

Dear colleagues,

My sincere congratulations on the upcoming Oilman Day, professional holiday in the oil and gas industry of Kazakhstan!

Karachaganak is one of the world's largest and most complex oil and gas condensate fields that has been developed using best available technologies and in line with international practices.

This year marks two major milestones for Karachaganak - the completion of the Fourth Train that will allow KPO considerably increase production and of the Uralsk Gas Pipeline, which would ultimately deliver energy to the West Kazakhstan Oblast community. These achievements would not have been possible without dedicated and capable employees. I would like to thank you all and contractors for hard work in delivering these two projects.

KPO commitments to stable production, safety, environmental protection, nationalisation and local content remain the same. The focus areas are cost control and organizational efficiency across all KPO activities. All these are also vital to position our company for the next investment phase we are ready to implement following the final settlements between the Karachaganak Venture and the Republic of Kazakhstan.

I want to reiterate again that safety at workplace is the first priority for all KPO employees and contractors. Safety should be an integral part of our daily activities. Any work we conduct is to be planned and implemented using a required set of safety precautions.

On the eve of our professional holiday, I would like to wish you all wellbeing and happiness. Your continuous dedication and work are of high importance for the company and local community to achieve long-term prosperity.

Have a happy Oil Man and Women Day!

With best wishes,

Giuseppe Pasi

KPO General Director



KPO Financial Controller announced

KPO is pleased to announce the appointment of Mr. Andrea Sacchi to the position of KPO Financial Controller.

Andrea has more than 10 years of experience in a number of management roles on a variety of assets worldwide which have included working in Italy, Germany, Spain, Turkey and Angola.

Last two years, Andrea Sacchi was in Eni (Rome - Italy) as Procurement and Research Planning and Control Manager.

Andrea took over as Financial Controller from Marco Centi. KPO would like to thank Marco and wish every success in his new role with Eni in Algeria.

The newspaper "Karachaganak News" also congratulates Andrea and is extending a very warm welcome to him.

KPO launches new training solution

KPO Human Resources department is pleased to announce the launch of New Training/Retraining solution for KPO national employees.

This project was realised thanks to the efforts of KPO IT&T Department employees who did their best to implement this challenging project.

It is expected that this programme will allow making training process more effective and insuring that more people get required knowledge. Now this Solution is available for Core HSE Recertification Courses.

In the future HR is planning to make this tool available for other training programs.



War and Labour Veterans visit Karachaganak



On 16 September, a group of war and labour veterans from Uralsk visited Karachaganak Field. The visit was realised on the request of the Chairman of the District Council of war and labour veterans Mr Murzagaliev who addressed KPO General Director Giuseppe Pasi asking for assistance in conducting the familiarization tour for the veterans.

In this connection, Transport Department of KPO has

organized a comfortable bus for transporting veterans from Uralsk to Aksai. Before visiting the oil field, the veterans took part in a wreath-laying ceremony held at the monument of the Unknown Soldier at the station square of the city of Aksai. During their stay in Aksai, the veterans also met with Akim of Burlin district Bolat Shakimov, who briefed the veterans on the current economic situation and the development of Aksai.

CPC expansion project has been launched in Atyrau

The first weld ceremony on the new larger-diameter pipeline was held at the oil pumping station, "Atyrau", in presence of the Minister of Oil and Gas of Kazakhstan Sauat Mynbayev and Russian Energy Minister Sergei Shmatko.

"Upon the launch of the CPC expansion project, over \$1 billion investments will flow in the Atyrau region and more than 2,000 temporary and 100 permanent jobs will be created," said Mr Mynbayev at a ceremony.

According to Timur Rakhmanov, CEO of Kazakhstan Pipeline Ventures, CPC expansion projects operator in Kazakhstan: "The works on the CPC expansion project in Kazakh, Russian sectors and the Novorossiysk sea terminal must be put in synch at each stage in order to keep up with the project schedule. Timely commissioning of each stage will ensure that Kazakh oil will reach the open market through the Black Sea."

The CPC operates the 1,511-kilometer Tengiz-Novorossiysk oil pipeline. The company's sovereign shareholders are Russia with 31% of the shares (stake is managed by Transneft (24%) and CPC Company - (7%)) and Kazakhstan with 20.75% (stake is managed by KazMunaiGas (19%) and Kazakhstan Pipeline Ventures LLC (1.75%)). The rest of the consortium belongs to private companies: Chevron Caspian Pipeline Consortium Company (15%), LUKARCO B.V. (12.5%), Rosneft-Shell Caspian Ventures Limited (7.5%), Mobil Caspian Pipeline Company (7.5%), Eni International (N.A.) N.V. (2%), BG Overseas Holding Ltd (2%) and Oryx Caspian Pipeline LLC (1.75%).

The consortium increased oil exports 9.9% in 2009.

According to the CPC, the project will cost \$5.4 billion. Earlier estimates of the project's cost were \$2 billion in 2005, \$2.5 billion in 2007 and over \$3 billion in 2008. The expansion is meant to boost the throughput capacity of the pipeline from 32 million to 67 million tons or 76 million tons (if anti-friction additives are used).

The yearly revenue of the CPC after 2015 may reach \$2.5 billion. The return on investment will be achieved in 2018-2019. By that time the current debts of \$4.6-4.7 billion will be repaid. The CPC plans to start dividend payments to shareholders in 2018-2019.

34.9 million tons of oil was shipped through the CPC sea terminal in 2010, exceeding the figure of 2009 by 500,000 tons.



Enhancing the culture of safety

KPO actively promotes a culture where ownership of safety is shared across the organisation through compliance with HSE standards, managing workplace risks and careful planning and monitoring of all activities. Developing and operating a field of Karachaganak's technical complexity requires every employee and contractor to keep safety in mind at all times. All oil and gas operations carry inherent safety risks: at Karachaganak, this challenge is compounded by extreme temperature fluctuations, the high hydrogen sulphide content in the hydrocarbons we produce and process, and high-pressure sour gas injection.

KPO has developed an integrated HSE Management System to provide the framework necessary to meet targets for safety, health and environmental performance, control risks and encourage continual HSE improvement. HSE Management System requirements are described in the HSE Management System Manual, which has been rolled-out across the company. Senior management's commitment to improving HSE performance at KPO is expressed in the HSE Policy, which was revised in 2009 and endorsed by the general director. The HSE Policy clearly states that KPO is fully committed to pro-actively managing health,

safety and environmental protection and expects everyone to recognise their personal responsibility for HSE and their right to openly report any HSE issues of concern. This policy applies to all assets owned and operated by KPO and all personnel operating for or on behalf of KPO, including contractors and visitors.

In October 2009, KPO obtained OHSAS 18001:2007 certification for its Occupational Health and Safety Management System. Compliance with the requirements set by the OHSAS 18001:2007 was verified by a certification audit performed in August and September 2009. OHSAS 18001 certification followed ISO 14001 certification of KPO's Environmental

Management System in 2008. KPO's commitment to developing and implementing an HSE management system certified to international standards demonstrates KPO's continuing desire to strive for recognised operational excellence.

Risk management is an important activity at KPO. We adopt advanced risk analysis techniques and identify risk reduction measures for each KPO facility within the

Karachaganak Field. Raising and enhancing safety awareness and continuing to develop a safety culture within the organisation is an area of significant focus and effort. In 2009, KPO launched the Lifesavers Campaign. It is based on a series of minimum mandatory safety expectations identified for seven high-risk activities. These mandatory expectations underpin KPO's Golden Rules and reflect experience gained from incidents at Karachaganak, at our parent companies and across the oil and gas industry.

Managing safety effectively is not about processes and procedures but rather about people, as any system relies on the people that operate it. That is why you will have seen and will see in the future more of a focus placed on people not paper.

As part of KPO's 2010 Safety Plan which focused on four key areas of improvement: safety leadership, contractor management, hazard awareness, and monitoring and measurement, the company commenced a series of Safety Leadership Training courses which were continued through 2010.



All supervisors and managers attended the courses, including representatives from Contractors. These one day courses were run by an internationally recognised expert Dr Bruce Staley who has rich experience of delivering these sessions in a number of international progressive oil and gas companies (e.g. Eni, BP, Shell etc) around the world. During his stay in Aksai, Bruce helped KPO employees and contractor companies to understand what safety means and how they can all become more effective safety leaders. All KPO supervisors, managers and contractor senior personnel have attended this course and are now successfully applying what they learnt during their HSE tours.

In relation to training and competence, a robust new Safety Training and Enhancement Programme (STEP) was launched with the aim of upgrading the existing knowledge and skills of KPO HSE personnel to meet internationally certified standards. The programme has been designed in line with the Republic of Kazakhstan government's strategy to harmonise its legal system with international HSE standards. STEP also meets the requirements of the Institute of Occupational Safety and Health (IOSH) and includes a vocational on-the-job programme specifically developed for KPO HSE professionals. The first group of 14 HSE supervisors commenced the STEP programme in December

2009. In August 2010 year over 130 health, safety and environment (HSE) professionals of the company and contracting organisations were awarded with certificates of the UK Institute of Occupational Safety and Health (IOSH) as a result of the successful completion of the STEP programme.

Other improvements introduced to support safety performance in 2009 were related to emergency preparedness and included the opening of a new state-of-the-art Incident Management Centre. In order to ensure continued and effective leadership during crisis management, an emergency response and crisis communications training was also held for new directors and controllers.

Enhancing the culture of safety also extends to the communities around KPO. Company specialists run a popular radio programme in cooperation with a local network covering a variety of health, safety and environment issues which are of benefit and general interest to the local community. Topics include electrical safety, fire protection, grass fires, high blood pressure, home and road safety.

Good Safety performance is not a destination it is a journey and a journey is always more pleasant if you have companions along the way. Let us all be good safety companions and take the journey to improved safety performance together.



KPO celebrates Languages Day

On 22 September, KPO hosted the Languages Day of the Peoples of Kazakhstan which was held in the Czech camp of Aksai. It has become a tradition within the company to organize events dedicated to the Languages day.

The purpose of the event was to give an opportunity to KPO employees to show their talents by singing or reciting a poem in different languages. Recognition and respect of other languages is the key to the mutual collaboration between different nations.

KPO employees from Finance, P&M, Operations, IT&T, HR IG&S and other departments participated in the contest of songs and poems.

All invited guests were happy to listen to the songs of IT&T pop group presented in 3 languages, excellent theatrical performance of the poems of outstanding poets and were charmed by the sounds of lyrical Kazakh songs. Special tribute was paid to

a song dedicated to Karachaganak which was composed by Mikhail Seregin and Ilya Krapivin.

On the occasion of this event, KPO General Director Giuseppe Pasi has extended his congratulations to all KPO employees. In particular, he said: "22nd of September is one of the important dates for the independent Kazakhstan, which is a home for more than one hundred nationalities and ethnic groups. The Languages Day symbolizes the people's solidarity and cultural diversity of the country."

"At KPO, conducting a multilingual recital contest has become a tradition in the last few years. The purpose of the contest is to provide an opportunity for employees to share their language cultures within the organisation. This event contributes to intercultural communication and enhancement of mutual understanding in such a culturally diverse and multilingual team as KPO."

