

MESSAGE OF THE CHAIRMAN OF THE BOARD OF DIRECTORS



Kurmangazy Iskazyev
Chairman of the Board of Directors
of Embamunaigas JSC

Dear Report Readers,

2018 was a productive year for Embamunaigas JSC. The approval of the Company's Development Concept for the next ten years was one of the main events of the past year. The Concept defines the Company's strategic priorities, ambitions, areas of investment and dividend policies, as well as a vision and future plans for further development, in accordance with which the business plans and a portfolio of projects will be formed. The implementation of the Concept will allow Embamunaigas JSC to ensure long-term profit to the shareholder, make a significant contribution to the economic development of the region and make many thousands of employees confident in their future. As defined in the Concept, the mission of the Company is to ensure stability for employees and efficiency for the shareholder by balancing social and business interests well.

Simple and comprehensive truths were adopted as the corporate values, such as prioritizing the safety of life and health of employees, achieving results, caring for their motherland and the Company, reliance on expertise, and the need for mutual respect and trust between colleagues.

As for the chosen values, the top management and employees of Emba achieved excellent performance in 2018 in respect of occupational safety, production and financial activities, successfully completed the production program and generated additional profit for the shareholder. The positive dynamics of net profit and cash flows, taxes and contributions to the budget were maintained.

The 2018 Production Plan was determined by the shareholder in the amount of 2,895 thous. tonnes of oil, which also exceeded the common level of annual production in previous years by 55 thous. tonnes. The Emba cohesive team coped with this task successfully.

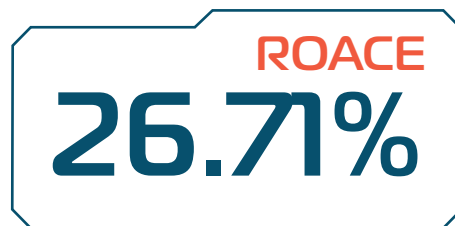
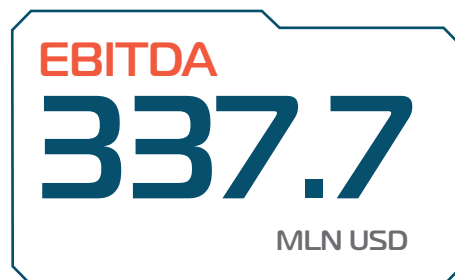


In the system of the national Company, it is here that geological exploration is actively implemented and drilling in subsalt structures is planned; digital technologies were first implemented in pilot mode, and today they are replicated in oil production, automation of equipment maintenance and repair, logistics and transportation. The implementation of these projects has increased the performance and allowed efficient management of all business processes in the Company.

The project management system was introduced and a committee was established to review the implementation status of the Company's project portfolio last year as part of the Development Concept. This ensures regular project monitoring and evaluation, and the ability to make operational decisions to improve their implementation. Special attention is paid to the project risk management, which underlines the Company's commitment to risk-based orientation.

I am sure that through joint efforts of the Board of Directors, top management and cohesive team, Embamunaigas JSC will continue the successful implementation of all the plans outlined as part of the chosen Mission this year!

Kurmangazy Iskaziyeu,
Chairman of the Board of Directors of Embamunaigas JSC



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Embamunaigas JSC is a modern Kazakh oil company with promising future that deals with geological exploration, development of oil fields, production and treatment of oil and gas. Embamunaigas JSC has six structural units in Atyrau and four districts of Atyrau Region.
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MESSAGE OF THE CHAIRMAN OF THE MANAGEMENT BOARD



Anuar Zhaksybekov,
Chairman of the Management
Board of Embamunaigas JSC

Dear Colleagues and Partners,

I am pleased to present you the Annual Report of Embamunaigas JSC, which discloses the key results of the Company's activities. 2018 was full of events and achievements, the main of which was a zero fatal accident rate. Such results were achieved through the systematic and coordinated work of all employees of the Company. Unfortunately, there were some injuries. All four cases have already been analyzed and the relevant conclusions have been made in order to prevent their recurrence. This year we set a goal, which is to move forward, work ahead of the curve and introduce new approaches adopted in international companies that are leaders in occupational safety and environmental protection.

The Company systematically works on minimizing the environmental impact and annually allocates big funds to clean historically polluted areas and process sludge. As part of the rational use of fresh water, for several years now, the Company has been working on the exploration and further use of groundwater for the production needs of Embamunaigas JSC facilities in the South Emba basin and the Kaynar massif with the estimation of groundwater reserves of the Jura Cenomanian deposits. The implementation of the program will reduce the dependence on the consumption of Volga water for industrial and domestic needs.

As part of the implementation of the Law of the Republic of Kazakhstan On Subsoil and Subsoil Use, the Company continues working on the utilization of associated petroleum gas. In 2018, more than 152 million m³ of marketable gas were produced and over 100 million m³ were sold. An elemental sulfur production plant using the LO-CAT technology was launched at the complex gas treatment unit at the S. Nurzhanov Zhylyoimunaigaz OGPO. The gas treatment units at the East Makat and S. Balgimbayev fields operate successfully and supply population of Makat, Kyzylkok and Issatay Districts with natural gas. The construction of gas pipelines from the Akkistau Village to the automated gas distribution station of Tushchykudyk and from the S. Balgimbayev gas treatment unit to the Tumannoye Village was completed, which allowed selling marketable gas to the population at any time of the year, regardless of seasonal fluctuations.

The commitment to achieve the set plans is once again confirmed by the large-scale work carried out by the Company for the further digitalization of production processes. The Smart Field project implemented in pilot mode in 2016 at the Uaz Field proved successful. In 2017, the project was replicated at the fields of the Prorva Group of Fields; in 2018, at the Zhanatalap and East Makat fields. In total, ten fields will have been digitized in the Company by 2024.

This project of Embamunaigas JSC was included in the Digital Kazakhstan state program and was positively received by the Head of State Nursultan Nazarbayev during his visit to the Center for Visualization of Production Processes of the

Company in the Emba Head Office in August 2018. Last April, the Forum on the digitization of the oil production process arranged by the Company brought together about 200 international and domestic experts, representatives of oil and service companies. In 2018, the Prime Minister of the Republic of Kazakhstan B. Sagintayev, Vice Prime Minister A. Zhumagaliyev, deputies of the Parliament of the Republic of Kazakhstan, CEO of Samruk-Kazyna National Welfare Fund JSC A. Yessimov and others learned about the activities of the Center for Visualization and Digitalization of the Company's production.

The Company continues working hard to replenish stocks. In 2018, five exploration wells were completed with drilling, six were in drilling, two new fields in the Triassic complex – Uaz North and S. Nurzhanov (the north-western wing) were put on balance. The reserves at the Novobogatinsk West deposit were increased. A contract of state geological study was signed for the Emba-5 site in Aktyubinsk Region and 2D CDPM operations were performed, with a total volume of 1,000 running km. Internal corporate permits were obtained to conduct a large amount of seismic exploration at the Taisoigan site at the Kainarmunaigaz OGPO, where the total volume of planned 3D CDPM seismic exploration was 5,600 km², which was a record figure for both KMG NC Group of Companies and our country as a whole.

In order to study the possibility of complete recovery of oil reserves at the final stage of development, the Company continues using polymer flooding technology at the Zaburunye Field. A positive trend in the stabilization of the level of oil production vs. previous years was achieved.

In 2018, as part of cost optimization, the projects for material and technical support, equipment maintenance and repair were introduced in a pilot mode and are currently being replicated; a system of separate accounting of vehicles is implemented.

In 2018, as part of the performance of contracts, the goods and materials were received in the amount of 11.796 billion KZT. Goods and materials in the amount of 1.9 billion KZT from the previously received goods were used. The turnover rate of goods and materials was 152 days vs. 180 days expected.

As a socially responsible subsoil user, the Company contributes to the development of local content. In 2018, with the volume of purchases for 89.9 billion KZT, local content in goods was 42%, 94% in work and 94% in services.

For the period from October 1, 2012 to December 31, 2018, Embamunaigas JSC sent over 897.1 billion KZT to pay taxes and deductions to the budget, including 199.2 billion KZT in 2018. During this period, more than 4.3 billion KZT was allocated for the development of the regional infrastructure, including 1.9 billion KZT in 2018.

In order to improve the expertise of its employees, the Company annually allocates significant funds for the education, training and advanced training of employees. In 2018, more than 4,500 employees of the Company were trained in compulsory safety courses and more than 1,200 passed advanced training. For employees, whose full-time positions were optimized due to non-core activities, the Company arranged retraining in new jobs.

The implementation of the Dual Training Program continues successfully. In total, for the period of the project from 2015 to 2018, 93 students completed dual training in blue-collar jobs, of whom 37 students with the highest score in the final testing were employed by the Company. Today, 23 students continue their training at work, and 19 more students started their studies in 2019.

The Company keeps implementing the Program for the Modernization of the Material and Technical Facilities of the social infrastructure of Embamunaigas JSC and is working to improve the social conditions of the oil workers. In 2018, a dormitory for 100 people was commissioned at the Kenbay Field as well as the cafeterias at the Kissymbay Field (50 seats) and S. Balgimbayev Field (150 seats).

This year, the oil workers of the Emba volunteered to help the residents of villages of Zyryanovsk District of East Kazakhstan Region, whose houses were flooded, at their own expense. The funds raised by the employees of the Company were used to buy three houses and four apartments for affected families. The Emba employees always take special care about children. For the second year in a row, the Company organized charity fairs, which resulted in the purchase of gifts for children from socially vulnerable groups of the population. This year, young specialists made visits and presented gifts to 50 small residents who study at home.

I would like to thank the large and friendly team of the Company for their effective work to achieve all the tasks assigned to us by the shareholder – KazMunayGas National Company JSC. In the coming year, we will continue working according to the chosen values, which is making it through while adhering to the highest standards in the area of occupational safety!

Anuar Zhaksybekov,
Chairman of the Management Board of Embamunaigas JSC