, mln KZT

Investment items	2015	2016	2017	2018	2019
Construction operations	10,685	30,989	12,618	13,920	12,132
FA and IA purchase	5,564	3,536	8,375	12,175	8,982
Production drilling	9,213	8,253	8,632	9,306	14,331
Prospecting and exploration Drilling	2,163	4,620	8,118	8,158	3,832
Other	549	1,271	304	641	885
Total, CAPEX	28,174	48,669	38,047	44,201	40,162

Sale

Oil sale

In accordance with the current legislation of the Republic of Kazakhstan, Embamunaigas JSC is obliged, as a matter of priority, to transport oil in the direction of AOR and PO CR in order to saturate the domestic market with oil. Oil can be transported for export upon fulfillment of obligations on oil supplies to the domestic market. RoK Ministry of Energy determines the amount of oil for processing and transportation on the territory of the RoK and beyond in the volumes

necessary to cover the needs of the domestic market in fuels and lubricants.

In 2019, the Company supplied 503.3 thous. tonnes of oil to the domestic market, which is 17.51% of the total sales for the year. Supply to the domestic market is carried out by direct sale with transportation to the RoK refineries, where the only buyer of oil from the resources of the Company is KazMunayGas NC JSC.

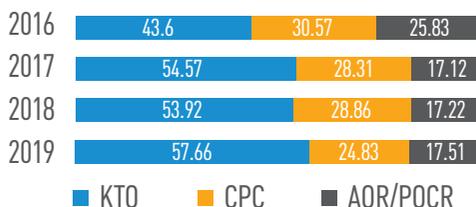
Volume of Oil Sales by Directions, thous. tonnes

Direction	2015	2016	2017	2018	2019
KTO	1,571	1,226	1,526	1,546	1,658
CPC	766	860	792	811	714
AOR/POCR	475	726	479	492	503
TOTAL:	2,813	2,811	2,797	2,849	2,875

Management Report [continued]

Operating Results | Sale

Oil Sales Structure by Directions, %



The Company supplies oil for export via two main routes: through the Caspian Pipeline Consortium (CPC) and Uzen – Atyrau – Samara (UAS). The indicated pipelines lead to the seaport of Novorossiysk, Krasnodar Krai, RF, while the CPC direction transports oil to the CPC sea terminal in the Yuzhnaya Ozereyevka village (Novorossiysk, RF), and the direction of the UAS pipeline leads to the Sheskhari transshipment complex (Novorossiysk, RF). After transportation of oil to the terminals is completed, oil is loaded onto tankers for shipment to the world markets. Oil sales on CPC direction in 2019 amounted to 713.6 thous. tonnes (24.83% of total sales). Oil sales on UAS direction for 2019 amounted to 1,654.6 thous. tonnes (57.66%).

Export sales are carried out on the basis of commission agreement with KazMunayGas NC JSC. KazMunayGas NC JSC sells oil from the resources of Embamunaigas JSC, at that, the Company pays KazMunayGas NC JSC remuneration for the sale of oil, and also pays forwarding services in the CPC direction. KazMunayGas Trading AG is the only buyer of oil from the resources of Embamunaigas JSC in two export directions.

Oil transportation from the Company's resources to the domestic market and export is carried out only through the pipeline as part of commission agreement with KazMunayGas NC JSC. KazMunayGas NC JSC on behalf of and under instruction of Embamunaigas JSC concluded oil transportation agreements with pipeline companies (KazTransOil JSC, MunayTas LLP, KCP LLP, CPC-R CJSC and CPC-K JSC).

Sale of marketable gas and granulated sulphur

Embamunaigas JSC prepares marketable gas at two GTUs at S. Balgimbayev, Eastern Makat fields, as well as one CGTU Prorva. In accordance with the current legislation of the Republic of Kazakhstan providing for the pre-emptive right of the state to purchase gas, gas is sold to the national operator (KazTransGas JSC) at a price not higher than that approved by the RoK Ministry of Energy (in 2019, the approved price amounted to 1,930.40 KZT excluding VAT per 1,000 m³).

Volume of Gas Sales, amount, thous. m³



In 2019, the Company sold the first volumes of granular sulfur produced at the CGTU Prorva. Granular sulfur was sold ex-works from the CGTU. Sales volume in 2019 amounted to 224.0 tonnes.

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Production Automation

Production Automation

Embamunaigas JSC implements a wide range of technological innovations in order to achieve the strategic goals of the Company. We develop and support advanced solutions providing higher business efficiency and transparency due to increased employee productivity and lower costs.

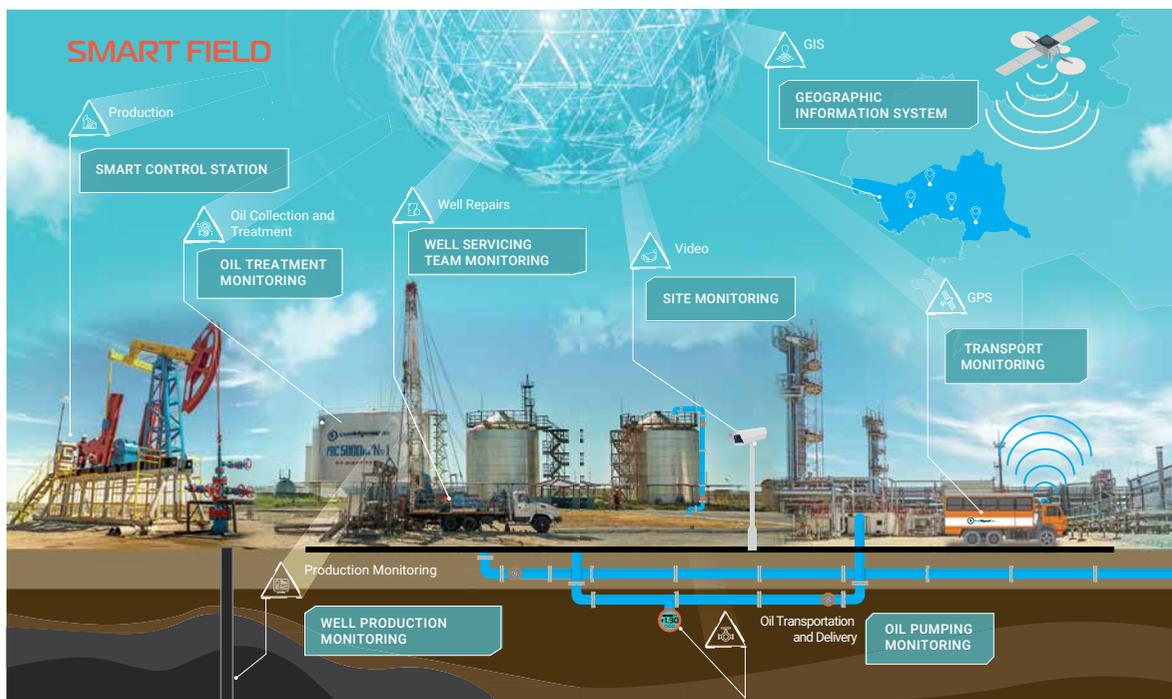
Continuous automation of the main and auxiliary processes, as well as development of security and telecommunications systems, will increase labor productivity and the level of occupational safety.

Key initiatives:

1. Phased implementation of the “Smart Field” pilot project with replication to the fields of Embamunaigas JSC will significantly improve the quality of operational production management by automating real-time data processing; will reduce likelihood of

emergencies with production equipment, will ease working conditions of the production personnel, ensure safety of production equipment by remote control of access to process areas and switchboard rooms.
Timeline: 2017–2023. Implementation costs – about 3.6 bln KZT.

2. Implementation of the project of complex automation of technological processes will reduce energy consumption, perform remote monitoring, ease working conditions, ensure the safety of production equipment, increase the level of safety, will reduce the risk of likelihood of emergencies, provide data protection and communication efficiency.
Timeline: 2017–2023. Implementation costs – about 8 bln KZT.



Management Report [continued]

Production Automation | Science Support

Science Support

Embamunaigas JSC provides strong support to the national science development, for example, in relation to the scientific activities of KBTU JSC (Kazakh-British Technical University). In November 2018, a Memorandum on scientific and technical cooperation was signed between Embamunaigas JSC and KBTU JSC. The Embamunaigas JSC management got acquainted with the promising research of scientists of KBTU JSC and outlined challenging issues associated with improving oil production efficiency.

In December 2018, management of the Company was presented with joint project “Development and testing of new high-efficient polyampholyte dyes for conducting tracer studies of the inter-well space of reservoir layers of Embamunaigas JSC oil fields of KBTU JSC and the Institute of Polymer Materials and Technologies. As a result of which, in January 2019, the Embamunaigas JSC and KBTU JSC signed an Agreement on Development of stable connections for tracer studies with training at the OGP RDC.

The project is aimed at creation and testing of new high-efficiency polyampholyte dyes; development of technology for conducting studies of inter-well space of reservoir layers of Embamunaigas JSC oil fields on the basis thereof; development of a software package for interpreting research results and training of technical personnel of Embamunaigas JSC.

In the course of the project, an original, domestic polyampholyte dye was obtained for the first time, which is resistant to salts, sorption by rocks, and changes in acidity and temperature of the oil level. Polyampholyte dye tests at the laboratory bench at the Institute of Polymer Materials and Technologies and pilot tests at Embamunaigas JSC at two injection and 17

production wells of the Eastern Moldabek field showed its high efficiency. The software package developed by the programmers of KBTU JSC was successfully applied in order to interpret the tracer studies results obtained during the test.

12 specialists of Embamunaigas JSC were trained in working with the software package that allows to determine the reservoir properties of the inter-well space of reservoir layers of oil fields. An application for “Method for producing polyampholyte tracer” invention has been filed.

Technical and economic comparison of the results of the pilot testing showed dominance of the polyampholyte dye in terms of performance over the well-known imported tracer – sodium fluorescein.

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Management Report [continued]

Procurement Activities

Procurement Activities

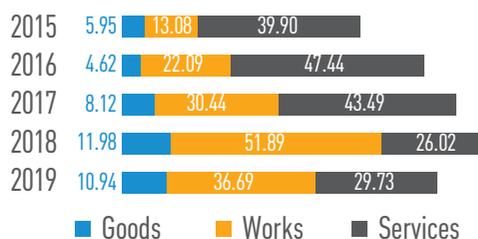
The Company conducts procurement activities in accordance with the Rules for the Procurement of Goods, Works and Services by Samruk-Kazyna National Welfare Fund Joint-Stock Company and organizations with fifty and more percent of voting shares (interest) owned whether directly or indirectly by Samruk-Kazyna JSC, whether as a property or upon trust management. The Rules determine the procedure for customers to purchase goods, works or services at their own expense.

In accordance with the Rules, Embamunaigas JSC gives precedence to commodity producers – members of the Holding's commodity producers register (CPH). In the procurement process, conditional discounts for CPH up to 5% are applied. Beyond that, 30% advance payment is provided when concluding agreements with domestic commodity producers.

In order to support domestic suppliers, the Company is working on local content development in the structure of procured goods and services. The Company meets with domestic

commodity producers, where the Company, in particular, presents its need for goods for the next year, provides a list of goods for which it is necessary to master production in Kazakhstan, gives requirements for suppliers and procurement procedures, etc. Embamunaigas JSC employees participate in factory and laboratory tests, which contributes to the participation of diligent commodity producers in the procurement and supply of quality goods.

Procurement Volume, bln KZT, VAT exclusive



2019 Procurement Volume, mln KZT, VAT exclusive

Name	Amount	Performance, %	LC share
Total procurement plan for 2019	81,390.08	100	
including			
Goods	12,129.86	14.9	
Works	38,257.42	47.0	
Services	31,002.80	38.1	

Management Report [continued]

Financial Review

Name	Amount	Performance, %	LC share
Total procurement under concluded contracts	77,367.35	95.1	
including			
Goods	10,941.45	90.,2	48.0
Works	36,692.14	100.0	97.0
Services	29,733.76	100.0	98.0
Savings under the contracts	3,931.65	4.8	
including			
Goods	1,137.86	9.4	
Works	1,532.74	4.0	
Services	1,261.05	4.1	

Financial Review

This section is based on the audited financial statements of the Company.

Key Financial Indicators, mln KZT

	2019	2018	Variation
Oil production, thous. tonnes	2,875	2,849	0.9%
Receipts (income)	450,945	432,250	4.3%
Cost of sales	-150,631	-136,478	10.4%
Gross income	300,314	295,772	1.5%
General and administrative expenses	14,413	-45,098	-132.0%
Transport and selling costs	-154,562	-155,497	-0.6%
Other operating expenses	-26,189	-2,742	855.0%
Operating income (loss)	133,976	92,434	44.9%
Financial income /(expenses), net	-2,018	-1,882	7.2%
Foreign exchange difference	-1,102	21,868	-105%
Other profit /(loss) net	-889	535	66.1%

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Appendix. Financial Statements

Management Report [continued]

Financial Review | Sales

	2019	2018	Variation
Profit/(loss) before tax	131,746	112,955	16.6%
Corporate income tax expenses	-30,345	-29,566	2.6%
Net profit/(loss) over the year	101,401	83,389	21.6%

Oil sales in 2019 were in line with the targets and high levels of 2018 (1% increase). At that, receipts grew by 4% by 2018 and reached 450.9 bln KZT.

Cost price increased by 10% by 2018. While other expenses significantly reduced, primarily due to restoration of the environmental reserve in the amount of 25.4 bln KZT (34.5 bln KZT was accrued in 2018). At that, in 2018, a significant income from exchange rate differences in the amount of 21.9 bln KZT was received, while as of the end of 2019, there was a loss from exchange

rate differences in the amount of 1.1 bln KZT. In addition to cost price, total expenses reduced by 28% by 2018.

As a result, receipts from operating activities in 2019 was 48% higher than in 2018 and was 50% higher than planned, reaching 137.8 bln KZT. Net profit exceeded the targets by 39.9 bln KZT (or 64.8%) and surpassed the high indicator of 2018 by 22%. As of the end of 2019, net profit reached 101.4 bln KZT.

Sales

Volume of Oil Sales by Directions, mln KZT

Direction	2015	2016	2017	2018	2019
KTO	118,432	126,832	187,983	262,216	289,378
CPC	60,767	92,944	101,250	143,444	129,098
AOR/POCR	17,588	22,281	18,184	26,098	31,953
TOTAL:	196,788	242,058	307,418	431,758	450,429

Average Selling Prices, KZT / tonne

Direction	2015	2016	2017	2018	2019
KTO	75,371	103,473	123,155	169,651	174,577
CPC	79,304	108,137	127,898	176,781	180,907
AOR/POCR	37,000	30,688	37,966	53,009	63,486
TOTAL:	69,958	86,101	109,910	151,527	156,697

Management Report [continued]

Financial Review | Cost

Volume of oil sales in kind increased by 1% in 2019 compared to the 2018 level and amounted to 2,875 thous. tonnes. In monetary terms, the growth amounted to 4% to 450.4 bln KZT. In 2019, in the directions structure, 93% of sales are accounted for by export directions and 7% to domestic ones.

Growth in export directions in monetary terms increased by 3% to 418.5 bln KZT. While growth in the KTO direction amounted to 10%, the CPC direction sales volume decreased by 10%. Relative price stability was also observed in export directions.

In 2019, the volume of domestic sales in monetary terms increased by 22% to 31.95 bln KZT. The cost of a tonne of oil, on average, increased by 20%, and the volume of sales in kind increased by 2%.

Cost

Cost Analysis, mln KZT

Indicator	2018	2019	Variation
Staff remuneration	47,516.97	46,216.56	-3%
Mineral tax	38,382.68	42,252.43	10%
Depreciation, depletion and amortization	19,583.79	26,166.37	34%
Maintenance and repair	14,307.64	17,090.61	19%
Taxes, other than income tax	3,726.81	5,373.89	44%
Materials and stock	2,722.61	3,437.79	26%
Power consumption	2,992.29	2,846.63	-5%
Transportation costs	4,519.29	1,139.06	-69%
Changes in provision for environmental liability	-109.12	-25.18	-77%
Reduced liabilities for asset retirement exceeding total capitalized asset	-821.19	-	-100%
Other	5,898.53	5,312.46	-10%
	138,818.50	150,050.60	8%
Changes in oil residue	-2,340.65	580.18	-125%
Total, cost	136,477.85	150,630.78	10%

Cost of sales in 2019 increased by 10% as compared to the 2018 level, or by 14.3 bln KZT and amounted to 150.6 bln KZT. Growth was due to an increase in 6.7 bln KZT in expenses for depreciation and amortization, an increase in mineral tax expenses in 3.9 bln KZT, maintenance and repair expenses in 2.8 bln KZT and expenses on materials in 1.6 bln KZT.

31% of the cost structure in 2019 is comprised by staff remuneration, mineral tax – 28%, depreciation and amortization – 17%, and repair and maintenance – 11%.

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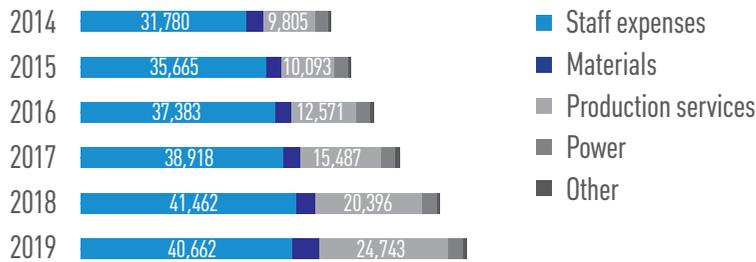
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Management Report [continued]

Financial Review | Lifting

Lifting

Lifting Costs, mln KZT



Specific lifting (the ratio of operating costs to production) in 2019 amounted to 25.6 thous. KZT per tonne and increased by 7% vs. 2018. Operating expenses increased in 2019 by 8%, or by 5.2 bln KZT and amounted to 74.3 bln KZT as of the end of the year. At that, the values were 9% lower than targeted ones. Growth vs. 2018 was due to an increase in 4.3 bln KZT for production services expenses and in 1.7 bln KZT for materials.

As of the end of 2019, 55% of operating expenses – staff remuneration, 33% – production services, 7% – materials, 4% – power.

Specific cost of one tonne of oil in 2019 amounted to 51.9 thous. KZT – 9% higher than in 2018.



25,608
KZT/tonne
Specific lifting
(operating) costs,
2019

As of the end of 2019,
55% of operating
expenses – staff
remuneration, 33% –
production services,
7% – materials,
4% – power.

Management Report [continued]

Financial Review | Other Operational Expenses

Other Operational Expenses

Other Operating Expenses Analysis, mln KZT

Indicator	2019	2018	Variation
Rent tax	58,608	63,900	-8%
Export customs duty	54,107	53,890	0%
Transportation costs	41,627	37,489	11%
Sales agent fee	219	218	1%
Total, sales costs	154,562	155,497	-1%
Staff remuneration	5,226	4,900	7%
Depreciation, depletion and amortization	1,080	2,150	-50%
Consulting and auditing services	808	131	519%
Maintenance and repair	780	485	61%
Taxes, other than income tax	696	292	138%
Fines and penalties	598	951	-37%
Transportation costs	493	445	11%
Accrual / (reversal) of provision for doubtful accounts receivable	9	33	-74%
Sponsorship	-10	207	-105%
Other	1,327	997	33%
Total, general and administrative expenses	11,007	10,593	4%
Exploration costs	19,577	1,678	1067%
Environmental provision (restoration/accrual)	-25,420	34,506	-174%
Impairment of exploration assets	3,418	1,64	221%
Other profits	-1,624	-1,233	32%
Other loss	985	699	41%
Total, other expenses	-3,064	36,713	-108%
Total, expenses	162,505	202,803	-20%

In 2019, sales costs remained approximately at the level of 2018, having decreased only by 1% to 154.6 bln KZT. Decrease in rent tax costs by

5.3 bln KZT was largely compensated by increase in transportation costs by 4.1 bln KZT. As of the end of 2019, 38% of sales costs were rent tax,

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Management Report [continued]

Financial Review | Taxation

export customs duties – 35% and transportation costs – 27%.

General and administrative expenses increased in 4% in 2019 to 11 bln KZT.

Other operating expenses decreased in 2019 by more than 100%, or 39.7 bln KZT. This was largely

due to restoration of the environmental provision in 25.4 bln KZT (instead of accrual in the amount of 34.5 bln KZT in 2018). At that, exploration expenses were significantly increased – in 17.9 bln KZT.

As a result, in addition to cost, other operating expenses decreased in 2019 by 20% and amounted to 162.5 bln KZT.

Taxation

Tax Expenses, mln KZT

Indicator	2019	2018	Variation
Rent tax	58,608	63,900	-8%
Export customs duty	54,107	53,890	0%
Mineral tax	42,252	38,383	10%
Property tax	1,989	1,785	11%
Pollution tax	-655	1,969	-133%
Other taxes	741	1,057	-30%
Social tax	3,058	3,091	-1%
Total, taxes other than CIT	160,101	164,074	-2%

Indicator	2019	2018	Variation
Profit before tax	131,747	112,955	17%
Income tax expenses	30,345	29,566	3%
Effective tax rate	23%	26%	-12%

Increase in profit before tax amounted to 17% in 2019, as a result of which the year indicator amounted to 131.7 bln KZT. There was an increase in revenue as well as a decrease in operating expenses. In 2019, increase in income tax was 3%, and in effective tax rate – 23%.

In 2019, the amount of accrued taxes other than CIT amounted to 160 bln KZT, and barely changed as compared to the 2018 level (2% decrease). Other than CIT, 37% of taxes accounted for rent tax, export customs duty – 34%, and mineral tax – 26%.

Management Report [continued]

Financial Review | Capital and Liquidity

Capital and Liquidity

The Statement of Financial Position, mIn KZT

Indicator	As of December 31		Variation
	2019	2018	
Assets			
Long-term assets			
Fixed assets	204,239	187,656	9%
Exploration and appraisal assets	16,388	19,302	-15%
Intangible assets	2,348	1,384	70%
Other financial assets	38,554	38,005	1%
Deferred tax assets	16,866	10,380	62%
VAT receivable	11,033	-	-
Advances paid for long-term assets	2,895	2,154	34%
Total, long-term assets	292,323	258,882	13%
Current assets			
Inventory	9,375	10,944	-14%
Prepaid income tax	1,646	3,968	-59%
Prepaid taxes and VAT receivable	22,856	15,899	44%
Advances paid and deferred expenses	2,384	3,507	-32%
Trade and other accounts receivable	42,414	30,839	38%
Cash and cash equivalents	39,189	111,446	-65%
Total, current assets	117,864	176,604	-33%
Total, assets	410,187	435,486	-6%
CAPITAL			
Authorized capital stock	162,400	162,400	0%
Retained earnings	134,777	153,033	-12%
Total, capital	297,177	315,432	-6%
LIABILITIES			
Long-term liabilities			
Historical liabilities	6,128	5,807	6%
Provisions	31,702	24,151	31%
Total, long-term liabilities	37,830	29,958	26%

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Management Report [continued]

Financial Review | Capital and Liquidity

Indicator	As of December 31		Variation
	2019	2018	
Current liabilities			
Historical liabilities	888	1,574	-44%
Provisions	13,788	36,329	-62%
Mineral tax and rent tax payable	26,053	23,287	12%
Income tax liabilities	7,500	-	-
Trade and other accounts payable	26,951	28,906	-7%
Total, current liabilities	75,180	90,095	-17%
Total, liabilities	113,010	120,053	-6%
Total, liabilities and capital	410,187	435,486	-6%

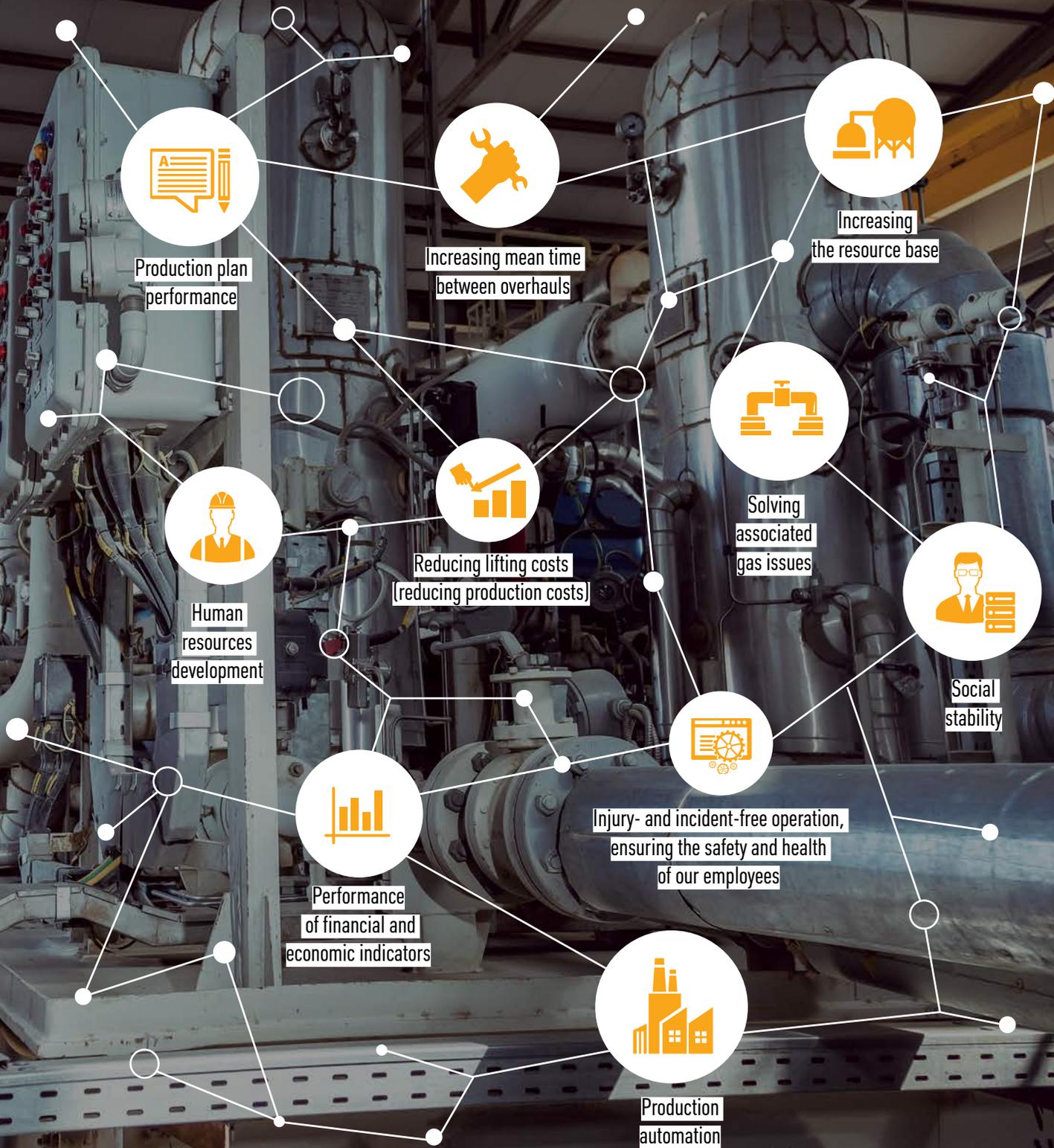
Assets of the Company in 2019 amounted to 410.2 bln KZT and decreased by 6% as compared to the 2018 level. Non-current assets account for 71% in the balance sheet structure. The amount of long-term assets increased in 2019 by 13% to 292.3 bln KZT. Growth was primarily due to an increase in the amount of fixed assets by 16.6 bln KZT or 9%. Current assets in 2019 decreased by 33% or 58.7 bln KZT and amounted to 117.9 bln KZT as of the end of the year. Setback was due to a decrease in the amount of cash and cash equivalents by 72.3 bln KZT.

As of the end of 2019, capital amounted to 297.2 bln KZT and decreased by 6% or by 18.3 bln KZT vs. 2018.

Setback was due to decrease in retained earnings. Liabilities decreased by 6% or in 7 bln KZT as of the end of 2019 to 113 bln KZT. At that, current liabilities decreased in 14.9 bln KZT to 75.2 bln KZT. While long-term liabilities grew in 7.9 bln KZT and amounted to 37.8 bln KZT as of the end of the year. In the liabilities structure, 33% accounted for long-term and 67% for short-term liabilities.

As of the end of 2019, the current liquidity ratio was 1.6 with a recommended value of more than 1. Free working assets amounted to 42.7 bln KZT. While the share of equity in the balance sheet structure was 72%. This points to the fact that the Company has strong financial position and sufficient liquidity provision.

Goals for 2020



Embi Muna Gas



Embi Muna Gas
АКЦИОНЕРЛІК ҚОҒАМЫ

Corporate Governance

04



Corporate Governance

1. **supreme body** – Sole Shareholder
2. **managing body** – Board of Directors
3. **executive body** – Management Board

GOVERNING BODIES

Board of Directors

Changes in the Board of Directors

By Resolution of the Sole Shareholder of Embamunaigas JSC, the powers of the Members of the Board of Directors Abdulgafarov D.Ye., Salimgereyev M.Zh. and Kuandykov B.M. were early terminated during the reporting period. The powers of Chairman of the Board of Directors Iskaziyeu Kurmangazy Oryngazievich were also terminated.

Marabayev Zh.N. (Deputy Chairman of the Management Board on Production of KazMunayGas NC JSC) and Khasanov D.K. (Managing Director on HR Management of KazMunayGas NC JSC) were elected as representatives of the Sole Shareholder, Marabayev Zhakyp Nasibkaliyevich was elected Chairman of the Board of Directors of Embamunaigas JSC, M. Sh. Izbasov was elected as an independent director.

Starting February 03, 2020, Esen Kairzhan was appointed a member of the Board of Directors by the decision of the Management Board of KazMunayGas National Company JSC, instead of

Zhaksybekov Anuar Yerkinovich who had vacated his post.

As of December 31, 2019, the Board of Directors consisted of eight members:

Full name	Position
Marabayev Zhakyp Nasibkaliyevich	Chairman of the Board of Directors
Iskaziyeu Kurmangazy Oryngazievich	Member of the Board of Directors
Khasanov Dauletzhan Kenesovich	Member of the Board of Directors
Beknazarova Aigul Zhaksykulovna	Member of the Board of Directors
Zhaksybekov Anuar Yerkinovich	Member of the Board of Directors
Yertlesova Zhannat Dzhurgaliyevna	Independent director
Izbasov Maksim Shafikhovich	Independent director
Ukrasin Igor Aleksandrovich	Independent director

Corporate Governance [continued]

Board of Directors

Members of the Board of Directors as of December 31, 2019



Marabayev Zhakyp Nasibkaliyevich

Chief Operations Officer of KazMunayGas National Company JSC. Chairman of the Board of Directors of Embamunaigas JSC, Ozenmunaigas JSC, Mangistaumunaigas JSC, Karazhanbasmunai JSC. The Chair of the Tengizchevroil LLP Council.

Zhakyp Nasibkaliyevich graduated from Gubkin Russian State University of Oil and Gas, majoring in Mining (1984), Moscow State University of Management (2002).

Has a Ph.D. in Economics. Completed an international internship in the top management of Total, having worked in France, the UK and Africa. Completed a course at the INSEAD French Institute and an MBA course at the French Institute of Petroleum (IFP).

Started his career in 1984 as an operator of Komsomolskneft NGDU. 1985–1990 – Master, Deputy Head of Workover Department, Shift Supervisor of Central Despatch Office, Head of Central Research Laboratory for Petroleum Technology, Head of Technical Department Komsomolskneft NGDU.

- November 1990 – March 1991 – Director for commercial service of the Sphinx State Corporation.
- March 1991 – March 1993 – Head of hydrocarbon raw materials and petrochemicals department, Deputy Head of department, Chief Engineer of RoK Ministry of Foreign Economic Relations.
- March 1993–June 1993–Head of the marine operations department for RoK Ministry of Energy and Fuel Resources.
- June 1993 – June 1997 – Vice President and General Director for KazakhstanCaspianShelf JSC.
- June 1997 – January 1999 – Director for Investments and New Projects, Commercial Director, Vice President for Gas Projects, KazakhOil NC CJSC.
- January 1999 – March 1999 – Deputy Chairman – Member of the Board of Halyk Bank of Kazakhstan CJSC.
- March 1999 – September 1999 – Vice President for Operations of KazTransOil JSC.
- September 1999 – September 2001 – Vice President of KazakhOil NC CJSC.

Corporate Governance [continued]

Board of Directors

- September 2001 – March 2002 – Deputy General Director of the Oil and Gas Transportation National Company.
- March 2002 – March 2004 – Managing Director for KazMunayGas NC JSC, Chairman of the authorized body for managing shares in PSA projects of Karachaganak Petroleum Operating B.V. (KPO B.V.).
- March 2004 – June 2006 – General Director for KazMunayGas Exploration Production JSC.
- June 2006 – November 2006 – Managing Director for KazMunay-Gas NC JSC, Chairman of the Board of Directors for KazMunayGas Exploration Production JSC.
- November 2006 – December 2008 – Chairman of the Coordinating Council of the KAZENERGY Association.
- December 2008 – February 2019 – Deputy Managing Director for North Caspian Operating Company (NCOC B.V.).
- February 2019 – currently – Deputy Chairman of the Management Board for Production of National Company KazMunayGas JSC.

Zhakyp Nasibkaliyevich was awarded “Parasat” and “Qurmet” orders, “Yeren Yenbegi Ushin”, “10 years of independence of the Republic of Kazakhstan”, “The 10th anniversary of the KAZENERGY Association”, “Qazaqstan munayyna 120 zhyl” anniversary medals, as well as the Order of Queen Victoria awarded by the European Business Association. Has the Badge of the RoK Ministry of Energy – “Honored Worker of the Oil and Gas Industry of the Republic of Kazakhstan”, badge of the Committee of Geology – “Discoverer of Deposit of the Republic of Kazakhstan”.

Ph.D. in Economics

Iskaziyeu Kurmangazy Oryngazievich

Member of the Board of Directors of Embamunaigas JSC, Deputy Chairman of the Management Board on Geology and Exploration for KazMunayGas NC JSC

Kurmangazy Oryngazievich graduated from the V.I. Lenin Kazakh Polytechnic Institute as Mining Engineer-Geologist.

He started his career as a collector operator at the Balykshy Exploration Drilling Department, then worked as a geological engineer of the Thematic Party, as a cementing operator of the plug-back operation office of Embaneft PA.

- In 1991–1993, he was a geologist of Drilling Expedition No. 1 of the Balykshy Exploration Drilling Department, and in 1993-1995 he



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Corporate Governance [continued]

Board of Directors

was a geologist of the Central Dispatch Office of the Atyrau Drilling Operations Department of Embamunaigas JSC.

- From 1995 to 2004, he was the Chief Geologist, Deputy Director of the Atyrau Department of Enhanced Oil Recovery and Well Overhaul (ADEOR & WO), Director of the Department of Geology and Oil and Gas Field Development of Embamunaigas OJSC.
- In 2004–2008, he worked at KazMunayGas Exploration Production JSC as Deputy Director and then Director of the Geology and Development Department.
- From 2008 to 2015, he worked at KazMunayGas NC JSC as Executive Director for Oil and Gas Production, Managing Director for Geology, Geophysics and Reservoirs, Chief Geologist, Deputy Chairman of the Management Board for Geology and Prospective Projects, Managing Director for Non-Operating Assets (Tengiz, Kashagan, Karachaganak), Managing Director for Geology.
- From January to September 2015 – CEO (Chairman of the Board) of Embamunaigas JSC.
- From September 23, 2015 till now – General Director (Chairman of the Management Board) of KazMunayGas Exploration and Production JSC.
- From June 2018 to February 2019 he has been the Deputy Chairman of the Management Board for Exploration, Production and Oilfield Services for KazMunayGas NC JSC.
- Since February 2019 – Deputy Chairman of the Management Board on Geology and Exploration of KazMunayGas NC JSC.

He was awarded with Certificates of Merit of KMG NC, KMG EP, Geology and Subsoil Use Committee; commemorative medals: “Qazaqstan Konstitytsiasyna 20 jyl” (2015), “Qazaqstan Respyblikasynyn tayelsizdigine 25 jyl” (2016), “Qurmet” (2016), the Anniversary Medal of the Ministry of Energy of the Republic of Kazakhstan “The 95th Anniversary of Embamunaigas JSC” (2017).

Honored Explorer of the Republic of Kazakhstan, winner of the Al-Farabi Science and Technical State Award of the Republic of Kazakhstan for his series of works “Scientific Rationale of the Hydrocarbon Potential of Kazakhstan” (2015).

Doctor of Geological and Mineralogical Sciences, author of more than 12 scientific publications, co-author of the book “Geological Structure and Oil and Gas Prospects of the Northern and Middle Caspian Sea”.

Corporate Governance [continued]

Board of Directors

Khasanov Dauletzhan Kenesovich

**Member of the Board of Directors of Embamunaigas JSC,
Managing Director of HR Management of KazMunayGas National
Company JSC**

Dauletzhan Kenesovich graduated from West Kazakhstan Agricultural Institute majoring in Economics (1993), Atyrau Institute of Oil and Gas majoring in Mining Engineering (2007).

- He started his career as deputy chief accountant of Teniz JSC. Over the years, he worked as chief accountant of the Kurmangazy RUT, Kazakhtelecom OJSC, Deputy Chief Accountant of Ozenmunaigas OJSC, Embamunaigas OJSC, Chief Accountant of Caspian Oil – TME JSC, EuroAsia Group LLP, Deputy Director of Economics and Finance, Director of the Department of Finance, Deputy Chief Accountant of Embamunaigas MC, KazMunayGas Exploration and Production JSC, Deputy General Director of Economics and Finance of JV Kazgermunai LLP, Managing Director for management of shares in the KazMunayGas Exploration and Production JV JSC, Director of Technological Transport and Well Services Management LLP, President of Karazhanbasmunai JSC, General Director – Chairman of the Management Board of Ozenmunaigaz JSC, Deputy General Director, Managing Director of Exploration and Production Assets Management of KazMunayGas Exploration and Production JSC, Chief Director of Economics and Finance of Tau-Ken Samruk NMC JSC.
- Since December 2018, he has been the Managing Director of HR Management of KazMunayGas National Company JSC.

He was awarded with “Qurmet” order, “The 20th anniversary of the Constitution of the Republic of Kazakhstan”, “The 20th anniversary of the maslikhat of the Mangistau region” medals, Certificate of Merit of the Ministry of Oil and Gas of the Republic of Kazakhstan, KazMunayGas NC JSC medal.

Esen Kairzhan

**Member of the Board of Directors (starting February 03, 2020),
Chairman of the Management Board of Embamunaigas JSC**

In 1985 he graduated from the V.I. Lenin Kazakh Polytechnic Institute majoring in Machinery and Equipment of Oil and Gas Fields. In 2000 he graduated from the V.P. Goryachkin Moscow State Agroengineering University majoring in Business Economics and Management. In 2012 he graduated from the State Educational Institution of Higher Vocational Education of the Academy of National Economy attached to RF Government, MBA in Management – International Business majoring in Master of Business Administration.



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Board of Directors

- From 1985 to 1992 – Breakdown Mechanic, Engineer, Senior Engineer, Zhetybaineft OGPO, Mangyshlakneft Union.
- From 1992 to 1994 – Rigging-Up Operations Foreman, Mangyshlak Rig Building Office.
- From 1994 to 1995 – Deputy Production Services Base Officer, Yuzhneftegas JSC, Kyzylorda.
- From 1995 to 2002 – Deputy General Director, Kumkol-Lukoil JSC.
- From 2002 to April 2016 – Deputy General Director, General Director, Turgai Petroleum JSC.
- From April 2016 to July 2017 – President, Karazhanbasmunay JSC.
- From July 2017 to November 2018 – Senior Deputy General Director, General Director Kazgermunai JV LLP.
- From November 2018 to January 2020 – Managing Director for Procurement and Supplies, NC KazMunayGas JSC.
- Since January 16, 2020 – Chairman of the Management Board of Embamunaigas JSC.

He was awarded “Yeren Yenbegi Ushin”, “Qurmet” and “Atameken” orders, “20 years of independence of the Republic of Kazakhstan” anniversary medal, “20 years of Turgai Petroleum JSC” commemorative medal, as well as a number of letters of acknowledgment and certificates of merit, including a Letter of Acknowledgment from the Chairman of the Committee on the Protection of Children’s Rights of the RoK MES, Letter of Acknowledgment from N.A. Nazarbayev, President of the Republic of Kazakhstan, Certificate of honor of the RoK Federation of Trade Unions.



Zhaksybekov Anuar Yerkinovich

**Member of the Board of Directors (up to February, 03, 2020),
Chairman of the Management Board of Embamunaigas JSC**

In 1993, he graduated from the Patrice Lumumba Peoples’ Friendship University (Moscow), with a degree in Geology and Exploration of Oil and Gas Fields.

He started his career as an operator for oil and gas production at the Baichunas Oil and Gas Production Office (“OGPO”) of Dossorneft of Kazakhoil Emba OJSC. After serving in the Red Banner Northern Fleet of the Marine Corps (1983–1985) he continued working as an operator at the Karsak oil and gas production workshop.

- After graduation he was a district geologist at the Atyrau Drilling Operations Department, a leading geologist, a deputy head of

Corporate Governance [continued]

Board of Directors

the oil recovery and well overhaul section in Makat District of Kazakhoil Emba OJSC.

- In 1999, he was appointed Chief Geologist at Makatneft OGPO of Kazakhoil Emba OJSC.
- In 2000–2004 he was invited to Kazakhoil NC JSC to the position of Chief Engineer of the Department of Production Management of Kazakhoil NC JSC. He worked as Chief Engineer, Manager, Deputy Director of the Geology and Development Department, Director of the Geology Department.
- From 2004 to 2009, he headed the Department of Geology and Geophysics of the Geological and Technological Service, Director of the Department of Geology, Geophysics and Reservoirs of the Exploration and Production Unit of KazMunayGas NC JSC.
- In 2009–2013, he was appointed as an exploration manager from KazMunayGas NC JSC at the founded N Operating Company LLP, Chairman of the Technical Subcommittee for Geological Exploration.
- In February 2013, he was appointed Deputy Director General for Geology and Development of KazMunayGas Exploration Production JSC, Chairman of the Technical Committee for Exploration, Chairman of the Supervisory Board of Exploration Assets of KMG EP JSC. He supervised joint ventures with the participation of KazMunayGas Exploration Production JSC, such as UralOilGas JV, interest with Chinese FIOC and Hungarian MOL, Karpovsky North JV.
- In 2013–2015, he was appointed Deputy Director General for Prospective Projects of Kashagan B.V. PCLLB.
- Since September 2015, he has been Deputy Director General for New Projects and Technologies at Embamunaigas JSC.
- From April 24, 2017 to January 16, 2020 – Chairman of the Management Board of Embamunaigas JSC.
- Starting February 03, 2020, by the decision of the Management Board of KazMunayGas National Company JSC he vacated his post of a member of the Board of Directors.

He was awarded the Certificate of Merit of the USSR Ministry of Petroleum Industry; Certificate of Merit of KazMunayGas NC JSC; Certificate of Merit of Samruk-Kazyna NWF JSC; Letter of Acknowledgment of the Committee of Geology and Mineral Protection of MEMR RK; Badge of Honor of the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan “The 90th Anniversary of Makat field”; Badge of Honor of the Ministry of Oil and Gas of the Republic of Kazakhstan “The 100th Anniversary of the Dossor Field” (2011); “The 50th Anniversary of Prorva field”; a diploma and a badge “Honored Explorer of the Republic of Kazakhstan” of the Ministry of Industry and New Technologies of the Republic of Kazakhstan (2012); the medal “For the Contribution to the Development of the Oil and Gas Industry of the Republic of Kazakhstan” of the Ministry of Oil and Gas of the Republic

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Board of Directors

of Kazakhstan (2014); Letter of appreciation from Akim of Atyrau region to the 25th anniversary of independence of the Republic of Kazakhstan (2016), a commemorative medal of the Ministry of Energy of the Republic of Kazakhstan “The 95th Anniversary of Embamunaigas JSC” (2017), “Qurmet” order (2017), “Qazaqstan munayyna 120 zhyl” anniversary medal (2019), “Atyrau oblysy maslikattaryna 25 zhyl” anniversary medal (2019), Honorary citizen of Makat region (2019), Letter of appreciation from the Akim of Kyzylkoginskiy region (2019).



Yertlesova Zhannat Dzhurgaliyevna

Independent Director of the Board of Directors of Embamunaigas JSC, Director of Expert Kazakhstan LLP

She started her career as a research assistant at the Research Institute of Economics and Market Relations under the State Planning Committee of the Kazakh SSR. In 1992, she was appointed Deputy Director of the Institute. Then she was invited to the Ministry of Economy of the Republic of Kazakhstan to head the Department of Financial and Credit Policy.

In 1994, she became the First Deputy Minister of Economy of the Republic of Kazakhstan. She worked in various positions, such as Head of the Center for Economic Reforms under the Cabinet of Ministers of the Republic of Kazakhstan and the Government of the Republic of Kazakhstan, First Vice Minister of Finance, Vice President of Kazakhtelecom JSC, Deputy Head of the Presidential Administration, Deputy Minister of Defense of the Republic of Kazakhstan, First Deputy Chairman of the Agency on Regulation of Natural Monopolies and Protection of Competition, the Chairman of the Governing Board of the Taxpayers Association of Kazakhstan, the Deputy Chairman of the Board of the National Chamber of Entrepreneurs, etc. She is currently Director of Expert Kazakhstan LLP.

Corporate Governance [continued]

Board of Directors

Izbasov Maksim Shafikhovich

Independent Director of the Board of Directors of Embamunaigas JSC

Maksim Shafikhovich graduated from V.I. Lenin Kazakh Polytechnic Institute (1976) majoring in Technology and Complex Mechanization of the Development of Oil and Gas Fields, Almaty Institute of Political Science and Management (1991).

- He started his career in 1976 as an oil and gas extraction operator of Kulsary oil field of OGPO Kulsaryneft. Then he worked as a senior engineer in the production and technological department, head of the underground repair workshop, head of production department of the Kulsary field.
- 1985–1989 – Secretary of the party committee of Kulsaryneft OGPO. Over the years, he served as head of planning and economic department, chief engineer of Kulsaryneft, head of production and technological department, chief engineer, and the first vice president of Tengizmunaigas PA. Due to the merger of two joint-stock companies, Embamunaigas and Tengizmunaigas, in 1999 he was appointed head of Kulsarymunaigas OGPO.
- In 2004, he was appointed director of the Embamunaigas production branch of KazMunayGas Exploration and Production Joint Stock Company. Later on, he worked as head of Kulsarymunaigas OGPO, the chief engineering manager of KazMunayGas Exploration Production – Embamunaigas MC JSC, Senior Advisor for local government relations, Atyrau Branch of North Caspian Operating Company. 2012 – 2017 – akim of Zhylyoi district of Atyrau region.

He was awarded the “Qurmet” order (1999), “10 years of the Constitution of the Republic of Kazakhstan” (2005), “20 years of independence of the Republic of Kazakhstan” (2011), “Qazaqstan munayyna 120 zhyl” (2019) medals, Certificate of Merit of the President of the RK for cultural and humanitarian charitable and sponsorship activities (2006), Letters of Acknowledgment of the President of the RK (2001, 2005) and akims of Atyrau region (2001, 2005, 2007), Certificates of Merit of the USSR Ministry of Oil Industry (1980), Ministry of Energy and Mineral Resources of the RK (2004) and Ministry of Oil and Gas of the RK (2010), Certificates of Merit of the regional council and the regional maslikhat, badges in honor of the 100th anniversary of oil and oil fields. Holder of the International Confederation of Trade Unions of the Oil and Gas Industry Award (2005). Honorary citizen of Zhylyoiskiy (2004) and Kyzylkoginskiy districts of Atyrau region (2007). “Zhyl munayshysy” (Person of the year) title (2001). Member of the regional maslikhat of two convocations (1999–2003, 2003–2007).



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Corporate Governance [continued]

Board of Directors | Independent decisions of Directors



Ukrašin Igor Aleksandrovich

Independent Director of the Board of Directors of Embamunaigas JSC, Managing Director of SBERBANK (Switzerland) AG, Head of the Corporate Banking Department

- In 1994–1996, he was the Head of Sales Planning Division of Operations Department of PEPSI-COLA INTERNATIONAL.
- In 1998–2013, he was Managing Director of the Investment Banking Division of the European Energy Group CREDIT SUISSE SECURITIES LIMITED.
- In 2013–2015, Managing Director of SBERBANK CIB.



Beknazarova Aigul Zhaksykulovna

Member of the Board of Directors of Embamunaigas JSC, Managing Director – Financial Controller of KazMunayGas NC JSC

Aigul Zhaksykulovna has been the Managing Director – Financial Controller of KazMunayGas NC JSC since June 2018. Previously, she held the position of Vice President – Financial Controller of KazMunayGas NC JSC.

Over the years, she worked as head of the structural financing department, director of the international department of Halyk Bank of Kazakhstan JSC, managing director of financial institutions of KazInvestBank JSC, director of the corporate financing department of KazMunayTeniz JSC, director of corporate financing of KazMunayGas NC JSC. She graduated the Kazakh State Academy of Management majoring in International Monetary and Financial Relations (1997), PACE University (New York) majoring in Financial Management (1999).

Independent decisions of Directors

In accordance with the requirements of the Law of the Republic of Kazakhstan “On Joint-Stock Companies”, the Board of Directors established that the Directors are independent and believes that Yertlesova Zhannat Dzhurgaliyevna, Izbasov Maksim Shafikhovich, Ukrašin Igor Aleksandrovich

are independent in making decisions. The Board of Directors has established that there are no relations or circumstances that have or can have a significant impact on the independent decisions of these Directors.

Corporate Governance [continued]

Board of Directors | Report on the Activities of the Board of Directors

Report on the Activities of the Board of Directors

The powers of the Board of Directors are described in the Articles of Association of Embamunaigas JSC. The Board of Directors is responsible to the Sole Shareholder for effective management and proper control over the activities of Embamunaigas JSC and operates in accordance with the approved decision-making system. The most important functions of the Board of Directors include identifying areas of strategic development and policies of the Company, approving the budget and material internal documents of Embamunaigas JSC, and other significant issues.

The Board of Directors meets on a regular basis and as necessary.

In 2019, the Board of Directors held 53 meetings, including four meetings by in-person voting, 49 meetings by absentee voting.

Over the year, the Board of Directors considered, among other things, the following issues:

- Approval of the structure and staff list of employees of the management staff and indexation payments to employees of Embamunaigas JSC for 2019.
- Approval of KPIs of Embamunaigas JSC for 2019.
- Increasing the amount of annual remuneration for 2018.
- Making changes in the staffing table of employees and the organizational chart of the management staff of Embamunaigas JSC.
- Approval of the adjustment of the 2019 Budget of Embamunaigas JSC.
- Payment of remuneration to top managers of Embamunaigas JSC for 2018.
- Approval of the 2018 Annual Report of Embamunaigas JSC.
- Approval of the 2018 Report on the Activities of the Board of Directors and the Management Board of Embamunaigas JSC.

- Determination of the number of Members of the Management Board of Embamunaigas JSC.
- Approval of 2020 Budget and the 2020–2024 Business Plan of Embamunaigas JSC.
- Report on the Company's Performance for 9 months of 2019 and expected results for 2019.
- Report on the Company's Occupational Safety and Environmental Protection for 9 months of 2019 and the expected results for 2019.
- Report on the Implementation of the Plan for Procurement of Goods, Works and Services for 9 months of 2019 and the expected results for 2019.
- Report on the Activities of the Internal Audit Service of KazMunayGas NC JSC in respect of Embamunaigas JSC.
- The Committees of the Board of Directors of Embamunaigas JSC.
- Conclusion of transactions in which Embamunaigas JSC has an interest in the amount of more than 500 mln KZT, but does not exceed 1 bln KZT.
- Approval of issues, decisions on which are taken by the Sole Shareholder according to the Articles of Association.

The Board of Directors approved the following documents in 2019:

- Regulation on key risk indicators of Embamunaigas JSC EMG-PO-103-03 (version 1).
- Regulation on risk appetite, risk limits and tolerance levels of Embamunaigas JSC EMG-PO-103-02 (version 1).
- Regulation on the Strategic Planning and Risk Management Committee of the Board of Directors of Embamunaigas JSC EMG-PO-103-01 (version 1).
- Risk appetite statements of Embamunaigas JSC for 2019.
- Recognition of the "Money Management Policy of Embamunaigas JSC" as invalid.

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Corporate Governance [continued]

Board of Directors | Report on the Activities of the Board of Directors

- Regulation on formation and application of the KPIs of members of the Management Board and management staff of Embamunaigas JSC EMG-PO-119-02 (version 3).
- Regulation on the procedure and conditions for payment of remuneration based on annual results for members of the Management Board and management staff of Embamunaigas JSC EMG-PO-119-03 (version 3).
- Rules for remuneration of employees of Embamunaigas JSC EMG-P-119-03 (version 1).

The attendance rate of the Members of the Board of Directors and Members of the Committees at the meetings of the Board of Directors and the Committees:

BoD	Number of meetings held in 2019	Internal Audit Committee	Strategic Planning and Risk Management Committee	Production and Technical Committee
Marabayev Zhakyp Nasibkaliyevich	40			
Iskaziyeu Kurmangazy Oryngazievich	53			
Abdulgararov Dastan Yelemesovich	13			
Zhaksybekov Anuar Yerkinovich	53			
Salimgereyev Malik Zhanabayevich	23			
Beknazarova Aigul Zhaksykulovna	51			
Khasanov Dauletzhan Kenesovich	30			
Yertlesova Zhannat Dzhurgaliyevna	52	6	7	6
Kuandykov Baltabek Mukhanovich	35	2	1	2
Izbasov Maksim Shafikhovich	18	2	2	2
Ukrasin Igor Aleksandrovich	53	4	6	4

General Activities Information for 2019

Managing body	Number of meetings	Issues considered in total	Decisions made
Meeting of the Board of Directors, including:	53	74	74
In-person meetings	4	23	23
Absentee meetings	49	51	51

Corporate Governance [continued]

Committees of the Board of Directors | Internal Audit Committee

Information on instructions of the Board of Directors adopted at in-person meetings in 2019

Indicator	Number
Total, instructions	10
In progress	10
Accepted for execution	10
Executed	10

Committees of the Board of Directors

Internal Audit Committee

Members of the Committee

As of December 31, 2019, the Internal Audit Committee of the Board of Directors of Embamunaigas JSC consisted of four Members:

Full name	Title
Yertlesova Zhannat Dzhurgaliyevna	Chairman of the Internal Audit Committee
Ukrasin Igor Aleksandrovich	Member of the Internal Audit Committee
Izbasov Maksim Shafikhovich	Member of the Internal Audit Committee
Tasmagambetova Rysty Nurgaliyevna	Member of the Internal Audit Committee

Responsibilities of the Committee

The powers of the Internal Audit Committee of the Board of Directors of Embamunaigas JSC are described in the Regulation on the Internal Audit Committee. The Internal Audit Committee annually analyzes and evaluates the performance of the Committee and its members, including an analysis of the Committee's compliance with this Regulation and provides the information to the Board of Directors.

The Internal Audit Committee gives recommendations to the Board of Directors on

the procedure for the Internal Audit Service, its competence, functions, as well as the size and conditions of remuneration and bonuses for employees of the Internal Audit Service; reviews internal audit reports; monitors the implementation of recommendations of the Internal Audit Service; monitors and controls the performance of internal audit functions and performs other functions.

The Internal Audit Committee of the Board of Directors holds meetings on a regular basis and as necessary.

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Corporate Governance [continued]

Committees of the Board of Directors | **Strategic Planning and Risk Management Committee**

Over the year, the Board of Directors considered, among other things, the following issues:

- Review of the 2018 Report of the Internal Audit Service of KazMunayGas NC JSC in respect of Embamunaigas JSC.
- Review of the 2018 Report on the Implementation of Recommendations of the Internal Audit Service of KazMunayGas NC JSC by Embamunaigas JSC.
- Review of the audited annual financial statements of Embamunaigas JSC for 2018.
- Preliminary approval of the financial statements for 2018.
- Preliminary approval of proposals on the procedure for the distribution of the Company's net income and the amount of dividend per one ordinary share of the Company following the results of 2018.
- Approval of functional KPIs of Members of the Management Board of Embamunaigas JSC.
- Report on the Implementation of Recommendations of the Internal Audit Service.
- Approval of the Work Plan of the Internal Audit Service of KazMunayGas NC JSC in respect of Embamunaigas JSC.
- Approval of the Work Plan of the Internal Audit Committee of the Board of Directors of Embamunaigas JSC for the first six months of 2019.

Strategic Planning and Risk Management Committee

Members of the Committee

As of December 31, 2019, the Strategic Planning and Risk Management Committee of the Board of Directors of Embamunaigas JSC consisted of seven Members:

Full name	Title
Ukrasin Igor Aleksandrovich	Chairman of the Strategic Planning and Risk Management Committee
Yertlesova Zhannat Dzhurgaliyevna	Member of the Strategic Planning and Risk Management Committee
Imandosov Aman Galimzhanovich	Member of the Strategic Planning and Risk Management Committee
Uralov Bolatbek Umerbekovich	Member of the Strategic Planning and Risk Management Committee
Yeralina Laura Asanovna	Member of the Strategic Planning and Risk Management Committee
Balzhanov Bauyrzhan Kuspanovich	Member of the Strategic Planning and Risk Management Committee
Balabayev Abat Amantayevich	Member of the Strategic Planning and Risk Management Committee

Corporate Governance [continued]

Committees of the Board of Directors | Strategic Planning and Risk Management Committee

Responsibilities of the Committee

The powers of the Strategic Planning and Risk Management Committee of the Board of Directors of Embamunaigas JSC are described in the Regulation on the Strategic Planning and Risk Management Committee. The Committee annually analyzes and evaluates the performance of the Committee and its members, including an analysis of the Committee's compliance with this Regulation and provides the information to the Board of Directors.

The Strategic Planning and Risk Management Committee of the Board of Directors of Embamunaigas JSC performs the following functions: considers and approves strategic goals aimed at the development of the Company in the long term; analyzes the concepts, programs and plans for the strategic development of the Company and gives its recommendations to the Board of Directors based on the results of the relevant analysis; prepares recommendations to the Board of Directors on making large transactions; prepares recommendations to the Board of Directors on the management of the Company's assets, and performs other functions.

The competence of the Committee in accordance with the tasks entrusted to it includes consideration of issues related to the management of the Company's risks, such as consideration and approval of the Company's risk management strategy; consideration and coordination of the Risk Management Policy, as well as other internal documents regulating the Company's risk management activities; consideration and discussion of the key risks faced by the Company and the risk appetite (risk appetite statements) of the Company; consideration and approval of reports on monitoring the status of key risks and risk appetite (risk appetite statements) of the Company; analysis of investment projects as for the Company's risk portfolio management;

monitoring of the effectiveness of the risk management system to achieve strategic goals, and other issues.

The Strategic Planning and Risk Management Committee of the Board of Directors holds meetings on a regular basis and as necessary.

Over the year, the Strategic Planning and Risk Management Committee of the Board of Directors considered, among other things, the following issues:

- 2018 Report on the Expected Performance of Key Performance Indicators of Embamunaigas JSC.
- Report on the Review of the Budget and Business Plan.
- Report on the Implementation of the 2018 Key Risk Management Plan, including issues of concern and a list of key risks for 2019.
- Preliminary approval of proposals on the procedure for the distribution of the Company's net income and the amount of dividend per one ordinary share of the Company following the results of 2018.
- Approval of functional KPIs for Members of the Management Board of Embamunaigas JSC.
- Approval of corporate and incentive KPIs for management staff (Members of the Management Board) of Embamunaigas JSC for 2019.
- Approval of the Regulation on the Procedure and Conditions for the Payment of Remuneration Based on the Results of the Year for Members of the Management Board and Managers of Embamunaigas JSC EMG-PO-119-03 in a new edition.
- The Work Plan of the Committee for the first six months of 2019.

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Committees of the Board of Directors | Production and Technical Committee

Production and Technical Committee

Members of the Committee

As of December 31, 2019, the Production and Technical Committee of the Board of Directors of Embamunaigas JSC consisted of five Members:

Full name	Title
Izbasov Maksim Shafikhovich	Chairman of the Production and Technical Committee
Kurmankulov Aidos Zhenisovich	Member of the Production and Technical Committee
Yeleusinov Marat Kairbekovich	Member of the Production and Technical Committee
Kutzhанov Abat Amangeldiyevich	Member of the Production and Technical Committee
Seitkaziyeв Bauyrzhan Adeubayevich	Member of the Production and Technical Committee

Responsibilities of the Committee

The powers of the Production and Technical Committee of the Board of Directors of Embamunaigas JSC are described in the Regulation on the Production and Technical Committee. The Committee annually analyzes and evaluates the performance of the Committee and its members, including an analysis of the Committee's compliance with this Regulation and provides the information to the Board of Directors.

The Production and Technical Committee of the Board of Directors of Embamunaigas JSC reviews and prepares materials for approval of the annual work program, budget, procurement plan related to the Company's production activities, as well as any changes thereto; analyzes and controls data of the current state of the drilling plan, controls the implementation progress of new drilling methods, techniques, technologies; analyzes data on the development and implementation of plans for the effective development of the fields; analyzes reports on the implementation of the production plan, production operations, collection and transportation of well products, data on the quality

control of work results and process indicators of wells; analyzes the introduction of new programs for the intensification of oil production and optimization of the system to maintain reservoir pressure, and performs other functions.

The Production and Technical Committee of the Board of Directors holds meetings on a regular basis and as necessary.

Over the year, the Board of Directors considered, among other things, the following issues:

- Approval of the adjustment of the Budget of Embamunaigas JSC.
- Report on the Review of the Budget and Business Plan.
- Smart Field Project.
- Report on the Company's Performance for 9 months of 2019 and expected results for 2019.
- Report on the Company's Occupational Safety and Environmental Protection for 9 months of 2019 and the expected results for 2019.
- Report on the Activities of the Internal Audit Service of KazMunayGas NC JSC in respect of Embamunaigas JSC.

Corporate Governance [continued]

Management Board | Changes in the Management Board

- Preliminary approval of the financial statements for 2018.
- Preliminary approval of proposals on the procedure for the distribution of the Company's net income and the amount of dividend per one ordinary share of the Company following the results of 2018.
- Approval of functional KPIs for Members of the Management Board of Embamunaigas JSC.
- Work Plan of the Committee for the first six months of 2019.

Management Board

Changes in the Management Board

On the basis of decisions of the Board of Directors of Embamunaigas JSC, the powers of Gabdullin Aibolat Gizatovich as a member of the Management Board of Embamunaigas JSC were terminated due to reaching retirement age; powers of Makashev Ruslan Beksultanovich and Balzhanov Bauyrzhan Kusanovich as members

of the Management Board of Embamunaigas JSC were early terminated.

Kasymgaliyev Kanatbek Makhmudovich and Tokmurziyev Askar Adilbekovich were elected as Members of the Management Board.

Management Board as of December 31, 2019:

Full name	Title
Zhaksybekov Anuar Yerkinovich	Chairman of the Management Board
Kasymgaliyev Kanatbek Makhmudovich	Deputy Chairman of the Management Board on Production
Tasmagambetova Rysty Nurgaliyevna	Deputy Chairman of the Management Board on Economics and Finance
Adilbekov Kairat Adilbekovich	Deputy Chairman of the Board on Geology and Development
Nakpayev Salimzhan Zhumashevich	Deputy Chairman of the Management Board on General Affairs
Tokmurziyev Askar Adilbekovich	Director of Legal Department

Starting January 16, 2020, Kayirzhan Yesen was appointed Chairman of the Management Board of of KazMunayGas NC JSC by the decision of

the Board of Directors, instead of Zhaksybekov Anuar Yerkinovich who had vacated his post.

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Management Board | **Members of the Management Board**



Esen Kairzhan

Starting January 16, 2020, Chairman of the Management Board of Embamunaigas JSC

In 1985 he graduated from the V.I. Lenin Kazakh Polytechnic Institute majoring in Machinery and Equipment of Oil and Gas Fields. In 2000 he graduated from the V.P. Goryachkin Moscow State Agroengineering University majoring in Business Economics and Management. In 2012 he graduated from the State Educational Institution of Higher Vocational Education of the Academy of National Economy attached to RF Government, MBA in Management – International Business majoring in Master of Business Administration.

- From 1985 to 1992 – Breakdown Mechanic, Engineer, Senior Engineer, Zhetybaineft OGPO, Mangyshlakneft Union.
- From 1992 to 1994 – Rigging-Up Operations Foreman, Mangyshlak Rig Building Office.
- From 1994 to 1995 – Deputy Production Services Base Officer, Yuzhneftegas JSC, Kyzylorda.
- From 1995 to 2002 – Deputy General Director, Kumkol-Lukoil JSC.
- From 2002 to April 2016 – Deputy General Director, General Director, Turgai Petroleum JSC.
- From April 2016 to July 2017 – President, Karazhanbasmunay JSC.
- From July 2017 to November 2018 – Senior Deputy General Director, General Director Kazgermunai JV LLP.
- From November 2018 to January 2020 – Managing Director for Procurement and Supplies, NC KazMunayGas JSC.
- Since January 16, 2020 – Chairman of the Management Board of Embamunaigas JSC.

Honors and awards

He was awarded “Yeren Yenbegi Ushin”, “Qurmet” and “Atameken” orders, “20 years of independence of the Republic of Kazakhstan” anniversary medal, “20 years of Turgai Petroleum JSC” commemorative medal, as well as a number of letters of acknowledgment and certificates of merit, including a Letter of Acknowledgment from the Chairman of the Committee on the Protection of Children’s Rights of the RoK MES, Letter of Acknowledgment from N.A. Nazarbayev, President of the Republic of Kazakhstan, Certificate of honor of the RoK Federation of Trade Unions.

Corporate Governance [continued]

Management Board | Members of the Management Board

Zhaksybekov Anuar Yerkinovich

Chairman of the Management Board of Embamunaigas JSC up to January, 16, 2020

In 1993, he graduated from the Patrice Lumumba Peoples' Friendship University (Moscow), with a degree in Geology and Exploration of Oil and Gas Fields.

He started his career as an operator for oil and gas production at the Baichunas Oil and Gas Production Office ("OGPO") of Dossorneft of Kazakhoil Emba OJSC. After serving in the Red Banner Northern Fleet of the Marine Corps (1983–1985) he continued working as an operator at the Karsak oil and gas production workshop.

- After graduation later he was a district geologist at the Atyrau Drilling Operations Department, a leading geologist, a deputy head of the oil recovery and well overhaul section in Makat District of Kazakhoil Emba OJSC.
- In 1999, he was appointed Chief Geologist at Makatneft OGPO of Kazakhoil Emba OJSC.
- In 2000–2004 he was invited to Kazakhoil NC JSC to the position of Chief Engineer of the Department of Production Management of Kazakhoil NC JSC. He worked as Chief Engineer, Manager, Deputy Director of the Geology and Development Department, Director of the Geology Department.
- From 2004 to 2009, he headed the Department of Geology and Geophysics of the Geological and Technological Service, Director of the Department of Geology, Geophysics and Reservoirs of the Exploration and Production Unit of KazMunayGas NC JSC.
- In 2009–2013, he was appointed as an exploration manager from KazMunayGas NC JSC at the founded N Operating Company LLP, Chairman of the Technical Subcommittee for Geological Exploration.
- In February 2013, he was appointed Deputy Director General for Geology and Development of KazMunayGas Exploration Production JSC, Chairman of the Technical Committee for Exploration, Chairman of the Supervisory Board of Exploration Assets of KMG EP JSC. He supervised joint ventures with the participation of KazMunayGas Exploration Production JSC, such as UralOilGas JV, interest with Chinese FIOC and Hungarian MOL, Karpovsky North JV.
- In 2013–2015, he was appointed Deputy Director General for Prospective Projects of Kashagan B.V. PCLLB.
- Since September 2015, he has been Deputy Director General for New Projects and Technologies at Embamunaigas JSC.
- From April 24, 2017 to January 16, 2020 – Chairman of the Management Board of Embamunaigas JSC.



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Corporate Governance [continued]

Management Board | **Members of the Management Board**

Honors and awards

He was awarded the Certificate of Merit of the USSR Ministry of Petroleum Industry; Certificate of Merit of KazMunayGas NC JSC; Certificate of Merit of Samruk-Kazyna NWF JSC; Letter of Acknowledgment of the Committee of Geology and Mineral Protection of MEMR RK; Badge of Honor of the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan “The 90th Anniversary of Makat field”; Badge of Honor of the Ministry of Oil and Gas of the Republic of Kazakhstan “The 100th Anniversary of the Dossor Field” (2011); “The 50th Anniversary of Prorva field”; a diploma and a badge “Honored Explorer of the Republic of Kazakhstan” of the Ministry of Industry and New Technologies of the Republic of Kazakhstan (2012); the medal “For the Contribution to the Development of the Oil and Gas Industry of the Republic of Kazakhstan” of the Ministry of Oil and Gas of the Republic of Kazakhstan (2014); Letter of appreciation from Akim of Atyrau region to the 25th anniversary of independence of the Republic of Kazakhstan (2016), a commemorative medal of the Ministry of Energy of the Republic of Kazakhstan “The 95th Anniversary of Embamunaigas JSC” (2017), “Qurmet” order (2017), “Qazaqstan munayyna 120 zhyl” anniversary medal (2019), “Atyrau oblysy maslikattaryna 25 zhyl” anniversary medal (2019), Honorary citizen of Makat region (2019), Letter of appreciation from the Akim of Kyzylkoginskiy region (2019).



Kasymgaliyev Kanatbek Makhmudovich

**Deputy Chairman of the Management Board on Production,
Member of the Management Board**

Kanatbek Makhmudovich in 2001 graduated from I.M. Gubkin Oil and Gas University majoring in “Development and operation of oil and gas fields”.

In 2014, he mastered the Master of Business Administration program majoring in “Oil and Gas Business Management” developed by the I. Gubkin Russian State University of Oil and Gas jointly with “Samruk-Kazyna” Corporate University.

He started his career in 2001 as oil and gas production operator at Karaton field, OGPU Teren-Uzek, OGPO Kulsarymunaigas. He worked as technologist in OGPU Teren-Uzek, OGPO Kulsarymunaigas, deputy head of production and technology service, chief iengineer in OGPP

Corporate Governance [continued]

Management Board | Members of the Management Board

Zhylyoimunaigas, oil and gas production department manager, oil and gas production department director of Embamunaigas JSC, head of OGPU Zhylyoimunaigas, deputy production general director of Embamunaigas JSC, deputy Chairman of the Management Board on exploration and production of Embamunaigas JSC.

From September 2017 to August 2018 he held the position of Managing Director on development of Embamunaigas JSC. From August 2018 to August 2019 he served as oil and gas production department director of KMG NC.

Honors and awards

He was awarded with Certificates of Merit of Embamunaigas MC, Certificate of Merit of the RoK Ministry of Oil and Gas (2012), badge “Prorva oil: 50 years” (2013), anniversary medal from the RoK Ministry of Energy “Embamunaigas JSC: 95 years” (2017), “Qazaqstan munayyna 120 zhyl” anniversary medal (2019)

Tasmagambetova Rysty Nurgaliyevna

Deputy Chairman of the Management Board on Economics and Finance, Member of the Management Board

Rysty Nurgaliyevna has two college degrees. In 1986 she graduated from A.S. Pushkin Ural Pedagogical Institute majoring in History and Pedagogy, in 2002 – Atyrau University of Oil and Gas majoring in Enterprise Economics and Management.

In 2014, she graduated from the Russian Presidential Academy of National Economy and Public Administration, majoring in MBA: International Business, qualification – Master of Business Administration.

Over the years of her career, she held the following management positions: Director of representative office of the research and production company EITEK (Moscow), Director of Atyrau Oil Corporation LLP, CFO of the Caspian Commercial Center LTD, Deputy General Director on Economics and Finance of KMG-Zhayik LLP.

From June 2009 to September 2012, she served as Deputy Director for Economics and Finance of Embamunaigas MC, KazMunayGas Exploration Production JSC.



Corporate Governance [continued]

Management Board | **Members of the Management Board**

Honors and awards

She was awarded with “100 years of Dossor field” commemorative token (2011); Certificate of Merit of KazMunayGas EP JSC (2012); “50 years of Prorva Field” medal (2013), Certificate of Merit of Samruk-Kazyna NWF (2014), Certificate of Merit of KazMunayGas EP JSC (2014) and KAZENERGY (2015), anniversary medal of the Ministry of Energy of the Republic of Kazakhstan “The 95th Anniversary of Embamunaigas JSC” (2017), KAZENERGY medal (2018), Letter of appreciation from the Chairman of the Management Board of KazMunayGas NC JSC (2019), “Qazaqstan munayyna 120 zhyi” anniversary medal (2019).



Adilbekov Kairat Adilbekovich

Deputy Chairman of the Management Board on Exploration, Member of the Management Board

He graduated from I.M. Gubkin Moscow Institute of Petrochemical and Gas Industry majoring in Geology and Exploration of Oil and Gas Fields.

After graduation from the Institute, he started his career as a well testing operator at the Ural Oil and Gas Exploration Expedition of Uralskneftegazgeologia PGA.

In 1985–1993, he worked as a Senior Geologist, a Leading Geologist, Head of the Oil and Gas Reserves Estimation Party, a Chief Geologist of the Research Methodical Expedition, and Head of the Oil Extraction Operations Department at Uralsneftegazgeologia PGA. He participated in the exploration and estimation of hydrocarbon reserves of the Karachaganak oil and gas condensate field (in 1985 and 1988) and the Teplov-Tokarev Group of Fields (in 1991) and defense thereof at the State Reserves Commission of the USSR.

From 1993 to 2001, he held various management positions in commercial and consulting companies. From 2001 to 2005, he was the Coordinator of the Reserve Reestimation Project, Head of the Field Development Department at Tengizchevroil LLP. He coordinated preparation, coordination and approval of the reserves reestimation reports and process workflows for the development of the Tengiz (in 2002) and Korolev (in 2004) oil fields.

From 2005 to 2014, he served as Branch Manager, Deputy General Director for Development – Chief Geologist of Kozhan LLP, Technical Director of Kazakhstan Branch of Jupiter Energy Pte. Ltd. and Director of Azatpetrotrans LLP.

Corporate Governance [continued]

Management Board | Members of the Management Board

Since August 2014, he has been Director of the Department of Geology and Geophysics of Embamunaigas JSC.

Since September 2015, he has been Deputy General Director for Geological Exploration of Embamunaigas JSC. He is an independent expert of the State Commission on Mineral Reserves of the Republic of Kazakhstan (SCR RK).

Honors and awards

He was awarded with the badge “Excellent Subsoil Explorer of the Republic of Kazakhstan”; Certificate of Merit of Ural Oil and Gas Exploration Expedition (1986); Certificate of Merit of the Central Committee of the Leninist Young Communist League of Kazakhstan (1987); Certificate of Merit dedicated to the 70th anniversary of Great October Revolution Ural Oil and Gas Exploration Expedition (1987); Certificate of Merit dedicated into the Geologist Day of Ural Oil and Gas Exploration Expedition (1989); commemorative medal of the Ministry of Energy of the Republic of Kazakhstan “The 95th Anniversary of Embamunaigas JSC” (2017), “Qazaqstan munayyna 120 zhyl” anniversary medal (2019).

Nakpayev Salimzhan Zhumashevich

Deputy Chairman of the Management Board on General Affairs, Member of the Management Board

He graduated from Almaty Institute of National Economy (1991) as an Economist and Atyrau Institute of Oil and Gas (2004) as a Mining Engineer.

He started his career as a process compressor operator in the Makat Line Production Department (1983). He was a specialist, senior economist at the Planning and Economic Commission of the Makat Regional Executive Committee.

In 1992–1995, he was Chairman of the Maksat small enterprise. Over the years, he held the positions of Akim of Makat, Zhylyoi Districts, Head of the Atyrau Region Akim Office, Atyrau Akim, Community Relations Manager of Agip KCO, Deputy Akim of Atyrau Region.

Since July 2018, he has held the position of Deputy Chairman of the Management Board on General Affairs of Embamunaigas JSC.



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Management Board | **Members of the Management Board**

Honors and awards

He was awarded with the commemorative medal “The 10th Anniversary of Independence of the Republic of Kazakhstan” (2001); “The 10th Anniversary of the Constitution of Kazakhstan” (2005); “Qurmet” order (2005); commemorative medal “The 10th Anniversary of Astana” (2008), “Atyrau oblysy maslikattaryna 25 zhyl” anniversary medal (2019), “Qazaqstan munayyna 120 zhyl” anniversary medal (2019).



Tokmurziyev Askar Adilbekovich

Director of the Legal Department, Member of the Management Board

In 2008, Askar Adilbekovich graduated from the Kazakh Humanitarian Law University with a degree in Law.

2008–2009 – lawyer at MANDARIN LTD LLP

2010–2013 – lawyer at Tulpar LLP, Bastau-S LLP

2013 – 2016 – legal adviser at Kazgermunai JV LLP

2016–2017 – lead legal adviser at Kazgermunai JV LLP

In 2017–2019, he was head of the legal support service of the Legal Department of Kazgermunai JV LLP.

Since November 2019 – Director of the Legal Department of Embamunaigas JSC.

Corporate Governance [continued]

Management Board | Performance Report of the Management Board

Performance Report of the Management Board

The powers of the Chairman of the Management Board of the Company are described in Articles of Association of Embamunaigas JSC.

The Management Board is the executive body and guides the daily operations of the Company. In 2019, 20 meetings of the Management Board were held on a regular basis and as required.

In 2019, the Management Board considered, inter alia, the following most important issues related to the Company's operating activities:

- Making transactions with Embamunaigas JSC's interest of up to 500 mln KZT.
- Approval of the Production Program of Embamunaigas JSC.
- Allocation of funds for student training (Kazakhstani specialists).
- Arrangement of dual training.
- Approval of the list of priority GWS procurement for 2020.
- Provision of social, charitable assistance to socially vulnerable groups of the population.
- Payment of the quarter bonus to the management staff in 2019 (except for Members of the Management Board and Corporate Secretary) of Embamunaigas JSC.
- Approval of staffing tables for employees of production structural units of Embamunaigas JSC.
- Approval of KPIs for managers of structural units of the management staff and production structural units of Embamunaigas JSC.
- Payment of financial aid to retired employees of Embamunaigas JSC.

Besides that, the following documents were considered:

- Rules for planning, organizing and conducting procurement of goods, works and services.
- Rules for energy planning, analysis and determination of energy performance indicators.
- Rules for planning and conducting audits.
- Rules for providing material assistance to employees of Embamunaigas JSC.
- Pre-approval of the Regulation on risk appetite, risk limits, and tolerance levels.
- Pre-approval of the Regulation on key risk indicators.
- Regulation on the business ethics commission of Embamunaigas JSC.
- Procedure for organizing wells routine repair and overhaul.
- Methodology for the operational oil accounting.
- Rules for crisis management communications.
- Pre-approval of Regulation on procedure and conditions for payment of remuneration based on the results of work for the year to Members of the Management Board and management staff of Embamunaigas JSC.
- Procedure for budget performance control.

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Internal Audit

Employment Contracts of Members of the Management Board

All Members of the Management Board have entered into employment contracts with the Company, under which they are generally provided with accident insurance during travels and reimbursement of expenses during business trips in accordance with the internal rules of the Company.

Save as aforesaid, any other employment contracts are not made and are not expected to be made between the Company and the Members of the Management Board.

Liability for the Report reliability

The Company's officials are liable for the reliability of the data in the Company's Annual Report.

Internal Audit

The Audit and Assets Department is tasked with providing the Company's management with independent and unbiased information, advising on control and corporate governance, as well as submitting analytical reports and recommendations on how to improve existing procedures.

In carrying out its activities, A&AD is guided by norms of the current legislation of the Republic of Kazakhstan, the Articles of Association, relevant decisions of the Management Board, job descriptions and other internal documents of the Company that determine the procedure for its activities.

A&AD reports to the Chairman of the Management Board, which sets strategic directions and coordinates the work that determines the A&AD working procedures.

A&AD makes up an audit work plan for the year to be approved by the Chairman of the Company's Management Board.

In accordance with the approved work plan and tasks of the Company's management, A&AD audits any functions, operations and all types of

the Company's activities and, in close cooperation with managers at all levels, contributes to the improvement of control and corporate governance systems and solves the following tasks:

- assessing compliance of existing procedures and operations performed by the Company's SU/PSU with the current legislation and internal documents;
- assessing the state of internal control systems and procedures carried out in the process of preparing SU/PSU information and reporting;
- assessing effectiveness of operations and procedures carried out by SU/PSU and the Company's employees.

According to the A&AD work plan, a total of 4 audits were planned for Embamunaigas JSC, in fact 6 audits (2 unscheduled audits) were conducted, all audits were conducted in a timely manner.

Following the results of audits, 22 recommendations were submitted, 19 recommendations were implemented in a timely manner, deadline for implementation of 3 recommendations expires in 2020.

Corporate Governance [continued]

Risk Management

Risk Management

The Company's Risk Management Strategy is aimed at ensuring the strategic and operational sustainability of the business, which is achieved through timely risk identification and assessment and proactive risk management, taking into account the Company's risk appetite, ensuring communication and coordination of employees at various levels.

The Company's Risk Management System is a set of interrelated elements combined into a single process, where the Board of Directors, management and employees, each at their own level, participate in identifying potential events that may affect the Company's business.

The risk management process is directly interconnected with and integrated into the processes of strategic planning, production and budget planning, investment activities and incentive system.

The risk management process in the Company is constant, cyclical (continuous), multidirectional and consists of the following components:

- goal setting;
- risk identification;
- risk assessment;
- risk control and management;
- monitoring;
- reporting.

The Company's Risk Management System operates with regard to the risk portfolio of the oil and gas production offices (OGPO) and other subsidiary offices of Embamunaigas JSC.

In 2018, during the works on risk identification, a risk register was compiled with an indication of the causes of risks and consequences of their realisation; in addition, a list of the most significant risks was identified, which includes both production and non-production risks. The Board of Directors reviewed and approved a list of 10 key risks, as well as an action plan for their management.

In order to ensure proper risk management, risks are insured in accordance with the Company's Insurance Coverage Policy. In addition to the mandatory types of insurance in accordance with the best international practices, the Company provides the insurance against property risks, risks of wells getting out of control as well as general third-party liability insurance.

In addition, since 2018, in line with the implementation of the project management system in the Company, a Project Committee has been established to review the Company's project portfolio. One of the main prerogatives of project management is risk management of the entire portfolio of projects, which allows identifying events that may affect the project.

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Key Groups of Risks



Operational risks

Operational risks include risks associated with the Company's operating activities and business processes, which depend on internal factors, such as personnel, financial assets, production technologies, management technologies, information technologies and fixed assets.



Business risks

Business risks are risks associated with the business environment where the Company operates. The business environment is determined by external factors, such as the state, competitors, contractors, investors, owners, and the media. External factors can also include changes in the economic environment, availability and accessibility of monetary resources, political factors, changes in the legal environment, changes in the socio-cultural environment, and process factors. Business risks are less manageable and most material ones, and the Company takes reasonable steps to minimize such risks.



Project risks

Project risks are uncertain events or conditions, which, if any of them occurs, have an impact (positive or negative) on at least one of the project objectives, such as terms, cost, scope or quality.





Sustainable Development Report

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Sustainable Development Report

HR Policy

As part of the HR policy, Embamunaigas JSC strives to ensure correlation between strategic goals of the Company and areas of development and personnel recruitment in order to increase stability and reliability of the Company's business model.

As part of the HR management and remuneration functional strategy adopted as part of the Development Concept until 2027 of Embamunaigas JSC approved by the Board of Directors, the main goal of the HR Department is to provide the Company with a sufficient number of qualified personnel motivated to achieve the strategic goals through high-quality training and development of employees, search for and implementation of the cutting-edge advanced management tools and methods, strengthening monitoring of executive discipline and ensuring social support for workers.

HR management processes include the following key areas:

- Developing recruitment procedures;
- Improving personnel training system;
- Youth outreaching;
- Developing talent pool management system;
- Improving remuneration and labor rate setting system;
- Effective headcount and personnel costs management;
- HR administration and time tracking.

As of January 1, 2020, the actual number of the Company was 4,928 people. Staff turnover in 2018 was 2.9%.

In order to optimize expenses, the Company is working to reduce and outsource full-time non-core low-skilled jobs which explains staff optimization during recent years.



Headcount
as of January 1, 2020

4,928
people

Sustainable Development Report [continued]

HR Policy

Staff Structure as of January 1, 2020

Category	Actual number	Actual number			including workers
		men	women	engineers	
TOTAL	4,928	4,063	865	1,489	3,439
Administrative and management staff	310	193	117	310	0
Managers	65	56	9	65	
Specialists	245	137	108	245	
Production staff	4,618	3,870	748	1,179	3,439
Managers	236	203	33	236	
Specialists	943	668	275	943	
Workers	3,439	2,999	440		3,439

Embamunaigas JSC implements a program of early retirement from the age of 58 for employees, who have worked most of their life under the harsh conditions of the oil industry and have health issues.

Over decades, Embamunaigas JSC established strong traditions and continuity of generations. Labor dynasties are the basis of the Company's stable long-term development. Today, Embamunaigas employs members of more than twenty family dynasties, with three or more generations, who have connected their lives with the difficult job of an oil worker. The total length of service of some of them exceeds 200 years. They are the dynasties of the Zhylykshiyevs, the Kurmankulovs, the Torekhanovs, the Saliyevs, the Kulbaliyevs, the Bekmurziyevs, the Ondashevs, the Beshimovs, the Korbebayevs, the Ualiyevs, the Bissenbayevs, the Zhakashevs, the Aidabekovs, the Raimbergenovs, the Bazhbenovs, the Kanatbayevs, the Zhanaissovs, the Mangistauovs-Yerzhangaliyevs, the Balgimbayevs and the Balzhanovs.

Headcount, people



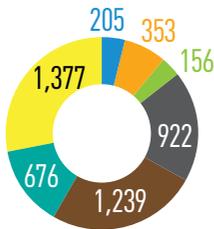
Staff turnover, %



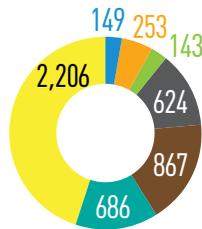
Sustainable Development Report [continued]

HR Policy

Length of service in the Company as of December 31, 2019, people

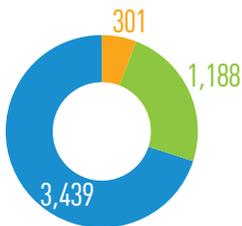


Length of service in oil and gas industry as of December 31, 2019, people



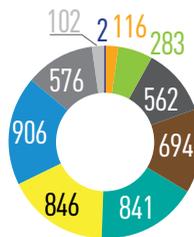
- less than 1 year
- 1-3 years
- 4-5 years
- 6-10 years
- 11-15 years
- 16-20 years
- more than 20 years

Staff structure by categories as of December 31, 2019, people



- Managers
- Specialists and officials
- Workers

Staff structure by age as of December 31, 2019, people



- under 20 y.o.
- 21-25 y.o.
- 26-30 y.o.
- 31-35 y.o.
- 36-40 y.o.
- 41-45 y.o.
- 46-50 y.o.
- 51-55 y.o.
- 56-60 y.o.
- older than 60 y.o.

Personnel Training and Development

In order to meet the needs of the Company in highly qualified managerial, administrative and production personnel, Embamunaigas JSC conducts employee training, ensures continuous development of the employees' potential, and retention of highly qualified employees. The Company creates a system of acquisition and improvement of knowledge and skills of employees and their effective use in regular activities.

The Company provides the following types of training:

1. technical disciplines;
2. financial and economic disciplines;
3. language learning;

4. general disciplines;
5. master's, specialized and modular programs;
6. techniques and skills used in the workplace;
7. safety, health and environment;

The Company provides short-term courses and on-the-job training, internships in other structural units of the Company or in other companies, distance learning is applied using the Internet and/or other types of communication. Besides that, we also ensure participation in conferences, round tables, forums, workshops, congresses, and exhibitions. This contributes to extending expertise and outlook broadening, familiarizing with the latest achievements and technologies, new approaches and ideas, successful experience and developments of other companies, and also helps to establish fruitful partnerships.

Sustainable Development Report [continued]

HR Policy | Personnel Training and Development

In 2019, 4,622 employees passed compulsory safety training, 504 employees passed well-kill safety training, 798 employees passed training in blue-collar jobs, 1,663 employees passed training on technical seminars, business trainings, seminars for financiers, etc., including 10 employees – training in EMBA/MBA programs.

Modular Training Arrangement

In order to train and develop middle managers, modular programs were developed, which included training in planning and improving production processes, management skills training. After completion of the program, the students presented their projects to improve production processes.

Over the period from 2015 to 2019, more than 350 employees from among the heads of the main workshops, site foremen, geologists, and safety

engineers took part in the modular training programs. In 2019, 70 employees passed modular training in developing communication skills.

As part of an effective system for developing qualifications and personal qualities of employees, we have assessed managing directors, department directors, deputies, heads of services according to the test scenario and personal questionnaire. The total of 60 managers took part in the assessment. Following the assessment, recommendations and report on the test scenario and personality questionnaire were prepared, training plan for key positions was developed.

In 2019, modular training was arranged under the Effective Manager program for department directors, their deputies and service managers.



Sustainable Development Report [continued]

HR Policy | Employment Pool Generation and Development

Employment Pool Generation and Development

Embamunaigas JSC forms employment pool to replace the heads of structural units. The purpose of the employment pool generation is to minimize the risks associated with the recruitment and placement of personnel to fill positions within the Company, improve the quality of employees, improve management efficiency based on targeted selection and training of the most promising managers and specialists.

The established system of employment pool and career growth allows:

- ensuring the reliability of the entire management system, minimizing the elements of chance and subjectivity in the selection and placement of personnel in senior and middle management positions;
- identifying promising employees who are ready to develop the Company in accordance with the strategy, improving employee's motivation, retaining employees by providing opportunities for career growth, enhancing the prospects for self-fulfillment; and
- achieving the optimal placement and rotation of managers and specialists, reducing

personnel risks in the appointment of managers (an on-boarding period).

Following comprehensive assessment, 35 candidates were included in the planned and 25 candidates were included in the talent pool, a new employment pool was formed:

- planned pool (new selection) for key positions of managing directors, heads of PSU, chief engineers – 6 reservists;
- planned pool (reassessment) for middle manager positions – 8 reservists;
- talent pool (new selection) – 13 reservists from among young specialists.

The “Public speaking 2.0” training (trainer Radislav Gandapas) was organized for 97 employees of the MA and PSD, including 27 pool reservists. Pool reservists also passed “Change Management. Leadership”, “Tough negotiations” trainings.

In 2019, 1 employee from the planned pool and 3 employees from the talent pool were appointed to higher positions.

Employee Engagement

Embamunaigas JSC creates and continuously develops an effective incentive system and improve executive discipline of employees in order to attract, retain and motivate employees, whose qualifications and performance will ensure the successful fulfillment of the Company's mission and achievement of business goals.

The main tasks in engagement and executive discipline are:

- ensuring a unified approach to the remuneration of all employees of the Company and compliance with the achieved performance and fair remuneration;
- developing a system of awards and incentives, including for the creation and introduction of new technologies, implementation of development projects, solution of key financial, economic, social, employment and other issues;
- strengthening the quality control over performance of tasks assigned to employees;

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HR Policy | Employee Engagement

- raising awareness of employees about the developed and implemented guidance documents within the Company;
- automating the process of setting tasks for the employee with an indication of priority and deadlines, strict monitoring of implementation.

Arranging and Conducting 2019 Best Performer Contest

In order to increase employee engagement, including young specialists, an annual contest of professional skill “Best Performer” is held. Winners are awarded with diplomas and monetary rewards.

In 2019, in preparation for participation in the 3rd round of the contest, we arranged training at the Tatneft Personnel Training Center in 15 blue-collar jobs.

The 3rd round was held among the employees of KMG’s subsidiaries and affiliates on the basis of Tatneft Personnel Training Center (Almetyevsk), 18 employees of Embamunaigas JSC took part in it in 13 blue-collar jobs.

Following the 3rd round, Embamunaigas JSC employees got six prizes in five blue-collar jobs:

- Processing unit operator

- Electrician
- Oil and gas production operator
- Layer pressure maintenance operator
- Commercial oil operator.

Employee Award and Incentives

In 2019, 2,229 labor veterans and 1,036 employees were awarded and rewarded with state and departmental awards.

Employees and veterans of Embamunaigas JSC were also awarded in honor of the 120th anniversary of Kazakhstani oil:

- “Qurmet” order – Zhumagaliyeva Kulyash Uteuovna, labor veteran of Embamunaigas JSC;
- “Yeren enbegi ushin” medal – Adilov Satybaldy, labor veteran of Embamunaigas JSC, Suleimenov Amangeldi Taskinbayevich, head of OGPO Zhaiykmunaigas;
- Certificate of Merit of the Republic of Kazakhstan – Yestleuov Bolat Umbetkaliyevich, oil and gas production operator at Akingen field, OGPO Zhylyoimunaigas.

The anniversary medal of the RoK Ministry of Energy “Qazaqstan munayyna 120 zhyl” was awarded to 2,229 labor veterans and 665 employees.

In honor of the RoK Independence Day, the “Yeren Yenbegi Ushin” Medal was awarded to Kurmankulov Murat Koyshekenovich, electric and gas welder of the OGPU Kenbai, OGPO Kainarmunaigas and to Ayazbayeva Gulnar Naurzgalievna, leading geologist of the production department for the Prorva group of fields development, OGPO Zhylyoimunaigas.



Sustainable Development Report [continued]

Social Projects | Youth Outreach

Social Projects

Youth Outreach

2019 was declared the year of youth by the first President of Republic Kazakhstan – Yelbasy. Embamunaigas JSC has always paid special attention to youth support. The Company implements projects to develop the professional and personal potential of young specialists as part of the continuity of the generations of Emba oil workers and social responsibility.

Embamunaigas JSC employs 694 young specialists under the age of 33, including 66 specialists among administrative and managerial personnel and 628 specialists among production personnel.

The EMG Youth Council was established in 2013, and currently includes about 700 young specialists from the management staff and production departments. Today, the Emba youth, under coordination of the Council of Young Specialists, actively participates in the enterprise's public life, implementation of social and charity projects.

Last year, with the full support of the management of the Company, the Youth Council implemented 15 events for young professionals in professional and personal growth, intellectual development and support of sports, as well as a number of charity projects. In particular, young specialists made a significant contribution to organization of celebrations held last year as part of the 120th anniversary of the oil and gas industry.

Arranging and Conducting Training Events

In 2019, 9 employees – members of the Young Specialists Council took part in “NON-conference for KMG Young Specialists” youth convention.

19 young specialists who distinguished themselves in their work took part in a recreation program organized by KazMunayGas NC JSC. The program was developed jointly with the Bonas Macfarlane Education Kazakhstan educational center and enables employees to improve their health and practical knowledge of the English language.



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Sustainable Development Report [continued]

Social Projects | Youth Outreach

Young Professionals Day at Embamunaigas JSC

On the occasion of the 120th anniversary of Kazakhstani oil and within the framework of the Year of Youth in the Republic of Kazakhstan, the Young Professionals Day forum was held on November 8–10, 2019, in which 120 young Embamunaigas JSC specialists took part.

The event was held with the aim of showing the values of the Company to young specialists through personal experience; form respectful, trusting and effective interpersonal communications; introduce young professionals to the basics of lean production.

Also, “Personal Efficiency”, “Team Building”, “Fundamentals of Kaizen Lean Production”, “Jas Mamandar Kuni (JMK)” trainings were held for young specialists in search of the fifth element of the corporate culture of Embamunaigas JSC.

Presidential Youth Personnel Reserve

Young specialists Auganov Gibrat Kairatovich, Deputy Director of HR and Remuneration Department, Kabdrashitov Azat Rashitovich, Senior Analyst of the Treasury Department were enrolled in the Presidential Youth Personnel Reserve.

The Best Oilman 2019

Another young specialist, Yeleuliyev Bereket Madiyevich reservoir pressure maintenance operator of OGPU Kenbai, OGPO Kainarmunaigas, who took 2nd place at “The Best Performer” competition on the scale of KazMunayGas NC JSC have also won the oil capital award “Leader of the year” in “The Best Oilman 2019” nomination.



Video

Young Professionals Day at Embamunaigas



Sustainable Development Report [continued]

Social Projects | Social Support for Employees

Kazakhstani Specialists Training

The Company allocates significant funds to social projects in terms of training Kazakhstani specialists. In particular, a dual training project is being implemented since 2015.

Participants of the program:

- S. Utebayev Atyrau University of Oil and Gas (AUOG)
- Apec Petrotechnic Higher College (APEC)
- Ufa State Petroleum Technical University (USPTU)
- S. Mukashev Atyrau Polytechnic Higher College (APHC)
- Makat Engineering Oil and Gas College (MEOGC)

In the period from 2015 to 2019, 117 students passed dual training, 41 students were trained in 2019.

During implementation of the dual training project, following the tests, 52 people were employed in Embamunaigas JSC. 44 people employed in other companies. In total, 82% of dual training graduates were employed.

Social Support for Employees

The Company provides its employees with a high level of social security. The collective agreement provides for guarantees and benefits, allowances and financial aid. Much attention is paid to solving the urgent problems of each employee: these are social allowances, such as financial aid for health improvement for an annual leave, allowances associated with pregnancy and childbirth, monthly allowance to employees who are on parental leave until a child is 1.5 years old, a lump-sum allowance associated with the death of an employee for a funeral arrangement, a lump-

sum allowance to the family of an employee who died in an occupational accident, payment for the vacation of the employees' children, the costs of health resort treatment covered for employees, temporary disability allowance, arrangement of cultural and sports events, catering for employees, etc.

Also, Embamunaigas JSC closely cooperates with higher and secondary professional educational institutions of Kazakhstan and neighboring countries in terms of training Kazakhstani specialists in the oil and gas industry.

Under the contractual obligations for subsoil use, Embamunaigas JSC paid for education of 101 students. Over 80 students of Kazakhstani and foreign universities and colleges have completed internship at the Embamunaigas JSC fields.

At the initiative of the Safi Utebayev Atyrau University of Oil and Gas (AUOG) and with the support of Embamunaigas JSC on October 30, 2019, a group of AUOG professors went to the facilities of Embamunaigas JSC. During the visit, professors visited Visualization Center, interactive museum, got acquainted with the oilfield facilities of OGPO Zhayikmunaigas and new technologies and techniques applied in production process.

In 2019, Embamunaigas JSC and Salamat Mukashev Atyrau Polytechnic Higher College signed a memorandum on professor training.

The Company also provides social guarantees for voluntary health insurance for a disease. There is a financial aid provided in accordance with internal regulatory documents for treatment and payment

Sustainable Development Report [continued]

Social Policy

for medical operations, in the event that the cost of treatment exceeds the limit of the insurance program.

In 2019, material assistance under conditions of the Collective Agreement amounted to 1.04 bln

KZT. In particular, 1,542 people underwent sanatorium-resort therapy for a total of 391 mln KZT, 426 mln KZT were allocated for the rest of 1,454 children of our employees.

Social Policy

In 2019, Embamunaigas JSC received “Zhomart Zhurek” award in “Tugan Ulke” nomination for implementing socially significant projects on a voluntary and gratuitous basis to support socially vulnerable groups of the population. The Company always pays great attention to supporting local communities and employees.

On the eve of the 120th anniversary of Kazakhstani oil in the Karashungul area, management and employees of Embamunaigas JSC paid tribute to the workers of the first Emba fields on the site of the historical well No. 7, which gave the first oil gush on Kazakh ground in 1899. The ceremony was attended by administration of the Zhylyoi region, representatives of partner companies and veterans of the oil and gas industry.



Video
Karashungul



Sustainable Development Report [continued]

Social Policy

Besides, on the 120th anniversary of Kazakhstan oil, Embamunaigas JSC arranged the Kazaksha Kures “Munayshy Barysy” tournament. Twenty employees of production structural units fought in the open weight class over 90 kg for the title of the strongest Emba oilman.

On September 1, 2019, on the campus of the Atyrau University of Oil and Gas, a monument to Safi Utebayev, prominent Kazakhstani oilman, discoverer of the fields of Western Kazakhstan, which was built with the financial support of Embamunaigas JSC, was unveiled.

On the same day, the S. Utebayev Atyrau University of Oil and Gas, with the organizational and financial support of Embamunaigas JSC, hosted the “Kazakhstan oil: past, present and future” international reserach-to-practice conference dedicated to the 120th anniversary of Kazakhstani oil.

In September – October, creativity competitions were held in all divisions of the Company on the occasion of the 80th anniversary of Fariza Ongarsynova, famous Kazakh poetess, national writer of the Republic of Kazakhstan, State Prize laureate. The winners were awarded a trip to the “Fariza” performance of the Sovremennik Theater in Moscow.

Last year, Embamunaigas JSC team donated housing to eight large and low-income families of the Kurmangazy, Isatai, Kyzylkoga, Zhylyoi and Makat districts of Atyrau region, which was acquired for one-day wages of workers.

Emba people took part in the “Arys. Biz birgemiz” republican campaign. Thanks to voluntary help of employees, school uniform was purchased and transferred for more than 400 pupils of 16 schools from lower-income families of Arys town who were injured in the explosions.

Embamunaigas JSC was one of the first to start implementation of the “Road to School” republican campaign. With funds raised by the team, about 70 pupils from large and low-income families of Atyrau region were provided with school uniforms and supplies.

On the eve of New Year, a traditional charity fair was held at the head office of Embamunaigas JSC selling handmade and baked goods. With the proceeds from the fair, New Year’s gifts were purchased and donated for more than 200 children of Atyrau region from socially vulnerable groups of the population.

The Company donated 126.481 mln KZT in accordance with the 2019 Social Program for Atyrau region infrastructure development and 131.318 mln KZT were budgeted for 2020.



Video

Emba oil workers provided uniform to more than 400 pupils of Arys town



Video

Good traditional Emba fair



Sustainable Development Report [continued]

Social Policy

Summary on the work performed by the Women's club "Munayshy Kyz" ("Girl-Oiler") for 2019.



On the 8th of March 2018, on the eve of the International Women's Day, the Women's club "Munayshy Kyz" has been established in Joint-Stock Company Embamunaigas.

The purpose of the Women's club "Munayshy Kyz" creation is to give the possibility for the full development of Emba inhabitants, women-oilers, to provide them with the psychological, medical and legal advice according to their needs. In this regard, in all the departments of the company the club members regularly carry out the training, workshops and other public events with educational meaning. Below are briefly presented some of events organized by this club members and which have had the positive effect.

In March 2019, in honor of the Women's club "Munayshy Kyz" creation anniversary, was carried out the Mobile Meeting of the Energetic club KAZENERGY on the topic "Role of women in the Oil-gas industry". The active girls and women who work in the Electric power branch of the Oil-and-Gas industry of our country, participated in

this Mobile Meeting, conducted with the aim of the experience sharing in the field of gender politics development in the oil and gas companies. The main point of the agenda was the joint work revival. The advanced enterprises of our country, in particular, KAZENERGY Association, Khalyk Bank, Tengizchevroil, NCOC, Atyrau Oil refinery, "Karazhanbasmunai", "Mangystaumunaigaz", "Kazgermunai", Atyrau Regional Association of Business women, Atyrau Regional Akimat and the delegations from other enterprises took part in the Forum. In the course of the Forum were raised and widely debated the questions of the family values revival, education of the new generations. One may state that, the Forum, in fact, turned into the open dialogue arena where the true debates started. The practical advice, necessary for the full development of the human personality, combination of the labor and family unity on the way toward the family prosperity preservation of the women-oilers, who make to date near 20 percent of the crew, was expressed.



Video

Munayshy Kyz
2019



Sustainable Development Report [continued]

Social Policy

One more event, organized by the club “Munayshy Kyz”, is the large-scale interview with writer Zeynep Akhmetova, who widely promulgates among the general public the path of life of the valiant son of the Kazakh people, Bauyrzhan Momyshuly, and who popularizes the customs and traditions of Kazakhs. In the basis of the meeting conducted by the crew of six departments of the Company, were the frank talks concerning the questions of the national ideology, education of the generations, interrelation of the spouses and others. The writer tried to answer at the most openly and constructively to the questions of the women-oilers. Also was raised the subject of the women-oilers activity increasing in our society, job ladder promotion of the talented and educated girls due to their productive labor, conception of the responsible generation out of the successful women by means of the women activity increasing in the private life and social life and many-many other things.

Alongside with that, it should be specifically mentioned the carrying out within the Emba enterprise territory, of the events dedicated to the 80-year jubilee of poetess Fariza Ongarsynova, the celebrated “Kazakh poetry Tsarina”. When the event in the honor of the poetess memory, may be said, that the Emba employees risen to the occasion. Seeing the completely different nature of the oilers, Emba enterprise employees, that they could show at this event, we once again became convinced that there were a lot



of the talented people in the Emba enterprise. The event winners, distinguished by their talent, were given the opportunity to attend the play “Fariza” performed in Moscow with the support of the RK Embassy. This will undoubtedly give the special breakthrough to the labor of our specialists who constantly work in the field conditions.

Embamunaigas will continue to give support to the Women’s club “Munayshy Kyz” activity at the appropriate level. Supporting the women-oilers, the Company makes its contribution, however insignificant, to the generations education and family values preservation, because the responsible generation could be conceived only from the successful woman. And the responsible generation is the future of our country. The family prosperity entails the productive labor. This must not be forgotten.



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Sustainable Development Report [continued]

Occupational Health and Safety, Fire Safety and Environmental Policies

Occupational Health and Safety, Fire Safety and Environmental Policies

Most of Embamunaigas JSC fields are at a late stage of exploitation. The Company has been producing oil since as far back as 1899. In such conditions, environmental protection, occupational safety and labor protection are our special value – and the Company's management pays special attention to these issues.

The strategy for labor and environmental protection of Embamunaigas JSC includes the following main areas:

Occupational Health and Safety

Objectives:

- Reducing the number of lost time incidents (LTI).
- Prevention of production incidents and accidents.
- Modernization of fire safety system.

Environmental Protection

Objectives:

- Reducing air emissions.
- Improving quality of wastewater discharges.
- Production waste management.
- Oil spill response and oil contaminated land treatment.

Occupational Safety

Occupational safety is one of the priorities for the Company's management. Production activities of the Company's structural units are associated with increased danger, and Embamunaigas JSC is actively working to reduce the risks of life-threatening accidents and other risks to personnel.

Health protection

Objectives:

- Reducing impact of production factors on the health of staff.
- Providing quality pre-medical and emergency medical care.

Embamunaigas JSC is a national oil and gas company that carries out a full production cycle from hydrocarbon exploration and production, transportation and processing to provision of specialized services. The Company is fully aware of its responsibility to employees and society for creating and maintaining safe working environment at all stages of production activities and minimizing negative environmental impacts.

The Company strives to maintain the highest standards of industrial safety at all stages of the production cycle and aims to constantly improve the management system of labor protection, industrial, fire safety and environmental protection as the key element of production management. The Company is committed to complete prevention of industrial incidents, accidents and spills, and ensuring minimal negative impact on the environment.

In 2019, the total expenditure on activities for occupational health and safety amounted to 1.3 bln KZT.

In order to encourage engagement in occupational safety, a review competition is held

Sustainable Development Report [continued]

Environmental Protection

on an annual basis for the best arrangement of work, improvement of the esthetics of production among the workshops and sections of the primary and secondary production.

The Foreman Days are held on a quarterly basis at the production and structural units in order to provide methodological assistance to the foremen in the arrangement of work on occupational safety, with lectures and seminars held by specialists of departments, specialized organizations for occupational health and safety. On these days, among the foremen and mechanics of production workshops and sites, competitions are held for the best arrangement of work on occupational health and safety; the winners are awarded with cash prizes.

In order to avoid and prevent accidents due to weather conditions in the course of hazardous work and to protect the life and health of employees, services are purchased for the daily provision of information on weather conditions in the region.

An important area of work in labor protection is provision of workers with regulatory and technical documents on labor protection, issue of HSE journals and provision of production facilities with warning boards and safety signs.

Compulsory medical examination and compulsory employee insurance against occupational accidents are provided.

Services to prevent occurrence and liquidation of oil and gas showings, open gas and oil gushes are being purchased. Work to ensure fire safety is in progress.

During 2019, five accidents were registered in the production structural units of the joint-stock company. A comprehensive analysis of all cases was carried out, conclusions were drawn and measures were taken to prevent their recurrence. There were no fatal accidents.

Environmental Protection

The Company conducts continuous monitoring of environmental components (air, water, soil, etc.). The environmental protection and prevention of environmental pollution in the course of its production activities are reduced to determining the expected impact on the environment components, developing environmental protection measures that minimize the potential impact.

Embamunaigas JSC strives to minimize the negative impact on the environment, improve environmental safety, use natural resources rationally at every stage of the production cycle (from exploration and production of hydrocarbons, transportation and processing to provision of specialized services).

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Sustainable Development Report [continued]

Environmental Protection | Impact on the Atmospheric Air

Impact on the Atmospheric Air

The Company continuously monitor and control air pollutant emissions, including sampling.

In 2013, as part of the Associated Petroleum Gas Development and Processing Program, gas treatment units were commissioned at the Eastern Makat field of OGPO Dossormunaigas and in 2014 at the S. Balgimbayev field of OGPO Zhayikmunaigas. Following the commissioning of these production facilities, the volume of associated gas burning in furnaces and, accordingly, formation of pollutant emissions into the atmosphere from stationary sources of pollution decreases.

As part of this project, Embamunaigas JSC and Akimat of Atyrau region signed a Memorandum on the transfer of marketable gas at a low price to vulnerable segments of the population of Atyrau region.

In 2017, the Desulfurization of Associated Petroleum Gas Unit was launched at the Prorva Group of Fields (CGTU), with a capacity of 150 mln m³ per year. The project provides for purification of associated petroleum gas from hydrogen sulfide. The unit will produce: marketable gas, marketable granular sulfur, stable gas condensate.

Associated Gas Utilization

Embamunaigas JSC has implemented a number of associated petroleum gas utilization programs aimed at reducing and in the long term 100% eliminating associated petroleum gas flaring.

Implementation of the programs makes it possible to solve the issues of reducing emissions into the atmosphere, and thereby reduce the contribution of gaseous emissions

Specific gross emissions of pollutants over 2019 amounted to 0.0011 tonnes/year per tonnes of crude hydrocarbon production.

Greenhouse Gas Emissions (CO₂)

The main activity of Embamunaigas JSC is oil production, collection and preparation of crude hydrocarbons to marketable products in the fields. Production activities of Embamunaigas JSC are inevitably associated with atmospheric emissions with direct greenhouse effect: carbon dioxide (CO₂), methane (CH₄) and nitrous oxide (N₂O).

The main sources of pollutant emissions in the production process are oil heating furnaces, boiler rooms, flare plants, diesel power plants, mobile welding units.

In order to monitor greenhouse gas emissions (parameters for calculating emissions), the Company collects information on changes in activity intensity, plant (process) parameters and controls the corresponding level of greenhouse gas emissions to take the necessary measures to prevent excess emissions or reduce them.

to the greenhouse effect, reduce environmental risks due to the elimination of fines for excessive associated gas burning.

In June 2017, the Company launched a large project – integrated gas processing unit of the Prorva group of fields with a capacity of 150 million m³ per year. Technological scheme for the associated petroleum gas preparation is

Sustainable Development Report [continued]

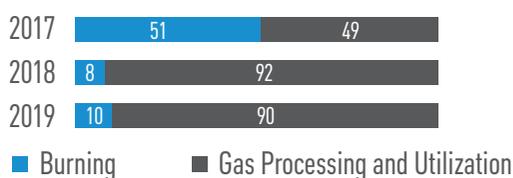
Environmental Protection | Soil Pollution Prevention

based on such processes as amine purification of gas from hydrogen sulfide, low-temperature condensation, and a granular sulfur production unit.

Previously, similar associated petroleum gas utilization units were launched at the Company's production structural units – OGPO Zhaiymunaigaz (S. Balgimbayev Field) and OGPO Dossormunaigaz (Eastern Makat Field) in Isatai and Makat districts of Atyrau region. In addition to minimizing the adverse environmental impact, these units supply natural gas to the residents

of the three districts of the region at a beneficial price.

The Level of Associated Petroleum Gas Utilization in Percentage, %



Soil Pollution Prevention

In order to improve the environment in the region and make a comprehensive assessment of the current state of the soil layer within the contract area of Embamunaigas JSC, we started to conduct a research on the prevention of land desertification with the development of methods to combat desertification, preserve and restore lands subject to desertification as a result of human activities in 2019. The purpose of the study is to identify disturbed lands, free-moving sand areas and develop specific measures for the restoration

of disturbed lands and the prevention of land desertification.

Embamunaigas JSC is investing heavily in projects aimed at cleaning historically polluted areas. In 2019, as part of cleaning historical pollution, 38 hectares of oil-contaminated land (116,005 tonnes of contaminated soil) were cleared. It is planned to complete the cleaning of the land historically polluted with oil products within the boundaries of the Embamunaigas JSC mining allotment by 2022.

Plan for Cleaning Contaminated Lands of Embamunaigas JSC

2018 (actual)		2019 (actual)		2020 (plan)		2021 (plan)		2022 (plan)	
tonnes	ha	tonnes	ha	tonnes	ha	tonnes	ha	tonnes	ha
99,477	24	124,742	35	143,310	24	137,277	38	90,532	16

When conducting oil operations, the Company takes measures to prevent, contain and respond

to accidental spills. There are accident response plans at the site facilities.

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Sustainable Development Report [continued]

Environmental Protection | Waste Management

Waste Management

Embamunaigas JSC pays close attention to the production waste reduction in order to minimize environmental impact.

The Company allocates funds for projects aimed at cleaning historically contaminated areas and processing contaminated soil and oil sludge.

Recycling of secondary production waste (used lamps, oils, rags, etc.) and solid waste is carried out by transferring it to specialized enterprises.

The Company carries out an inventory of sources of generation of production and consumption waste, compiles certificates for each type of waste and develops waste management guidelines.

In 2018, under instruction of the Chairman of the Management Board of EMG, the Green Office project was launched in the Company's management staff. The project's objective is careful handling and saving of office resources, namely, used paper, as well as development of a culture of separate waste paper collection among Company employees. Later on, this project will be launched at the production structural units of Embamunaigas JSC.

Plastic causes grave damage to the environment, from its production to disposal. In this regard, Embamunaigas JSC plans to launch a project to partially (later on – completely) stop using plastic bottles in the fields.

Water Protection

Embamunaigas JSC works towards careful and rational water management. Following the example of A. Aidarbayev, the Chairman of the Management Board of KazMunayGas NC JSC on July 1, 2019, as part of the HSSE Forum of General Directors, the Chairman of the Management Board of Embamunaigas JSC signed the Water rational management commitment.

As part of the rational use of fresh water, Embamunaigas JSC conducts research and further use of groundwater for production needs of the Company's facilities in the South Emba basin and the Kaynar massif with estimation of the groundwater reserves of the Alb-Cenomanian deposits. The program will reduce the Company's dependence on consumption of the Volga water for industrial and domestic needs.

At the Company's facilities, domestic wastewater generated is discharged through an external free-

flow sewage system to its own sewage treatment plant with subsequent discharge of treated wastewater to its own wastewater receivers, such as filtration fields or evaporation fields.

There is a grid of observation wells available to monitor the state of groundwater around the evaporation fields.

Embamunaigas JSC does not discharge polluted water into natural surface water bodies. In 2019, the water consumption for the Company's own needs amounted to 432.652 thous. m³, which is lower by 437 thous. m³ as compared to 2018. In order to prevent the impacts on coastal and aquatic ecosystems, a protective dam is fortified within the Prorva Field at OGPO Zhylyoimunaigas, and flood-prone and flooded wells of Tazhigali field are monitored.

Sustainable Development Report [continued]

Environmental Protection | Biodiversity

In 2018, the “Rational Use of Water Resources” strategic project was elaborated. The project’s objective is to create a system for efficient use of water resources at Embamunaigas JSC that will

enable comprehensive planning, management, rational use of water resources, as well as reduce negative impact on the environment.

Biodiversity

The contract territory of Embamunaigas JSC is located in the desert zone and belongs to the Caspian Province of the subzone of brown soils. Soil formation conditions in the desert zone are characterized by extreme continental climate, hot dry summers and cold winters, high daytime and low nighttime temperatures in summer, dryness, low precipitation, intense evaporation and plentiful sunlight in the summer.

Flora

The vegetation within the territory of production facilities is characterized by the predominance of desert and steppe elements; there are typical halophytic (salt-loving) plants in some places with *Echinochloa*, *Halocnemum strobilaceum*, *Suaeda prostrata* Pall, etc.

In sandy areas, psammophytic and shrubby plants (*Calligonum aphyllum*, *Atraphaxis spinosa*, *Tamarix laxa*) involving ephemers and ephemerooids (*Poa bulbosa*, *Tulipa schrenkii*, *Lepidium perfoliatum* L, *Descurainia sophia*, *Erysimum cheiranthoides* L, *Eremopyrum orientale*, etc.), are more common, plants with *Artemisia arenaria* are widely represented, wormwood plants with *Artemisia lercheana*, *Artemisia terrae-albae* are more rare.

Halophytic vegetation is common – *Petrosimonia triandra*, *Atriplex tatarica*, *Ceratocarpus arenarius*, *Salsoa nitraria*, *Salsola pestifera* and *Salsola foliosa*, *Salsola paulsenii*, etc. Often, ephemerals develop among halophytes – for example, *Eremopyrum triticeum*, *Lepidium perfoliatum* L, and *Descurainia sophia*. Shrubs are less common.

Preservation of all vegetation elements ensures stability of the desert ecosystem, as it is vulnerable, prone to degradation under conditions of man-induced overload, as well as balanced conservation of the region’s biological diversity.

Fauna

Fauna of the enterprise’s production area is quite abundant. There are about 39 species of mammals. In addition to common rodents (hare, ground squirrel, gerbil, jerboa, etc.), there are predators, such as wolves, corsac foxes, foxes, wild cats, weasels, etc.; ungulates, such as goitred gazelle, saiga and boar; reptiles – viper, whip snake, grass snake, several species of lizards, as well as frogs and toads.

The ornithofauna species diversity of the territory of Embamunaigas JSC is due to abundance of migratory birds – at least 154 species migrating along the Caspian coast in spring and autumn. Generally, the ornithofauna of the area numbers up to 223 species of nesting, migratory or wintering birds, which is about half of birds species of Kazakhstan. Up to 40 species of birds nest in the wetlands of coastal stations, 20 species of birds nest in desert stations.

Measures to Reduce Possible Negative Impact on the Wildlife

Environmental protection and reduction of the impact on biodiversity in the production process are in the focus of attention of Embamunaigas JSC. Impact on the environment components is evaluated and a plan of environmental measures that minimizes the possible impact is developed.

Sustainable Development Report [continued]

Environmental Protection | Energy Efficiency

The main measures to minimize the adverse human impact on the flora include:

- forbidding staff from hunting animals, aimless killing of reptiles;
- strict adherence to technology;
- prohibited feeding and luring wild animals;
- prohibited poaching and all types of hunting;

- restoration of degraded land.

Environmental monitoring of the state of the environment in the area of location of the facilities is carried out, including monitoring of the state of atmospheric air, groundwater and wastewater, soil, flora and fauna. The amount of funding this work in 2019 amounted to 58.18 mln KZT.

Energy Efficiency

The Energy Management System is applied at Embamunaigas JSC, which was developed in accordance with the international standard ISO 50001. The ISO 50001 standard was introduced in 2013 in accordance with the Law of the Republic of Kazakhstan "On Energy Saving and Energy Efficiency Improvement".

The Company's management determined and approved the Energy Management Policy, set the relevant energy management goals, developed measures to improve energy performance. In 2019, recertification of Embamunaigas JSC was carried out according to the international standard ISO 50001:2011 and energy management certificate for 2019–2021 was received.

In 2019, the regular energy audit of Embamunaigas JSC was carried out, which included comprehensive energy audit of

the existing facilities of the Company to assess the actual state of the use of fuel and energy resources, identify main causes of losses, develop recommendations aimed at reducing the identified energy saving losses. Institute of Electricity Development and Energy Saving JSC presented a positive conclusion on compliance of the energy audit with requirements of legislation of the Republic of Kazakhstan. Based on the information received, Embamunaigas JSC is developing an action plan to further improve energy efficiency.

The actual key energy efficiency indicator in 2019 was 0.050 TFOE/tonne (in 2018 the indicator was 0.053 TFOE/tonne)

Sustainable Development Report [continued]

Environmental Protection | Innovations

Indicators	UoM	2019
Total energy consumed	TFOE*	144,564
Oil sales	tonne	2,874,606
Key Energy Efficiency Indicator (baseline)	TFOE/ tonne	0.07
Key Energy Efficiency Indicator (actual indicator)	TFOE/ tonne	0.050

* TFOE – tonnes of fuel oil equivalent

Innovations

The Company conducts researches, surveys and other developments in the area of environmental protection. The methods of disposal and detoxification of harmful industrial substances and motor vehicle emissions are studied; the automated production of pollutant monitoring and control systems is developed, which is of current importance due to a huge area of the Company's production facilities; production waste disposal are regulated; and other measures are taken.

The Company also provides environmental awareness raising among employees of the enterprise and the population of the region and is working to improve the skills of specialists in environmental protection.

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Embi Muna Gas
АКЦИОНЕРЛІК ҚОҒАМЫ

292.323.165

10.187.138

300.313.928

99.146.540

39.188.958

133.976.165

84.695.250

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Embamunaigas Joint Stock Company

Financial statements

For the year ended December 31, 2019 with independent auditor's report

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Independent auditor's report

To the Shareholder and Management of Embamunaigas Joint Stock Company

Opinion

We have audited the financial statements of Embamunaigas JSC (the Company), which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and Board of Directors for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors is responsible for overseeing the Company's financial reporting process.



Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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We communicate with The Board of Directors of Embamunaigas JSC regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young LLP

Adil Syzdykov
Auditor

Auditor qualification certificate No.
МФ-0000172 dated 23 December 2013

050060, Republic of Kazakhstan, Almaty
Al-Farabi ave., 77/7, Esentai Tower

28 February 2020

Gulmira Turmagambetova
General Director
Ernst & Young LLP

State audit license for audit activities on
the territory of the Republic of Kazakhstan:
series МФЮ-2 No. 0000003 issued by
the Ministry of finance of the Republic of
Kazakhstan on 15 July 2005



STATEMENT OF FINANCIAL POSITION

In thousands of tenge

	Note	2019	At December 31, 2018
Assets			
Non-current assets			
Property, plant and equipment	4	204,238,506	187,656,191
Exploration and evaluation assets	5	16,387,613	19,302,335
Intangible assets		2,348,126	1,383,859
Other financial assets	6	38,554,106	38,005,431
Deferred tax asset	16	16,866,489	10,380,026
VAT recoverable		11,033,076	-
Advances paid for non-current assets		2,895,249	2,154,102
Total non-current assets		292,323,165	258,881,944
Current assets			
Inventories	7	9,374,880	10,944,113
Corporate income tax prepayment		1,646,447	3,968,337
Taxes prepaid and VAT recoverable		22,856,112	15,899,345
Advances paid and deferred expenses		2,383,693	3,507,440
Trade and other accounts receivable	6	42,413,883	30,838,853
Cash and cash equivalents	6	39,188,958	111,445,891
Total current assets		117,863,973	176,603,979
Total assets		410,187,138	435,485,923
Equity			
Charter capital	8	162,399,820	162,399,820
Retained earnings		134,777,405	153,032,636
Total equity		297,177,225	315,432,456
Liabilities			
Non-current liabilities			
Historical obligations	9	6,127,850	5,806,806
Provisions	10	31,702,151	24,151,252
Total non-current liabilities		37,830,001	29,958,058
Current liabilities			
Historical obligations	9	887,581	1,573,568
Provisions	10	13,788,193	36,329,095

The accounting policies and explanatory notes on pages 117 to 153 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION (continued)

In thousands of tenge

	Note	At December 31,	
		2019	2018
Mineral extraction and rent tax payable		26,053,400	23,287,080
Excess profit tax liabilities		7,499,604	-
Trade and other accounts payable		26,951,134	28,905,666
Total current liabilities		75,179,912	90,095,409
Total liabilities		113,009,913	120,053,467
Total liabilities and equity		410,187,138	435,485,923

Deputy Chairperson of the Management Board on Economy and Finance

R.N. Tasmagambetova

Chief accountant

N.Zh. Makhambetov

The accounting policies and explanatory notes on pages 117 to 153 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

In thousands of tenge

	Note	For the year ended December 31,	
		2019	2018 (restated)*
Revenue from contracts with customers	11	450,944,713	432,249,743
Cost of sales	12	(150,630,785)	(136,477,846)
Gross revenue		300,313,928	295,771,897
Selling expenses	13	(154,561,625)	(155,497,031)
General and administrative expenses	14	14,412,821	(45,098,205)
Dry wells write-off and exploration expenses	15	(23,245,088)	(2,742,279)
Impairment of VAT recoverable		(2,943,871)	-
Operating profit		133,976,165	92,434,382
Finance income		1,453,496	1,406,614
Finance costs		(3,471,137)	(3,288,726)
Net foreign exchange difference		(1,101,952)	21,868,468
Other income		1,624,024	1,186,481
Other losses		(734,859)	(651,970)
Profit before taxation		131,745,737	112,955,249
Income tax expenses	16	(30,344,706)	(29,566,260)
Profit for the year		101,401,031	83,388,989
Other comprehensive loss			
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods (net of tax)			
Loss from revaluation on defined benefit plans	10	(2,254,491)	(1,758,050)
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods		(2,254,491)	(1,758,050)
Total comprehensive income for the year, net of taxes		99,146,540	81,630,939

* Certain amounts shown here do not correspond to the 2018 financial statements and reflect adjustments made, refer to Note 2.

Deputy Chairperson of the Management Board on Economy and Finance

R.N. Tasmagambetova

Chief accountant

N.Zh. Makhambetov

The accounting policies and explanatory notes on pages 117 to 153 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

In thousands of tenge

	Note	For the year ended December 31,	
		2019	2018
Operating activities			
Profit before taxation		131,745,737	112,955,249
Adjustments to reconcile profit before tax to net cash flows			
Amortisation and impairment		27,245,663	21,734,163
Loss on disposal of property, plant and equipment and exploration assets	4, 5	984,628	651,970
Net foreign exchange differences		(1,335,948)	(14,836,862)
Other income and expenses		(2,211,221)	1,798,561
Change in provisions		(20,094,965)	25,773,853
Finance costs		3,471,137	2,582,521
Finance income		(1,453,496)	(1,406,613)
Working capital adjustments			
Increase in inventories		1,569,233	(3,771,519)
Increase in taxes prepaid and VAT recoverable		(17,989,843)	(3,654,502)
Decrease in advances paid and deferred expenses		382,600	(688,189)
Increase in trade accounts receivable		(11,575,030)	5,109,898
Decrease in trade and other payables		(1,954,531)	3,591,308
Increase in mineral extraction tax and rent tax payable		2,766,320	5,129,738
Income tax paid		(26,855,034)	(33,267,857)
Net cash flows from operating activities		84,695,250	121,701,719
Investing activities			
Purchase of property, plant and equipment		(39,784,005)	(30,692,389)
Purchase of intangible assets		(468,548)	(7,139,258)
Withdrawal/(placement) of term deposits		(953,191)	30,117,107
Interest received		1,453,308	1,406,301
Net cash flows used in investing activities		(39,752,436)	(6,308,239)

The accounting policies and explanatory notes on pages 117 to 153 are an integral part of these financial statements.

	Note	For the year ended December 31,	
		2019	2018
Financing activities			
Dividends paid to shareholders	8	(117,401,771)	(85,844,545)
Payments on historical obligations		(1,279,059)	(2,564,224)
Net cash flows used in financing activities		(118,680,830)	(88,408,769)
Net change in cash and cash equivalents		(73,738,016)	26,984,711
Cash and cash equivalents as at January 1		111,445,891	73,423,065
Net foreign exchange difference		1,481,083	11,038,115
Cash and cash equivalents as at December 31	6	39,188,958	111,445,891

Deputy Chairperson of the Management Board on Economy and Finance

R.N. Tasmagambetova

Chief accountant

N.Zh. Makhambetov

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The accounting policies and explanatory notes on pages 117 to 153 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

In thousands of tenge

	Note	Share capital	Retained earnings	Total
At January 1, 2018		162,399,820	157,246,242	319,646,062
Profit for the year		-	83,388,989	83,388,989
Other comprehensive loss	10	-	(1,758,050)	(1,758,050)
Total comprehensive income		-	81,630,939	81,630,939
Dividends	8	-	(85,844,545)	(85,844,545)
At December 31, 2018		162,399,820	153,032,636	315,432,456
Profit for the year		-	101,401,031	101,401,031
Other comprehensive loss	10	-	(2,254,491)	(2,254,491)
Total comprehensive income		-	99,146,540	99,146,540
Dividends	8	-	(117,401,771)	(117,401,771)
At December 31, 2019		162,399,820	134,777,405	297,177,225

Deputy Chairperson of the Management Board on Economy and Finance

R.N. Tasmagambetova

Chief accountant

N.Zh. Makhambetov

The accounting policies and explanatory notes on pages 117 to 153 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

1. Corporate information and principal activities

Embamunaigas Joint Stock Company (the “Company”) was incorporated in the Republic of Kazakhstan on February 27, 2012 following the decision of the Board of Directors of KazMunaiGas Exploration Production Joint Stock Company (“KMG EP” or the “Parent Company”) dated January 31, 2012.

The Company is engaged in exploration, development, production, processing and export of hydrocarbons. Oil and gas operations of the Company are based on oil and gas assets located in Atyrau region of Western Kazakhstan. The Company develops oil fields under the following subsoil use contracts: contract №37 (oilfield Kenbai), contract №61 (oilfield South East Novobogatinskoe), contract №211 (23 oilfields), contracts №413 (15 oilfields), contract №327 (oilfield Taisogan), contract №992 (oilfield West Novobogatinskoe); contract №406 (oilfield Liman); contract №3577 (oilfield Karaton-Sarkamys). On February 25, 2015 addendums to extend contracts between the Ministry of Energy and Embamunaigas JSC were signed for the following contracts: contract №37 valid until 2041, contract №61 valid until 2048, contract №211 valid until 2037, contract №413 valid until 2043.

The sole shareholder of the Company is KMG EP. KMG EP’s principal shareholder is National Company KazMunayGas JSC (“NC KMG”), which represents the state’s interests in the Kazakhstan oil and gas industry. Sovereign Wealth Fund Samruk-Kazyna JSC (“Samruk-Kazyna”) owns 90% of NC KMG. Samruk-Kazyna in its turn is 100% owned by the Government of the Republic of Kazakhstan (the “Government”).

The financial statements of the Company for the year ended December 31, 2019 were authorized for issue by the Chairman of the Management Board, Deputy Chairman of the Management Board on Economy and Finance and Chief Accountant on February 28, 2020.

2. Summary of significant accounting policies

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The financial statements have been prepared under the historical cost convention. These financial statements are presented in tenge and all values are rounded to the nearest thousand unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in **Note 3**.

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2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

New and amended standards and interpretations

The Company applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this accounting standard are described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IAS 16 Leases

IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for the majority of leases on a balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. Therefore, the adoption of IFRS 16 did not affect the accounting for leases in which the Company is the lessor.

The Company adopted IFRS 16 for the first time on January 1, 2019 using a full retrospective method of adoption. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at January 1, 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases') as well as for lease contracts in which an underlying asset is of low value (lease of assets of low value).

There is no significant impact on the statement of comprehensive income.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- How an entity considers changes in facts and circumstances.

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Company applies significant judgments in identifying uncertainties regarding the rules for calculating an income tax. Since the Company does not operate in a complex multinational environment, it assessed whether the Interpretation had an impact on its financial statements.

Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's tax filings include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Company determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments will be accepted by the taxation authorities. This clarification had no impact on the financial statements of the Company.

Prepayment Features with Negative Compensation – Amendments to IFRS 9

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the cash flow criterion) and the instrument is held within the appropriate business model enabling such classification. The amendments to IFRS 9 clarify that a financial asset meets the cash flow criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments did not have any impact on financial statements of the Company.

Amendments to IAS 19 Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to: Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity must also determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

These amendments did not affect the financial statements of the Company, since in the reporting period no amendments were made to the plan, its curtailment or settlement.

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures. These amendments had no impact on the financial statements as the Company does not have long-term interests in associate and joint venture.

Annual IFRS improvements, 2015–2017 cycle

IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation. These amendments had no impact on the financial statements of the Company, since the Company does not have such transactions in the presented periods.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Annual IFRS improvements, 2015–2017 cycle (continued)

IFRS 11 Joint Arrangements

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

These amendments did not have an effect on the Company's financial statements due to absence of transactions in which the Company obtains joint control.

IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

Since the current policy of the Company complies with the requirements of the amendments, their application did not have an effect on the financial statements of the Company.

IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. Since the current policy of the Company complies with the requirements of the amendments, their application did not have an effect on the financial statements of the Company.

Standards issued but not yet effective

New standards, amendments and interpretations issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The Company intends to adopt these standards, amendments and interpretations if applicable, when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 **Insurance Contracts** (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 replaces IFRS 4 **Insurance Contracts** (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. There are several scope exceptions. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for insurance contracts with direct participation terms (the variable fee approach).
- A simplified approach (the premium allocation approach) is mainly for short-duration contracts.

IFRS 17 is effective for reporting periods starting on or after January 1, 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Company.

Amendments to IFRS 3 Business Combination

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Company will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8 Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. According to a new definition, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity".

The amendments to the definition of material is not expected to have a significant impact on the Company's financial statements.

Restatement of comparative information

In preparing the financial statements for the year ended December 31, 2019, the Company reclassified gains on fines and unwinding of the discount on liabilities for employee benefits for the year ended December 31, 2018, as the Company believes that this reclassification is more appropriate for the users of financial statements.

Comparative information in the statement of comprehensive income for the year ended December 31, 2018 contains adjustments presented below. These adjustments had an impact on the statement of financial position and statement on changes in equity. The Company restated comparative data as follows:

	Presentation in the financial statements for 2018	Restatement	Presentation in the financial statements for 2019
Statement of comprehensive income			
Revenue from contracts with customers	433,436,224	(1,186,481)	432,249,743
Other income	-	1,186,481	1,186,481
Cost of sales	(137,184,051)	706,205	(136,477,846)
Finance costs	(2,582,521)	(706,205)	(3,288,726)
Profit for the year	83,388,989	-	83,388,989
Total comprehensive income for the year, net of taxes	81,630,939	-	81,630,939

2. Summary of significant accounting policies (continued)

2.2 Foreign currency translation

The financial statements are presented in Kazakhstani tenge, which is the Company's functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All foreign exchange differences are included within profit and loss.

Exchange rates

The official rate of the Kazakhstan tenge to the US dollar at December 31, 2019 and December 31, 2018 was 381.18 and 384.20 tenge, respectively. Any translation of tenge amounts to US dollar or any other hard currency should not be construed as a representation that such tenge amounts have been, could be or will in the future be converted into hard currency at the exchange rate shown or at any other exchange rate.

2.3 Oil and gas field exploration and development expenditures

Exploration license costs

Exploration license costs are capitalized within intangible assets and amortized on a straight-line basis over the estimated period of exploration. Each property is reviewed on an annual basis to confirm that drilling activity is planned. If no future activity is planned, the remaining balance of the license cost is written off. Upon determination of economically recoverable reserves ('proved reserves' or 'commercial reserves'), amortization ceases and the remaining costs are aggregated with exploration expenditure and held on a field-by-field basis as proved properties awaiting approval within other intangible assets. When development is approved internally, and all licenses and approvals are obtained from the appropriate regulatory bodies, then the relevant expenditure is transferred to property, plant and equipment (oil and natural gas properties).

Exploration expenditures

Geological and geophysical exploration costs are charged against income as incurred. Costs directly associated with an exploration well are capitalized within exploration and evaluation asset until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials, fuel and electric energy, rig costs and payments made to contractors. If hydrocarbons are not found, the exploration expenditure is written off as a dry hole. If hydrocarbons are found and, subject to further appraisal activity, which may include the drilling of further wells (exploration or exploratory-type stratigraphic test wells), are likely to be capable of commercial development then, the costs continue to be carried as an asset.

All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off.

When proved reserves of oil and natural gas are determined and development is sanctioned, the relevant expenditure is transferred to property, plant and equipment (oil and natural gas properties).

Development costs

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and drilling of development wells is capitalized within property, plant and equipment, except for expenditure related to development or delineation wells which do not find commercial quantities of hydrocarbons and are written off as dry hole to expenses of the period.

2.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation, depletion and impairment.

The initial cost of assets comprises its purchase price or construction price, any costs directly attributable to bringing the asset into operation and the initial estimate of asset abandonment costs, if any. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Oil and natural gas properties are depreciated using a unit-of-production method over proved developed reserves. Certain oil and gas property assets with useful lives less than the remaining life of the fields are depreciated on a straight-line basis over useful lives of 4-15 years.

Other property, plant and equipment principally comprise buildings, machinery and equipment, which are depreciated on a straight-line basis over average useful lives of 5 to 25 years.

The expected useful lives of property, plant and equipment are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

The current value of property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate the current value may not be recoverable.

An item of property, plant and equipment, inclusive of production wells which stop producing commercial quantities of hydrocarbons and are scheduled for abandonment, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the current amount of the item) is included in the statement of comprehensive income in the period the item is derecognized.

2.5 Impairment of non-financial assets

The Company assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the current value of an asset may not be recoverable.

Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. If any such indication of impairment exists or when annual impairment testing for an asset group is required, the Company makes a estimate of its recoverable amount. An asset group's recoverable amount is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the current value of the asset is increased to its recoverable amount. The increased amount may not exceed the current amount, which would have been determined, net of depreciation or amortisation, had not the impairment loss been recognized in the previous periods. Such reversal is recognized in the statement of comprehensive income. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in two categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Company's financial assets at amortised cost include trade receivables.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated by the Company as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized from the statement of financial position where:

- The rights to receive cash flows from the asset have expired;
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

2. Summary Of Significant Accounting Policies (continued)

2.7 Financial assets (continued)

Impairment of financial assets

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. The financial asset is written off if there is no reasonable expectation of recovering the contractual cash flows.

2.8 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables.

Subsequent measurement

For purposes of subsequent measurement financial liabilities are classified in the following two categories:

- Financial liabilities at fair value through profit or loss;
- Financial liabilities at amortized cost (loans and borrowings).

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated by the Company upon initial recognition at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liabilities as at fair value through profit or loss.

Financial liabilities at amortized cost (loans, borrowings and payables)

This category is the most relevant to the Company. After initial recognition, trade and other payables are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of profit or loss.

This category generally applies to trade and other payables.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

2.9 Inventories

Inventories are recorded at the lower of cost on a first in, first out basis separately for each warehouse and net realizable value. Cost includes all costs incurred in the normal course of business in bringing each item to its present location and condition. The cost of crude oil is the cost of production, including the appropriate proportion of depreciation, depletion and amortization ("DD&A") and overheads based on normal capacity.

Net realizable value of crude oil is based on proposed selling price less any costs expected to be incurred to complete the sale. Materials and supplies inventories are carried at amounts that do not exceed the expected amounts recoverable in the normal course of business.

2.10 Value Added Tax (VAT)

The tax authorities permit the settlement of VAT on sales and purchases on a net basis. VAT recoverable represents VAT on domestic purchases net of VAT on domestic sales. Export sales are taxed at zero rate. However, settlement of VAT is allowed only on the basis of the results of a tax audit performed by the tax authorities to confirm the VAT recoverable.

If the effect of the time value of money is material, long-term VAT recoverable is discounted using a risk-free rate that reflects, where appropriate, the risks specific to the asset.

2. Summary of significant accounting policies (continued)

2.11 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with banks, other short-term highly liquid investments with original maturities of three months or less.

2.12 Charter capital

Charter capital

Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. External costs directly attributable to the issue of new shares are shown as a deduction from the proceeds in equity.

Dividends

Dividends are recognized as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements were authorised for issue.

2.13 Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.14 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.15 Employees benefits

The Company withholds 10% from the salary of its employees as the employees' contribution to their designated pension funds. The pension deductions are limited to a maximum of 212,130 tenge per month in 2019 (2018: 212,500 tenge per month). Under the current Kazakhstan legislation, employees are responsible for their retirement benefits. From January 1, 2014 the Company is required to contribute a mandatory 5% of the salary for a majority of its employees to their pension funds.

Long-term employee benefits

The Company offers to its employees long-term benefits prior to and after retirement in accordance with collective agreements between the Company and its employees and other documents. The collective agreement and other documents provide for certain one-off retirement payments, early retirement benefits, financial aid for employees' disability, anniversary and death. Eligibility for benefits is usually based on whether an employee is required to continue working before retirement.

The expected costs of one-off benefits and early retirement benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit post-employment plans. Actuarial gains and losses arising in the year are taken to other comprehensive income. For this purpose actuarial gains and losses comprise both the effect of changes in actuarial assumptions and the effect of previous experience owing to the differences between actuarial assumptions and actual data. Other changes are recognised in the current period, including the current service costs, the past service costs and the impact of personnel layoff or completed settlements.

The most significant assumptions used in accounting for the benefit liability are the discount rate and mortality rates. Discount rate is used to determine net present value of future liabilities and each year unwinding of discount on such liabilities is recorded in the statement of comprehensive income as finance costs. The assumption of mortality is used to forecast the future benefit payment flow, which then is discounted to arrive at the net present value of liabilities.

Employees benefits apart from lump-sum retirement benefits are considered as other employee benefits. The expected cost of employee benefits is accrued over the period of employment using the same accounting methodology as used for the defined benefit plan.

These obligations are valued by independent qualified actuaries on an annual basis.

2.16 Revenue recognition

The Company sells crude oil under short-term agreements priced by reference to Platt's index quotations and adjusted for freight, insurance and quality differentials. Title typically passes and revenues are recognized when crude oil is physically placed onboard a vessel or offloaded from the vessel, transferred into pipe or other delivery mechanism depending on the contractually agreed terms.

The Company's crude oil sale contracts generally specify maximum quantities of crude oil to be delivered over a certain period. Crude oil shipped but not yet delivered to the customer is recorded as inventory in the statement of financial position.

2.17 Income taxes

Current income tax costs comprise current income tax, excess profit tax and deferred income tax.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Company operates and generates taxable income.

2. Summary of significant accounting policies (continued)

2.17 Income taxes (continued)

Excess profit tax (“EPT”) is treated as an income tax and forms part of income tax expense. In accordance with the applicable tax legislation enacted as of January 1, 2009, the Company accrues and pays EPT in respect of each subsurface use contract, at varying rates based on the ratio of aggregate annual income to deductions for the year for a particular subsurface use contract. The ratio of aggregate annual income to deductions in each tax year triggering the application of EPT is 1.25:1. EPT rates are applied to the part of the taxable income (taxable income after corporate income tax and allowable adjustments) related to each subsurface use contract in excess of 25% of the deductions attributable to each contract.

Deferred tax assets and liabilities are calculated in respect of all temporary differences using the liability method. Deferred corporate income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred corporate income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

3. Significant accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities during the reporting period. The most significant estimates are discussed below:

Oil and gas reserves

Oil and gas reserves are a material factor in the Company's computation of depreciation, depletion and amortization (“DD&A”). The Company estimates its reserves of oil and gas in accordance with the methodology of the Society of Petroleum Engineers (“SPE”). In estimating its reserves under SPE methodology, the Company uses the projected prices of analysts. Using planning prices for estimating proved reserves removes the impact of the volatility inherent in using year end spot prices.

The relative degree of uncertainty can be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Proved reserves are more certain to be recovered than unproved reserves and may be further subclassified as developed and undeveloped to denote progressively increasing uncertainty in their recoverability.

Estimates are reviewed and revised annually. Revisions occur due to the evaluation or re-evaluation of already available geological, reservoir or production data; availability of new data; or changes to underlying price assumptions. Reserve estimates may also be revised due to improved recovery projects, changes in production capacity or changes in development strategy. Proved developed reserves are used to calculate the unit of production rates for DD&A.

The Company has included in proved reserves only those quantities that are expected to be produced during the confirmed license period. This is due to the uncertainties surrounding the outcome of such renewal procedures, since the renewal is ultimately at the discretion of the Government. An increase in the Company's license periods and corresponding increase in reported reserves would generally lead to lower DD&A expense and could materially affect earnings and indicate the reversal of impairment. A reduction in proved developed reserves will increase DD&A expense (assuming constant production), reduce income and could also result in an immediate write-down of the property's book value. Given the relatively small number of producing fields, it is possible that any changes in reserve estimates year on year could significantly affect prospective charges for DD&A.

Assets retirement obligations

Under the terms of certain contracts, legislation and regulations the Company has legal obligations to dismantle and remove tangible assets and restore the land at each production site. Specifically, the Company's obligation relates to the ongoing closure of all non-productive wells and final closure activities such as removal of pipes, buildings and reclamation of the contract territories. Since the license terms cannot be extended at the discretion of the Company, the settlement date of the final closure obligations has been assumed to be the end of each license period.

If the asset retirement obligations were to be settled at the end of the economic life of the properties, the recorded obligation would increase significantly due to the inclusion of all abandonment and closure costs. The extent of the Company's obligations to finance the abandonment of wells and for final closure costs depends on the terms of the respective contracts and current legislation.

Where neither contracts nor legislation include an unambiguous obligation to undertake or finance such final abandonment and closure costs at the end of the license term, no liability has been recognized. There is some uncertainty and significant judgment involved in making such a determination.

Management's assessment of the presence or absence of such obligations could change with shifts in policies and practices of the Government or in the local industry practice. The Company calculates asset retirement obligations separately for each contract.

The amount of the obligation is the present value of the estimated expenditures expected to be required to settle the obligation adjusted for expected inflation and discounted using average long-term risk-free interest rates for emerging market sovereign debt adjusted for risks specific to the Kazakhstan market. The Company revises the obligation to restore the contract territory at each reporting date and adjusts to reflect the best estimate in accordance with IFRIC 1 **Changes in Existing Decommissioning, Restoration of Natural Resources** to deal with them and similar obligations.

Estimating the future closure costs involves significant estimates and judgments by management. Most of these obligations are many years in the future and, in addition to ambiguities in the legal requirements, the Company's estimate can be affected by changes in asset removal technologies, costs and industry practice. Approximately 37.44% and 34.23% of the provision at December 31, 2019 and 2018, respectively, relate to the final closure costs. The Company estimates future well abandonment cost using current year prices and the average long-term inflation rate.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended December 31, 2019

3. Significant accounting estimates and judgements (continued)

The long-term inflation and discount rates used to determine the carrying value of a liability at December 31, 2019 and 2018 are presented below:

	2019	2018
Discount rate on the provision for abandonment of fields	7.90%	10.00%
Inflation rate	5.40%	5.00%

Movements in the provision for asset retirement obligations are disclosed in **Note 10**.

Environmental remediation

The Company also makes judgments and estimates in establishing provisions for environmental remediation obligations. Environmental expenditures are expensed depending upon their future economic benefit. Expenditures that relate to an existing condition caused by past operations and do not have a future economic benefit are expensed.

Liabilities are determined based on current information about costs and expected plans for rehabilitation and are recorded on an undiscounted basis with reference to expectations of the management regarding the timing of the required procedures. The Company's environmental remediation provision represents management's best estimate based on an independent assessment of the anticipated expenditure necessary for the Company to remain in compliance with the current regulatory regime in Kazakhstan. The provision for the environmental emissions was recognized in relation to fines and damages for violating environmental legislation based on the results of two unscheduled audits (**Note 20**). Movements in the environmental rehabilitation obligations are disclosed in **Note 10**.

Further uncertainties related to environmental remediation are detailed in **Note 20**. Movements in the provision for environmental rehabilitation obligations are disclosed in **Note 10**.

Environmental obligation

The amount of provision for environmental liability represents present value of estimated future costs of 4,939,446 thousand tenge discounted at 7.90% for the period until 2023. Movements in the environmental liability are disclosed in **Note 10**.

Taxation

Deferred tax is calculated with respect to both corporate income tax ("CIT") and excess profit tax (EPT). Deferred CIT and EPT are calculated on temporary differences for assets and liabilities allocated to contracts for subsoil use at the expected rates.

Both deferred CIT and EPT bases are calculated under the terms of the tax legislation enacted in the tax code disclosed in **Note 16**. Subsequent uncertainties related to taxation are detailed in **Note 20**.

Provision for expected credit losses of trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the trade receivables of the Company is disclosed in **Note 6**.

Sales at provisional prices

The crude oil export sale agreements contain conditions that allow the prices to be adjusted on the basis of the market price at the end of the relevant quotation period (QP) specified by the agreement. Selling price adjustments are based on changes in quoted market prices before the end of the QP. In such cases revenue from sale under these agreements is initially recognized when control passes to the buyer and will be measured at the expected amount based on the forward price.

The contract for the export sale of crude oil with KazMunayGaz Trading AG provides for preliminary prices for the sale of crude oil, and the final prices are determined based on the average market price of crude oil for 5 days after the date of the bill of lading.

Employee benefits

The Company signed a collective agreement for social benefits to employees. Employee benefits are treated as other long-term payments to employees. The entitlement to these benefits is usually conditional on the completion of a minimum service period. Expected cost of these payments is accrued within working period using accounting methods similar to that used for defined benefit plan. These benefits are unfunded.

The cost of long-term employee benefits before and after retirement and the present value of obligations is determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future benefits increases.

Due to the difficulty of assessing the basic assumptions and long-term obligations under the post-employment benefit plans, such obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The mortality rate is based on publicly available mortality tables. Future increase in salary is based on expected future inflation rates.

NOTES TO THE FINANCIAL STATEMENTS (continued)
 For the year ended December 31, 2019

3. Significant accounting estimates and judgements (continued)

Employee benefits (continued)

Main actuarial assumptions used for evaluation of liabilities on employee benefits as at December 31, 2019 and 2018 are as follows:

	In percent	2019	2018
Discount rate		7.90%	10.00%
Inflation rate		5.40%	5.00%
Future increase of non-current annual payment		5.00%	6.00%
Future salary increase		5.00%	6.00%

As at December 31, 2019 and 2018 the average duration of post-retirement benefit obligations was 6.78 years and 7.44 years, respectively.

Sensitivity analysis of employee benefits obligation for the change in significant estimates as at December 31, 2019 is as follows:

	Decrease	Increase
Discount rate	(0.5%)	+0.5%
	379,344	(357,113)
Rate of increase in benefit	(0.5%)	+0.5%
	(356,705)	379,684

4. Property, plant and equipment

	Oil and gas assets	Land	Buildings and constructions	Machinery and equipment	Vehicles	Other assets	Capital construction in progress	Total
Net book value at January 1, 2018	114,702,484	310,203	4,989,762	1,245,153	4,409,912	2,057,530	45,313,901	173,028,945
Additions	31,665	-	16	33,508	28,923	13,356	31,996,274	32,103,743
Changes in estimate of asset retirement obligation	(22,004)	-	-	-	-	-	-	(22,004)
Disposals	(1,438,778)	-	(27,033)	(37,672)	(116,694)	(253,438)	(559,278)	(2,432,893)
Transfers from capital work-in-progress	24,696,346	-	343,509	374,636	1,933,957	759,917	(28,108,364)	-
Transfers from exploration and evaluation assets	3,084,491	-	-	-	-	-	(10,045)	3,074,446
Transfers and reclassifications	(34,568)	-	4,827	(52,645)	46,375	38,451	(2,440)	-
Accumulated depreciation and impairment on disposals	1,105,100	-	13,996	30,224	113,525	278,241	526,179	2,067,265
(Impairment)/reversal of impairment	(1,906)	-	-	-	-	-	(331,244)	(333,150)
Depreciation expenses	(17,826,388)	-	(295,425)	(175,917)	(880,921)	(651,510)	-	(19,830,161)
Net book value at December 31, 2018	124,296,442	310,203	5,029,652	1,417,287	5,535,077	2,242,547	48,824,983	187,656,191
Additions	513,749	-	1,502	5,180	15,395	207,805	34,139,330	34,882,961
Changes in estimate of asset retirement obligation	6,027,852	-	-	-	-	-	-	6,027,852
Disposals	(2,124,640)	(2,990)	(40,804)	(52,262)	(441,633)	(172,505)	(344,660)	(3,179,494)
Transfers from capital work-in-progress	63,792,271	-	69,109	545,767	1,659,782	829,988	(66,896,917)	-
Transfers from exploration and evaluation assets	1,743,043	-	-	-	-	-	1,024,284	2,767,327
Transfers and reclassifications	(129,375)	-	50,242	54,916	21,352	2,865	-	-
Accumulated depreciation and impairment on disposals	1,683,837	-	16,067	47,333	391,999	159,435	315,575	2,614,246
(Impairment)/reversal of impairment	(16,287)	-	-	(148)	-	(4,240)	(148,363)	(169,038)
Depreciation expenses	(24,315,456)	-	(281,251)	(207,121)	(1,085,300)	(472,411)	-	(26,361,539)
Net book value at December 31, 2019	171,471,436	307,213	4,844,517	1,810,952	6,096,672	2,793,484	16,914,232	204,238,506

NOTES TO THE FINANCIAL STATEMENTS (continued)
 For the year ended December 31, 2019

4. Property, plant and equipment (continued)

	Oil and gas assets	Land	Buildings and constructions	Machinery and equipment	Vehicles	Other assets	Capital construction in progress	Total
At December 31, 2018								
Cost	240,110,278	310,203	6,625,018	2,314,100	9,501,673	4,178,971	49,496,828	312,537,071
Accumulated depreciation	(115,699,798)	-	(1,553,387)	(896,813)	(3,966,596)	(1,936,424)	-	(124,053,018)
Accumulated impairment	(114,038)	-	(41,979)	-	-	-	(671,845)	(827,862)
Net book value at December 31, 2018	124,296,442	310,203	5,029,652	1,417,287	5,535,077	2,242,547	48,824,983	187,656,191
At December 31, 2019								
Cost	309,836,997	307,213	6,734,914	2,940,264	10,757,342	5,040,587	17,418,866	353,036,183
Accumulated depreciation	(138,298,915)	-	(1,848,418)	(1,128,847)	(4,660,670)	(2,247,103)	-	(148,183,953)
Accumulated impairment	(66,646)	-	(41,979)	(465)	-	-	(504,634)	(613,724)
Net book value at December 31, 2019	171,471,436	307,213	4,844,517	1,810,952	6,096,672	2,793,484	16,914,232	204,238,506

5. Exploration and evaluation assets

	Tangible	Intangible	Total
Net book value at January 1, 2018	12,286,508	1,575,519	13,862,027
Additions	11,646,848	-	11,646,848
Transfers to property, plant and equipment	(3,084,491)	-	(3,084,491)
Disposals	(482,482)	-	(482,482)
Amortization charge	-	(1,575,519)	(1,575,519)
Impairment	(1,064,048)	-	(1,064,048)
Net book value at December 31, 2018	19,302,335	-	19,302,335
Additions	4,505,518	395,526	4,901,044
Transfers to property, plant and equipment	(2,767,327)	-	(2,767,327)
Transfers to intangible assets	-	(969,966)	(969,966)
Disposals	(250,342)	-	(250,342)
Transfers and reclassifications	(4,577,768)	4,577,768	-
Depreciation	-	(410,025)	(410,025)
Impairment	(3,418,106)	-	(3,418,106)
Net book value at December 31, 2019	12,794,310	3,593,303	16,387,613
At December 31, 2018			
Cost	20,788,919	14,722,365	35,511,284
Accumulated amortization	(422,536)	(14,722,365)	(15,144,901)
Accumulated impairment	(1,064,048)	-	(1,064,048)
Net book value at December 31, 2018	19,302,335	-	19,302,335
At December 31, 2019			
Cost	13,688,151	18,315,049	32,003,200
Accumulated amortization	(2, 972)	(14,721,746)	(14,724,718)
Accumulated impairment	(890,869)	-	(890,869)
Net book value at December 31, 2019	12,794,310	3,593,303	16,387,613

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6. Financial assets

Trade and other accounts receivable

	2019	2018
Trade receivables	42,393,566	30,846,793
Other	144,309	42,015
	42,537,875	30,888,808
Less: provision for expected credit losses	(123,992)	(49,955)
	42,413,883	30,838,853

As at December 31, 2019 the Company's trade receivables included receivables from sales of crude oil to KazMunayGas Trading AG ("KMG Trading"), subsidiary of NC KMG, in the amount of 38,534,305 thousand tenge (2018: 26,839,255 thousand tenge).

As at December 31, 2019 trade receivables of the Company are denominated in US dollars by 91% (2018: 87%).

Changes in the provision for expected credit losses on receivables and contract assets are presented below:

	2019	2018
At January 1	49,955	-
Charge (Note 14)	74,037	49,955
As at December 31	123,992	49,955

As at December 31, 2019, information on the Company's exposure to credit risk on trade receivables and contract assets using the allowance matrix is as follows:

	Contract assets	Current	Trade receivables				Total
			Up to 30 days	Past due 30-60 days	61-90 days	More than 91 days	
Percentage of expected credit losses	-	0.30%	-	-	-	-	
Estimated total gross carrying value	-	42,236,223	173,803	-	-	3,857	42,537,875
Expected credit losses	-	123,992	-	-	-	-	123,992

As at December 31, 2018, information on the Company's exposure to credit risk on trade receivables and contract assets using the allowance matrix is as follows:

	Contract assets	Current	Up to 30 days	30-60 days	61-90 days	More than 91 days	Trade receivables
							Past due
							Total
Percentage of expected credit losses	-	0.16%	-	-	-	-	0.16%
Estimated total gross carrying value	-	30,797,201	14,943	-	-	26,709	30,888,808
Expected credit losses	-	49,955	-	-	-	-	49,955

Cash and cash equivalents

	2019	2018
Placements with banks – US dollars	35,049,234	110,538,211
Time deposits with banks – tenge	4,124,000	897,986
Placements with banks – tenge	15,724	9,694
	39,188,958	111,445,891

Cash with banks earns interest at rates based on daily bank deposit rates. Deposits with banks are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company.

The weighted average interest rate on tenge denominated time deposits as at December 31, 2019 was 7.0% (2018: 7.0%).

Other financial assets

Non-current financial assets comprise of liquidation fund deposits opened in accordance with subsoil use agreement for each contract until the end of the term of each contract. The weighted average interest rate on these deposits as at December 31, 2019 was 1.04% (2018: 1.04%).

	2019	2018
Financial assets held to maturity in US dollars	38,050,549	37,652,551
Financial assets held to maturity in tenge	732,482	645,889
Provision for expected credit losses	(228,925)	(293,009)
Total non-current financial assets	38,554,106	38,005,431

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7. Inventories

	2019	2018
Crude oil (at the lower of cost and net realisable value)	7,088,817	7,668,997
Materials, at cost	2,286,063	3,275,116
Total inventories at the lower of cost and net realisable value	9,374,880	10,944,113

As at December 31, 2019 the Company had 108,165 tons of crude oil in storage and transit (2018: 118,817 tons).

8. Equity

Authorized shares

The total number of authorized shares is 32,479,964 pieces with par value of 5 thousand tenge per share, all of which are fully owned by the Parent Company as at December 31, 2019 and 2018 (2018: 32,479,964 with par value of 5 thousand tenge per share).

Dividends

In accordance with Kazakhstan legislation, dividends may not be declared if the Company has negative equity or if the payment of dividends would result in negative equity. In 2019, the Company declared and distributed dividends to the Parent in the amount of 117,401,771 thousand tenge in two payments: 71,401,697 thousand tenge or 2,198 tenge per share and 46,000,074 thousand tenge or 1,416 tenge per share (2018: 85,844,545 thousand tenge or 2,643 tenge per share).

9. Historical obligations

Historical obligations are denominated in US dollars and represent obligations to reimburse historical costs incurred by the Government prior to the acquisition of certain licenses by the Company: contract № 327 – Taisogan field, contract № 406 – Liman field, contract № 3577 – Karaton-Sarkamys field, contract № 992 – Novobogatinskoye Zapadnoye field. Historical obligation payments extend until 2033. The Company has discounted these obligations at an interest rate of 9% and accounts for these historical obligations at amortized cost.

10. Provisions

	Environ- mental liability	Environment emission provision	Provisions for taxes	Asset retirement obligation	Employee benefits	Total
At January 1, 2018	6,693,073	-	5,693,365	11,870,741	7,686,396	31,943,575
Additional provisions	-	34,212,260	2,541,741	316,037	1,281,712	38,351,750
Unused amounts reversed	-	-	(1,340,391)	-	-	(1,340,391)
Unwinding of discount	669,307	-	-	1,187,074	706,205	2,562,586
Changes in estimates	(109,116)	-	-	(1,540,967)	1,463,628	(186,455)
Utilized during the year	(1,226,239)	(8,142,619)	-	(233,167)	(1,248,693)	(10,850,718)
At December 31, 2018	6,027,025	26,069,641	6,894,715	11,599,718	9,889,248	60,480,347
Current portion	1,499,705	26,069,641	6,894,715	991,200	873,834	36,329,095
Non-current portion	4,527,320	-	-	10,608,518	9,015,414	24,151,252
At December 31, 2018	6,027,025	26,069,641	6,894,715	11,599,718	9,889,248	60,480,347
Additional provisions	-	2,066,418	-	254,748	292,648	2,613,814
Unused amounts reversed	-	(17,078,502)	-	-	-	(17,078,502)
Reclassification	-	-	-	-	-	-
Unwinding of discount	602,701	-	-	1,159,972	933,156	2,695,829
Changes in estimates	(25,177)	-	-	6,027,852	2,254,491	8,257,166
Utilized during the year	(1,665,103)	(6,472,612)	(1,010,030)	(1,215,192)	(1,115,373)	(11,478,310)
At December 31, 2019	4,939,446	4,584,945	5,884,685	17,827,098	12,254,170	45,490,344
Current portion	1,977,081	4,584,945	5,884,685	349,924	991,558	13,788,193
Non-current portion	2,962,365	-	-	17,477,174	11,262,612	31,702,151
At December 31, 2019	4,939,446	4,584,945	5,884,685	17,827,098	12,254,170	45,490,344

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10. Provisions (continued)

Changes in employee defined benefit obligations during 2019 and 2018 are as follows:

	2019	2018
The present value of defined benefit obligations at the beginning of a year	9,889,248	7,686,396
Current service costs	243,641	202,650
Interest expenses	933,155	706,205
Actuarial losses/(gains) – charged to profit and loss	49,008	(294,422)
Actuarial losses – charged to other comprehensive loss	2,254,491	1,758,050
Interest paid	(1,115,373)	(1,248,693)
Cost of services of previous years	-	1,079,062
Present value of defined benefit obligations at the end of the year	12,254,170	9,889,248
Less: Current portion of present value of defined benefits obligation	(991,558)	(873,834)
Non-current portion of present value of defined benefits obligation	11,262,612	9,015,414

Employee benefits

Amounts recognized in the statement of financial position and statement of comprehensive income are presented as follows:

	2019	2018
Present value of defined benefits liability at the end of the year	12,254,170	9,889,248
Net liabilities	12,254,170	9,889,248
Current service costs	243,641	202,651
Interest expenses	933,155	706,205
Actuarial losses/(gains) – charged to profit and loss	49,008	(294,423)
Actuarial losses – charged to other comprehensive loss	2,254,491	1,758,050
Past service costs	-	1,079,062
Expenses recognized during the year	3,480,295	3,451,545

The cost of current services and services of previous years is included in the statement of comprehensive income within production expenses, general and administrative expenses.

11. Revenue from contracts with customers

	2019	2018
Export		
Crude oil	418,475,878	405,660,182

	2019	2018
Domestic		
Crude oil	31,954,034	26,100,568
Gas products	261,058	193,732
Other sales and services	253,743	295,261
	450,944,713	432,249,743

	2019	2018
Geographical market		
Switzerland	418,475,878	405,660,182
Kazakhstan	32,468,835	26,589,561
	450,944,713	432,249,743

The contract for the export sale of crude oil with KazMunayGaz Trading AG provides for preliminary prices for the sale of crude oil, and the final prices are determined based on the average market price of crude oil for 5 (five) days after the date of the bill of lading. In 2019, adjustment at the preliminary price increases revenue from contracts with customers by 1,599,333 thousand tenge (2018: 1,608,490 thousand tenge). Adjusted revenue at the preliminary price will not affect the amount of recognized revenue from contracts with customers.

12. Cost of sales

	2019	2018
Employee benefits	46,216,556	47,615,167
Mineral extraction tax	42,252,428	38,382,677
Depreciation, depletion and amortization	26,166,365	19,583,791
Repairs and maintenance	17,090,605	14,307,636
Materials and supplies	5,373,890	3,726,813
Transportation expenses	3,437,789	2,722,610
Electric energy	2,846,633	2,992,286
Taxes other than income tax	1,379,055	4,519,290
Movement in the provision for environmental liability (Note 10)	(25,177)	(109,116)
Decrease in asset retirement obligation in excess of capitalized asset	-	(821,187)
Other	5,312,461	5,898,532
	150,050,605	138,818,499
Change in crude oil balance	580,180	(2,340,653)
	150,630,785	136,477,846

The production costs for processing of associated gas for 2019 amounted to 5,872,194 thousand tenge (2018: 3,987,608 thousand tenge).

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13. Selling expenses

	2019	2018
Rent tax	58,608,228	63,900,063
Export customs duty	54,107,073	53,889,693
Transportation expenses	41,626,987	37,489,248
Sales agent's fee	219,337	218,027
	154,561,625	155,497,031

14. General and administrative expenses

	2019	2018
Employee benefits	5,225,706	4,900,339
Depreciation, depletion and amortization	1,079,916	2,150,372
Advisory and audit services	808,359	130,646
Repairs and maintenance	780,039	485,349
Taxes other than income tax	696,476	292,128
Fines and penalties	597,921	951,300
Transportation expenses	492,830	445,139
Accrual of provision for expected credit losses (Note 6)	74,037	49,955
Sponsorship	-	206,954
(Reversal)/charge of environmental provision	(25,419,696)	34,505,578
Other	1,251,591	980,445
	(14,412,821)	45,098,205

15. Dry wells write-off and exploration expenses

In 2019, the Company conducted field seismic surveys at the Taisogan block to detail the geological structure and determine oil and gas prospects, as well as process and interpret seismic data on exploration assets in the amount of 19,451,364 thousand tenge (2018: 1,586,116 thousand tenge). Also, the Company recognized write-off of dry wells in the amount of 3,418,106 thousand tenge (2018: 1,064,048 thousand tenge) and other exploration expenses in the amount of 375,618 thousand tenge (2018: 92,115 thousand tenge).

16. Income tax

Income tax expenses comprised the following for the years ended December 31:

	2019	2018
Current corporate income tax	27,396,992	33,793,029
Corporate income tax adjustment	832,709	(204,009)
Current excess profit tax	8,601,468	-
Excess profit tax adjustment	-	(4,058,638)
Current income tax	36,831,169	29,530,382
Deferred corporate income tax benefit	(3,013,117)	(1,449,917)
Changes in unrecognized deferred excess profit tax asset	(3,473,346)	-
Deferred excess profit tax expense	-	1,485,795
Deferred income tax	(6,486,463)	35,878
Income tax expense	30,344,706	29,566,260

In 2018, in accordance with paragraph 2 of Article 758 of the Tax Code of the Republic of Kazakhstan for the purpose of calculating the EPT for 2017, the Company made a one-time deduction of the cumulative capital expenditures that are chargeable but not charged to deductions for the purposes of calculating the excess profit tax from January 1, 2009 to January 1, 2018

The following table provides a reconciliation of the Kazakhstan income tax rate to the effective tax rate of the Company on profit before tax.

	2019	2018
Profit before taxation	131,747,737	112,955,249
Income tax expense	30,344,706	29,566,260
Effective tax rate	23%	26%
Income tax expenses at statutory rate	26,349,547	22,591,050
Withholding tax	190,697	210,776
Current excess profit tax	8,601,468	-
Adjustment of excess profit tax for the previous years	-	(3,202,977)
Adjustment of deferred excess profit tax for the previous years	-	1,485,795
Adjustment of corporate income tax related to previous years	832,709	(306,758)
Impairment of VAT recoverable	550,418	144,562
Accrual of corporate income tax provision	-	102,749
Reversal of provision for excess profit tax	-	(855,661)
Changes in unrecognized deferred excess profit tax asset	(3,473,346)	-
(Reversal)/charge of environmental provision	(5,083,939)	6,901,116
Non-deductible expenses	2,377,152	2,495,608
Income tax expense	30,344,706	29,566,260

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16. Income tax (continued)

The movements in the deferred tax assets relating to CIT and EPT were as follows:

	2019			2018		
	Corporate income tax	Excess profit tax	Total	Corporate income tax	Excess profit tax	Total
Deferred tax assets						
Taxes	5,210,680	1,351,277	6,561,957	4,657,398	-	4,657,398
Abandonment obligation	3,565,420	910,710	4,476,130	2,319,944	-	2,319,944
Historical obligations	1,403,086	363,858	1,766,944	1,476,075	-	1,476,075
Export customs duty	1,245,476	330,849	1,576,325	1,663,521	-	1,663,521
Accrued liabilities to employees	314,915	81,666	396,581	1,977,849	-	1,977,849
Other	4,759,896	1,192,570	5,952,466	2,364,060	-	2,364,060
	16,499,473	4,230,930	20,730,403	14,458,847	-	14,458,847
Deferred tax liability						
Property, plant and equipment	3,106,330	757,584	3,863,914	4,078,821	-	4,078,821
	3,106,330	757,584	3,863,914	4,078,821	-	4,078,821
Net deferred tax liabilities/ (assets)	13,393,143	3,473,346	16,866,489	10,380,026	-	10,380,026

17. Related party transactions

The category 'entities under common control' comprises entities controlled by the Parent Company and NC KMG. The category 'other related parties' comprises entities controlled by SWF Samruk-Kazyna. Sales and purchases with related parties during the years ended December 31, 2019 and 2018 and the balances with related parties at December 31, 2019 and 2018 are as follows:

	2019	2018
Sale of goods and services		
Entities under common control	423,712,813	418,891,104
NC KMG	31,956,767	14,402,922
Parent	66,186	11,697,646
Quality bank expenses on crude oil sold (Parent company)	(4,508,557)	(7,424,663)
Other related parties	716	34,727
Purchases of goods and services		
Entities under common control	19,687,286	17,396,986
NC KMG	11,553,547	5,311,068
Other related parties	229,942	1,859,124

	2019	2018
Salary and other short-term benefits		
Members of the Board of Directors	56,738	54,219
Quantity	4	3
Members of the Management Board	267,574	221,277
Quantity	8	8
Trade and other accounts receivable		
Entities under common control	40,856,246	29,927,445
Parent	3,806,104	3,935,086
Other related parties	4,040	122,041
Trade accounts payable		
Entities under common control	1,692,706	2,100,522
Parent company	377,764	1,371,427
Other related parties	18,882	772,698

Sales and receivables

Sales to related parties comprise mainly export and domestic sales of crude oil and oil products to subsidiaries of NC KMG. Export sales to related parties represented 2,371,208 tons of crude oil in 2019 (2018: 2,357,044 tons). The sales of crude oil are priced by reference to Platt's index quotations and adjusted for freight, trader's margin and quality differentials. For these exports of crude oil the Company received an average price per ton of approximately 178,384 tenge in 2019 (175,255 tenge in 2018).

In addition, the Company supplies crude oil to the domestic market through the Parent, NC KazMunayGas JSC, in accordance with the Resolution of the Kazakhstan Government, the ultimate controlling shareholder of NC KMG. Those supplies to the domestic market amounted to 503,326 tons of crude oil produced in 2019 (2018: 492,369 тонн). Prices for the domestic market sales are determined by agreement with NC KMG. (Note 20). In 2019, the Company received an average of about 63,486 tenge per ton for oil delivered to the domestic market (in 2018, an average of about 53,010 tenge).

Purchases and payables

NC KMG is the Company's crude oil export agent. Agency commission for crude oil sales amounted to 219,337 thousand tenge (2018: 218,027 thousand tenge). Transportation services, which are provided by Caspian Pipeline Consortium were reimbursed by the Parent in the amount of 10,348,636 thousand tenge (2018: 10,488,635 thousand tenge).

NOTES TO THE FINANCIAL STATEMENTS (continued)
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18. Financial risk management objectives and policies

The Company has various financial liabilities such as borrowings, trade and other receivables. The Company has various financial assets such as accounts receivable, short-term and long-term deposits and cash and cash equivalents.

The Company is exposed to a currency risk, credit risk, liquidity risk and commodity price risk.

Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates mainly to the Company's operating activities, as the majority of its sales are denominated in US dollars whilst almost all of its costs are denominated in tenge, and to its investments denominated in foreign currencies.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ decrease in tenge per US dollar rate	Effect on profit before tax
2019		
US dollar	+12,00%	12,502,154
US dollar	-9,00%	(9,376,616)
2018		
US dollar	+14,00%	23,470,950
US dollar	-10,00%	(16,764,964)

Credit risk

The Company is exposed to credit risk in relation to its receivables. The Company's vast majority of sales is made to an affiliate, NC KMG, and the Company has a significant concentration risk of the receivable from this affiliate (**Notes 6 and 17**). Additional number of minor receivables are grouped into homogeneous groups and assessed for impairment collectively on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

The Company is also exposed to credit risk in relation to its investing activities. The Company mostly places the deposits with Kazakhstan banks. Credit risk from balances with financial institutions is managed by the Company's treasury department in accordance with the Parent's cash management policy. The Company's maximum exposure to credit risk arising from default of the financial institutions is equal to the carrying amounts of these financial assets.

The table below shows the balances of the financial assets held in banks at the reporting date using the Standard and Poor's credit ratings, unless otherwise stated.

Banks	Location	Rating ¹		2019	2018
		December 31, 2019	December 31, 2018		
Halyk Bank of Kazakhstan JSC	Kazakhstan	BB (stable)	BB (stable)	77,278,661	149,038,765
ATF Bank JSC	Kazakhstan	B (negative)	B (negative)	464,403	412,557
				77,743,064	149,451,322

Liquidity risk

The Company monitors its liquidity risk using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivables, other financial assets) and projected cash flows from operations.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of short and long-term deposits in local banks.

The table below summarizes the maturity profile of the Company's financial liabilities at December 31, 2019 and 2018 based on contractual undiscounted payments:

At December 31, 2019	On demand	Less than 3 months	3-12 months	1 year – 5 years	Over 5 years	Total
Historical obligations	-	195,518	506,907	3,079,201	8,441,071	12,222,697
Trade and other accounts payable	26,951,135	-	-	-	-	26,951,135
	26,951,135	195,518	506,907	3,079,201	8,441,071	39,173,832

At December 31, 2018	On demand	Less than 3 months	3-12 months	1 year – 5 years	Over 5 years	Total
Historical obligations	-	796,317	589,023	2,511,819	9,762,312	13,659,471
Trade and other accounts payable	28,905,666	-	-	-	-	28,905,666
	28,905,666	796,317	589,023	2,511,819	9,762,312	42,565,137

Commodity price risk

The Company is exposed to the effect of fluctuations in the price of crude oil, which is quoted in US dollars on international markets. The Company prepares annual budgets and periodic forecasts including sensitivity analyses in respect of various levels of crude oil prices in the future.

¹ Source: official sites of banks and rating agencies as at December 31, of the respective year.

18. Financial risk management objectives and policies (continued)

Capital management

Capital includes the entire equity of the Company. The main objective of the Company in relation to capital management is to ensure stable creditworthiness and capital adequacy for conducting the Company's business and achieving strategic goals.

As at December 31, 2019 the Company had a strong financial position and a conservative capital structure. Going forward, the Company intends to maintain a capital structure which allows it the flexibility to take advantage of growth opportunities as and when they arise.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policy or processes during the years ended December 31, 2019 and 2018.

19. Financial instruments

The fair value of financial instruments such as short-term trade receivables, trade payables and historical obligations approximately equals to their carrying value.

As at December 31, 2019 and 2018, the Company did not have any financial instruments classified as financial instruments of 1 or 2 levels.

For the years ended December 31, 2019 and 2018 there were no transfers between Levels 1, 2 and 3 of the financial instruments' fair value.

20. Commitments and contingencies

Operating and economic environment

The Republic of Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstan economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

Domestic market obligations

The Kazakhstan government requires oil producers to supply a portion of their crude oil production to meet domestic energy requirements.

Starting from April 1, 2016 the Company ceased sales of crude oil to "KazMunaiGas – Refinery and Marketing" JSC and sold oil to the Parent Company. The Company started selling crude oil to NC KMG from July 1, 2018 based on the contract for oil procurement.

If the Government does require additional crude oil to be delivered over and above the quantities currently supplied by the Company, such supplies will take precedence over market sales and will generate substantially

less revenue than crude oil sold on the export market, which may materially and adversely affect the Company's business, prospects, financial condition and results of operations.

Taxation

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual, including opinions on approaches to revenue, expenses and other items of the financial statements. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe. Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at December 31, 2018.

The management believes that its interpretation of the tax legislation is appropriate, and the Company has acceptable grounds for the tax position.

VAT recoverable

Provision for VAT recoverable as at December 31, 2019 is 7,674,730 thousand tenge (2018: 5,039,434 thousand tenge).

Environment emission provision

The enforcement of environmental regulation in Kazakhstan is evolving and subject to ongoing changes. Penalties for violations of Kazakhstan's environmental laws can be severe. Besides the amounts disclosed in **Note 10**, the management believes that there are no probable environmental liabilities that may have a material adverse effect on the Company's financial position, operating performance and cash flows.

Environment emission provision

Environmental audit

On July 23, 2018, Embamunaigas JSC received a resolution from the Department of Ecology of the Atyrau Region to pay a fine in the amount of 8,908,222 thousand tenge for violations of environmental legislation, which were identified as part of an unscheduled environmental audit conducted in April-June 2018. This fine was associated with emissions of harmful substances above the established standards as a result of gas flaring in the period from November 1, 2017 to June 12, 2018. On September 17, 2018, the Atyrau Regional Court decided to reduce the amount of the fine to 6,681,167 thousand tenge. On October 19, 2018, the Company fully paid this fine to the state budget.

In addition, on the above fact, on September 24, 2018, the Department of Ecology in the Atyrau region issued an order to Embamunaigas JSC to compensate for environmental damage in the amount of 7,835,414 thousand tenge. On January 30, 2019, the Specialized Interdistrict Economic Court of the Atyrau Region ruled to satisfy the claim of the Department of Ecology for the Atyrau Region to recover damage to the environment in the amount of 7,835,414 thousand tenge.

On October 18, 2018, Embamunaigas JSC received a resolution from the Department of Ecology of the Atyrau Region to pay a fine in the amount of 6,861,703 thousand tenge for violation of environmental legislation following the second unscheduled audit for the period from June 12, 2018 to October 10, 2018, as well as October 26, 2018, the Department of Ecology for the Atyrau region, based on the results of the re-audit of Embamunaigas, issued an order to compensate for damages amounting to 6,032,506 thousand tenge, caused during the specified period.

In December 2018, Embamunaigas JSC completed commissioning works and commissioned an associated gas processing facility. In this connection, the management of Embamunaigas JSC does not expect further violations of environmental legislation regarding gas flaring.

20. Commitments and contingencies (continued)

Environment emission provision (continued)

Environmental audit (continued)

According to the results of two unscheduled audits, the Company accrued a provision in the amount of 27,410,790 thousand tenge. In addition, in 2018, the Company accrued a provision in the amount of 6,801,470 thousand tenge (including 2,066,418 thousand tenge of damage for the period from October 10, to December 28, 2018 for the third inspection) related to the expected administrative fine and environmental damage for the period of October-December in 2018. The accrued provision during 2018 totalled to 34,212,260 thousand tenge (Note 10).

In November 2018, the Special Administrative Court of Atyrau decided to recover from the Company 1,461,452 thousand tenge (reduced from 6,861,703 thousand tenge) following the second unscheduled audit for the period from November 1, 2017 till June 12, 2018, the Company recognized a liability related to this fine as at December 31, 2018 and on January 3, 2019, this fine was paid to the state budget. In January 2019, the Appeal Commission reversed the judgement of the Special Administrative Court of Atyrau and ordered to restore the fine to 6,861,703 thousand tenge, in February 2019, the Company paid the remainder of the fine to the state budget in the amount of 5,400,251 thousand tenge.

In October 2019, the Company filed an appeal to the administrative court of Atyrau region regarding the amount of the previously paid fine in the amount of 6,861,703 thousand tenge. In November 2019, the court of the Atyrau region ordered to recover 1,662,191 thousand tenge (reduced from 6,681,167 thousand tenge) from the Company based on the results of the first unscheduled audit for the period from November 1, 2017 till June 12, 2018 and 1,461,452 thousand tenge (reduced from 6,861,703 thousand tenge) based on the results of the second unscheduled audit for the period from June 12, 2018 till October 10. According to the results of the decision of the court of Atyrau region following two audits, the Company submitted a request for the return of the previously paid administrative fine in the amount of 10,419,227 thousand tenge.

Also, the Company recalculated the amount of the administrative fine based on the results of the third audit for the period from October 10, 2018 till December 28, 2018 to 1,221,175 thousand tenge. As a result, a provision for an administrative fine was reduced by 3,478,877 thousand tenge.

In June 2019, the Company increased the previously created provision for the third audit by 2 times to 4,132,836 thousand tenge using the multiplying ratio. In December 2019, the Company received an order from the Department of Ecology in Atyrau Oblast to indemnify for environmental damage in the amount of 1,072,361 thousand tenge (reduced from 4,132,836 thousand tenge); as of December 31, 2019, the Company reclassified this amount within current liabilities and paid in January 2020. Also, in January 2020, decisions of the specialized inter-district economic court of Atyrau region were issued to recover environmental damage in the amount of 2,082,587 thousand tenge (reduced from 7,835,414 thousand tenge) based on the first unscheduled inspection for the period from November 1, 2017 till June 12, 2018 and 1,281,183 thousand tenge (reduced from 6,032,506 thousand tenge) based on the results of the second unscheduled audit for the period from June 12, 2018 till October 10, 2018. As a result, a provision for an environmental damage was reduced by 13,564,627 thousand tenge.

Oilfield licenses

The Company is subject to periodic reviews of its activities by governmental authorities with respect to the requirements of its oilfield licenses and related subsoil use contract. Management cooperates with governmental authorities to agree on remedial actions necessary to resolve any findings resulting from these reviews. Failure to comply with the license provisions may result in fines, penalties, restriction, suspension of withdrawal of the license.

The Company's management believes that any issues of non-compliance will be resolved through negotiations or corrective actions without any material effect on the Company's financial position, operating performance and cash flows.

The Company's oil and gas fields are located on land belonging to the Atyrau district administration. The licenses are issued by the Ministry of Oil and Gas of the Republic of Kazakhstan and the Company pays mineral extraction tax and excess profits tax to explore and produce oil and gas from these fields.

The principle licenses of the Company and their expiry dates are:

Field	Contract	Expiry date
Kenbai	Nº 37	2041
South-East Novobogatinskoe	Nº 61	2048
23 fields	Nº 211	2037
15 fields	Nº 413	2043
Taisoigan	Nº 327	2035
West Novobogatinskoe	Nº 992	2027
Liman	Nº 406	2033
Karaton-Sarkamys	Nº 3577	2020

Commitments arising from oilfield licenses

Year	Capital expenditures	Operating expenses
2020	58,725,611	2,780,187
2021	1,107,503	1,278,011
2022	1,095,018	1,572,789
2023-2048	-	11,175,992
	60,928,132	16,806,979

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