





DEAR READERS, WE WOULD LIKE TO BRING TO YOUR ATTENTION THE ANNUAL REPORT 2009 OF JOINT-STOCK COMPANY "NATIONAL COMPANY "KAZMUNAYGAS".



T.A. KULIBAYEV
Chairman of the Board of Directors,
JSC "National Company "KazMunayGas"



K.M. KABYLDIN
Chairman of the Management Board,
JSC "National Company" Kaz Munay Gas"

This year is a jubilee for the republic's oil and gas industry. 110 years have passed from the Kazakhstan's first oil. However, the last year was a serious test to the world's economies. On the background of the global financial recession, the activities of many companies were put through the test of efficiency and responsiveness.

Notwithstanding a relatively short period of operations, National Company "KazMunayGas" proved resistant to external turmoil, showing sustainable dynamics of productionand-financial performance.

Following the 2009 results, a considerable increment in the uplift, transportation and processing of hydrocarbons was achieved. The company strengthened its leading positions in the national oil and gas industry, accounting for a quarter of the total oil production in the republic, 80 percent of oil transportation, virtually the entire gas transportation volume, and around 75 percent of oil refining.

KazMunayGas takes active part in implementation of project in the Kazakhstan sector of the Caspian Sea. A positive progress has been recorded on the country's three major oil and gas projects — NCP, TCO and Karachaganak, where the National Company is a participant and performs the duties of the Authority.

There are new results in execution of the instructions of the Head of State on diversification of the hydrocarbon transportation directions. The "Kenkiyak-Kumkol" oil pipeline was commissioned, which is a section of the "Kazakhstan-China" route and a component of complete integration of the republic's oil pipeline system. At the end of 2009 the "Kazakhstan-China" gas pipeline commenced operations.

KazMunayGas takes active part in implementation of the measures to boost the country's industrial development. Among these there are projects for reconstruction and modernization of the domestic refineries, forming the first integrated petrochemical complex, production of aromatic hydrocarbons and bitumen.

A number of major acquisition was conducted, leading to a considerable buildup of the Company's assets. Transactions of acquiring the shares of JSC "MangistauMunaiGaz", JSC "Pavlodar PC Plant", "The Rompetrol Group", "KPV" were closed.

The growth of KMG's production performance is fully reflected in the financial performance, i.e. the Company's income and net profit. Meanwhile, over 2 bn US dollars were contributed to the country's budget in the form of taxes and other mandatory payments.

A new structure of the Corporate Centre of JSC NC "KazMunayGas" based on the experience of the world's leading oil and gas companies was adopted in 2009. Measures are taken to improve the corporate procedures and increase transparency of operations in accordance with the international principles and standards. The Standard&Poor's agency assigned the GAMMA 5 Corporate governance score to the Company.

In parallel with development of the Caspian shelf, comprehensive development of the coastal infrastructure is conducted.

Implementation of a set of measures to increase the Kazakhstan component in purchases of goods, work and services is underway.

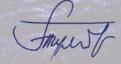
Alongside with its commercial performance, KazMunayGas is focused on buildup of the synergetic effect and achievement of high social responsibility standards. KazMunayGas is the leader of the country's business community in terms of social payments.

The Company's top-priority is environmental protection, the health of its personnel and the republic's population. Taking into account this priority, KazMunayGas, as a participant, continues to support and develop the principles of the UN's Global Compact in the sphere of human rights, labour relations, environmental protection and fighting corruption.

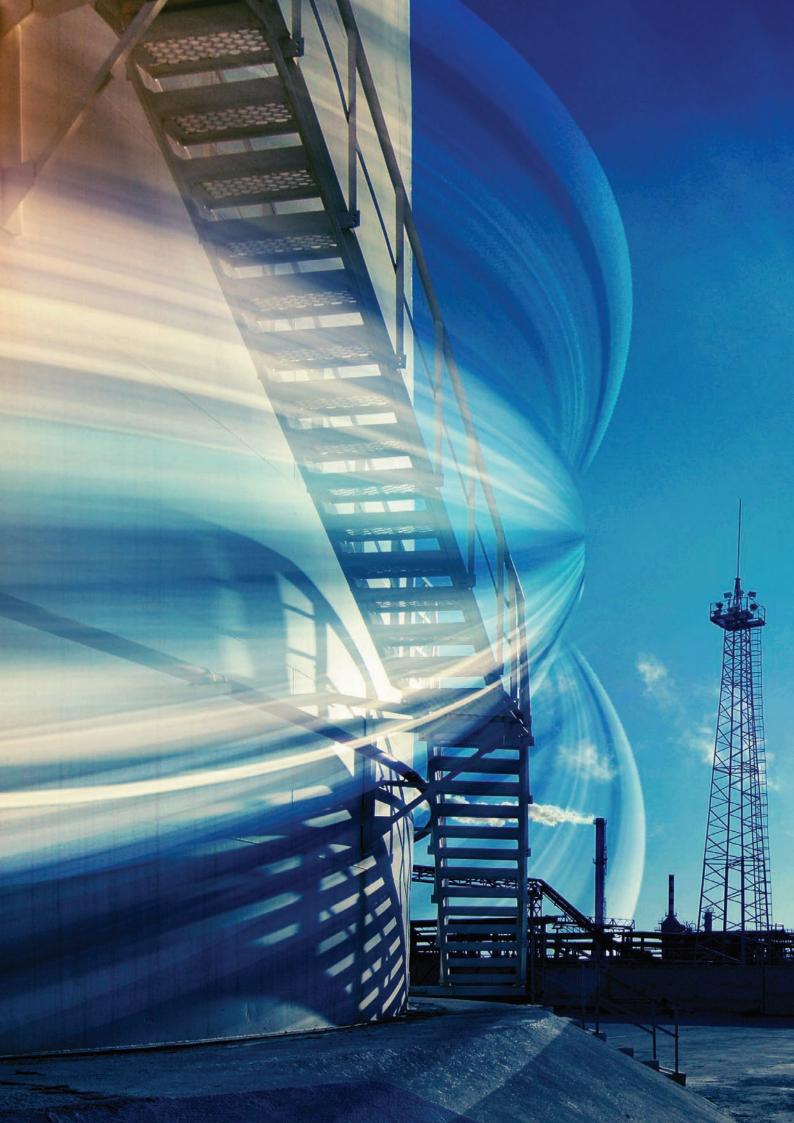
On the whole, the last anniversary year brought many positive results, but large-scale work is also ahead. It is essential to implement and improve production technology, develop new deposits, ensure diversification of the transportation routes. A high-performance refining sector is required to be formed, based on the powerful raw materials potential, major investment project on establishment of petrochemical businesses are to be implemented.

The team of National Company "KazMunayGas" realizes their high responsibility for efficient and high-quality accomplishment of a wide range of tasks, set by the Head of the State, the country's Government and National Welfare Fund "Samruk-Kazyna". All necessary measures for further dynamic development of Kazakhstan's oil and gas industry will be taken.

Chairman of the Board of Directors, JSC "National Company "KazMunayGas" T.A. Kulibayev



Chairman of the Management Board, JSC "National Company "KazMunayGas" K.M. Kabyldin 166



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OIL AND GAS UPSTREAM

Reserves | Oil production | Gas production | Participation in major oil and gas projects | Tengiz Project | North-Caspian Project | Karachaganak Project | Geologic Exploration Projects on the Caspian Shelf | Service infrastructure

REFINING

Oil refining | Atyrau Refinery | Shymkent Refinery | Pavlodar PCP | International operations in the oil refining sector | Operations in gas refining | Petrochemistry projects

MARKETING AND SALES

Oil and oil products | Gas

OIL TRANSPORTATION

Oil transportation by main oil pipelines | Development of oil delivery export directions | Marine oil transportation | Transportation and delivery of natural gas | Export gas pipelines projects | Kazakhstan-China gas pipeline | Beineu-Shumken gas pipeline | Circum-Caspian gas pipeline

DEVELOPMENT OF SERVICE PROJECTS

DEVELOPMENT OF KAZAKHSTAN'S LOCAL CONTENT

CORPORATE SOCIAL RESPONSIBILITY

Social partnership and sponsorship | Development of hr potential | Environment protection | Health and safety | Comprehensive environmental program | Corporate industrial environmental monitoring system | Liquidation of oil pollutions | OTHER Activities for protection of environment

CORPORATE GOVERNANCE

Corporate governance bodies | Interaction with shareholders | Interaction with subsidiary and dependent entities | Initiatives under the UN'S global compact

RISK MANAGEMENT

MAIN 2009 EVENTS

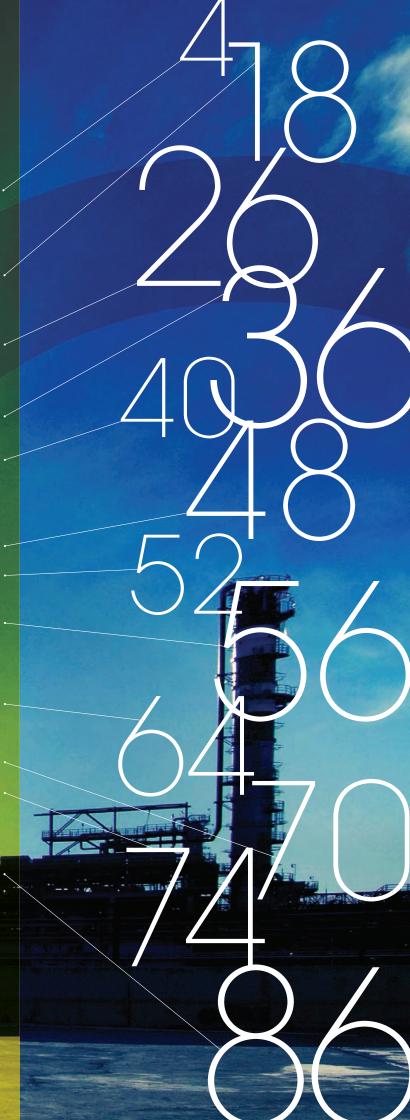
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interested-party transactions of JSC NC KazMunayGas in 2009









ABOUT THE COMPANY

National Company "KazMunayGas" is the Kazakh national operator for exploration, production, refining and transportation of hydrocarbons, representing the interests of the state in Kazakhstan's petroleum sector. 100 percent of its shares are owned by the National Welfare Fund "Samruk-Kazyna" JSC.

Joint Stock Company "National Company "KazMunayGas" was established through the merger of National Oil And Gas Company "Kazakhoil" and National Company "Oil and Gas Transportation" in accordance with Decree No. 811 of 20 February 2002 of President of the Republic of Kazakhstan "On Measures to Further Ensuring the Interests of the State in the Petroleum Sector of the Country's Economy".



MISSION

MAXIMIZING THE PROFITS OF THE REPUBLIC OF KAZAKH-STAN FROM PARTICIPATION IN THE DEVELOPMENT OF THE NATIONAL PETROLEUM INDUSTRY:

- MAXIMIZING THE COMPANY'S VALUE, RISING THE PROFIT-ABILITY, ENSURING INDUSTRIAL SAFETY;
- BECOMING AN INTERNATIONALLY COMPETITIVE INTEGRATED OIL AND GAS COMPANY;
- SUPPORT TO DOMESTIC SUPPLIERS OF GOODS, WORKS AND SERVICES, DEVELOPMENT OF THE LOCAL WORKFORCE.

VISION

KazMunayGas is a highly efficient international-class oil and gas company, meeting the highest standards of safety operations.

National Company "KazMunayGas" will pursue the strategy of integrated growth in the sectors of oil and gas upstream, transportation and marketing of gas, oil transportation, oil refining, petrochemistry and marketing of oil and oil products, and selective development of strategically important assets in the sector of services for the petroleum industry. The objective of National Company KazMunayGas is to join the ranks of the world's 30 top oil and gas companies by 2015.

The core operations of National Company "KazMunayGas" are as follows:

- participation in the implementation of the common state policy in the petroleum industry;
- ensuring efficient and rational utilization of the republic's petroleum resources;
- participation in the development of the strategy to use, restore and further increase the oil and gas resources;
- representation of the state interests in contracts with contractors conducting petroleum operations, through obligatory participatory interest in contracts;
- participation in arrangement of competitive tenders for petroleum operations on the territory of the Republic of Kazakhstan;
- corporate governance and monitoring of exploration, development, production, refining, sales, transportation of hydrocarbons, engineering, construction, operation of oil and gas pipelines and petroleum field infrastructure;
- participation, in accordance with the procedure established by law, in domestic and international projects of the Republic of Kazakhstan for conduct of petroleum operations.





Timur Askarovich
KULIBAYEV
Chairman of the Board of Di-

rectors of JSC NC KazMunayGas

Has lead various business structures since 1992. Has held the posts of Director of the project evaluation and negotiating directorate of the State Investment Committee of the Republic of Kazakhstan, Vice President for Economy and Finance of CJSC "National Oil and Gas Company "Kazakoil", President of CJSC "NOTC "KazTransOil", General Director of CJSC "National Company "Oil and Gas Transportation", Senior Vice President of JSC "NC "KazMunayGas", Advisor to President of the Republic of Kazakhstan, Deputy Chairman of the Management Board of JSC "Samruk" Kazakhstan Holding for State Assets Management". He was appointed as Deputy of the Chairman of the Management Board of JSC "National Welfare Fund "Samruk-Kazyna" He is Chairman of the Board of Di-

He receives no remuneration for his work in the Board of Directors of JSC NC KazMunayGas.

rectors in JSC "NAC "Kazatomprom",

JSC "NC "KazMunayGas", JSC "NC

"Kazakhstan temir zholy", JSC "Ka-

zakhstan Electricity Grid Operating

Company" (KEGOC), JSC "Samruk-

Energo".



Galiaussat Kairbekovich KESHUBAYEV

Member of the Board of Directors of JSC NC KazMunayGas

Director, Oil-and-Gas Assets Management, JSC "National Welfare
Fund "Samruk-Kazyna"

He began his work in the oil and gas sphere in 1972 in the position of a Foreman of the "Uzenneft" Oil and Gas Production Department. Has held executive posts in the Ministry of Energy and Fuel Resources, RoK's Ministry of Oil Industry, "Kazakhoil" National Oil and Gas Company. Worked as

Deputy Head of the RoK's Prime Minister Office, held executive posts in JSC NC "KazMunayGas". At different times he headed work and was a member of the boards of directors of Companies "Uzenmunaigas", JV "Arman", "Kazakhoil", "National Savings Bank of Kazakhstan", "Kazaktelecom". He has received no remuneration for his work in the Board of Directors of JSC NC KazMunayGas.



Bolat Uralovich AKCHULAKOV

Member of the Board of Directors of JSC NC KazMunayGas

Managing Director of JSC "National Welfare Fund "Samruk-Kazyna"

Has track record in the banking sphere: worked as an Economist in AlemBank, Director of a department in the Central-Asian Bank for Cooperation and Development. Had held the position of Principal Expert, Manager, and Deputy Director of the TCO's Assets Management Department of the "Kazakhoil" NOC. Has worked as an Analyst and Chief Financial Officer in Commonwealth & British Services Ltd. From 2003 to 2006 worked as an Executive Director of JSC NC KazMunayGas.

He receives no remuneration for his work in the Board of Directors of JSC NC KazMunayGas.



as of 31 December 2009





Kairgeldy Maksutovich KABYLDIN

Chairman of the Management Board, JSC NC "KazMunayGas"

Has held the posts of Deputy Chairman of the Management Board of JSC "Samruk", Managing Director and Vice President of the "KazMunayGas" National company. Has worked as Vice President of the "KazTransOil" National Oil Transportation Company, First Deputy General Director of the "Transport of Oil and Gas" National company. Worked in the RoK's Ministry of Energy and Fuel Resources, "Transneft" system of the USSR's Ministry of Oil Industry.

He receives no remuneration for his work in the Board of Directors of JSC NC KazMunayGas.



Peter Lane has worked as Economic Advisor of the Exchequer, UK's Ministry of Finance. He worked for 13 years in Royal Dutch Shell, holding executive posts in various countries, including the post of Chief Executive Officer for East Caribbean, and Director of Shell UK Oil. In 1994 he was appointed Director of the LLoyd's bank in London, and was a key person in the successful implementation of the Reconstruction and Rehabilitation Program, that allowed the bank taking up the market power held earlier. He has also been Director of the LLoyd's bank in Japan. After that, he was appointed Managing Director of the Lloyd's bank in the US, which promoted recovery of the Lloyd's bank's position on this key market. Later on he worked as Chief Executive Officer of the Exchange Insurance Company, which he left on his own accord in 2007. Since 2008 to the present he has been Chairman of the Management Board of Fishergate Limited, and since 2009 - of Strathearn Capital Limited.

Receives a fixed fee at the rate of 100,000 US dollars per annum.

FRANK S.V. KUIJLAARS Independent Director

During his career in the transnational business in the ABN AMRO Bank and later on in the Royal Bank of Scotland (RBS), which spanned almost 25 years up to 2008, he has held such executive posts as: head of corporate and investment banking instruments in Belgium, regional manager in Brazil, country manager in Russia and Argentine, global head of the Integrated

Energy Block. Mr. Kuijlaars has also been a member of Supervisory Boards in Russia, Kazakhstan and Uzbekistan. After his appointment as Corporate Executive Vice President in 2001, apart from the leadership of the Global Energy Business, he later on became a member of Executive Committees for Europe, Central and Eastern Europe, Middle East and Africa, and the Corporate and Investment Bank. Mr. Kuijlaars has a particularly high reputation for his contribution into the development of the Banking Franchising on the energy markets, and for introduction of one of the world's leading types of energy franchising.

Receives a fixed fee at the rate of 100,000 US dollars per annum.









Kairgeldy Maksutovich KABYLDIN Chairman of the Management Board, JSC NC "KazMunayGas"



Managing Director, Downstream

He has worked as Deputy General Director for Operations in JSC "TH "Kaz-MunayGas", has held various posts in LLP "Atyrau Refinery", CJSC "NC "Kaz-MunayGas" and NOC "Kazakhoil".



Askar Kumarovich BALZHANOV Managing Director, Upstream He has worked as General Direc-

He has worked as General Director of the KazMunayGas EP JSC, JSC OOC KazMunayTeniz, Deputy General Director of CJSC "KazRos-Gas", and held executive posts in various business structures.



Bolat Kunakbayevich NAZAROV Managing Director, Gas Projects

He has worked as General Director of JSC "KazTransGas". Has held the posts of Deputy General Director of LLP "KazRosGas", Managing Director for PSA Projects Management of JSC NC "KazMunayGas", Executive Director for PSA Projects Management of JSC NC "KazMunayGas, First Deputy General Director of JSC "Intergas Central Asia", Vice President of JSC "KazTransGas" for the Karachaganak Project, Director of a department in NOC "Kazakhoil", Vice President for Sales of JSC "KarachaganakGazprom".

Daniyar Suyinshlikovich TIYESSOV



as of 31 December 2009

Maksat Bagitovich

Managing Director, Authority

He has an extensive track record in the oil and gas sector and financial

sphere. Has held the position of

Regional Vice President in Shell.

IDENOV

In 2009 JSC "NWF "Samruk-Kazyna" (hereinafter – the Fund) passed a resolution on non-payment of bonuses to the executive employees of the Fund's group entities for 2008-2010.



Nurlan Yermekovich SAURANBAYEV Managing Director, Service Projects

He has worked as General Director, LLP "Teniz-Service". Has held the posts of General Manager for Project Management in CJSC NOC "Kazakhoil", Senior Vice President of OJSC "Atyrau Refinery", Director of ASU "Passenger Transportation".



Nurtas Nuribekovich SHMANOV

Managing Director, Transportation

He has worked as General Director of JSC "KazTransOil", Deputy General Director-at-Large of CPC-R, Regional Manager for Transportation in ChevronNefteGaz in Moscow and Almaty. Has held various posts in ShevronMunaiGaz and Atyrau Oil Pipeline Administration.



Tolegen Jumadovich BOZZHANOV

Managing Director, Corporate Centre

Has worked as General Director of JSC "Trade House "KazMunayGas". He has held the posts of Executive Director of JSC NC KazMunayGas, Deputy General Director of "KarTel" LLP, Managing Director of the Kazkommertzsecurities OJSC.







General Manager, Legal

He has worked in CJSC "NC "Oil and Gas Transportation". Has held the post of the head of the legal support service and head of the department of the legislation, defense and law order sector in the Administrative Department of the RoK President. Has worked and the RoK Prime Minister's Office, in the Ministry of Justice, and the RoK's Public Prosecutor's Office.





KEY FINANCIAL INDICATORS

mln. KZT

	2009	2008	2009 / 2008
Total income including:	1 966 379	2 022 475	97%
Income from sales of goods and rendering services	1 589 549	1 885 606	84%
Total expenses including:	1 770 330	1 678 475	106%
Cost price of sold products and rendered services	1 050 091*	1 199 360	88%
Corporate income tax expenses (including sales tax)	179 296	200 287	90%
Total profit	112 934	298 291	38%

^{*} Non-realized losses from industrial instruments for oil products in the amount of KZT 3 091 million in audited report according to the IFRS are reclassified from the cost price for other operational losses.

Reference: average price for Brent oil in 2009 was 61,67 dollars / barrel, in 2008.-97,08 dollars / barrel.

KEY PERFORMANCE INDICATORS

mln. KZT

	2009	2008	2007
Oil and gas-condensate production, thousand tons	18 701	18 051 ²	16 690
Gas production ³ , Mcm	4 332	3 786	3 532
Oil transportation by main oil pipelines ⁴ , mln. tons	64,18	60,65	50,8
Marine transportation of oil ⁵ , thousand tons	7 363	2 869	2 280
Gas transportation by main gas pipelines, bcm	91,1	116,7	114,2
Oil refining, thousand tons	12 758	10 993	4 712 ⁶
Year-end A, B. C_1 oil reserves (proven), mln. tons	781,5 ⁷	706	611,3
Year-end A. B. C ₁ natural gas residual reserves, bcm	376,1	343,2	236,5
Average headcount as of 31 December, people	58 293	70 121	52 829

¹ Source: Bloomberg

² Consolidated oil uplift taking into account oil production by PetroKazakhstan.

³ Natural and associated gas. Includes the KMG EP and Kazgermunay volumes.

⁴ Includes the volume of oil transportation by the trunklines of JSC "KazTransOil" and transportation volumes of JSC "North-West Pipeline Company "MunaiTas" (51%) and LLP - "Kazakhstan-China Pipeline" (50%).

 $^{^{5}}$ 2007-2008 - 50 % share of JSC "NMSK "Kazmortransflot".

⁶ The consolidated figure - taking into account the refining volume in the Shymkent Refinery and the acquisition in July, 2007 of a 49.72% share.

⁷ According to the most recent data.

ASSET STRUCTURE OF THE JSC NC KAZMUNAYGAS GROUP

as of 31 December 2009



JSC "National Company "KazMunayGas"

NATIONAL COMPANY "KAZMUNAYGAS" IS THE KAZAKH NATIONAL OPERATOR FOR EXPLORATION, PRODUCTION, REFINING AND TRANSPORTATION OF HYDROCARBONS UPSTREAM (TOTAL 12)
KMG EP JSC - 57.9%
Cooperative KMG PKI U.A. - 95.1%
Kazakhturkmunai LLP - 51%
Kazakhoil-Aktobe LLP - 50%
"KMG "Kumkoi" LLP - 100%
LLP "JV "TCO" - 20%
JSC 00C "KazMunayTeniz" - 100%
000 "KOGC" - 50%
KMG Kashagan B.V. plc - 100%
"N Operating Company" LLP - 100%
"Caspian Zhuldyz" LLP - 50%
"Urikhtau Operating" LLP - 100%

OIL TRANSPORTATION (TOTAL 6)
JSC "KazTransOil" - 100%
CPC-R CJSC - 19%
CPC-K JSC - 19%
JSC "NMSK "Kazmortransflot" - 100%
"KMG "Transkaspy" LLP - 100%
Kazakhstan Pipeline Ventures LLC - 100%

GAS TRANSPORTATION AND MARKETING
(TOTAL 2)
JSC "KazTransGas" - 100%
KazRosGas LLP - 50%

REFINING AND SALES
(TOTAL 4)
JSC "TH "KMG" - 100%
JV "Kylysh" -50%
Kazakhstan Petrochemical Industries JSC

- 50% Kazakhoil-Ukraine LLP - 34.04%

SERVICE SECTOR (TOTAL 11)
Euro-Asia Air JSC - 100%
Kazakhstan-British Technical University
JSC - 98.3%

"Semser Security" LLP - 100%
Rauan Media Group JSC - 96.05%
"Kazakh Institute of Oil and Gas" JSC - 90.19%

"KMG-Service" LLP - 60.01%
"Naukograd" LLP - 100%
"Teniz-Service" LLP - 48.99%
"KMG's Businesses under Construction
Directorate" LLP - 100%
"D.V. Sokolsky Institute of Organic Catalysis and Electrochemistry" JSC - 100%
"A.B. Bekturov Institute of Chemical Science" JSC - 100%

*of which 1,75% - participatory interest of Kazakhstan Pipeline Ventures LLC

ASSETS OF SUBSIDIARY AND DEPENDENT ENTITIES OF JSC NC KAZMUNAYGAS

Entity	KMG NC's Equity, %	Subsidiary and Dependent Entities	Equity, %
KazMunayGas EP JSC	57,9	Embasauletkurylys LLP	100
		CEKB LLP	100
		Akniyet-Emba LLP	100
		Embaenergomunai LLP	100
		Embaokuortalygy LLP	100
		KRUZ LLP	100
		Zhondeu LLP	100
		Munaienergoservis LLP	51
		Ken-Kurylysservis LLP	100
		Ozen-Yeles LLP	100
		KazGPP LLP	100
		UDTV LLP	100



Entity	KMG NC's Equity, %	Subsidiary and Dependent Entities	Equity, %
		KazMunayGas-Service LLP	20,66
		Kazgermunai JV LLP	50
		KING JSC	9,81
		Kazakhstan Petrochemical Industries JSC	50
		Munaishy Holdings Limited	100
		Kazakhstan Petrochemical Industries LLP	51
		KMG EP NETHERLANDS ENERGY COÖPERATIEF U.A.	95,1
		Munaishy Finance B.V.	100
		COÖPERATIVE KMG EP U.A.	100
		KMG EP Norge	100
KazMunayTeniz OOC JSC	100	Tyub Karagan Operating Company B.V. Branch	50
•		Kurmangazy Petroleum LLP	100
		Atash Company LLP	50
		Caspi Meruerty Operating Company B.V. Branch	40
		Zhambyl Petroleum LLP	100
		Teniz Burgylau LLP	100
		Zhambai LLP	50
		Caspi Development Centre LLP	6,8
azTransGas JSC	100	GasInService LLP	100
dzīrdīisūds jou	100		
		Asian Gas Pipeline LLP	50
		KazTransGas AG Company	50
		KyrGazGas 0s00	50
		Intergas International B.V.	100
		KazTransGas-Aimak JSC	100
		KazTransGas-LNG LLP	100
		Amangeldy Gas LLP	100
		Intergas Finance B.V.	100
		KazTransGas-Almaty JSC	100
		KazTransGas-Tbilisi 000	100
		Samruk-Energo JSC	4,18
azTransOil JSC	100	KazTransOil-Service JSC	100
		"MunaiGas" North-Western Pipeline Company JSC	51
		Kazakhstan-China Pipeline LLP	50
		"Accumulative Pension Fund of Halyk Bank of Kazakhstan" JSC	0,908
		Batumi Capital Partners (Cyprus)	50
		Batumi Industrial Holdings (Cyprus)	100
C "NMSK "Kazmortransflot"	100	Kazmortransflot LTD	100
		"Oilstream Shipping Co. Ltd" JV	100
		Mangystau Oblast Ship-Repair Yard LLP	30
azMunayGas TH JSC	100	KMG-Astana LLP (Astana)	100
azinanayaas 111300	100	KMG-Alatau LLP (Atyrau)	100
		KMG-Zhaiyk LLP (Atyrau)	100
		Kazkor-Transservice JSC (Aktau)	12,87
		TransMunai 000 (Kiev)	50
		PE "Samruk-Kazyna" CU" (Astana)	9,9
		JSC "KMG-Ominderi"	100
		TH KazMunaiGaz N.V. (Amsterdam)	100
		Atyrau Refinery LLP	99,49

Entity	KMG NC's Equity, %	Subsidiary and Dependent Entities	Equity, %
KazRosGas LLP	50	"KazRosGaz" AG	100
"Kazakhoil-Ukraina" LLP	34,04	"Ukrnefteprodukt" TH" LLP	99,996
KMG-Service LLP	79,34	Borzhomi-Likani 000	100
		"KMGS-Georgia" 000	100
		Aisir Tourism ve Inshaat anonym Shirketi JSC	75
		KMGS-Kurylys LLP	100
		KazMunayGasService-Compass LLP	40
		AstanaEnergoservice JSC	0,1
Kazakhstan-British Technical Jniversity JSC	98,33	"Research and Development Center of the KBTU" LLP	100
		KBTU Business School LLP	100
'Kazakh Institute of Oil and Gas" JSC	90,1925	"NIPI Kaspimunaigas" JSC	100
		KazNIPImunaigas JSC	100
		"Petrodata Kazakhstan" JSC	50
		Technip-Kazakhstan JV LLP	50
Rauan Media Group JSC	96,05	"Rauan" Publishing House LLP	100
		New Television-Kazakhstan LLP	100
		Izvestiya-Kazakhstan LLP	80
		"NS-Nationwide Network" Television and Radio Broadcasting Company LLP	100
		"Television of the City of Astana" LLP	40
(MG-Kumkol LLP	100		
Kazakhoil-Aktobe LLP	50		
Kazakhturkmunai LLP	51		
Kashagan b.v. LLC	100		
Kazakhstan Pipeline Ventures LLC	100	CPC-KJSC	1,75
		CPC-R CJSC	1,75
Teniz Service LLP	48,99		
CPC-K JSC	19		
CPC-R CJSC	19		
Caspian Oil-and-gas Company 000	50		
engizchevroil JV LLP	20	Tengizchevroil Finance Company	100
'Kylysh" Commercial Partnership	50		
Cooperatieve KazMunaiGaz PKI U.A.	95,1	KMG Hvalynskoye Finance B.V.	100
		KazMunaiGaz Finance Sub B.V.	100
		KazMunaiGaz Finance B.V.	100
		Mangistau Investment B.V.	50
(F A.' A' II IOO	100	Kazakhstan Energy Reinsurance Company Ltd	100
Euro-Asia Air" JSC	100	#00.10	400
Semser Security" LLP	100	"Semser Ort Sondirushi" LLP	100
'N Operating Company" LLP	100		
(MG-Transcaspi LLP	100		
Naukograd LLP	100	#OAT O	400
Kazakhstan Petrochemical Industries JSC	50	"SAT Operating Aktau" LLP	100
		"SAT Operating Atyrau" LLP	100
		"JV "CASPI BITUM" LLP	50
'MK Caspian Zhuldyz" LLP	50		
Jrikhtau Operating LLP	100		



Entity	KMG NC's Equity, %	Subsidiary and Dependent Entities	Equity, %
"D.V. Sokolsky Institute of Organic Catalysis and Electrochemistry" JSC	100		
"A.B. Bekturov Institute of Chemical Science" JSC	100		
"KMG's Businesses under Construction Directorate" LLP	100		

STRATEGIC OBJECTIVES

The strategic objective of KazMunayGas is to join the ranks of the world's 30 top oil and gas companies by 2015 in terms of oil reserves and production. Following the results of 2009, KazMunayGas has strengthened its positions in the country's petroleum sector, the shares held in the Company's main sectors of activities are as follows:

Share of JSC NC KazMunayGas on the domestic market

	Business	20	09	20	08
	Business area -		%		%
Reserves	Year-end A, B, \mathbf{C}_1 oil reserves (proven), mln. tons	781,5	25*	706	23*
	Year-end A, B, C¹ natural gas residual reserves, bcm	376,1	32*	343,2	29*
Production	Oil and gas-condensate production, thousand tons	18 701	24,5	18 051	25,5
	Gas production, Mcm	4 332	12	3 786	11,2
Transportation	пby main oil pipelines, mln. tons	64,18	63	60,65	62
	marine transportation of rock, thousand tons	7363	66	2 869	64
Refining	oil, thousand tons	8 192,5	67,5	6 079	49,5
	¹ sour gas, Mcm	8 266	50	7 916	50
Retail sales	oil products, thousand t.	295,7	12,5	361,7	11,5
	natural gas, Mcm	5 008	100	5 465	100

^{*} according to experts' estimates.

The top priorities of KazMunayGas in the oil and gas upstream sector are:

- Kashagan project fulfillment of the investment obligations and strengthening the role of co-operator of the project for the purpose of putting the field on production at the stated time,
- Tengiz project preparation and implementation of the Future Growth Project, aimed to increase the oil output from the field,
- new projects gaining a 50% participatory inter-

est and the operatorship of projects,

- maintaining the production level of "mature" fields by implementing new technology,
- using opportunities for getting a share in the Karachaganak Project and access to projects in the neighbouring countries.

Top priorities of KazMunayGas in the sector of oil refining, petrochemistry and marketing of oil and oil products:

increase in Kazakhstan's oil refining volumes at

least to 17 mln. tons per year by 2015 and maximizing the earning capacity of oil and oil products trading operations.

KazMunayGas plans to implement a number of large-scale investment projects, including, as part of implementing the Comprehensive Plan to Develop the Refineries of the Republic of Kazakhstan for 2009-2015, approved by Decree No.712 of 14 May 2009 of the Government of the Republic of Kazakhstan:

¹ Gas processing in the OGPP

- modernization of the refining assets for the purpose of increasing the processing depth (at least to 82% by 2015), and increasing the quality of oil products (Euro-3 by 2014, Euro-4 by 2016),
- construction and commissioning of a Bitumen Plant in Mangystau oblast by 2011,
- development of the retail network with a view to increasing the share of KazMunayGas on the retail market up to 20% by 2015.

In the gas transportation and marketing sector:

- gaining and using to the maximum of the status of common operator for transportation, transit, exports, imports and distribution of gas,
- completion of forming a technically integrated gas-transportation system and diversification of the export and transit directions through completion of construction of the Asian gas pipeline (by the end of 2012) and the Beineu-Shymkent gas pipeline (by 2019),



KAZMUNAYGAS PLANS TO IMPLEMENT A NUMBER OF LARGE-SCALE INVESTMENT PROJECTS, INCLUDING, AS PART OF IMPLEMENTING THE COMPREHENSIVE PLAN TO DEVELOP THE REFINERIES OF THE REPUBLIC OF KAZAKHSTAN FOR 2009-2015

- forming a complete cycle of the value chain in the gas sphere through buildup of the own reserves and increasing the volumes of the own production of natural and associated gas, both in Kazakhstan, and in the adjacent countries,
- entering in 2010 into long-term agreements on the guaranteed volumes of transit of the Central Asian and Russian gas across the territory of the Republic of Kazakhstan, and agreements on counter-delivery of gas to the Republic of Kazakhstan with a view to providing the south's consumer with gas at acceptable prices through swap operations with the Karachaganak gas,
- arranging project financing and financing at the expense of partners for implementation of the projects for modernization and expansion of the gas-distributing networks in the regions of Kazakhstan,
- selective development of the electric power industry using gas.

In the oil transportation sector:

- increasing the role of KazMunayGas as a common operator of the domestic oil-transportation infrastructure, which will allow strengthening the own positions in the relations with partners and ensuring the fullest protection of the state's economic interests,
- preparation and implementation of the Kazakhstan Caspian Transportation System project, projects for expansion of the Kazakhstan-China Pipeline and Caspian Pipeline Consortium, buildup of the tanker fleet capacity, ensuring expansion and diversification of the export capacity to provide flexibility in export directions in the long-term.

In the service sector KazMunayGas is facing three top-priority tasks:

- implementation of infrastructure and service projects within the framework of the State Program for Development of the Kazakhstan sector of the Caspian Sea,
- development of the "Kazakh content" in the petroleum industry,
- implementation of the assets restructuring program for the purpose of creating an efficient and transparent structure of the service assets of KazMunayGas, capable of increasing the economic viability of the service business area of KazMunayGas and meeting the Shareholder's requirements, through optimization of the service assets.



INTEGRATED MANAGEMENT SYSTEM

IN ACCORDANCE WITH THE STRATEGIC OBJECTIVES, INTEGRATED MANAGEMENT SYSTEMS IN THE SPHERE OF QUALITY, ENVIRONMENTAL PROTECTION, HEALTH AND SAFETY, MEETING INTERNATIONAL STANDARDS ISO 9001, ISO 14001 AND OHSAS 18001 ARE OPERATING IN THIRTEEN (AROUND 40%)...

...of the thirty-four enterprises of the KazMunayGas group of companies (incl. JSC NC KazMunayGas, KazMunayGas Exploration Production JSC, JSC "KazTransOil", JSC "KazMunayTeniz", JSC Trade House KazMunaiGaz, JSC NMSK "Kazmortransflot", LLP "Kazakhoil-Aktobe", Kazakh Institute of Oil and Gas JSC, LLP "Teniz-Service").

JSC NC KazMunayGas was successfully audited in March, 2009, and the duration of the TIC system compliance certificates was extended up to 2012. Independent auditors of the OJSC "Intercertifica in conjunction with TUV Thuringen" international certification body have provided a positive evaluation of the integrated management system of JSC NC KazMunayGas.

Taking into consideration the fact that the enterprises of KMG's group of companies participate in imple-

mentation of many social projects, and with a view to further developing the integrated system, the feasibility of implementing the SA 8000 standard, regulating social responsibility, is being explored.





OIL AND GAS UPSTREAM

In 2009 JSC NC KazMunayGas made purposeful efforts in the main strategic business area – buildup of the hydrocarbon reserves and production. One of the important results of the year was acquisition on a parity basis jointly with CNPC Exploration and Development Company of the shares of Kazakhstan's major oil-producing enterprise Mangystaumunaigas JSC. Closing this transaction allowed an increment in the recoverable reserves by 86.3 mln. tons, enabling an increase in the oil production by 2.8 mln. tons in 2010.

In 2009 the "Integrated study of 15 sedimentary basins of the Republic of Kazakhstan" projects started. Within the project geology-geophysical data of all oil and gas bearing provinces of Kazakhstan will be analyzed and oil-and-gas bearing capacity will be assessed by a new method. According to the results recommendations will be worked out for the expanded program of exploration works of KMG.

RESERVES

Further growth of the level of consolidated proven reserves of oil and gas was registered in 2009. Whereas, as of 31 December 2008 the proven residual recoverable oil reserves of JSC NC "KazMunayGas" (taking into account the participatory interest) amounted to 706 mln. tons of oil, at the end of 2009 this indicator was 781.5 mln. tons of oil.

A, B, C₁ Category Consolidated (Proven) Hydrocarbon Reserves of the "KazMunayGas" Group

Name	As of 31 Dec 2008	Total increment	Exploration	Revaluation	Purchase	Produc- tion	As of 31 Dec 2009 ²
Oil, mln. tons	706,0	94,2	6,8	1,1	86,3	18,7	781,5
Gas condensate, mln. tons	10,5	3,5	2,6	0,3	0,6	0,044	14,0
Natural gas, bcm	343,2	38,3	7,6	4,1	26,6	4,3	376,1

OIL PRODUCTION

In 2009 the consolidated oil uplift of the KazMunayGas group of companies was 18701 thousand tons, which is 3.5 percent above the 2008 figure.

JSC NC KazMunayGas accounted for 24.5% of the total oil production in the republic (Kazakhstan produced 76.4 mln. tons of oil in 2009).

KazMunayGas Exploration Production JSC, LLP "Tengizchevroil" and JSC "PetroKazakhstan" account for the bulk of oil output.

Increase in production is ensured by means of taking measures on drilling and repairing wells, reservoir fracturing, in the KazMunayGas EP JSC, and phased transition to the designed capacities of the sour gas injection facilities under the Second Generation Project of LLP "Tengizchevroil".

Oil and Gas Condensate Production in Companies with Participation of JSC NC "KazMunayGas"

thousand tons

Наименование	2009	2008	2007	2006
KazMunayGas Exploration Production	8978	9486	9548	9551
KazTransGas (Amangeldy Gas)	26	26	26	-
Kazakhoil-Aktobe (50%)	468	380	435	509
Kazakhturkmunai (51%)	113	111	129	163
PetroKazakhstan (33%)	2077	2109	2238	-
Kazgermunai (50%)	1601	1570	1527	-
Karazhanbasmunai (50%)	933	914	-	-
Tengizchevroil (20%)	4505	3455	2786	2664
TOTAL	18701	18051	16689	12887

¹ Calculated according to the Instruction on Classification of Oil and Gas Fields Reserves, Oil and Natural Hydrocarbon Gas Prospective and Forecast Resources (approved by Order No. 283 dated October 27, 2005 of the Minister of Energy and Mineral Resources of the Republic of Kazakhstan).

² According to the most recent data.



GAS PRODUCTION



IN 2009, THE CONSOLIDATED PRODUCTION OF NATURAL AND ASSOCIATED GAS IN THE "KAZMUNAYGAS" GROUP COMPANIES WAS 4.33 BILLION CUBIC METERS, WHICH EXCEEDED THE LEVEL OF 2008 BY 13 PERCENT. KAZMUNAYGAS EXPLORATION PRODUCTION JSC AND LLP "TENGIZCHEVROIL" ACCOUNT FOR THE BULK OF GAS PRODUCTION IN THE KAZMUNAYGAS GROUP OF COMPANIES.

Gas Production in Companies with Participation of JSC NC "KazMunayGas"

mln. m³

Наименование	2009	2008	2007	2006
KazMunayGas Exploration Production	932	1018	1098	1181
Kazgermunai	260	262	276	118
Tengizchevroil	2338	1798	1445	1382
Kazakhoil-Aktobe	136	107	140	224
Other	666	601	573	319
TOTAL	4332	3786	3532	3224

In accordance with the Program for Development of Gas Industry of the Republic of Kazakhstan for 2004-2010, with a view to providing the consumers of the republic's south region with gas and ensuring energy security, JSC "KazTransGas" conducts exploitation of the Amangeldy group of gas deposits in Zhambyl oblast under the Hydrocarbon Feedstocks Exploration and Production Contract of 12 Dec 2009.

Within the framework of this project commercial exploitation of the Amangeldy field and development of other fields of the Amangeldy group is carried out,

including a complex of exploration and seismic works, reserves calculation, development of test production projects, projects for construction of producer wells and field surface facilities.

LLP "Amangeldy Gas" (a subsidiary of JSC "KazTransGas") is carrying out development of the Amangeldy gas and condensates field, located 170 to the north from the city of Taraz (administrative centre of Zhambyl oblast in the south of Kazakhstan).

Development of the field began in 2001, first gas supply to consumers in Taraz was in 2003. Since the

beginning of exploitation of the Amangeldy gas field, 1.8 bcm of gas and 154 thousand tons of condensate have been produced.

Natural gas and condensate production on the Amangeldy field

Name	2009	2008	2007	2006
Gas condensate, thousand tons	26,0	26,2	26,2	24,6
Gas, Mcm	354,2	338,3	280,0	279,7



JSC NC KazMunayGas is implementing major oil and gas projects. The company has a participatory interest in the Tengiz and North-Caspian projects, and performs









TENGIZ PROJECT

The Tengiz field discovered in 1979 is one of the largest in the world. It is developed by joint venture LLP "Tengizchevroil" (TCO), comprised of Chevron (50%), ExxonMobil (25%), JSC NC KazMunayGas (20%) and LukArco (5%).

In 2009 the total oil production by TCO amounted to 22.5 mln. tons, dry gas production - 7.1 bn cubic meters.

As part of the expansion of production capacity, TCO has implemented phased commissioning of the Second Generation Plant (SGP). The principal objective of the project is increasing the field producing capacity and refining capacity to the level of 25 mln. tons of crude per annum.

NORTH-CASPIAN PROJECT

The North Caspian Production Sharing Agreement (PSA) was signed on 18 November 1997.

Pursuant to the PSA, the contract area of the consortium is comprised of four oil-bearing structures: Kashagan, Kalamkas, Aktoty, Kairan, Kashagan South-West. North-Caspian Project C1 proven recoverable reserves as of 1 January 2010 are 781.8 mln. tons of oil, and taking into account the participatory interest of NC "KazMunayGas" - 131.4 mln. tons.

Participatory interests in the PSA are distributed among KazMunayGas, ENI, Total, ExxonMobil, Shell - 16.81% apiece, ConocoPhillips - 8.40 %, Inpex - 7.56%.

According to the new operational model, North Caspian Operating Company B.V. has assumed the responsibilities of the Operator of the North-Caspian Project since 22 January 2009.

In 2009 planned works to implement the project for pilot commercial development of the Kashagan field were conducted.

KARACHAGANAK PROJECT

The Final Production Sharing Agreement (FPSA) on the Karachaganak project was signed between the Government of the Republic of Kazakhstan and an alliance of foreign companies in November, 1997 for the duration of 40 years.

The field's reserves are about 1.2 billion tons of liquid hydrocarbons and 1.3 trillion cubic meters of gas.

A resolution of the Government of the Republic of Kazakhstan has determined JSC NC KazMunayGas as the Authority for the project, starting from 20 February 2002. The shares of the project participants are as follows: BG Group -32.5%, Eni -32.5%, Chevron -20%, LUKOIL -15%.

IN 2009, PRODUCTION OF LIQUID HYDROCARBONS BY THE KARACHAGANAK PETROLEUM OPERATING COMPANY (KPO) WAS 11.9 MILLION TONS, TOGETHER WITH 15.6 BILLION CUBIC METERS OF GAS.

IN 2009 KPO AND THE AUTHORITY EXPLORED THE OPPORTUNITIES TO IMPLEMENT THE THIRD STAGE OF THE FIELD'S DEVELOPMENT.

GEOLOGIC EXPLORATION PROJECTS ON THE CASPIAN SHELF

JSC NC KAZMUNAYGAS LINKS
FURTHER BUILDUP OF THE
HYDROCARBON FEEDSTOCKS
RESERVES TO THE RESOURCE
POTENTIAL OF THE KAZAKHSTAN
SECTOR OF THE CASPIAN SEA.
EXPLORATION PROJECTS ON THE
CASPIAN AND COASTAL AREAS
ARE ONE OF THE TOP-PRIORITY
BUSINESS AREAS OF A SUBSIDIARY
OF KAZMUNAYGAS – JSC OOC
"KAZMUNAYTENIZ".

Successful search for and exploration of hydrocarbons will enable the company to ensure increasing of the consolidated oil reserves up to 1.6 bn tons by 2020, i.e. more than twofold of the current level, and the consolidated oil uplift — up to 40 mln. tons per year.

Apart from participation in the North Caspian project, "KazMunayGas" jointly with foreign companies is carrying out a set of prospecting and research works on a whole group of blocks of the Caspian Sea, including Kurmangazy, Zhemchuzhiny, Tuyb-Karagan, Zhambai, Zhambyl and other areas.

In 2009 planned seismic prospecting and drilling was conducted on the contract areas, work on preparation to signing new sub-soil use contracts with the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan was performed.

"New prospecting project on oil and gas in the contract territory Kurmangazy" where directions of specified prospecting survey was developed in accordance with the Kurmangazy project. The MEMR coordinated additional seismic survey outside the Kurmangazy block for specification of allocated perspective structures.

8 perspective structures were underlined as a result of the carried out prospecting works in accordance with the project "N": Shelly sea, Nursultan, Al — Farabi, Samal, Ulytau and others. In 2009 works on detailed 2D seismic survey in volume 1 300 linear km and geochemical researches were carried out. In 2010 it is supposed to conduct field seismic survey works of 5700 linear km and to drill 1 exploration well on the Shelly Sea.

3D seismic survey works of 900 km2 were completed in accordance with the Zhemchuzhina project. Construction of reservoir evaluation well № 2

on the Hazar was completed and oil flow was received. In 2010 the second reservoir evaluation well Hazar -3 and explorative well Tulpar 1 are planned to be constructed.

In 2009 detailed 2D field seismic survey works of 1 250 linear km and field gravimetric works were carried out in accordance with the Zhambul project.

Besides within 2009 work on adoption of subsoil use right in the Republic of Kazakhstan, preparation and coordination of the exploration and production of hydrocarbons for the "Satpayev" project contract on (KSCS)in the state bodies in particular, was carried out.





SERVICE INFRASTRUCTURE





Without creating a powerful coastal service infrastructure for servicing offshore oil upstream projects, successful exploitation of the Caspian shelf wealth is impossible.

As part of implementation of the State Program for Development of the Kazakhstan sector of the Caspian Sea (KSCS), creation of the top-priority infrastructure facilities for coastal support of offshore operations was completed.

Efforts to arrange financing, engineering and construction of a number of new service infrastructure facilities were made in 2009, in particular, in the township of Bautino — a production site for the steelworks, drilling muds plant and small vessel repair and overhaul plant, in the township of Kuryk — an oil loading terminal.

An agreement was signed with ENI, providing for financing and construction in the Republic of Kazakhstan of a number of major production assets, among which there are gas-processing plant, gas turbine power plant, dry dock/ship-yard, and other projects.

WITHOUT CREATING A POWERFUL COASTAL SERVICE INFRASTRUCTURE FOR SERVICING OFFSHORE OIL UPSTREAM PROJECTS, SUCCESSFUL EXPLOITATION OF THE CASPIAN SHELF WEALTH IS IMPOSSIBLE



REFINING

КазМұнайГаз

The company's consolidated oil refining throughput grew to 12.1 mln. tons in 2009, comparing with the 10.3 mln. tons in 2008. Such an increase is owing to acquisition in 2009 of the Pavlodar Petrochemical Plant

OIL REFINING

The company's consolidated oil refining throughput grew to 12.1 mln. tons in 2009, comparing with the 10.3 mln. tons in 2008. Such an increase is owing to acquisition in 2009 of the Pavlodar Petrochemical Plant.

Oil Refining Volumes in the Refineries of the KazMunayGas Group

thousand tons

	2009	2008	2007	2006	2005
Atyrau Refinery	4 004	3 925	3 701	3 746	3 514
Shymkent Refinery	2 004	2 154	1 011 ¹	-	-
Petromidia Refinery	3 878	4 237	-	-	-
JSC PPCP	2 185	-	-	-	-
Total	12 071	10 316	4 712	3 746	3 514



ATYRAU REFINERY

Atyrau Refinery (AR) was commissioned in 1945. The oil refining capacity is 4.3 mln. tons per year. After the full-scale modernization and reconstruction of the refinery (the first stage of the refinery reconstruction project was completed in 2006), the oil processing depth increased up to 61 percent. Sulfur content has seen a considerable decrease, in gasolines - from 1,000 ppm to 30 ppm, in diesel – from 2,000 ppm to 50 ppm, oil content in the effluent water – from 205 thousand tons per year to 154 thousand tons per year, water consumption from the river of Ural from 99,500 thousand cubic meters per year to 3,500 thousand cubic metres per year.

The refinery turns out 16 types of oil products. AR accounted for 33% of Kazakhstan' total oil refining volume in 2009.

Production of main oil products

thousand tons

	2009	2008	2007	2006	2005
Gasoline	553	493	470	493	509
Diesel	1191	1 175	1 019	995	958
Jet fuel	51	47	21	5	21
Fuel oil	1698	1 566	1 096	1 343	1 345
Other products	205	330	747	569	466
TOTAL	3 698	3 611	3 353	3 405	3 299

¹ The consolidated figure - taking into account the 49.72% interest and the refining volume in the Shymkent Refinery and the period since the acquisition in July, 2007.



The plans are to implement the following projects within the framework of the second stage of the Atyrau Refinery reconstruction:

- reconstruction of the vacuum block of the CDU-AVDU-3 unit and the delayed coker will allow increasing the primary and secondary processing capacity, the processing depth up to 72 %, and production of additional volumes of target added value oil products.
- construction of the aromatics production complex
 aimed to improve the environmental attributes of motor gasolines by means of extracting benzene and aromatic hydrocarbons from the gasoline cut. It is

proposed to use the aromatic hydrocarbons received (benzene and paraxylene) as basic petrochemical feedstock for the "Petrochemical Complex Based on Benzene and Paraxylene" project;

The third stage will be the project of the deeper oil conversion complex. This project will allow transforming residual heavy oil products into high quality motor fuels, meeting the Euro-3 and Euro-4 standards, and increasing the processing depth up to 84%.

SHYMKENT REFINERY

Shymkent Refinery was commissioned in 1985. Shymkent Refinery is controlled by LLP "PetroKaza-

khstan Oil Products" (PKOP), 49.72 % in which are held by JSC Trade House KazMunaiGaz since 2007. The oil refining capacity is 5.25 mln. tons per year. PKOP accounted for 33% of Kazakhstan' total oil refining volume in 2009.

Shymkent Refinery Oil Products Output

thousand tons

	2009	2008	2007	2006	2005
Gasoline	828	843	853	837	843
Diesel	1 276	1 408	1 381	1 287	1 276
Jet fuel	240	275	159	183	133
Fuel oil	694	635	552	565	767
Other products	765	886	853	905	656
TOTAL	3 803	4 047	3 798	3 777	3 675

Within the framework of executing the Comprehensive Plan to Develop RoK Refineries for 2009-2015, the project for reconstruction and modernization of the Shymkent Refinery is being implemented, the main objectives of which are recovery of the designed oil distillation capacity to 6 mln. tons per year, increasing the processing depth to at least 90%, improvement of the

quality and environmental indexes of the Euro-3 and Euro-4 motor fuels.

PAVLODAR PCP

Pavlodar PC Plant was commissioned in 1978.

On 4 August 2009 JSC Trade House KazMunaiGaz (through TH "KazMunaiGaz N.V.") signed the Agreement on Sale and Purchase of the 100% participa-

tory interest in the authorized capital of the Refinery Company RT LLP, which owns the property complex and is a holder of 58% of shares in JSC "Pavlodar Petrochemical Plant". The owner of the remaining 42% stake in JSC "Pavlodar Petrochemical Plant" is the State Property and Privatization Committee under the Ministry of Finance of the Republic of Kazakhstan.

PPCP ACCOUNTED FOR 34% OF KAZAKHSTAN TOTAL OIL REFINING VOLUME IN 2009

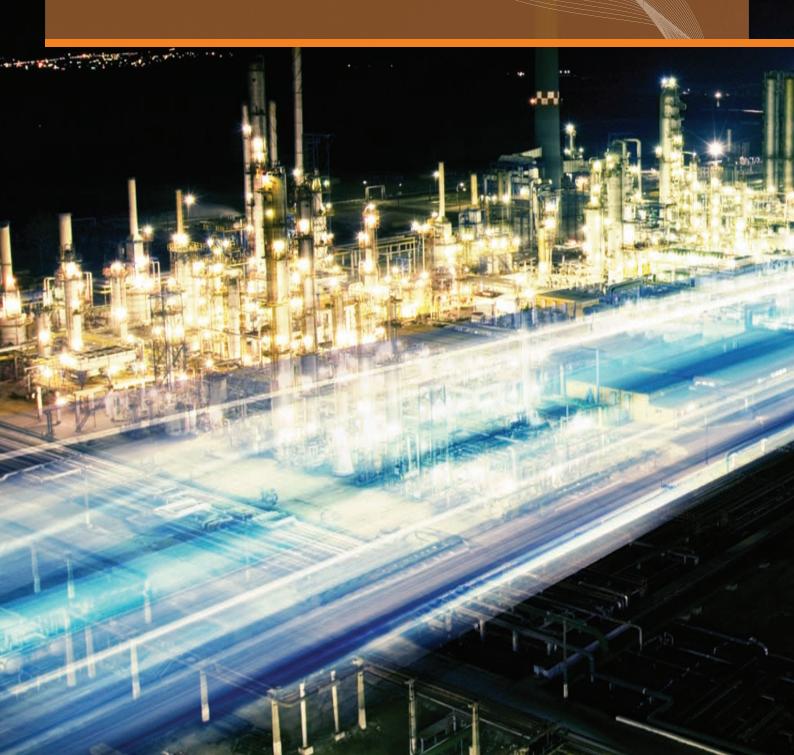
Pavlodar PC Plant Oil Products Output in 2009

thousand tons

	2009	2008	2007	2006	2005
Gasoline	1 225	1 155	1 287	1 015	996
Diesel	1 328	1 314	1 425	1 107	1 056
Jet fuel	82	80	77	80	90
Fuel oil	747	794	752	1 242	1 251
Other products	438	392	371	218	316
TOTAL	3 820	3 735	3 912	3 662	3 709

INTERNATIONAL OPERATIONS IN THE OIL REFINING SECTOR

PURCHASE OF 25 PERCENT OF THE REMAINING BLOCK OF SHARES OF THE ROMANIAN OIL AND GAS COMPANY THE ROMPETROL GROUP (TRG) ALLOWED JSC NC KAZMUNAYGAS GAINING CONTROL OVER TRG'S REFINING CAPACITY AND EXTENSIVE RETAIL NETWORK OF SERVICE STATIONS IN EUROPE.



ROMPETROL INCLUDES TWO
REFINERIES (PETROMIDIA AND
VEGA) AND OVER 1,000 SERVICE
STATIONS IN THE EUROPEAN
COUNTRIES (ROMANIA, FRANCE,
SPAIN, MOLDOVA, UKRAINE,
BULGARIA, ALBANIA, GEORGIA).
ROMPETROL SUPPLIES OIL
PRODUCTS TO TURKEY, UKRAINE,
CROATIA, MOLDOVA, AND HAS A
LONG-TERM FIVE-YEAR CONTRACT
FOR TANKER LEASE.

Rompetrol is a leading producer of polyethylenes and polypropylenes both on Romania's domestic market, and on the Eastern European market. The company's headquarters are in the Netherlands, the majority of operations and assets are located in France, Romania, Spain and South-East Europe. At present Rompetrol has over eight thousand highly-knowledgeable employees in 13 countries of the world.

PETROMIDIA REFINERY is TRG's key asset, the biggest and most integrated refinery in Romania. The refinery's designed processing capacity is 5.0 mln. tons per year, which is around 29 percent of Romania's total refining capacity; the refinery is capable of processing heavy oils with high sulfur content. The refinery was built in 1974-1979, upgraded in the 90s and in 2005, it is located on the coast of the Black Sea, 225 km from Bucharest and 20 km from Romania's biggest port — Constanța. It has one of the highest Nelson complexity indexes — 12.

3,878 mln. tons of crude oil were processed in the refinery in 2009. Production complying with the 2009 norms of the European Union (Euro-5 standard) — diesel — 90 percent, motor gasolines — 70 percent.

VEGA Refinery is a specialized refinery, located over an area of 70 ha in the vicinity of Bucharest in the city of Ploesti. Built in 1905, upgraded in the 70s. The designed refining capacity is 500 thousand tons per year. Vega is specialized in processing alternative feedstocks (naphtha, heavy hydrocarbon fractions, fuel oil). The refinery's technology allows producing a wide range of solvents according to the specified properties, various bitumens and other specialized products.

The products turned out are used in the chemical, petrochemical, rubber, textile and footwear industry.

PCC PETROCHEMICAL — the Petrochemical complex is integrated with the Petromidia Refinery.

The existing facilities of the complex produce polypropylene, HDPE (high-density polyethylene) and LDPE (low-density polyethylene) of various brands. The source of feedstock is propylene produced in the Petromidia Refinery and purchased ethylene.

Within the framework of joint activities, National Company "KazMunayGas" is interested in building a common vertically integrated international level company, carrying out both production, and refining of oil, relying on TRG's experience on the European oil products market.

KazMunayGas and TRG intend to effect cooperation in the sphere of oil production and refining services, services in KMG's production assets, actively engage highly-knowledgeable specialists.

TRG's priority areas of development are expansion of the oil products retails sales network and implementation of the Petromidia modernization project (Project-2010) with the launch of a new hydrotreating facility. Implementation of this project will allow TRG to meet the new environmental standards of the European Union to motor fuels being introduced in the EU from 1 January 2009 (Euro-5) and achieve well-balanced operation of process units with the refinery's maximum capacity up to 5.0 mln. tons per year.





- 1. The first tanker was launched from the Midia Marine Terminal in February. The cost saving using new assets amounted to \$ 3-3.5 per ton in 2009.
- 2. KMG closed the transaction of acquisition of 25% of Rompetrol shares in June, as a result of which KMG became a 100% owner of Rompetrol.
- 3. Rompetrol celebrated the 30th anniversary of the Petromidia refinery in June.
- 4. In August Rompetrol launched a new prime brand Litro.
- 5. In December testing of the unit producing a new product in Petromidia pressed coke briguettes began.
- 6. Rompetrol's retail network increased by 253 stations during 2009.
- 7. Operation of jetties No.9 (A,B.C) began for sales of products (increase in the flexibility during transportation and cost reduction)
- 8. As part of the "100 New Products" project, in the Vega Refinery new products were turned out this year.
- 9. Petromidia refinery made the transition from the Euro 4 standard to Euro 5 on production of gasoline and diesel.

INVESTMENT PROJECTS TO DEVELOP THE REFINERIES

In compliance with the "Comprehensive Plan to Develop the RoK Refineries for 2009-2015" approved by Resolution No.712 of 14 May 2009 of the RoK Government, investment project for development and modernization are being implemented in all three refineries of the republic.

Projects implementation period: 2009 - 2014

Objectives of projects: Kazakhstan's requirement for high-octane gasolines, jet fuel, and diesel will be fully covered. Organization of basic petrochemistry products production.

As a result of reconstruction and modernization, the oil refining capacity will be increased up to 17 mln. tons per year by 2015, and production of the main types of oil products will exceed their consumption, new products will emerge — benzene, paraxylene.

MODERNIZATION AND RECONSTRUCTION OF THE ATYRAU REFINERY

 $\hfill \blacksquare$ Design-and-estimate documentation (DED) on the "Reconstruction of the

CDU-AVDU-3 Unit Vacuum Block and Delayed Coker" project developed and approved by the state expert review. Agreements on carrying out construction and assembly works made with contracting organizations. Currently, construction and assembly works are underway. Completion of the construction works and commissioning of the units is planned for the end of 2010.

- Feasibility study (FS) and DED on the "Construction of the Aromatics Production Complex" project developed and approved by the state expert review, site for construction prepared. FS and DED prepared based on the process technologies of the Axens licensor (France). An EPC-contract on a turnkey basis was made with Sinopec Engineering (China) on 29 October 2009. Financing of the Project will be carried out under a master loan agreement between the Development Bank of Kazakhstan JSC and Eximbank of PRC on account of a tied loan (with the participation of Chinese companies).
- FS on the "Construction of the Deeper Oil Conversion Complex" project developed and approved by the state expert review. FS prepared based on the process technologies of the Axens licensor (France). Public hearings on the preliminary envi-



ronmental impact assessment were held. Agreement on design and survey works at the "Technical Project" stage made with OJSC "Omskneftekhimprojekt" (RF) in 2009.

MODERNIZATION AND RECONSTRUCTION OF THE PKOP REFINERY (SHYMKENT REFINERY)

Honeywell-UOP (USA) prepared, and the state expert review approved the FS for the project in 2009. Public hearings on the preliminary environmental impact assessment were held.

Furthermore, marketing study of the lube oils market and Technical and Economic Assessment of the feasibility of producing lube oils based on the Aktyubinsk and Kumkol crude blend were prepared.

MODERNIZATION AND RECONSTRUCTION OF THE PAVLODAR PC PLANT

Based on the signed Memorandum of Cooperation and Understanding in respect of industrial infrastructure investment in the Republic of Kazakhstan between JSC NC KazMunayGas and the Italian "Eni SpA", works on development of the Development Program of JSC "Pavlodar PC Plant" started from October, 2009.

The first stage of the Program includes preparation of the Feasibility Study and Master Plan of the refinery's modernization. Development of the FS and master plan of the refinery's modernization will be completed by 30 August 2010.

OPERATIONS IN GAS REFINING



UNDER AGREEMENT OF 3 OCTOBER
2006 BETWEEN THE GOVERNMENT OF
THE REPUBLIC OF KAZAKHSTAN AND
THE GOVERNMENT OF THE RUSSIAN
FEDERATION ON COOPERATION IN
ESTABLISHMENT OF A BUSINESS
ENTITY BASED ON THE ORENBURG
GAS-PROCESSING PLANT (OGPP),
JSC NC KAZMUNAYGAS AND OJSC
"GAZPROM" CONTINUED EFFORTS ON
THE PROJECT FOR THE OGPP-BASED
JOINT VENTURE ESTABLISHMENT.

The objective of the project is ensuring mutually beneficial terms on ensuring high-performance processing of the hydrocarbon feedstocks from the Orenburg (Russia) and Karachaganak (Kazakhstan) gas-condensate deposits. As part of the design works, valuation of the OGPP property, to be transferred to the joint venture, was conducted, and the FS for modernization and reconstruction of the refinery's facilities was updated.

Owned by OJSC "Gazprom", the Orenburg Gas-Processing Plant has been created on the basis of the Orenburg gas-condensate deposit, discovered in 1966. The main conversion products are stripped gas, stable condensate and stabilized oil, technical sulfur, broad fraction of light hydrocarbons, odorizer, liquefied gas, and fuel gas.

PETROCHEMISTRY PROJECTS

Implementation of petrochemical projects is carried out in accordance with the Republic of Kazakhstan Petrochemical Industry Development Program, approved by a Resolution of the Government of the Republic of Kazakhstan.

Implementation of petrochemical projects will ensure deeper conversion of the hydrocarbon feedstocks, create further process stages on reefing hydrocarbon feedstocks and give rise to formation in the republic of high-technology businesses, allowing producing competitive products with high added value.

ROAD BITUMENS PRODUCTION IN THE AKTAU PLASTIC PLANT

The project provides for production of road bitumen which meet the requirements of Kazakhstan's climatic conditions, to satisfy the republic's requirements for road construction.

The transaction of acquisition of 50% of the Kazakhstan Petrochemical Industries JSC shares owning the Aktau Plastic Plant, where the implementation of the project is planned, was completed in 2009. The Heads of Agreement on Establishment of and Participation in the Joint Venture for the Purposes of Construction and Management of the Bitumen Plant was signed between CITIC Group (PRC) and Kazakhstan Petrochemical Industries JSC. State registration of the CASPI BITUM Joint Venture LLP (Aktau), whose founders are Kazakhstan Petrochemical Industries JSC and CITIC Kazakhstan LLP (a subsidiary of CITIC Group), was effected in October, 2009. Agreements on purchase of design-and-estimate documentation development works and follow-up revision of the feasibility study of the project were made. Follow-up revision of the project FS was completed.

Main indicators of "Road bitumen production at Aktau Plastic Plant" project

Products	Capacity (thou- sand tons per year)	Location	Commissioning date:	
Road bitumen production	420	Aktau Plastic Plant,	December, 2011	
Lightened oil	560	Aktau		



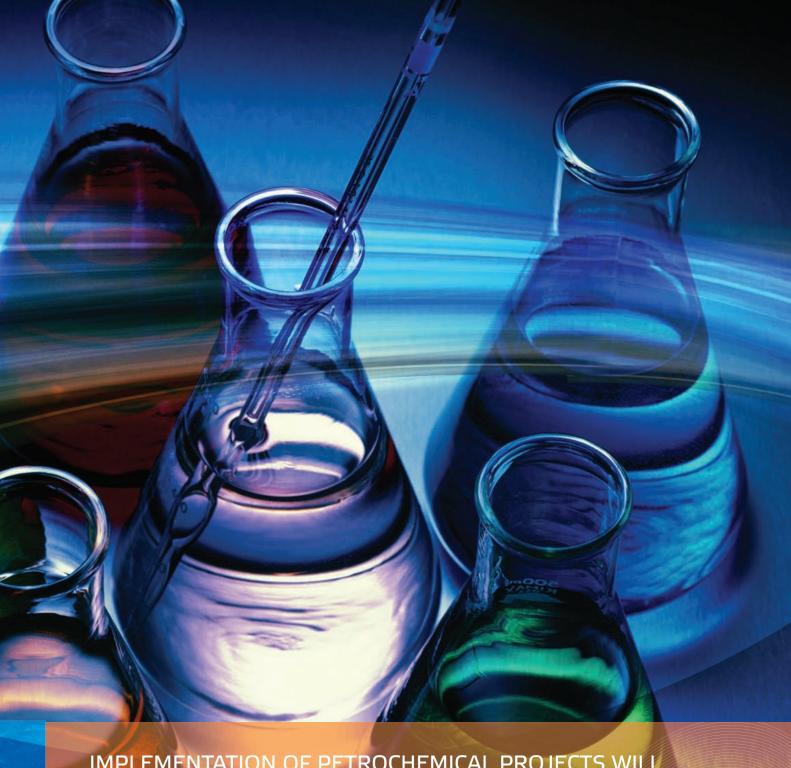
FIRST GAS-BASED INTEGRATED PETRO-CHEMICAL COMPLEX

The Operator of the first integrated gas-based petrochemical complex project is the Kazakhstan Petrochemical Industries LLP (KPI).

Agreement on trusting the Participatory Interest in KPI (51%), owned by KazMunayGas EP JSC, to "Merged Chemical Company" LLP (a subsidiary of JSC "NWF "Samruk-Kazyna") was signed on 20 October 2009.







IMPLEMENTATION OF PETROCHEMICAL PROJECTS WILL ENSURE DEEPER CONVERSION OF THE HYDROCARBON FEEDSTOCKS, CREATE FURTHER PROCESS STAGES ON REEFING HYDROCARBON FEEDSTOCKS AND GIVE RISE TO FORMATION IN THE REPUBLIC OF HIGH-TECHNOLOGY BUSINESSES, ALLOWING PRODUCING COMPETITIVE PRODUCTS WITH HIGH ADDED VALUE



OIL AND OIL PRODUCTS

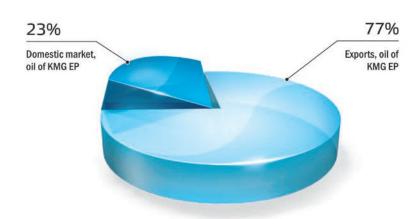
THE BULK OF TH KMG'S EXPORT SHIPMENTS IS CRUDE PRODUCED BY THE KAZMUNAYGAS EXPLORATION PRODUCTION JSC.

Virtually all TH KMG's export deliveries are made through the Russian system of main oil pipelines of OJSC "Transneft" and the oil pipeline pf the Caspian Pipeline Consortium (CPC). These routes are most optimum from the perspective of the economics of oil transportation to the world energy markets and full use of the available oil pumping quotas.

Key directions of oil exports by KazMunayGas EP JSC

Oil volume, thousand tons	Direction	Purpose
22,93	Primorsk	Exports
416,86	Odessa	Exports
1 998,64	CPC	Exports
4 507,35	Novorossiysk	Exports
2 017,49	Atyrau Refinery	Domestic market

Oil sales pattern of JSC Trade House KazMunayGaz in 2009



THE TOTAL OIL EXPORT VOLUMES OF TH KMG WERE 6,945.78 THOUSAND TONS IN 2009

Retail sales of oil products in the domestic market are made through the network of service stations of JSC Trade House KazMunayGaz, located in the cities of Astana, Almaty, Western, Northern and Eastern regions of Kazakhstan. TH KMG sells a wide range of oil products, including high quality gasolines, diesel and jet fuel.

Implementation of the own retail network expansion program under the KazMunayGas trade mark is underway, and as of 31 December 2009 TH KMG owned 246 service stations.

The program of the own retail network expansion under the KazMunayGas trade mark is carried out both through construction of new service stations, and through acquisition and re-equipment of the existing stations. In construction of service stations KazMunayGas applies the best world practice: modular complexes, up-to-date fuel-dispensing units, leading-edge software are installed. This allows increasing the labour efficiency and improving the quality of consumer service. The plans are to increase TH KMG's retail network to 314 service stations by 2010.

Annually, during the spring sowing and harvesting works, supply of POLs at reduced prices is made to agricultural producers. 142.3 thousand tons of diesel were supplied for the needs of the agricultural industry in 2009.



Sales pattern of the Atyrau Refinery products by JSC Trade House KazMunayGaz in 2009

	Volume, thousand tons	Domestic market	Exports
Gasoline, total:	233,4	100%	-
Gasoline Ai-80	150,8	100%	-
Gasoline Ai-92	79,3	100%	-
Gasoline Ai-95	3,3	100%	-
Diesel	506,6	100%	-
Fuel oil	783,5	100%	-
Calcined coke	26,5	100%	-
TOTAL	1 550	100%	

GAS

Marketing of natural gas in the domestic market is carried out by subsidiaries of JSC "KazTransGas" — JSC "KazTransGas Aimak" and JSC "KazTransGas-Almaty". The functions of these companies include wholesale purchase of natural gas for the domestic market, gas transportation through regional gas-distributing networks, operation of gas-distributing facilities and networks and sales of natural gas on the domestic market.

Gas exports to external markets and sales of gas for Kazakhstan's domestic market requirements, including swap operations, are carried out by "KazRosGas" LLP, established on a parity basis by JSC NC KazMunayGas and OJSC "Gazprom" in 2002. "KazRosGas" LLP receives volumes for sale under the "15 Years Karachaganak Deposit Sour Gas Purchase Agreement" and the "15 Years Karachaganak Deposit Dry Gas Purchase Contract". "KazRosGas" makes purchases and marketing of gas from the Karachaganak deposit, Tolkyn deposit (Mangystau oblast) and gas from the Tengiz deposit.





MARKETING OF NATURAL GAS IN THE DOMESTIC MARKET IS CARRIED OUT BY SUBSIDIARIES OF JSC "KAZTRANSGAS" – JSC "KAZTRANSGAS AIMAK" AND JSC "KAZTRANSGAS-ALMATY"







OIL TRANSPORTATION BY MAIN OIL PIPELINES

OIL TRANSPORTATION
BY KAZAKHSTAN'S
MAIN OIL PIPELINES
IS CARRIED OUT
THROUGH THE
SYSTEMS OF JSC
"KAZTRANSOIL" (KTO)
AND THE CASPIAN
PIPELINE CONSORTIUM
(CPC).



In 2009 the consolidated volume of oil transportation by main pipelines amounted to 64.18 mln. tons, which is 5 percent higher than the level of 2008. The oil throughput volume amounted to: through Atyrau-Samara - 17.5 mln. tons (a 4% increment to 2008), CPC - 27.5 mln. tons (a 6% increment), Kazakhstan-China - 7.7 mln. tons (a 26% increment).

JSC "KazTransOil" managed to exceed the planned figures owing to:

- an increase in the oil output and oil sales by hydrocarbon feedstocks producers to the oil pipeline system;
- measures taken by KTO to increase the efficiency of operation of the pipeline network, including use of turbulent viscosity reducing additives on the Kazakhstan and Russian sections of the Atyrau-Samara oil pipeline;
- high-performance operation of booster station No.9 on the Atasu-Alashankou oil pipeline;
- an increase in the volumes of Russian oil transit along the "Omsk-Pavlodar-Atasu-Alashankou" route.

On the whole, KTO's main oil pipeline network is comprised of over 5.3 thousand kilometres, the company has a tank farm with the total volume of over 1.3 mn cubic meters, 38 pump stations, 5 production loading facilities. The length of the CPC oil pipeline is 1,510 km, the length of the Kazakhstan section being 452 km.

JSC "KazTransOil" is a shareholder in the following oiltransportation companies: JSC "North-West Pipeline Company "MunaiTas" ("Kenkiyak-Atyrau" oil pipeline), LLP "Kazakhstan-China Pipeline" ("Atasu-Alashankou" and "Kenkiyak-Kumkol" oil pipelines, and "Batumi Industrial Holdings Limited" and "Batumi Capital Partners Limited" (Batumi oil terminal)



JSC "KazTransOil" consolidated oil transportation volume

mln. tons

Наименование	2009	2008	2007	2006	2005
KazTransOil (100%)	50,88	47,46	45,68	43,26	38,18
Kazakhstan-China Pipeline (50%)	3,85	3,06	2,4	0,88	-
Minaitas (51%)	3,04	2,95	2,75	2,71	2,8
Batumi oil terminal (100%)	6,41	7,18	-	-	-
TOTAL:	64,18	60,65	50,83	46,85	40,96

DEVELOPMENT OF OIL DELIVERY EXPORT DIRECTIONS

Diversification of the Kazakhstan oil transportation directions is of particular concern to KMG, since it enables the company to select the most cost-effective routes of hydrocarbon resources transportation to the world markets and serves as a safeguard to ensure energy security.

KAZAKHSTAN CASPIAN TRANSPORTATION SYSTEM

To ensure exports of Kazakhstan's oil, the bulk of which will be produced primarily on the Kashagan and Tengiz fields, purposeful work is being carried out on implementation of the project for creation of the Kazakhstan Caspian Transportation System (KCTS), that will allow transporting oil across the Caspian Sea to the international markets through the Baku-Tbilisi-Ceyhan oil pipeline and/or other multimodal oil-transportation systems of the Trans-Caucasian corridor.

KCTS is comprised of two segments: the Yeskene-Kuryk oil pipeline and the Trans-Caspian System.

The Trans-Caspian System includes:

- 1. Oil Loading Terminal on the Kazakhstan coast
- 2. Tankers and vessels for oil transportation and auxiliary operations
 - 3. Oil discharge terminal on the Azeri coast
- 4. Connections with the Baku-Tbilisi-Ceyhan system.

KCTS throughput capacity at the initial stage will be 23 mln. tons per year, with further increase up to 35-56 mln. tons per year.

JSC NC KazMunayGas held discussions on the EPC-contract and financing of construction of the Yeskene-Kuryk oil pipeline with SPIECAPAG—the leader of Joint Partnership SPIECAPAG/SALZGITTER MANNESMANN FRANCE/MARUBENI CORPORATION with the assistance of COFACE and JBIC/NEXI banks for the purposed of the Memorandum signed in October, 2009. Under the Heads of Agreement on Implementation of the Trans-

Caspian Project made between NC "KazMunayGas" and SOCAR, discussions and consultations with contracting companies — participants of the North-Caspian Project on the key issues of the Trans-Caspian Project implementation were held.

CASPIAN PIPELINE CONSORTIUM

The Caspian Pipeline Consortium (CPC) oil pipeline connects Kazakhstan's Tengiz oil field to the South Ozereyevka oil terminal on the Russian coast of the Black Sea near the port of Novorossiysk.

CPC shareholders approved the plan of the expansion project implementation, including a complex of organizational-and-technical, commercial and financial matters, in December, 2009. Implementation of this project will allow increasing Kazakhstan's oil transportation volume from 26 to 52.5 mln. tons by 2015, and the total throughput of the oil pipeline up to 67 mln. tons of oil per year.

Construction of another 10 pump stations is planned under the project (2 – on the territory of the Republic of Kazakhstan, 8 – in the Russian Federation), six tanks for oil storage near Novorossiysk and a third single-point moorings at CPC sea terminal, and replacement of 88 kilometres of pipeline on the territory of Kazakhstan.

Acquisition by JSC NC KazMunayGas of a participatory interest in KPV has allowed it to increase the share of the Republic of Kazakhstan in CPC up to 20.75%, the right to pump further 10.5 mln. tons of oil per year was acquired.

The oil transportation volume through the CPC system amounted to 35 mln. tons in 2009, including Kazakh oil — 28 mln. tons, which exceeds the 2008 Kazakh oil transportation volume by 6 %.

KAZAKHSTAN-CHINA OIL PIPELINE

The Kazakhstan-China oil pipeline is envisioned to be

constructed in two stages. Within the first stage the Atasu-Alashankou oil pipeline was built and brought on line.

7.7 mln. tons were transported by the Atasu-Alashankou oil pipeline in 2009.

Realization of the first phase of the second stage of the project — construction and commissioning of the Kenkiyak-Kumkol oil pipeline - was completed. The length of the oil pipeline is $794 \, \text{km}$, the throughput at the first stage is $10 \, \text{mln}$. tons of oil per year, Capex — $1 \, \text{bn}$ US dollars.

Construction of the oil pipeline was carried out by the Kazakhstan-China Pipeline LLP, established on a parity basis between JSC "KazTransOil" and China National Oil and Gas Exploration and Development Corporation.



TRANSPORTATION AND DELIVERY OF NATURAL GAS

JSC "KazTransGas" is within JSC National Company KazMunayGas and controls the country's main network of transporting pipelines with the length of over 11 thousand kilometres with the annual throughput up to 190 bn cubic meters.

Natural gas transportation by main gas pipelines was 91 bn cubic meters in 2009, or 96% to the plan.

Gas transportation volumes by main gas pipelines during 2006-2009

bcm

Transit type	2009	2008	2007	2006
International transit	73,2	97,7	97,9	107,5
Kazakh gas transportation for exports	10,0	9,4	8,3	7,8
Gas transportation for domestic consumers	7,9	8,4	7,9	6,5
TOTAL:	91,1	115,6	114,2	121,9

The total gas transportation by the main gas pipelines of JSC "Intergas Central Asia" from 2001 to 2009 amounted to 1,037.8 bcm.

JSC "KazTransGas" (through its subsidiaries — JSC "KazTransGas Aimak" and JSC "KazTransGas Almaty") supplies gas to the consumers of Zhambyl, South-Kazakhstan, Kyzylorda, West-Kazakhstan, Aktobe, Almaty and Kostanai oblasts, and the city of Almaty.

Zhambyl (partially), South-Kazakhstan, Kostanai, Almaty oblasts and the city of Almaty are supplied with imported natural gas, purchased from OJSC "Gazprom" and its affiliates under the Agreement on Counter-Delivery of gas of 27 December 2006. The remaining regions are supplied with Kazakh gas.

The gross volume of gas deliveries to the market of the Republic of Kazakhstan was around 7.9 bn cub.m

in 2009. Of them KazTransGas Aimak sold 4.3 bcm of gas, KazTransGas Almaty sold 0.9 bcm of gas.

EXPORT GAS PIPELINES PROJECTS



KAZAKHSTAN-CHINA GAS PIPELINE

The Kazakhstan-China Gas Pipeline construction project will ensure transportation of the transit gas from Turkmenistan across the territory of Uzbekistan and the Republic of Kazakhstan to PRC, increase the transit potential, allow diversifying export routes of the Kazakh gas, and improve the country's energy security through provision of the domestic market with the own gas.

Implementation of the project for construction of the first section of the Kazakhstan-China gas pipeline is effected by special purpose vehicle Asian Gas Pipeline LLP (AGP LLP), established on a parity basis by JSC "KazTransGas" and Trans-Asia Gas Pipeline Limited (CNPC's affiliate) on 15 February 2008.

On 12 December 2009 Kazakhstan's President Nursultan Nazarbayev and Head of the People's Republic



of China Hu Jintao launched the 1st line of the 1308 km. Kazakhstan-China main gas pipeline.

On 9 July 2008 construction of the gas pipeline commenced, the first stage of which was completed ahead of the work schedule, in record-setting time for the international practice. Over 4 thousand people were engaged in the construction.

The gas pipeline's capacity is planned to be brought to 30 bcm per year by the end of 2012. Further development of the gas pipeline to 40 bcm per year will be implemented in package with the "Beineu-Shymkent" Main Gas Pipeline Construction project.

BEINEU-SHYMKENT GAS PIPELINE

For the purpose of sustainable meeting the requirements for gas of the republic's southern regions, lowering the dependence on the imported gas and ensuring the country's energy security, implementation of the "Beineu-Shymkent" main gas pipeline construction project is envisaged.

The gas pipeline route runs across the territories of Mangystau, Aktobe, Kzylorda and South-Kazakhstan oblasts and has the following technical specifications: throughput – 5 bn cub.m/year (First phase - 2010-

2013), 10 bn cub.m/year (Second phase - 2014-2019), length — 1487 km, diameter — 1,000 (1 line).

By order of the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan, development of the design-and-estimate documentation (Project stage) was completed and approval of the RSE "State Expertise Review" was obtained.

For the purposes of implementing the project, in 2009:

minutes of the meeting between the representatives of KMG and CNPC, where the terms of establishment of the Special Purpose Vehicle are set out, was signed on 14 October.

Memorandum of Understanding on project financing of the Second section of the Kazakhstan-China gas pipeline was signed between KMG and CNPC on 12 December.

Implementation of this project is planned to begin in 2010.

CIRCUM-CASPIAN GAS PIPELINE

The foundation for implementing the project is:
- Joint declaration of Presidents of the Republic of







Kazakhstan, Russian Federation and Turkmenistan of 12 May 2007;

- Agreement between the Government of the Republic of Kazakhstan, Government of the Russian Federation and the Government of Turkmenistan on cooperation in construction of the Circum-Caspian gas pipeline of 20 December 2007 (hereinafter — the Agreement).

Construction of the gas pipeline with the length of 1,217 km across the territory of the Republic of Kazakhstan for delivery of the Kazakh gas to external markets and transit of the Turkmen gas in the total volume of up to 20 bn cub.m annually, including up to 10 bn cub.m of the Kazakh and up to 10 bn cub.m of the Turkmen gas is planned from the "Belek" compressor station (Turkmenistan) to the "Alexandrov Gay" gas-measuring station (Russia) taking into account the existing "Okarem-Beineu" and "Central Asia — Centre" gas pipelines.

Optimum features of the new gas pipeline (gas pipeline cost, pressure, diameter) will be determined following the results of the summary FS on the territory of the Parties.

Heads of Agreement on Cooperation in Construction of the Circum-Caspian Gas Pipeline between JSC

NC KazMunayGas, OJSC "Gazprom" and SC "Turkmengas" was signed in Ashkhabad on 11 September 2008 with a view to implementing the project.

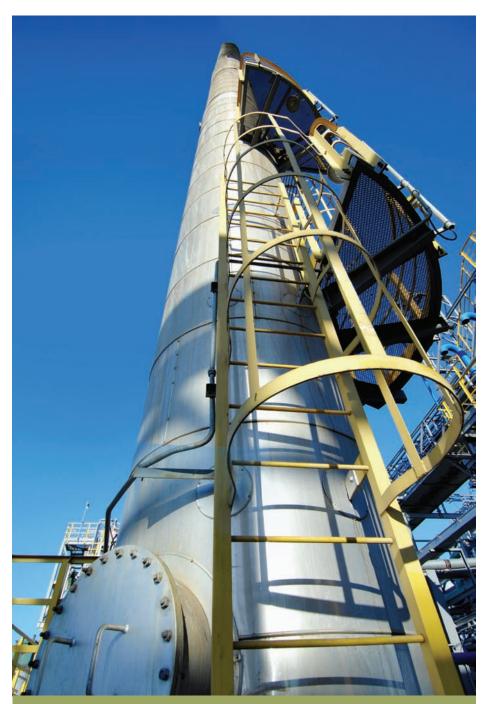
The Agreement was ratified by the Republic of Kazakhstan on 14 May 2009, and remain in effect until 31 December 2028.

OPTIMUM FEATURES OF THE NEW GAS PIPELINE (GAS PIPELINE COST, PRESSURE, DIAMETER) WILL BE DETERMINED FOLLOWING THE RESULTS OF THE SUMMARY FS ON THE TERRITORY OF THE PARTIES





DEVELOPMENT OF SERVICE PROJECTS



JSC NC KAZMUNAYGAS PROCEEDED
TO UPDATING THE INTEGRATED PLAN
FOR DEVELOPMENT OF THE COASTLINE
OF THE KAZAKHSTAN SECTOR OF THE
CASPIAN SEA

1. IMPLEMENTATION OF THE STATE PRO-GRAM FOR DEVELOPMENT OF THE KAZA-KHSTAN SECTOR OF THE CASPIAN SEA FOR 2009.

At the request of the RoK Ministry of Energy and Mineral Resources, information on the implementation of the section "Creation of Infrastructure for Coastal Support of Offshore Operations" of the Action Plan for 2006-2010 (Il stage) to Implement the State Program for development of KSCS, approved by resolution No. 673 of 13 July 2006 of the RoK Government was prepared throughout the year.

By instruction of the RoK Minister of Energy and Mineral Resources, proposals on changing the scheme to create the KSCS coastal infrastructure facilities were prepared in late 2009. These proposals were approved at the meeting held by the Prime Minister of the Republic of Kazakhstan on 7 December 2009.

By instruction of the RoK Ministry of Energy and Mineral Resources, JSC NC KazMunayGas proceeded to updating the Integrated Plan for Development of the Coastline of the Kazakhstan sector of the Caspian Sea.

2. MEMORANDUM WITH THE HYUNDAI CORPORATION

With a view to increasing production of oil, increasing the volume of its exports using the tanker fleet, and developing the associated infrastructure, cooperation with foreign companies having relevant experience is being extended.

A memorandum of understanding was signed between JSC NC KazMunayGas and the Hyundai Corporation, under which the parties expressed their interest in mutually beneficial cooperation in implementation of the projects for construction of crude oil tankers and ship repair-and-ship building yard on the coast of the Caspian Sea on May 13 2009.

3. MEMORANDUM WITH SOCAR

For the purposes of the Memorandum on sharing petroleum infrastructure facilities of the state oil company of the Azerbaijani Republic in development of Kazakhstan's hydrocarbon deposits signed in October, 2009, joint consideration of the prospects of using the petroleum infrastructure of the State Oil Company of the Azerbaijani Republic (SOCAR) in development of the Kazakhstan sector of the Caspian Sea (KSCS) is conducted, the opportunities for placement of orders for goods, works and services at SOCAR's facilities required in the development of the KSCS are explored.

SOCAR's petroleum infrastructure facilities represent the major and unique production facilities in this region, some of them have no parallel in KSCS.

With a view to determining the feasibility of sharing, and creating a joint petroleum infrastruc-



ture, detailed study and analysis of the economic viability of cooperation, taking into account the need for Kazakhstan content, creation of new jobs, and opportunities for study and exchange of experience on development of petroleum infrastructure are carried out.

4. COOPERATION WITH ENI S.P.A.

As part of implementing cooperation, and execution of the Cooperation Agreement, the first meeting of the Joint Management Committee was held in Milan on 25-26 February 2010.

Under the Cooperation Agreement between JSC NC KazMunayGas and Eni signed in November, 2009, carrying out studies is provided for on the matter of construction of:

- a 100 MW gas turbine power plant near the city of Uralsk;
 - a dry dock/shipyard in the RoK.

Efforts are made on determining the technical concept and analysis of technical and economic terms of implementing the projects with engagement of affiliates, such as JSC "Kazakh Institute of Oil and Gas", Technomare company (Italy). The results of the studies worked on should be a feasibility study on every project.

5. CONSTRUCTION OF A DRILLING MUDS PLANT IN THE TOWNSHIP OF BAUTINO

On 19 November 2008, a subsidiary of JSC NC "KazMunayGas" — LLP "TenizService" - and a foreign partner — MI SWACO—signed the constituent documents of the KAZ M-I LLP joint venture for implementation of the "Drilling Muds Plant" project.

The core activities of this joint venture are production and sales on Kazakhstan's petroleum market of drilling muds, recycling of drilling waste, sales and lease of equipment for cleaning drilling muds, including the Caspian region.

In 2009 the KAZ M-I LLP began construction of the "Drilling Muds Plant" on the territory of the offshore oil operations support base in the township of Bautino. Furthermore, in 2009 MI SWACO has transferred a number of the contracts already in force to the KAZ M-I LLP (customers: CMOC/Shell, Zhaikmunai, Ibex Petroleum, Karakudukmunai, Buzachi, Mangystaumunaigaz etc.) Commissioning of the plant is envisaged in the 1st quarter of 2011. The maximum volume of drilling muds production will be 52,000 cub.m/year.

6. CONSTRUCTION OF A PRODUCTION SITE FOR A STEELWORKS IN THE TOWNSHIP OF BAUTINO

LLP "TenizService" began construction of the production site for a steelworks in the township of Bautino in 2009, Completion of construction of a production site by LLP "TenizService" is expected in late-2010, the plan is to spend 5.2 bn tenges.

7. "EURO-ASIA AIR" AIRLINES JSC

At the end of 2009 negotiations with potential customers of aviation services for the needs of offshore operations of the North-Caspian Project were held, where the requirements in relation to installation of additional equipment to the purchased aircraft were discussed. For that matter, the Airlines performed work on installation at the factory of origin Agusta s.p.a. of the requested equipment as part of the "AW 139 Helicopters Purchase" project.

"Business-Class Aircraft Purchase" project: On 31 December 2009 Challenger 870 and Challenger 850 aircraft arrived in Astana. The aircraft were entered in the aircraft register of the Republic of Kazakhstan and fly in compliance with the Airlines' production program.

8. IMPLEMENTATION OF THE NORTH-CAS-PIAN OIL SPILLS RESPONSE ENVIRONMENTAL BASE PROJECT

For the purposes of emergency response to oil spills in commercial development and operation of oil and gas deposits in the northern part of the Kazakhstan sector of the Caspian Sea, including the Kashagan deposit, construction of a specialized North-Caspian Oil Spills Response Environmental Base (NCOSREB) is planned.

From 2007 to 2009 "TenizService" LLP conducted considerable work on coordination of a new location of the NCOSREB and obtainment of land plots for erection of the NCOSREB facilities. During this period, the matter was submitted to consideration of the Inter-ministerial Commission and more than once was presented to the RoK Prime Minister.

- The akimat of Atyrau oblast approved placement of NCOSREB on the Primorsky canal 3.5 km to the south of the township of Damba in April, 2009.
- The resolutions of the Atyrau akimat on granting land plots to "TenizService" LLP for placement of NCOSREB facilities were issued on 22 July 2009.
- State certificates of land use rights were obtained in October, 2009. The total area of the land plots is 70 ha. As part of further implementation of the project, Memorandum of Understanding "On implementation of the project for creation and operation of the North-Caspian Oil Spills Response Environmental Base", stipulating the main principles of cooperation on the project, is planned to be singed between North Caspian Operating Company and LLP "TenizService". After the Memorandum has been signed, a joint technical group will proceed to finalizing the project concept for forming the design specification and beginning of project works on NCOSREB.





DEVELOPMENT OF KAZAKHSTAN'S LOCAL CONTENT

In accordance with the "Strategy of Industrial and Innovational Development of the Republic of Kazakhstan for 2003-2015", approved by the Decree of the President of the Republic of Kazakhstan as of 17 May 2003 No 1096, one of the priority activities of JSC NC "KazMunayGas" and its subsidiary and dependent entities, is rendering support to the development of Kazakhstan content during the implementation of oil and gas projects.

The priorities set out in the SIID are development and creation of potentially competitive and technology-intensive business which should function in the non-raw material sectors of the economy.

The basis for the development and formation of competitive and export-oriented businesses using the method of the value added chain (the so-called VAC) must be businesses which accumulate large investment projects and which produce products that can be technologically transformed many times with an increase in the added value at each process stage.

The volume of the Kazakh goods, works and services used for the exploration and exploitation of oil and gas fields depends of the competitiveness of the domestic products.

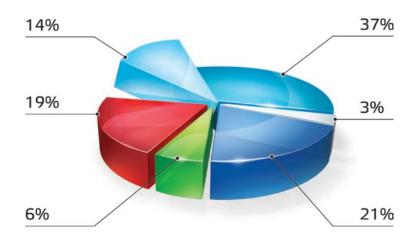
The Program for the Development of Production of New Type Oil and Gas Equipment at the factories of the Republic of Kazakhstan is to continue the work related to the development of interrelation between mechanical engineering and oil and

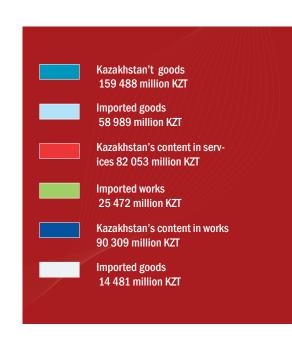
gas complex of the Republic under the SIID. The first KMG's Program was developed and put in place by "Kazakhoil" in 1998. During the 10 years of the implementation of these programs, mechanical engineering factories of the Republic developed the production of more than 300 types of oil and gas equipment, machinery and materials, which had not been produced in Kazakhstan earlier. To implement them, machine construction enterprises of almost all provinces of the Republic were involved, among which there are North Kazakhstan, West Kazakhstan, Karagandy, Pavlodar, Mangystau Regions and the city of Almaty.

For further development of the cooperation with machine construction enterprises of the Republic, the Company developed and put into operation the "Program of Development of the Production of New Type Oil and Gas Equipment at the Facilities of the Republic of Kazakhstan for 2010-2012".

The total amount of purchased goods, works and services of the JSC NC KazMunayGas group of companies in 2009 was 430 billion 789 million KZT, of which goods, works and services purchased from Kazakh suppliers amounted to 331 billion 708 million KZT, or 77%.

Kazakh Content in the JSC NC KazMunayGas Group of Companies Purchases in 2009





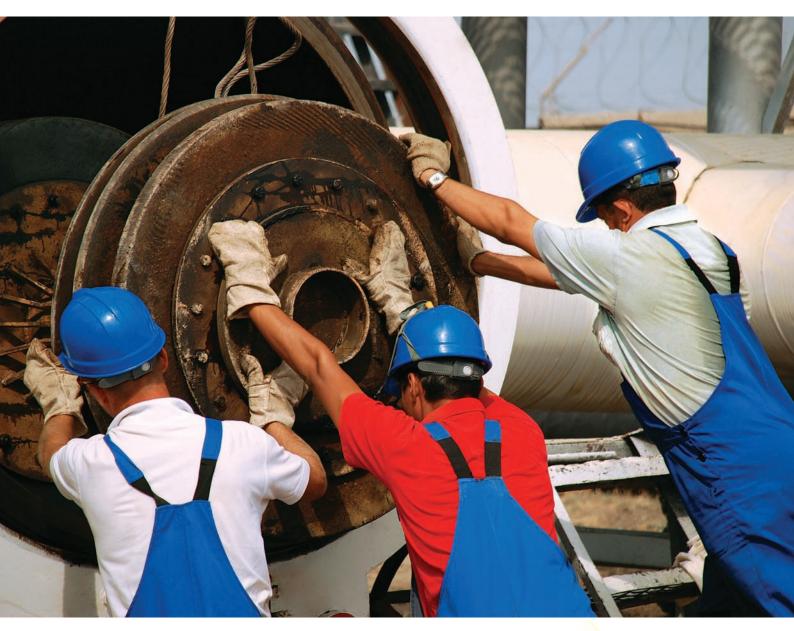
When the PSAs on Karachaganak and North Caspian Projects and Partnership Agreement on Tengiz Project were made, the agreements included articles which stipulated the requirement for the subsoil users to purchase Kazakh goods, works and services on a parity basis.

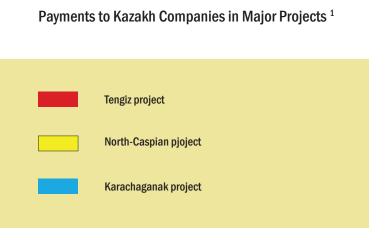
As a result of the conducted work, in 2009 the total amount of payments to Kazakh companies for services and goods in large oil and gas projects was 3 billion 520 million USD or 41%, of which:

- Karachaganak Project 442.8 million USD or 48%;
- North Caspian Project 1,890 million USD or 35.5%;
- Tengiz Project 1,187 million USD or 51%.

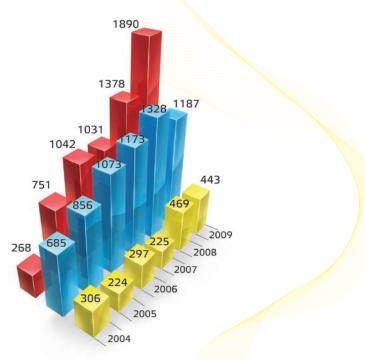
It should be noted that the major part of procurements was composed of services provided by Kazakh companies, which amounted to 3.2 billion USD (90% of all purchases), as for the procurement of goods of Kazakh origin amounted to 360.1 million USD (10%).







¹ The graph of the payments to Kazakh companies does not take into account the new requirements of the Legislation of the RK and the Unified methodology of Local Content Calculation.





CORPORATE SOCIAL RESPONSIBILITY

CORPORATE SOCIAL RESPONSIBILITY MEANS ACCOMPLISHMENT OF VOLUNTARILY ASSUMED OBLIGATIONS WHICH CORRESPOND TO THE INTERESTS OF THE SOCIETY, STATE AND BUSINESS.

National Company KazMunayGas deems its social responsibility as a voluntary contribution to the development of the society in social, economic and environmental spheres, as related directly to the main activity of the Company and realized beyond the minimum requirements established by the law in accordance with the capacity of the Company.

KazMunayGas, as a socially responsible company, is committed to the ongoing implementation and improvement of the quality of social activities in the following main directions:

- Internal Social Responsibility
 - Development of the HR Potential
 - Motivation System
 - Healthcare
 - Work Safety
- External Social Responsibility
 - Charity and Sponsorship

- Environment Protection
- Social Partnership
- Participation in the implementation of state and sector social programs, general Republic level activities
 - Participation in International Initiatives
 - Development of Regions

SOCIAL PARTNERSHIP AND SPONSORSHIP

Sponsorship (charity) was rendered in 2009 in the view of the Company's priorities in the sphere of social responsibility. KazMunayGas spends considerable funds for the social sphere and for the support of socially vulnerable groups of the population. The social policy of KazMunayGas in 2009 was under the aegis of 110th anniversary of the Kazakh oil.

Under the aegis of the 110th anniversary of the Kazakh oil, National Company KazMunayGas held a number of events in the main oil extracting regions of the country — Atyrau and Mangystau Provinces: Sports and Health Complex named after Rakhmet Utesinov was opened in the city of Kulsary, social assistance was rendered to veteran oilmen, stipends named after Safi Utebayev was introduced for the best students in engineering and technology of the oil and gas sector, international scientific practical conference called "Contemporary Status and Prospects of Development of the Oil and Gas Complex of the Republic of Kazakhstan" was held to ensure the interaction between the science and production and to solve the urgent tasks of the oil and gas sector, and other social actions were held by the Company.

For the Support of the Socially Vulnerable Groups of the Population, the Company KazMu-

nayGas constantly renders financial assistance to the veterans of the War and Labour via the Social Association "the Organization of the Veterans of the Republic of Kazakhstan", to the labor veterans of the oil and gas sector via the social fund "Munay-shi".

The Company renders personal help to the disabled, pensioners, poor people, orphan children and other socially vulnerable groups of population. Thus, as a regular and one-time assistance was provided to the "Svetoch" Children Orphanage (Astana), "Ak Bota" Orphanage (Atyrau), the Society of the Disabled and Blind (the city of Atyrau), the Corporate Fund "SOS Children Villages of Kazakhstan", disabled children and orphans of the city of Zhanaozen, the Association of the Disabled Women "Shyrak" (Almaty), the Social Fund for the Disabled "Shyrak" (the city of Uralsk), the Social Fund "Bobek" (Almaty), the Public Fund of Social Protection and Support for the Population "Zharylgau" (the city of Zhanaozen) and many other charity social organizations and individuals. In the summer of 2009, more than 2000 children aged 7 to 14 enjoyed recreation in the Health Complex "Sunkar", among which there were students of the School "Zhasulan", boarding school of the village of Zerenda. At the end of the summer term,

the children were involved in the sporting event dedicated to the 110th anniversary of the Kazakh oil. The main purpose of the children's program in the "Sunkar" health complex is improvement of children health with the help of sport and active recreation, learning and cognizing the surrounding world. During the summer recreation, the teachers educate children to be patriotic, to love the Homeland, and to respect the elder generation.

In the sphere of the Development of Social Partnership, KazMunayGas actively participates in different activities, joint projects and programs of social partnership of regions, renders support to the creation of modern engineering and transport infrastructure in the administrative centers. The National Company provided a sponsor support to the Eurasian Energy Forum, VIII Eurasian Media Forum, II Astana Economic Forum, V General Assembly of the International Conference of Asian Political Parties and other significant events at the national level to foster the prestige and image of our country in the international arena.

To support Culture and Art, KazMunayGas implements annual projects under the state program "Cultural Heritage". A lot of attention is drawn to children's creativity. The Company renders a regular assistance to the Kazakh secondary specialized



music boarding school for talented children named after A. Zhubanov.

In 2009, a contest of journalism called "Quill Energy" was conducted in connection with the 110th anniversary of Kazakhstan's oil, the purpose of which was regeneration of the best traditions of the Kazakhstani journalism, improvement of the creativity and journalistic art in the mass media, as well as promotion of the awareness among the general public about important but not very well known events, interesting facts, and remarkable persons from the history of the oil and gas sector.

The National Company pays great attention to the development and support of sport and healthy lifestyle, by providing a sponsor assistance to the National Federation of Golf and Tennis of the Republic of Kazakhstan, Amateur Box Federation, Cycling, and one-time support to other organizations of sport and

sporting events. Besides the sponsor assistance, to promote healthy lifestyle, the National Company and its subsidiaries holds sport competitions and contents dedicating them to holidays.

All in all, in 2009, Company KazMunayGas and its subsidiary and dependent entities rendered a sponsor assistance (charity) for the amount of nearly 6 billion KZT.

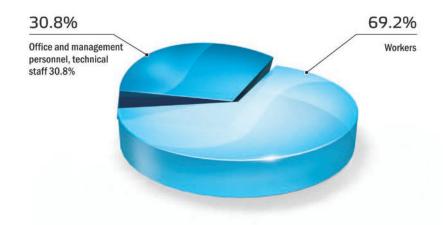


DEVELOPMENT OF HR POTENTIAL

KazMunayGas pays special attention to the issues of training and human resource development. For the development of the corporate training, the Company uses the resources of training centers of the KazMunayGas group of companies and collaborates with long-term partners for joint development of human resources.

Since the focus was on corporate training and skill gaining rather than traditional individual training, it allowed training of nearly 7.5 thousand persons, most of which are employees of the production subsidiaries and branches. Meanwhile, the 2009 expenses for training of KMG's employees were considerably reduced.

The qualification composition of the employees sent for training and retraining in 2009



Along with that, the results of the assessed effectiveness of the conducted training demonstrated that the training quality improved, which also confirms the effectiveness of the investments into corporate training. Average cost of training 1 employee was 41 700 KZT.

A significant assistance for the solution of this issue is provided by PE Corporate University Samruk-Kazyna (earlier called PE Unified Human Resource Development Center), which organizes training for the employees of the KazMunayGas group of companies, and develops its own training programs both for KazMunayGas, and other National Companies, which

are part of JSC FNW Samruk-Kazyna. Development of universal curricula, especially related to managerial skills, allows forming unified requirements towards the knowledge and skills of the administrative and managerial personnel, as well as engineers and technology employees.

Besides systematic implementation of short-term training and retraining programs, a constant work is done on training the succession pool for managerial positions. With this purpose, such methods of human resource development as secondment and traineeship are actively used. Employees are seconded under the projects which are jointly implemented with

international partners (Karachaganak) and newly created structures (Kashagan Project). Every year, under the partnership on these projects (Agip KCO), as well as established relations with oil companies in other countries (JOGMEC etc.), employees are sent for traineeship to international offices of the partner companies for the exchange of experience with the leading oil and gas companies. The employees, who are sent for secondment or traineeship, enjoy the possibility to learn the experience of the leading oil and gas companies.

In 2009, the Company initiated formation of the Common Succession Pool for the KazMunayGas group

of companies applying up-to-date methods of assessment of the nominees by means of staged selection (testing, essay analysis, assessment center). As a result, 9 persons who passed the contest, composed of 8 nominees for 1 position, were registered in the Succession Pool of KMG. Similar work is done in the subsidiaries. For example, 50 employees of KazTransOil who also successfully passed similar selection entered the HR pool. At the same time, work is done for the development of individual plans of career development of these specialists.

ENVIRONMENT PROTECTION HEALTH AND SAFETY

In accordance with the Policy of JSC NC KazMunayGas in the sphere of health and safety, the main priorities are as follows: protection of the health of the personnel and population, ensuring environmental safety for sustainable development.

KMG conducts its production activities in accordance with the requirements of the environmental legislation of the Republic of Kazakhstan, the Policy of the Company in the sphere of health, safety and environment, the Uniform Occupational Safety Management System (UOSMS), Comprehensive Environmental Program (CEP) and approved action plan of KMG's SDEs.

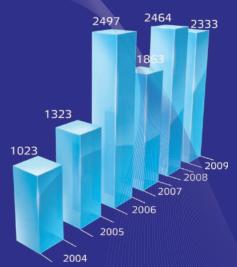
The issues related to health and environment safety are monthly announced at the meetings of the Management Board and the Board of Directors of KMG, which increases the responsibility of the managers and specialists of KMG.

Besides, the status of labor and environmental safety is regularly monitored at the quarterly and annual meetings of KMG.

Certification reaudit conducted by independent audit firm TUV Thuringen on 17-19 March 2009, confirmed compliance of management with the requirements of ISO 9001, ISO 14001 and OHSAS 18001 international standards.

Every year, SDEs of KMG spend sufficient financial funds for the measures to provide safety of labor and to decrease the number of accidents at work. During the accounting period, the Company spent more than 2.3 billion KZT. Decrease in 2009 of expenses for safety actions by 5 % (0,131 billion tenge) is connected to optimization of budgets of affiliated organizations of KNG, economy of funds at realization of tenders on purchases of services and going off of some enterprises from group KMG.





In order to increase the responsibility of the managers of SDEs and to decrease the number of injuries in KMG, there were suggestions brought up consider the minimization ratios of accidents and bad incidents as the key performance indicators of the SDEs' managers.

To improve the safety conditions and work safety, Branches of KMG will continue its work in the following directions:

- Increasing the responsibility of the top managers and officials of the Company's SDEs using key performance indicators (KPI) of the top managers with respect to accidents and fatalities;
 - Fostering the work of the PDK of the 1st to 3rd levels of control;
- Increasing the control over ensuring safety during utilization of vehicles and special machinery;
- Administrative influence on the employees who fail to exercise appropriate control over safety;
- Development and implementation of the system of prevention of accidents and injury at work rates during the performance of every type of work.



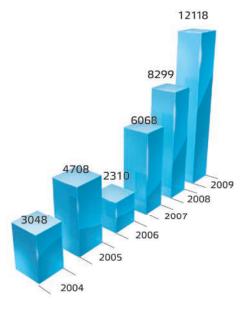
ENVIRONMENT PROTECTION

AT THE SAME TIME, IN SPITE OF THE INCREASING PRODUCTION DURING THE PAST RECENT YEARS, THERE IS A STABLE DECREASE OF THE EMISSIONS DURING THE EXTRACTION, OIL REFINING STAGE AND TRANSPORTATION OF OIL AND GAS.

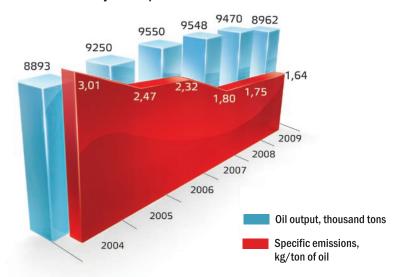
Thus, for example, in the KazMunayGas Exploration Production JSC, the specific emissions during the extraction of oil decreased from 1.75 to 1.64 kg per ton of the extracted oil.

The volume of waste water drainage, as compared to the period of the previous year, decreased by 206 thousand cubic meters or by 5.8 percent, due to the

Expenses on Environment Protection Activities, Million KZT



Volumes of Specific Emissions per Ton of Extracted Oil KazMunayGas Exploration Production JSC



installation of the new biological purification of waste water equipment in the Atyrau Refinery.

In 2009, payments for the pollution of the environment decreased and amounted to 738 million KZT, which is 2 008 million KZT less in comparison with the period of the previous year, or by 73.1 percent. The decrease of the payments is due to the changes of the payment rates and setting payment obligations on 16 pollutants, instead of 42 as it was previously.

Major efforts are made for liquidation of places polluted with oil and for re-cultivation of polluted territories, including the last remaining technological oil storages of PB Ozenmunaigas of the KazMunayGas Exploration and Production JSC.

Thus, during the period of the Long-Term Program for Liquidation of the Technological Storage of CPPN, calculated for 2004 – 2010, agreed with the Mangys-

tau Oblast Territorial Administration for Environment Protection, the area of the storage was reduced from 84 to 30 hectares. Last year, for the liquidation of the storage, the Company spent 1.1 billion KZT. The total amount of money spent on liquidation during the implementation of the program was 1.6 billion KZT.

In 2009, the KazMunayGas Exploration Production JSC and JSC KazTransOil processed 156.6 thousand tons of polluted soil and oil sludge, involving specialized contracting parties. Totally, the area of re-cultivated land amounted to 97.4 hectares.

In general, JSC NC KazMunayGas annually spends considerable amounts of money for the realization of environment protection activities. During the accounting period, KMG's SDEs spent more than 12 billion KZT for the implementation of environment protection activities.

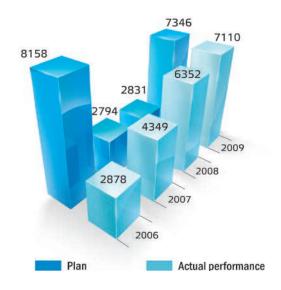
COMPREHENSIVE ENVIRONMENTAL PROGRAM

In accordance with KMG's Development Strategy, a Comprehensive Environmental Program was developed and approved by the Management Board in JSC NC KazMunayGas for 2006-2015 (CEP), the main objective of which is to ensure a systemic approach to environment protection.

The Program is being successfully implemented, and in 2009, the Plan of Environment Protection of CEP was adjusted in accordance of the priority business areas of KMG.

Implementation of the Comprehensive Environmental Program, million KZT

THE TOTAL AMOUNT OF FINANCIAL EXPENSES FOR IMPLEMENTATION OF CEP, ALLOCATED BY SDES IN 2009, WAS 7,110 MLN. TENGES



CORPORATE INDUSTRIAL ENVIRONMENTAL MONITORING SYSTEM



Work is continued for creation of an effective corporate industrial environmental monitoring system of KMG, which was determined as one of the main priorities of the Company's strategy and was approved by the Board of Directors of the Company on 19 January 2009.

Since 2005, the Company has developed and has been using the aerospace environmental monitoring system, as an integral part of KMG's Corporate Industrial Environmental Monitoring System, in order to trace, automatically, any changes in the environment on the whole territory of corporate responsibility of KMG, as well as to ensure taking adequate managerial measures on environmental protection.

In 2009, on the basis of a new effective platform of geoinformation system, the Company developed a new improved version of the aerospace environmental monitoring system, which has greater capabilities and allows solving a wider range of tasks. Also, the system of monitoring included new industrial facilities, which is related to the acquisition of new assets.



OTHER ACTIVITIES FOR PROTECTION OF ENVIRONMENT

Together with the everyday work for the implementation of measures in the sphere of environment protection, KMG pays attention to promising business areas.

As it is well known, today, one of the major ecological problems is the global climate change in connection with the considerable growth in greenhouse gases emissions.

The research took a pilot stock taking of the emissions of greenhouse gases of the main subsidiaries, analyzed quantity indicators to identify the possibility to reduce them, and developed an internal methodology to take stock of green house emissions. According to the results of the stock-taking, total emissions of KMG amounted to 12.3 million tons of CO2 equivalent, ant the potential to reduce it was from 2.4 million to 3.1 million tons per year.

Besides, it was planned to prepare a portfolio of pilot projects involving foreign investments. The main criteria for implementation of these projects is replacement of obsolete technologies and equipment with energy and resource saving and environmentally friendly ones.

In 2010 KMG plans works on development of corporate governance system by greenhouse gases emissions, based

on use of economic mechanisms Kiot protocol.

One of the top-priority tasks of the energy policy of the Republic of Kazakhstan is to create necessary conditions for the economy to switch to the energy saving way of development. This problem is deemed to be quite urgent for KMG, since the specific energy expenses in the cost of the produced goods are of a great value and as long as the energy resource prices grow, including the expected growth of the electricity price, this indicator will only grow up.

In this connection, iln 2010 KMG plans works development of corporate energy saving program which will be plan of action of KMG in this direction.



CORPORATE GOVERNANCE

The major principles of corporate governance in JSC NC KazMunayGas are as follows:

- Protection of rights and interests of the Sole shareholder;
- Effective management of the Company by the Board of Directors and the Management Board;
- Independent functioning of the Company;
- Transparency and objectiveness of the disclosed information about the Company's activities;
- Legality and etiquette;
- Effective dividend policy;
- Effective human resource policy;
- Environment protection;
- Corporate conflicts and interest conflicts management policy;
- Responsibility.

In 2009, S&P assigned the GAMMA-5 corporate governance rating to JSC NC KazMunayGas.



CORPORATE GOVERNANCE BODIES

Board of Directors. JSC NC KazMunayGas is responsible to the Sole Shareholder for effective management and proper control over the activity of the Company and for ensuring a proper dialog with the Sole Shareholder. The Board of Directors determines the directions of strategic development of the Com-

pany, considers and passes resolutions related to the issues of potential acquisitions and other significant financial issues.

The Board of Directors of the Company is composed of six members, including two independent directors. The Board of Directors has the Audit Committee,

Assignment Committee, Remuneration Committee and Strategic Planning Committee. By resolution of the Board of Directors No. 8/2009 of 23 June 2009, the Strategic Planning Committee ceased to function.

Committees of the Board of Directors of JSC NC KazMunayGas

AUDIT COMMITTEE	Considers the issues related to the internal and external audit, the issues of financial accountability. In 2009, the Audit Committee held 9 meetings.
APPOINTMENT COMMITTEE	Prepares qualification requirements for nominees to be independent directors, the head of the Internal Audit Service and Corporate Secretary, provides to the Board of Directors recommendations on different issues in accordance with instructions of the Board of Directors and/or provisions of the Company's internal documents. In 2009, the Appointment Committee held 11 meetings.
REMUNERATION COMMITTEE	Develops recommendations on policy and structure of remuneration of the members of the Board of Directors, members of the Management Board, Head of the Internal Audit Service, Corporate Secretary and other employees of the Company. In 2009, the Remuneration Committee held 4 meetings.
STRATEGIC PLANNING COMMITTEE	Prepared recommendations to the Board of Directors on the following issues: - elaboration of strategic development objectives of the Company; - analysis of concepts, programs and plans of strategic development of the Company. In 2009, the Strategic Planning Committee held two meetings.

The Management Board is responsible for the implementation of the strategy and for the current activity of the Company. The Management Board reports to the Board of Directors about the performed work for the achievement of the Company's objectives. The Management Board of JSC NC KazMunayGas has five Committees on different business directions: "Upstream", "Transportation of Oil", "Service Projects", "Gas Projects", "Oil Refining and Marketing". The Committees

preliminarily consider and analyze the issues of the competence of business directions and SDEs, which are raised at the meetings of the Management Board of the Company, in order to make justifiable and effective decisions on issues related to the strategy and corporate governance, on business planning, on investment projects, on the issues related to asset management, on human resource issues, on SDEs' issues etc.

In 2009, the Committee of "Upstream" business

area held 31 meetings; the Committee of "Service Projects" held 67 meetings, the "Oil Transportation" Committee held 7 meetings, "Gas Projects" Committee held 33 meetings, "Oil Processing and Marketing" Committee held 24 meetings.



SOLE SHAREHOLDER

JSC "National Welfare Fund "Samruk-Kazyna" Supreme body

BOARD OF DIRECTORS

responsible for general management and activities of KMG, and exercises control over the activities of the Management Board

MANAGEMENT BOARD

Collegial executive body, managing the company's current activities and implementing the strategy, determined by the Board of Directors and the Sole Shareholder

INTERNAL AUDIT SERVICE

Body exercising control over the company's financial and economic activities, evaluation in the sphere of internal control, risk management, execution of documents in the sphere of corporate governance and consultation with a view to improving the company's activities

Corporate Governance Bodies of National Company KazMunayGas

Beginning from 2008, JSC NC KazMunayGas has a common Internal Audit Service which was formed by uniting the internal audit services of the subsidiaries.

The common internal audit service reports and is accountable to the Board of Directors of JSC NC KazMunayGas and is supervised by the Audit Committee under the Board of Directors of JSC NC KazMunayGas.

The main task of the Internal Audit Service is to provide to the Board of Directors independent and objective information, intended for ensuring effective management of JSC NC "KazMunayGas", by means of evaluating the internal control, risk management, and corporate governance.

INTERACTION WITH SHAREHOLDERS

As of the 31st of December 2009, the Sole Shareholder of JSC NC KazMunayGas is **JSC National Welfare Fund Samruk-Kazyna**, which holds 100 percent of shares of JSC National Company KazMunayGas.

KMG's Board of Directors understands the importance of the permanent and effective communication with the Sole Shareholder. The Company provides to the Sole Shareholder timely and complete information about its activities, which involves the interests of the Sole Shareholder in the order stipulated by the Charter and internal documents of the Company.

The Company provides the following documents to the Board of Directors:

- Semi-annual reports: about the management of subsidiary, dependent and jointly controlled organizations, about the impact of the business results of the subsidiary, dependent and jointly controlled organizations on the performance indicators of the Company;
- Annual reports: On implementation of the Development Plan (mid-term business plan) and the budget of the Company.

The resolutions of the Sole Shareholder, made under his competences, are mandatory for the Board

of Directors of the Company.

In 2009 under the initiative of the Sole Shareholder diagnostics of corporate government system by the own technique of the Sole Shareholder was carried out, on results of which lacks of system were revealed and recommendations for their elimination were developed.

INTERACTION WITH SUBSIDIARY AND DE-PENDENT ENTITIES

Interaction with subsidiary and dependent entities (SDEs) is done using approved corporate procedures through corresponding bodies of the company and SDEs.

The main objective of interaction of the Company with subsidiary and dependent entities are:

- Ensuring sustainable financial development, profitability, improvement of investment attractiveness of the Company and its SDEs;
- Ensuring the protection of rights and legally protected interests of the Sole Shareholder and the shareholders of the SDEs;
- Harmonization of relations between the shareholders, officials and employees of the Company and its SDEs, taking systemic measures to prevent any conflicts between them and inside the said groups;
- Development and implementation of a well coordinated and effective strategy and investment policy of the Company and its SDEs.

SDES' CORPORATE GOVERNANCE MECHANISMS

- building a vertical system of management of subsidiary and dependent entities by means of organizing corporate governance via creation of managing companies and the institution of hierarchical accountability;
- implementation of common corporate standards in SDEs;
- providing nominees to the administration bodies of SDEs;
- assignment of the persons in charge, ensuring fair voting for the representatives on discussed issues on the basis of recommendations given to the representatives of JSC NC KazMunayGas in the boards

of directors of SDEs on agenda items;

 organization of control over the activities of SDEs via representatives in management bodies and persons in charge, revision of financial and business activities, selection of auditors etc.

In 2009, the following documents were approved:

- 1. The Regulation about the Board of Directors of JSC NC KazMunayGas assessing the activities of the Board of Directors, the Committees of the Board of Directors, the members of the Board of Directors, JSC NC KazMunayGas, the Management Board, the Head and the Members of the Management Board, the Internal Audit Service and its head, approved by resolution of the Board of Directors of JSC NC KazMunayGas of 22-23 September 2009 No 12/2009;
- 2. Rules for making transactions between the entities of the JSC Samruk-Kazyna Group with respect to which the Law of the RK "On Joint Stock Companies" sets out special conditions, were approved by resolution of the Board of Directors of JSC Fund of National Welfare Samruk-Kazyna of 27 April 2009 No 18;
- 3. Changes and complements to the Rules for Rendering Social Support to the Employees of JSC NC KazMunayGas were approved by resolution of the Board of Directors of JSC NC KazMunayGas of 16 September 2009 No 11/2009;
- 4. Qualification requirements to the positions in the Internal Audit Service of JSC NC KazMunayGas approved by resolution of the Board of Directors of JSC NC KazMunayGas of 20 January 2009;
- Rules for formation and organization of work with the human resource pool of JSC NC KazMunayGas were approved by resolution of the Management

Board of JSC NC KazMunayGas of 10 December 2009 No 202:

- 6. Development Plan of JSC NC KazMunayGas for 2010 was approved by resolution of the Board of Directors of JSC NC KazMunayGas of 3 December 2009;
- 7. Long-term Strategy of JSC NC KazMunayGas was approved by the Board of Directors on 20 January 2009 No 1.

CORPORATE SECRETARY'S OFFICE

In April 2009, the Board of Directors of JSC NC KazMunayGas elected Corporate Secretary of JSC NC KazMunayGas.

DIVIDENDS

Following the results of the financial and business activities of JSC NC KazMunayGas for 2008, in 2008, the Sole Shareholder approved dividends by the results of 2007 in the amount of 29,268,028,100 KZT or 92 tenges 59 tiyn per ordinary share.



INITIATIVES UNDER THE UN GLOBAL COMPACT

REALIZATION AND PARTICIPATION IN THE UNITED NATIONS' GLOBAL COMPACT

JSC NC KazMunayGas has participated in the UN Global Compact since 7 February 2006.

By joining the Global Compact, JSC NC KazMunayGas declares that it shares the conviction that the business practice propped by the universal principles promotes more sustainability, fairness and representativeness of the global market and it helps to create prospering and successful societies.

Personal participation of the top management is for the employees and other stakeholders a good indicator that the company's obligations related to corporate civil position are working as a strategic priority.

KazMunayGas became the third representative of Kazakhstan's business of the 10 business participants of the Global Compact (there is a total of 19 participants from Kazakhstan). Along with that, KazMunayGas is the only company from Kazakhstan's oil and gas sector, represented in the Global Compact.

The key factors of success for implementing the principles of the Global Compact, in particular, are:

- Clear obligations of the management of the company;
- Informing the whole organization, from the top managers to line employees about the obligations that the Company assumes in order to support the principles as widely as possible;
- Forming specific targets and creation of a transparent communication system describing the achieved progress;
 - Special focus on practical activity;
- Instant readiness of the company to conduct dialog with stakeholders.

From the moment of entering into the Global Compact, KazMunayGas is committed to and initiates using its principles in its activity in the sphere of environmental protection, labor standards, human rights and fight against corruption.

HUMAN RIGHTS

In its personnel work, the KazMunayGas group of companies provides its employees with just and favourable labour conditions, making great effort to protect the personnel from unemployment in case of changes in the organizational structure and/or lay-offs. The remuneration system is aimed to ensure decent existence to the company's employee itself and to its family. Every employee of the company performs its activities in compliance with the working hours stipulated by the legislation, and has the right to annual paid leave.

Internal social responsibility of KazMunayGas is aimed to provide the company's personnel with such living standard, including food, clothes, housing, medical treatment and necessary social service, that is necessary for health support and well-being of the employee itself and its family. as well as to provide it for an event of unemployment, illness, disability, widowhood, old age, or other loss of means of living due to circumstances beyond its control

■ LABOR RELATIONS

The company does not employ forced or compulsory labour in any form; child labour is note used in any way, there is not discrimination in remuneration for labour of equal value for signs of race, skin colour, sex, religion, political opinions, foreign or social origin, leading to elimination or violation of the equal opportunities or treatment in the sphere of labour and occupation, and any other difference, non-admission or treatment, adherence to vocational training is ensured.

KazMunayGas has created a trade union of the company's workers, intended for protection of their interests.

■ ENVIRONMENT PROTECTION

Implementing the Comprehensive Environmental Program for 2006-2015 (CEP), KazMunayGas ensures systemic approach to environmental activities in the whole group of companies. Adjustment of the Environmental Action Plan of CEP in compliance with the top-priority business areas is conducted.

The Corporate Industrial Environmental Monitoring System using geo-information technology, including the Kazakhstan sector of the Caspian Sea, is continuing to improve. The production facilities of the newly acquired assets are included in the electronic ecological map of the production operations territories.

In the Uzen region of Mangystau oblast, KazMunayGas takes measures to manage waste and clean oil-polluted soils.

The subsidiaries of KazMunayGas continue work on implementation of the governmental Program for Disposal of Associated Petroleum Gas.

The initiative of Agip KCO and Tengizchevroil to create the West-Kazakhstan Association for Oil Spills Response has been supported. The on-going reconstruction of the company's refining divisions allows implementing up-to-date technology of oil refining, reducing the volumes of harmful environmental emissions by many times.

As part of working on the issues related to the green-

house gases problem, pilot green house gases emission inventory has been conducted in KazMunayGas' subsidiaries, assisted by the specialists of the Coordination Centre on Climate Change. Measures to implement energy-saving technology and equipment are taken.

■ FIGHT AGAINST CORRUPTION

3Purchase of goods, works and services in the group of companies is made in compliance with the Procurement Regulations of the sole shareholder — "National Welfare Fund "Samruk-Kazyna" — that are based on the publicity, transparency and fair competition among potential suppliers. Information on the company's activities and all material facts of its operations are posted in the media and on the corporate web-site in a timely

The ethical principle and standards of the company's internal document are aimed at the right, fair and appropriate conduct of business by the company's employees and preventing a conflict of interests.

Furthermore, the main producing entities of KazMunayGas participate in the Extractive Industries Transparency Initiative (EITI).

The above mentioned activities are done with the simultaneous implementation of the principles of sustainable development, which is one of the top-priority goals of the long term strategy of development of KMG.

Following the requirements of the UN Global Compact, the Company publishes information in accordance with the principles of Global Compact. Thus, following the results of 2007, information as part of social responsibility of JSC NC KazMunayGas was presented, and for the purposes of posting the company's Annual Report 2008 and 2009 on the corporate web-site, procedure to provision by the company of the regular "Progress Report (www.unglobalcompact.org/participant/6810-National-Company-KazMunayGas-) were accomplished.

In June 2010, it is planned to hold the UN Global Compact Leaders Summit, chaired by the UN Secretary General, dedicated to the 10th anniversary of the Compact, where KazMunayGas has been invited.

^{[1] -} any work or service, demanded from any person under the threat of any punishment, to do which this person has not proposed its services voluntarily (Convention concerning Forced or Compulsory Labour, 1 os 1932)

^{[2] -} Access to vocational training, access to labor and various employment, and also payment and working conditions (the Convention against discrimination in the field of labor and employment), 15.06.1932)





RISK MANAGEMENT



JSC NC KAZMUNAYGAS
IMPLEMENTS RISK MANAGEMENT
SYSTEM ON A CONSOLIDATED
BASIS TAKING INTO ACCOUNT
COVERING RISKS IN ITS
SUBSIDIARY AND DEPENDENT
ENTITIES, BY MEANS OF CREATING
A CORPORATE RISK MANAGEMENT
SYSTEM (CRMS).

The methodology of CRMS corresponds to the recognized international practice of oil industry risk management, which is based on the methodology of the Committee of Sponsoring Organizations of the Treadway Commission.

Implementation of an effective CRMS which allows identifying, forecasting and managing material risks implies staged realization of measures, as well as regular implementation of the process of corporate risk management, which includes:

- Development of the internal environment of the corporate risk management system;
 - Identifying goals and tasks of CRMS;
- Integration of risk management in other business processes;
 - Identification and assessment of risks;

- Development of effective measures for risk management;
- Implementation of measures for risk management and risk monitoring;
- Ongoing improvement of the CRMS procedures.

In 2009, the Company implemented a number of measures for improvement of the corporate system of insurance protection, development and implementation of the internal control system, risk identification and assessment, integration of risk management into business processes of investment planning.





Main Measures for Implementation of CRMS and Internal Control in 2009

JANUARY	The Board of Directors of JSC NC KazMunayGas approved the Rules for Organization of Insurance Protection of the JSC NC KazMunayGas Group of Companies.
FEBRUARY - MAY	JSC NC Kaz Munay Gas implemented measures for identification and assessment of risks in the subsidiaries
JUNE	The Company created a special division for internal control and risk management, which directly reports to the Chairman of KMG's Management Board
JULY	The Company developed regulations about Committees for Business Directions, stipulating their functions in the sphere of risk management
AUGUST	The Management Board of KMG introduced into practice coordination by the Department of Internal Control and Risk Management of all the issues submitted for consideration of the Management Board and Board of Directors of KMG.
SEPTEMBER	The Company started developing Regulations about the internal control system it the SDEs of JSC NC KazMunayGas in accordance with the Action Plan for implementation of the Managerial Reports of JSC NC KazMunayGas
SEPTEMBER	The Company started developing the corporate level risk and control matrix of JSC NC KazMunayGas in accordance with the Action Plan for implementation of the Managerial Reports of JSC NC KazMunayGas and the Operating Instruction for composing and using the corporate level control matrix of JSC NC KazMunayGas.
OCTOBER	The Company made changes in the Operating Instruction for Preparation of Consolidated Financial Statement in accordance with the Action Plan for implementation of the Managerial Reports of JSC NC KazMunayGas and the Operating Instruction of composing and using the corporate level control matrix of JSC KazMunayGas.
OCTOBER	The Company integrated the processes of risk management and process of budget planning by introduction of appropriate changes to the internal documents which regulate business planning
NOVEMBER	JSC NC KazMunayGas developed methodology for investment projects risk assessment
DECEMBER	The Company developed matrices of risks and controls of the Accounting Department (consultants) processes in accordance with the Action Plan for implementation of the Managerial Information System
DECEMBER	The Company developed and KMG's Management Board approved the Action Plan for implementation and improvement of the corporate risk management system of the JSC NC KazMunayGas Group of Companies



THE METHODOLOGY OF CRMS CORRESPONDS TO THE RECOGNIZED INTERNATIONAL PRACTICE OF OIL INDUSTRY RISK MANAGEMENT, WHICH IS BASED ON THE METHODOLOGY OF THE COMMITTEE OF SPONSORING ORGANIZATIONS OF THE TREADWAY COMMISSION



MANGYSTAUMUNAIGAS JSC

The transaction of acquiring the 100% block of shares of Mangystaumunaigas (hereinafter — MMG), one of the RoK largest oil-producing companies, was closed in November, 2009. A meeting of the Inter-ministerial Commission on the matter of acquisition by the state of the alienable subsoil use rights (their part) and (or) interest (blocks of shares) in a legal entity having a subsoil use right (MMG) was held on 25 November 2009, where the resolution was passed that it is unfeasible to make a proposal to the Government of the Republic of Ka-

zakhstan on acquisition by the state of 107,856,540 of the outstanding ordinary shares, which represent 100% of the total number of MMG's outstanding ordinary shares.

The Ministry of Energy and Mineral Resources of the Republic of Kazakhstan also passed a resolution to permit CAP to sell 107,856,540 of MMG's outstanding ordinary shares by way of open bidding on the Kazakhstan Stock Exchange KASE under the applicable laws and KASE's internal documents.

On that very date, open bidding was held on KASE, following the results of which the preferred bidder was Mangystau Investments B.V. (a joint venture owned in equal shares by JSC NC "KazMunayGas" and CNPC Exploration and Development Company Ltd)

JSC "PAVLODAR PETROCHEMICAL PLANT"

In August, 2009, JSC "TH "KazMunayGas", through its wholly-owned subsidiary TH KazMunaiGaz N.V., closed the transaction of acquiring the 100% participatory interest in the authorized capital of LLP "Refinery Company RT", the owner of the

property complex of the Pavlodar Petrochemical Plant and holder of 58% of JSC "Pavlodar Petrochemical Plant" shares. The Agreement on Sale and Purchase of 100% Participatory Interest in the Authorized Capital of LLP "Refinery Company RT" was signed in Almaty on 4 August 2009.

KAZAKHSTAN PETROCHEMICAL INDUS-TRIES JSC

As part of the high-quality road bitumen production project, KMG purchase on the exchange by way of open bidding a 50% block of shares of the Kazakhstan Petrochemical Industries JSC on 27 February 2009. By resolution of the JSC NC KazMunayGas Board of Directors, acquisition of a 50% block of shares of the Kazakhstan Petrochemical Industries JSC was approved (minutes No.1/2009 of 20 January 2009). Ordinary shares of the Kazakhstan Petrochemical Industries JSC to the number of 50,000 were purchase on the Kazakhstan Stock Exchange on 27 February 2009.

JSC "NMSK "KAZMORTRANSFLOT"

Transaction of exchanging a 100% block of shares of JSC "International Airport "Atyrau" for a 50% block of shares of JSC "NMSK "Kazmortransflot" between JSC NC "KazMunayGas" and JSC "NWF "Samruk-Kazyna" was closed on 2 July 2009. The relevant corporate resolutions were passed between KMG (BD Minutes No.14/2008 of 5 Dec 2008) and JSC "NWF "Samruk-Kazyna" were passed. Work on coordination of the transaction with the authorized governmental bodies and re-registration in the judicial authorities was performed.

N PROJECT

Addendum No.1 on transforming Production Sharing Agreement No. 2546 of 29 Dec 2007 into the "N" Area Hydrocarbon Feedstocks Exploration and Production Contract was signed on 29 May 2009.

Addendum No. 2 to the Contract for Assignment by JSC NC KazMunayGas per 24.5% of the rights and liabilities in favour of ConocoPhillips N Block B.V. and MDC (Oil & Gas N Block Kazakhstan) GmbH was signed on 11 June 2009.

The Joint Operating Agreement (hereinafter – JOA) between JSC NC KazMunayGas, Conocophillips N Block B.V., MDC (Oil & Gas N Block Kazakhstan) GmbH (hereinafter - Contracting Companies) and the N Operating Company LLP on the "N" area was signed on 11 June 2009.

The JOA became effective on 4 August 2009.

ZHAMBYL PETROLEUM LLP

Addendum No.1 to Contract No.2609 of 21 April 2008 for exploration of hydrocarbon feedstocks on the "Zhambyl" area located in the Caspian Sea on assignment of 27 % of the subsoil use right to Korean Consortium "KC Kazakh BV" was signed between the Ministry of Energy and Mineral Resources, JSC NC

"KazMunayGas" and KC Kazakh BV on 5 January 2009.

The Zhambyl Petroleum LLP — a wholly-owned subsidiary of JSC OOC KazMunayTeniz was registered in the department of justice of the city of Atyrau on 4 March 2009.

On 22 April 2009 the Zhambyl Petroleum LLP joined the JOA as Operator under the Agreement on Appointment and Joining of the Operator to JOA, which is Addendum No.2 to JOA.

URIKHTAU OPERATING LLP

The Urikhtau Operating LLP was registered with the department of justice for the city of Aktobe on 6 October 2009.

The Agreement on Engagement of Operator on the Contract for Exploration and Production of Hydrocarbon Feedstocks at the "Urikhtau" Deposit was signed between JSC NC KazMunayGas and the Urikhtau Operating LLP on 20 October 2009.

A Memorandum Of Understanding between JSC NC KazMunayGas and China National Petroleum Corporation "CNPC" was signed on 14 October 2009.

A Confidentiality Agreement between JSC NC Kaz-MunayGas and China National Petroleum Corporation "CNPC" was signed on 6 November 2009.

KAZAKHSTAN PIPELINE VENTURES (KPV)

KMG closed the transaction of acquiring BP's share in the Kazakhstan Pipeline Ventures joint venture, which is one of CPC shareholders (1.75%), in April, 2009. The Agreement on Purchase of Amoco CPC's interests in KPV, CasPv and receivables on the Amoco CPC Note was approved by KMG's BD (BD Minutes No.15/2008 of 24 Dec 2008). The transaction value was 250 mn US dollars.

KAZAKHSTAN CONTRACT AGENCY JSC

The 50% block of shares of the Kazakhstan Contract Agency JSC, owned by KMG, was transferred to MEMR. Currently, a resolution of the RoK Government on gratuitous transfer of this block of shares to the property of the State Property and Privatization Committee of the RoK Ministry of Finance has been passed.

RAUAN MEDIA GROUP JSC

The block of shares of the Rauan Media Group held by KMG was transferred to the "NUR-Media" Media Holding Company on 23 January 2009.

THE ROMPETROL GROUP NV

KMG completed acquisition of 25% of The Rompetrol Group NV (TRG) shares, earlier held by Rompetrol Holding SA, on 24 June 2009. The purchase of shares was made in the form of a private transaction and is based on the terms of the original agreement of August, 2007, under which KMG has acquired 75% of TRG's shares from Rompetrol Holding SA.

"KMG'S BUSINESSES UNDER CONSTRUC-TION DIRECTORATE" LLP

For the purposes of the cooperation agreement with Italian company Ente Nazionale Idrocarburi, KMG established KMG's Businesses under Construction Directorate on 8 December 2009.

The companies intend to cooperate in the following industrial infrastructure and oil and gas upstream project: gas-processing plant and gas turbine power plant, dry dock or shipyard, modernization of a refinery, studies on optimization of gas disposal in Kazakhstan, exploration on two areas in the Kazakhstan sector of the Caspian Sea.

INDEPENDENT AUDITOR'S OPINION



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INDEPENDENT AUDITORS REPORT

To the Shareholder of JSC NC KazMunayGas

We audited the attached consolidated financial statements of JSC National Company "KazMunayGas" and its subsidiaries (hereinafter, Group) which include the consolidated financial standing statement as of 31 December 2009, consolidated aggregate income statement, consolidated statement of changes in equity, and consolidated cash flow statement for the year which ended by the indicated date, as well as information about significant points of the accounting policy and other notes to the consolidated financial statements.

Responsibility of the Management in Relation to Financial Statements

The Management is responsible for the preparation and true presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards. This responsibility includes planning, implementation and maintaining a proper internal control over the preparation and true presentation of consolidated financial statements without considerable distortions because of fraud or errors; selection and application of a proper accounting policy; over the accounting evaluations corresponding to specific circumstances.

Responsibility of the Auditors

Our responsibility is to express our opinion about this consolidated financial statements on the basis of conducted audit. We conducted the audit in accordance with International Audit Standards. These standards require that we should observe ethical norms, plan and audit in a way that allows being confident enough that there is no considerable falsification in the attached consolidated financial statements.

Audit comprises procedures to receive auditing proofs of the numbers and other information presented in the consolidated financial statements. Selection of the procedures is based on the judgment of the auditor, including the risk of a considerable falsification in the consolidated financial statements due to fraud or a mistake. When auditors assess this risk, they look at the ways the company exercises internal control with respect to preparation and true presentation of consolidated financial statements so as to identify the procedures of audit necessary in the specific situation, rather than to express their opinion about effectiveness of the system of company's internal control. The audit includes evaluation of the appropriateness of the chosen accounting policy and assurance of accounting evaluations made by the top management and evaluation of the presentation of the consolidated financial statements, in general,

We believe that the audit proofs that we received are sufficient and appropriate to be able to express our opinion.





Opinion

In our opinion, the consolidated financial statements reflect correctly the financial standing of the Group in all its substantial aspects as of 31 December 2009 and its financial results and cash flows for the year which ended on the indicated date, in accordance with International Financial Reporting Standards.

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Gulmira Turmagambetova Auditor

Auditor Qualification Certificate No. 0000374 dated 21 February 1998

Evgeny Zhemaletdinov General Director Ernst & Young LLP

State Audit License for audit activities on the territory of the Republic of Kazakhstan: series MΦЮ-2 No. 0000003 issued by the Ministry of Finance of the Republic of Kazakhstan on 15 July 2005

25 March 2010

CONSOLIDATED FINANCIAL STATEMENTS

For the year ending 31 December 2009

CONSOLIDATED FINANCIAL STANDING STATEMENT

In thousand KZT		As of 31 December				
	Note	2009 2008 Recalculated*		2007 Recalculated*		
ASSETS						
Long-term assets						
Fixed assets	7	2.215.574.109	1.797.313.755	1.377.836.911		
Exploration and appraisal assets	8	114.861.113	81.653.205	45.729.063		
Intangible assets	9	259.455.337	75.319.359	73.716.240		
Long-term bank deposits	10	18.464.389	29.694.239	34.139.958		
Investment into joint ventures and associated companies	11	644.811.190	525.187.158	520.245.599		
Deferred income tax assets	31	12.726.727	4.149.908	2.315.512		
VAT reimbursable		7.049.861	3.718.369	5.360.935		
Advance payments for long-term assets		18.647.080	14.041.878	9.875.060		
Bonds receivable	16	62.520.986	-	-		
Note receivable from joint venture participant	19	20.268.928	18.862.018	18.480.085		
Note receivable from an associate	5	16.075.399	-	-		
Loan to related party	33	8.028.231	-	-		
Miscellaneous long-term assets		10.300.115	7.153.299	5.051.802		
		3.408.783.465	2.557.093.188	2.092.751.165		
Current assets						
Inventories	12	161.249.685	99.580.320	98.880.181		
VAT reimbursable		38.260.134	40.305.715	36.000.362		
Income tax down payment	31	11.979.760	7.790.729	8.203.953		
Trade receivables	13	142.179.614	111.796.282	173.509.421		
Short-term financial assets	14	715.704.597	551.176.232	436.629.496		
Note receivable from joint venture participant	19	1.082.100	-	-		
Dividends receivable from an associate	11	14.687.640	-	-		
Miscellaneous current assets	13	67.458.200	47.156.030	41.967.376		
Cash and its equivalents	15	564.191.152 491.761.713 3		359.970.012		
		1.716.792.882	1.349.567.021	1.155.160.801		
Assets classified as intended for sale		378.378	13.219	18.993.640		
		1.717.171.260	1.349.580.240	1.174.154.441		
TOTAL ASSETS		5.125.954.725	3.906.673.428	3.266.905.606		



CONSOLIDATED FINANCIAL STANDING STATEMENT (CONTINUED)

In thousand KZT As of 31 December					
	Note	2009 2008 Recalculated*		2007 Recalculated*	
EQUITY AND LIABILITIES					
Equity					
Authorized capital	16	159.647.488	158.049.442	158.049.442	
Additional paid capital	16	2.248.079	9.013.516	9.013.516	
Miscellaneous capital		4.910.393	1.385.035	1.465.300	
Reporting currency recalculation reserve	16	182.852.727	(27.798.964)	(30.804.398)	
Retained earnings		1.532.273.718	1.468.030.832	1.201.823.179	
Related to the parent company shareholder		1.881.932.405	1.608.679.861	1.339.547.039	
Minority interest	16	476.310.276	421.294.451	350.130.443	
Total capital		2.358.242.681	2.029.974.312	1.689.677.482	
Long-term liabilities					
Loans	17	1.384.933.040	961.525.742	359.257.982	
Due for acquisition of additional interest in the "North-Caspian Project"	18	312.052.116	239.500.799	-	
Due for acquisition of a subsidiary	5	8.405.223	-	-	
Reserves	20	56.809.538	54.536.134	61.517.411	
Deferred income tax liabilities	31	124.938.906	70.827.293	99.379.525	
Miscellaneous long-term liabilities		16.966.349	21.113.925	17.009.133	
		1.904.105.172	1.347.503.893	537.164.051	
Current liabilities					
Loans	17	452.741.110	188.445.495	668.987.808	
Reserves	20	46.306.787	40.247.587	40.305.445	
Income tax payable	31	32.437.423	57.588.075	63.022.886	
Trade payables	21	156.470.367	142.902.855	140.019.000	
Other taxes payable	22	83.986.571	36.517.692	35.772.493	
Put option liability	5	-	14.895.525	34.387.421	
Derivatives		240.707	105.791	1.337.564	
Miscellaneous current liabilities	21	91.423.907	48.492.203	47.842.378	
		863.606.872	529.195.223	1.031.674.995	
Liabilities directly related to the assets classified as intended for sale		-	-	8.389.078	
Total liabilities		2.765.997.150	1.876.699.116	1.577.228.124	
TOTAL EQUITY AND LIABILITIES		5.125.954.725	3.906.673.428	3.266.905.606	

CONSOLIDATED AGGREGATE INCOME STATEMENT

In thousand KZT	For the years ending 31 December			
	Note	2009	2008 Recalculated*	
Proceeds from sold goods and rendered services	23	1.589.548.621	1.885.605.915	
Cost price of sold products and rendered services	24	(1.047.000.855)	(1.199.360.316)	
Gross profit		542.547.766	686.245.599	
General and Administrative Expenses	25	(120.112.802)	(145.704.056)	
Transportation and selling expenses	26	(168.984.918)	(153.731.979)	
Goodwill depreciation	9	(1.306.548)	(23.553.133)	
Depreciation of fixed assets	7	(10.364.236)	(6.614.613)	
Income / (loss) from fixed assets retirement, net		18.147.528	(724.969)	
Income from retirement of a subsidiary	27	5.787.667	2.839.531	
Miscellaneous operating income		12.416.564	8.242.957	
Miscellaneous operating loss		(14.606.411)	(6.394.436)	
Profit from operating activities		263.524.610	360.604.901	
Foreign exchange loss, net		(8.180.332)	(13.103.879)	
Financial income	28	84.867.177	101.103.794	
Financial expenses	29	(140.825.733)	(108.358.234)	
Unrealized (loss) / gain from oil hedging operations		(3.336.487)	3.752.951	
Share in the income of joint ventures and associates	11,30	171.738.112	239.771.089	
Profit before income tax		367.787.347	583.770.622	
Income tax expenses	31	(179.295.714)	(200.287.189)	
Profit for year from continuing activities		188.491.633	383.483.433	
Discontinued activities				
Profit for year from discontinued activities, less tax	6	2.127.620	7.637.767	
Profit for year		190.619.253	391.121.200	
Due to:				
Parent company shareholder		112.934.028	298.291.244	
Minority interest		77.685.225	92.829.956	
		190.619.253	391.121.200	
Miscellaneous aggregate income				
Foreign currency translation		225.506.181	3.098.300	
Realized loss on the financial investment, regrouped into profit for period, available for sale		-	435.886	
Miscellaneous aggregate income for period		225.506.181	3.534.186	
Total aggregate income for period, less income tax		416.125.434	394.655.386	
Due to:				
Company's shareholder		323.585.719	301.732.564	
Minority interest		92.539.715	92.922.822	
		416.125.434	394.655.386	



CONSOLIDATED CASH FLOW STATEMENT

In thousand KZT	For the years ending 31 December			
	Note	2009	2008 Recalculated*	
Cash flow from operating activities:				
Profit before income tax from continuing activities		367.787.347	583.770.622	
Profit before income tax from discontinued activities	6	3.001.876	8.150.302	
Profit before income tax		370.789.223	591.920.924	
Adjustments against:				
Ageing, depletion and amortization	24,25,26	105.437.657	100.711.945	
Share in the income of joint ventures and associates	30	(171.738.112)	(239.771.089)	
Financial expenses	29	140.825.733	110.234.987	
Financial income	28	(84.867.177)	(101.103.794)	
Depreciation of fixed assets	7	10.364.236	2.736.033	
Goodwill depreciation	9	1.306.548	23.553.133	
Unrealized loss / (gain) from oil hedging operations		3.336.487	(3.752.951)	
(Income) / loss from fixed assets retirement, net		(18.147.528)	724.969	
Income from retirement of a subsidiary	27	(5.787.667)	(2.839.531)	
Reserves	20	12.485.405	9.050.579	
Allowance for doubtful debts	25	2.462.345	15.104.105	
Allowance for inventories		(1.978.391)	2.528.492	
Recognition of expense on the option plan		248.106	1.314.775	
Disposal of equity instruments		(164.690)	-	
Unrealized foreign exchange loss		45.186.725	3.495.394	
Miscellaneous non-cash operating expenses		5.017.821	-	
Profit from operating activities before changes in the floating capital		414.776.721	513.907.971	
Change in inventories		(71.814.599)	(23.178.552)	
Change in VAT reimbursable		642.444	(2.021.803)	
Change in trade receivables		(37.375.254)	54.618.746	
Change in miscellaneous current assets		(24.786.429)	(1.830.471)	
Change in other taxes payable		41.178.589	202.926	
Change in trade payables		4.794.784	(12.264.892)	
Change in miscellaneous current liabilities		49.640.953	2.823.146	
Cash inflow from operating activities		377.057.209	532.257.071	
Income tax paid		(177.220.368)	(238.139.421)	
Interest earned		79.085.953	75.244.897	
Interest paid		(109.386.477)	(83.820.703)	
Oil hedging operations payments, net		(1.585.454)	(1.528.963)	
Net cash inflow from operating activities		167.950.863	284.012.881	

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

In thousand KZT	For the years end	For the years ending 31 December			
	Note	2009	2008 Recalculated*		
Cash flow from investment activities:					
Placement of deposits in banks, net		(50.709.257)	(114.214.101)		
Acquisition of subsidiaries, less cash received	5	(193.716.542)	(37.718.595)		
Acquisition of minority interest		(2.166.317)	(2.671.077)		
Extinction of put option liability	5	(15.043.000)	-		
Acquisition of fixed assets and intangible assets		(371.120.375)	(315.820.993)		
Cash inflow from sale of fixed assets and intangible assets		34.275.107	23.953.253		
Payments received from joint ventures and associates	11	139.493.404	222.925.743		
Cash of a subsidiary the Group has lost control over	27	(279.563)	-		
Cash of subsidiaries retired from the Group	6	(1.527.080)	-		
Repayment of a loan granted to a related party	19	5.028.218	2.036.327		
Repurchase of the own stock by a subsidiary		(21.381.199)	(521.318)		
Cash inflow from disposal of investment		-	3.811.702		
Cash of subsidiaries transferred from assets retained for sale		-	105.033		
Net cash flow, used in investment activities		(477.146.604)	(218.114.026)		
Cash flow from financial activities:					
Proceeds of loans		555.604.996	745.826.943		
Repayment of loans		(197.979.803)	(632.260.749)		
Dividends distributed to minority shareholders		(19.949.064)	(17.349.487)		
Dividends distributed to the Company's Shareholder	16	(29.268.027)	(29.209.331)		
Miscellaneous payments		-	(2.288.590)		
Net cash inflow from financial activities		308.408.102	64.718.786		
Effect of change in exchange rates on cash and its equivalents		73.217.078	1.174.060		
Net increase in cash and its equivalents		72.429.439	131.791.701		
Cash and its equivalents as of the beginning of the year	15	491.761.713	359.970.012		
Cash and its equivalents as of the end of the year		564.191.152	491.761.713		



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Second S	Due to the Company's shareholder								
As of 31 December 2007	In thousand KZT		paid-in		currency re- calculation		Total	•	Total
Recalculation (Note 3)	Note	16	16		16			16	
As of 31 December 2007 (Recalculated)* 180.049.442 9.013.516 1.465.300 30.804.398 1.201.823.179 1.339.547.039 350.130.431 1.689.677.88 180.049.049 1.201.823.179 1.339.547.039 350.130.431 1.689.677.88 180.049.049 1.201.823.179 1.339.547.039 350.130.431 1.689.677.88 180.049.049.049 1.201.823.179 1.339.547.039 350.130.431 1.689.677.88 180.049.049.049 1.201.823.179 1.339.547.039 350.130.431 1.689.677.88 180.049.049.049.049.049.049.049.049.049.04	As of 31 December 2007	158.049.442	9.013.516	1.465.300	(30.756.757)	1.200.379.503	1.338.151.004	353.346.501	1.691.497.505
Profit for year (Recalculated)	Recalculation (Note 3)	-	-	-	(47.641)	1.443.676	1.396.035	(3.216.058)	(1.820.023)
Miscellaneous aggregate income - - 435.886 3.005.434 - 3.441.320 92.866 3.534.186 Total amount of aggregate income for the year - - 435.886 3.005.434 298.291.244 301.732.564 92.922.822 394.685.386 3.006.434 298.291.244 301.732.564 92.922.822 394.685.386 3.006.434 298.291.244 301.732.564 92.922.822 394.685.386 3.006.434 298.291.244 301.732.564 92.922.822 394.685.386 3.006.434 298.291.244 301.732.564 92.923.312 314.775 3.006.201.201.201.201.201.201.201.201.201.201	As of 31 December 2007 (Recalculated)*	158.049.442	9.013.516	1.465.300	(30.804.398)	1.201.823.179	1.339.547.039	350.130.443	1.689.677.482
Total amount of aggregate income for the year view read possibility of the year view read possibility of the year view read to the year view read to year view read to year view read to year year view read to year year view read to year year year year year year year year	Profit for year (Recalculated)*	-	-	-	-	298.291.244	298.291.244	92.829.956	391.121.200
year Polytednoth (Note 16)	Miscellaneous aggregate income	-	-	435.886	3.005.434	-	3.441.320	92.866	3.534.186
Recognition of payments based on equity instruments in subsidiaries	Total amount of aggregate income for the year	-	-	435.886	3.005.434	298.291.244	301.732.564	92.922.822	394.655.386
Instruments in subsidiaries	Dividends (Note 16)	-	-	-	-	(29.209.331)	(29.209.331)	(17.349.487)	(46.558.818)
Repurchase of the own stock from the market by a subsidiary (Note 16) Other distributions of subsidiaries Change in the subsidiaries ownership ratio - acquisition of a minority share in Rompetrol S.A. Change in the subsidiaries ownership ratio - acquisition of a minority share in Rompetrol S.A. Change in the subsidiaries ownership ratio - acquisition of a minority share in Rompetrol S.A. Change in the subsidiaries ownership ratio - acquisition of a minority share in Rompetrol S.A. Change in the subsidiaries ownership ratio - acquisition of a minority share in Rompetrol S.A. Change in the subsidiaries ownership ratio - acquisition of a minority share in Rompetrol S.A. Change in the subsidiaries ownership ratio - acquisition of a minority interest in the subsidiaries ownership ratio - acquisition of a minority interest in the subsidiaries ownership ratio - acquisition of a minority interest in the subsidiaries ownership ratio - acquisition of a minority interest in the subsidiaries ownership ratio - acquisition of a minority interest in the subsidiaries ownership ratio - acquisition of a minority interest in the subsidiaries of Rompetrol Group N.V. (Note 5)	Recognition of payments based on equity instruments in subsidiaries	-	-	1.314.775	-	-	1.314.775	-	1.314.775
Care	Exercise of employees' options in subsidiaries	-	-	(1.830.926)	-	880.251	(950.675)	701.195	(249.480)
Change in the subsidiaries ownership ratio – acquisition of a minority share in Rompetrol S.A. Change in the subsidiaries ownership ratio – acquisition of a minority share in Rompetrol S.A. Change in the subsidiaries ownership ratio – a	Repurchase of the own stock from the market by a subsidiary (Note 16)	-	-	-	-	-	-	(521.318)	(521.318)
ratio - acquisition of a minority share in Rompetrol S.A. Change in the subsidiaries ownership ratio - retirement of a subsidiary (Note 16) Recapilation of payments based on equity instruments in subsidiaries Repurchase of the own stock from the results didares ownership ratio - acquisition of a minority interest in the subsidiaries ownership ratio - acquisition of a minority interest in the subsidiaries ownership ratio - acquisition of a minority interest in the subsidiaries or Rompetrol Group N.V. (Note 5)	Other distributions of subsidiaries	-	-	-	-	(2.288.590)	(2.288.590)	-	(2.288.590)
As of 31 December 2008 (Recalculated)* Profit for year 112.934.028 112.934.028 77.685.225 190.619.253 Miscellaneous aggregate income 210.651.691 - 210.651.691 14.854.490 225.506.181 Total amount of aggregate income or 210.651.691 112.934.028 323.585.719 92.539.715 416.125.434 Vear Contribution to the authorized capital (Note 16) Dividends (Note 16) 248.106 - 1.598.046 Chotes 3,6,169 Distributions to the Company's share-holder (Notes 3,6,16) Recognition of payments based on equity instruments in subsidiaries Disposal of equity instruments in subsidiaries Exercise of payments based on equity instruments in subsidiaries Repurchase of the own stock from the market by a subsidiary (Note 16) Amalgamation of business (Note 5) Changes in the subsidiaries or Rompetrol Group N.V. (Note 5)	Change in the subsidiaries ownership ratio – acquisition of a minority share in Rompetrol S.A.	-	-	-	-	(1.465.921)	(1.465.921)	(1.205.156)	(2.671.077)
Recalculated * Profit for year	Change in the subsidiaries ownership ratio – retirement of a subsidiary	-	-	-	-	-	-	(3.384.048)	(3.384.048)
Miscellaneous aggregate income		158.049.442	9.013.516	1.385.035	(27.798.964)	1.468.030.832	1.608.679.861	421.294.451	2.029.974.312
Total amount of aggregate income for the year Contribution to the authorized capital (Note 16) Dividends (Note 16) Dividends (Note 16) Dividends (Note 16) Peccognition of payments based on equity instruments in subsidiaries Disposal of equity instruments in subsidiaries Exercise of payments based on equity instruments in subsidiaries Repurchase of the own stock from the market by a subsidiaries ownership ratio - acquisition of a minority interest in the subsidiaries of Rompetrol Group N.V. (Note 5) A 1.598.046	Profit for year	-	-	-	-	112.934.028	112.934.028	77.685.225	190.619.253
Value Valu	Miscellaneous aggregate income	-	-	-	210.651.691	-	210.651.691	14.854.490	225.506.181
(Note 16) Dividends (Note 16) (29.268.027) (29.268.027) (19.949.064) (49.217.091) Distributions to the Company's share-holder (Notes 3,6,16) Recognition of payments based on equity instruments in subsidiaries Disposal of equity instruments in subsidiaries Exercise of payments based on equity instruments in subsidiaries Exercise of payments based on equity instruments in subsidiaries Repurchase of the own stock from the market by a subsidiary (Note 16) Amalgamation of business (Note 5) 3.436.304 3.436.304 3.141.663 6.577.967 Changes in the subsidiaries of Rompetrol Group N.V. (Note 5)	Total amount of aggregate income for the year	-	-	-	210.651.691	112.934.028	323.585.719	92.539.715	416.125.434
Distributions to the Company's share-holder (Notes 3,6,16) Recognition of payments based on equity instruments in subsidiaries Disposal of equity instruments in subsidiaries Disposal of equity instruments in subsidiaries Exercise of payments based on equity instruments in subsidiaries Exercise of payments based on equity instruments in subsidiaries Exercise of payments based on equity instruments in subsidiaries Repurchase of the own stock from the market by a subsidiary (Note 16) Amalgamation of business (Note 5) Changes in the subsidiaries ownership ratio - acquisition of a minority interest in the subsidiaries of Rompetrol Group N.V. (Note 5) (6.765.437) (16.795.354) (23.560.791) - 248.106	Contribution to the authorized capital (Note 16)	1.598.046	-	-	-	-	1.598.046	-	1.598.046
holder (Notes 3,6,16) Recognition of payments based on equity	Dividends (Note 16)	-	-	-	-	(29.268.027)	(29.268.027)	(19.949.064)	(49.217.091)
instruments in subsidiaries Disposal of equity instruments in subsidiaries Exercise of payments based on equity	Distributions to the Company's share- holder (Notes 3,6,16)		(6.765.437)			(16.795.354)	(23.560.791)	-	(23.560.791)
aries Exercise of payments based on equity	Recognition of payments based on equity instruments in subsidiaries	-	-	248.106	-	-	248.106	-	248.106
Instruments in subsidiaries Repurchase of the own stock from the		-	_	(164.690)	-	-	(164.690)	-	(164.690)
market by a subsidiary (Note 16) Amalgamation of business (Note 5) 3.436.304 3.436.304 3.141.663 6.577.967 Changes in the subsidiaries ownership (1.237.596) (928.721) (2.166.317) ratio - acquisition of a minority interest in the subsidiaries of Rompetrol Group N.V. (Note 5)	Exercise of payments based on equity instruments in subsidiaries	-	-	5.638	-	203.266	208.904	-	208.904
Changes in the subsidiaries ownership (1.237.596) (928.721) (2.166.317) ratio - acquisition of a minority interest in the subsidiaries of Rompetrol Group N.V. (Note 5)	Repurchase of the own stock from the market by a subsidiary (Note 16)	-	-	-	-	(1.593.431)	(1.593.431)	(19.787.768)	(21.381.199)
ratio - acquisition of a minority interest in the subsidiaries of Rompetrol Group N.V. (Note 5)	Amalgamation of business (Note 5)	-	-	3.436.304	-	-	3.436.304	3.141.663	6.577.967
As of 31 December 2009 159.647.488 2.248.079 4.910.393 182.852.727 1.532.273.718 1.881.932.405 476.310.276 2.358.242.68	Changes in the subsidiaries ownership ratio - acquisition of a minority interest in the subsidiaries of Rompetrol Group N.V. (Note 5)	-	-	-	-	(1.237.596)	(1.237.596)	(928.721)	(2.166.317)
	As of 31 December 2009	159.647.488	2.248.079	4.910.393	182.852.727	1.532.273.718	1.881.932.405	476.310.276	2.358.242.681





SUMMARY BUSINESS REPORT OF THE BOARD OF DIRECTORS OF JSC NC KAZMUNAYGAS 2009

In 2009 KMG Board of Directors consisted of 6 members, 2 of them — independent directors. As per Resolution of the Management Board of JSC "National Welfare Fund "Samruk-Kazyna" dated 21 May, 2009, Minutes No №53/09 the powers of Kairat Kelimbetov as Chairman of KMG's Board of Directors were terminated early, and Timur Kulibayev was elected for this office.

In 2009 18 meetings of the Board of Directors were held, 6 of them by absentee vote.

As of 31 December 2009, the Board of Directors passed 242 resolutions, among them:

18 – of strategic nature

130 - Corporate issues

38 - Deals

56 – Personnel matters

The Remuneration Committee, Appointments Committee, Audit Committee, Strategic Planning Committee (ceased operations as per Resolution of the Board of Directors of 23 June, 2009, Minutes № 8/2009) carry out their activities under the Board of Directors.

In their activities, the Committees follow the Regulations, approved by resolutions of KMG's Board of Directors.

In 2009 the Remuneration Committee held 4 meetings, having formulated recommendations on the KMG employees Labor Remuneration Policy and on determining remuneration to the members of the Management Board.

The Appointments Committee held 11 meetings, following the results of which recommendations were formulated to the Board of Directors concerning appointment to the executive positions in KMG and its SDEs.

The Strategic Planning Committee held 2 meetings, in the course of which a draft KMG Long-term Strategy, which was further approved by the Board of Directors, and a draft Assets Restructuring Project were considered.

SUMMARY BUSINESS REPORT OF THE MANAGEMENT BOARD OF JSC NC KAZMUNAYGAS 2009

IN 2009 THE MANAGEMENT BOARD OF JSC NC "KAZMUNAYGAS" PASSED 568 RESOLUTIONS, 399 OF THEM WERE MADE AT FORMAL MEETINGS. 217 MINUTES OF THE EXECUTIVE BODY MEETINGS WERE DRAWN UP.

For the accounting period the KMG's Management Board submitted 129 issues to the consideration of the Board of Directors, in particular, the draft JSC NC "KazMunayGas" Long-term Strategy; the Rules of development, coordination, approval and monitoring of the development plan and Budget of JSC NC "KazMunayGas"; issues of making by JSC NC "KazMunayGas" of interested-party transactions.

During 2009 the Management Board approved documents, regulating the procedure of work of the newly established Committees under the Management Board on the following business directions: "Upstream", "Oil Transportation", "Service Projects", "Gas Projects", "Oil Refining and Marketing"; the action plan for the 110th Kazakh oil anniversary, documents on the IMS improvement; approved rules, regulations, plans and policies of KMG, determining and aimed at improvement of corporate governance in the subsidiary and dependent entities, development of the information technologies and control over access to the informational systems; employment, assessment and remuneration of the labour of personnel; preparation of the monthly reporting on the key industrial, financial and economic indicators,

dividend policy and rendering financial support to the subsidiary and dependent entities; obtainment of the corporate governance score; ensuring safety of KMG's facilities; planning, organization of purchases of goods, works and services; in the sphere of health, safety and environment and relating to quality. Also, the Management Board provided recommendations on the agenda of meetings of board of directors and supervisory boards of the relevant subsidiary and dependent joint-stock companies for the employees, representing KMG's interests as members of boards of directors and supervisory boards of subsidiaries of JSC NC "KazMunayGas".





RESOLUTIONS ON MAJOR TRANSACTIONS IN 2009

The Board of Directors of JSC NC "KazMunayGas" passed 18 Resolutions of the strategic nature, particularly:

- On the acquisition of the JSC "Mangystaumunaigas" ordinary shares.
- On making an interested-party transaction of strategic nature the Sale and Purchase Agreement between JSC NC "KazMunayGas", KazMunayGas EP JSC, Coöperatieve KazMunaiGaz PKI U.A. and Coöperatieve KMG EP U.A.».

FINANCIAL SUPPORT INFORMATION

JSC NC "KazMunayGas" Guarantees to the State and Third Parties as of 31 December 2009:

- 1. Guarantee No12 dated 05.07.2005 to MEMR RK on the assurance by JSC "KazMunayTengiz SNC" to adhere to the terms and conditions of the PSA with regard to the "Kurmangazy" structure dated 06.07.2005 for an amount of US\$25.8 million.
- 2. Guarantee No 15 dated 01.12.2005 to the Societe General, ABN AMRO Bank N.V. on securing obligations of JSC "AC "Euro-Asia Air" for an amount of EUR17.5 million
- 3. Guarantee No 16 dated 01.12.2005 to the Societe General, ABN AMRO Bank N.V. on securing obligations of JSC "AC "Euro-Asia Air" for an amount of EUR 3 million.
- 4. Guarantee No 20 dated 15.06.2006 to the BS of the «HSBC Bank of Kazakhstan» on securing obligations of "Tengiz Service" LLC in accordance with Facility Agreement No CIB0206 dated 16.06.2006 for an amount of US\$29.904 million
- 5. Guarantee w/o No dated 04.09.2008 to the Deutsche Bank AG on securing obligations of KMG PKOP Investment B.V. for an amount of US\$ 2.5 billion.
- 6. Guarantee No 317-28 dated 09.10.2008 to HSBC Bank Plc on securing obligations of JSC "AC "Euro-Asia Air" (aircraft acquisition) for an amount of US\$43 million.
- 7. Guarantee No 319-28 dated 11.12.2008 to JSC BS "RBS" (Kazakhstan) on securing obligations of JSC NSNC «Kazmortransflot» (construction/acquisition of the 2 multi-purpose tugs) for an amount of US\$8 million.
- 8. Guarantee w/o No dated 23.04.2009 to Amoco on securing obligations on the bill of exchange received by KMG Finance B.V. for an amount of US\$ 75.698 million.
- 9. Guarantee w/o No dated 02.06.2009 to Rompetrol Holding S.A. on securing obligations of KMG PKOP Investment B.V. on the acquisition of the Rompetrol Group N.V. for an amount of US\$ 171 million.





Work on cessation of membership in unprofitable SDEs was conducted, including.

- The procedure of exchanging a 100% block of shares of JSC "International Airport "Atyrau" in favour of JSC "NWF "Samruk-Kazyna" for a 50% block of shares of JSC "NMSK "Kazmortransflot" was completed. Relevant corporate resolutions between JSC NC KazMunayGas (hereinafter KMG) and JSC "NWF "Samruk-Kazyna" were passed. Work on coordination of the transaction with the authorized governmental bodies and re-registration in the judicial authorities was performed.
- Work on liquidation of JV "Damunai-Daoil", LLP "Kazakhoil-Products", sale of LLP "Kazakhoilkurylys" was completed.
- The block of shares of the Rauan Media Group held by KMG was transferred to the "NUR-Media" Media Holding Company.
- The 50% block of shares of the Kazakhstan Contract Agency JSC, owned by KMG, was transferred to the Ministry of Energy and Mineral Resources. Currently, a resolution of the RoK Government on gratuitous transfer of this block of shares to the property of the State Property and Privatization Committee of the RoK Ministry of Finance has been passed.
- The following measures to acquire and create assets were taken during the period:

The N Operating Company LLP (Aktau) was established on 30 September 2008. KMG's Board of Directors approved members of the Management Board, organizational structure, and headcount of the N Operating Company LLP.

As part of the high-quality road bitumens production project, KMG purchased a 50% block of shares of the Kazakhstan Petrochemical Industries JSC. By resolution of the JSC NC KazMunayGas Board of Directors, acquisition of a 50% block of shares of the Kazakhstan Petrochemical Industries JSC was approved (minutes No.1/2009 of 20 January 2009). Ordinary shares of the Kazakhstan Petrochemical Industries JSC to the number of 50,000 were purchase on the Kazakhstan Stock Exchange on 27 February 2009.

The North-Caspian consortium shareholders signed an addendum to the North Caspian PSA of 1997 on 31 October 2008: Second supplementary agreement to the PSA of 31 October 2008, and resolution of the Management Committee of 31 October 2008 on approval of the new operational model. Subject to the signed document, Kazakhstan's partnership share was increased to 16.81%.

In April, 2009 KMG closed the transaction on acquisition of BP's share in the Kazakhstan

Pipeline Ventures (KPV) joint venture, that is a CPC shareholder (1.75%), and Amoco CPC's interests in KPV, Caspian Pipeline Ventures and receivables on Amoco CPC Note. The transaction value was 250 mn US dollars.

KMG and China National Petroleum Corporation (CNPC) signed the "Umbrella Agreement on Expansion of Cooperation in the Petroleum Industry and Assistance in Obtainment of \$5 Billion Loans" in Beijing on 16 April 2009, under which a part of the loans is intended for joint implementation of the project for construction of the Beineu-Bozoi-Akbulak gas pipeline, as the second section of the Kazakhstan-China gas pipeline.

The Joint Operating Agreement for implementation of the "Myortvyi Kultuk" project was signed between KMG and LLP "Caspian Tristar" on 8 October 2008. The department of justice of Mangystau oblast registered joint operating company LLP "MK Caspian Zhuldyz" on 10 March 2009.

KMG's investment committee and Management Board approved the matter of establishment of a legal entity - limited liability partnership "Urikhtau Operating" — as the operating company on the "Urikhtau" project, and draft Charter, organizational structure, and headcount of LLP "Urikhtau Operating" in April-May, 2009. The matter of establishment of a legal entity as the operating company on the "Urikhtau" project was approved at the meeting of KMG's Board of Directors on 26 May 2009. Works on registration of LLP "Urikhtau Operating" with the RoK judicial authorities are completed.

KMG completed acquisition of 25% of The Rompetrol Group NV (TRG) shares, earlier held by Rompetrol Holding SA. The purchase of shares was made in the form of a private transaction and is based on the terms of the original agreement of August, 2007, under which KMG has acquired 75% of TRG's shares from Rompetrol Holding SA.

JSC NC "KazMunayGas" (KMG) and CNPC Exploration and Development Company Ltd (CNPC E&D) signed an agreement on acquisition of 100% of the Mangystaumunaigas JSC (MMG) ordinary shares from Central Asia Petroleum Ltd. (CAP) on 16 April 2009 in Beijing. The transaction of MMG's shares acquisition is carried out through Mangystau Investments B.V. — a joint venture, owned by KMG and CNPC E&D in equal shares.

A meeting of the Inter-ministerial Commission on the matter of acquisition by the state of the alienable subsoil use rights (their part) and (or) interest (blocks of shares) in a legal entity having a subsoil use right (MMG) was held on 25 November 2009,

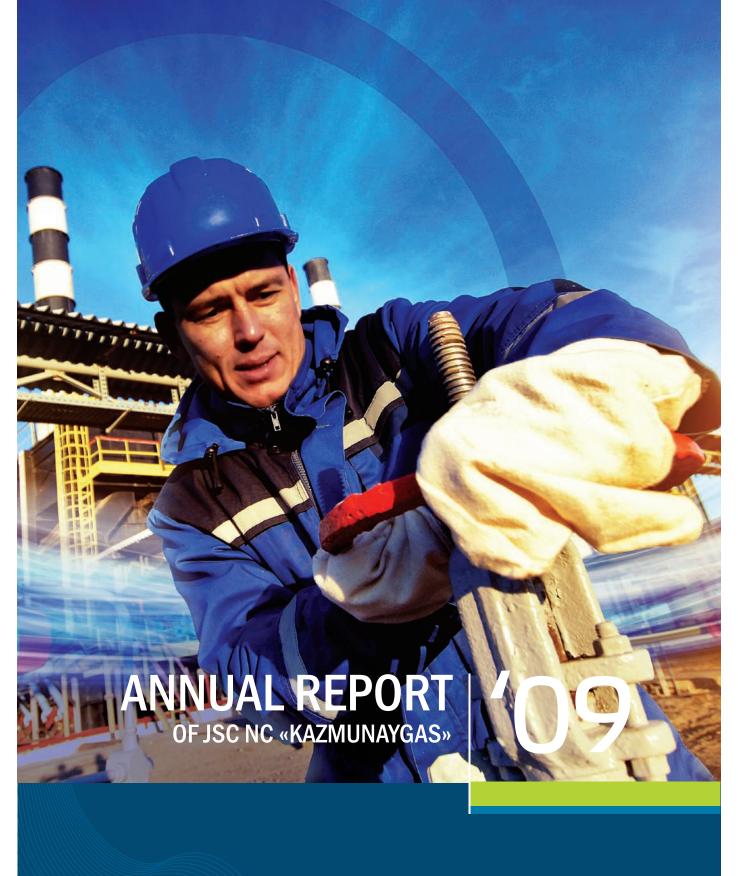
where the resolution was passed that it is unfeasible to make a proposal to the Government of the Republic of Kazakhstan on acquisition by the state of 107,856,540 of the outstanding ordinary shares, which represent 100% of the total number of MMG's outstanding ordinary shares.

The Ministry of Energy and Mineral Resources of the Republic of Kazakhstan also passed a resolution to permit CAP to sell 107,856,540 of MMG's outstanding ordinary shares by way of open bidding on the Kazakhstan Stock Exchange KASE under the applicable laws and KASE's internal documents.

On that very date, open bidding was held on KASE, following the results of which the preferred bidder was Mangystau Investments B.V.

JSC "TH "KazMunayGas", through its wholly-owned subsidiary TH KazMunaiGaz N.V., closed the transaction of acquiring the 100% participatory interest in the authorized capital of LLP "Refinery Company RT", the owner of the property complex of the Pavlodar Petrochemical Plant and holder of 58% of JSC "Pavlodar Petrochemical Plant" shares. The Agreement on Sale and Purchase of 100% Participatory Interest in the Authorized Capital of LLP "Refinery Company RT" was signed in Almaty on 4 August 2009.

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