

# 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 120<sup>th</sup> 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

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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 120<sup>th</sup> 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 120<sup>th</sup> 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.

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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](http://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](http://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 120<sup>th</sup> 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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