

Chairman's Statement



Christopher Hopkinson,
First Deputy Chairman of the
Management Board of JSC NC
KazMunayGas

Chairman of the Board of Directors
of KMG EP

“ KMG EP aims to make efficient use of its resources and we believe this will allow us to achieve our goals for 2015 and stay resilient to negative external factors”

Last year was one of the most difficult years of the decade for the oil and gas industry. Slumping oil prices in the second half of 2014 impacted oil and gas companies throughout the world, regardless of their size. The market value of some oil and gas companies fell by 40-50% over this period. Kazakhstan's oil and gas industry did not avoid these negative trends, affected not only by falling crude oil prices globally but also by delays in starting oil production at Kashagan, in addition to the suspension of several offshore and onshore exploration projects for an indefinite term.

In spite of these complex market conditions, however, KMG EP achieved the targets set for 2014 and enjoys a sufficient margin of safety to continue working to increase shareholder value, even under conditions of macroeconomic instability. This is due to both the financial robustness of the Company and to its stable levels of production. In line with the business plan for 2015-2019, we intend to maintain production output at our core assets (OMG and EMG) without substantial reduction.

The new low level of crude oil prices will however undoubtedly affect the Company's financial position. Taking into account the volatility of oil prices, KMG EP intends to work on a planned reduction in non-production costs; primarily administrative expenses and infrastructure costs. Special attention will also be given to improving management systems and enhancing productivity.

The main focus of the Company's future development is to increase the efficiency of production from mature fields. This requires a series of measures to support production, including the optimisation of production costs, the implementation of energy saving policies, and research into enhancing oil recovery. As for the growth of KMG EP, we expect to achieve this through a gradual increase in the Company's asset portfolio in line with our business transformation process.

KMG EP aims to make efficient use of its resources and we believe this will allow us to achieve our goals for 2015 and stay resilient to negative external factors. We think that KMG EP is well prepared to face new challenges and will be able to maintain its previously leading position.