

19 July 2016

## **Press-release**

### **NC KMG Proposals for KMG EP: Factual update**

JSC National Company KazMunayGas ("NC KMG") wishes to correct misrepresentations made by the independent non-executive directors of KMG EP JSC KazMunaiGas Exploration Production ("KMG EP" or "the Company") ("EP INEDs") in their statement of 18 July so that minority shareholders of KMG EP ("Minority Shareholders") can reach a fair and balanced view on the proposals contained in the Revised Circular published by NC KMG on 14 July (the "Proposals") based on accurate information.

NC KMG's advisers informed the advisers of KMG EP over the weekend that the current Proposals are certain and final, and will not be revised further.

### **Certainty of the Purchase Offer associated with the Proposals**

Contrary to the opinion of the EP INEDs, there is no uncertainty over the offer to purchase Common Shares and Preferred Shares of KMG EP listed on the Kazakhstan Stock Exchange and GDRs of KMG EP listed on the London Stock Exchange (the "Purchase Offer") associated with the Proposals. The Purchase Offer is conditional only on the acceptance by Minority Shareholders of the proposed changes to the Charter and the Relationship Agreement.

The force majeure provision, which is customary for offers of this nature, was discussed with the EP INEDs' advisers before publication and amended in line with their comments. It is explicitly designed only to cover events outside NC KMG's control that make it impossible for the Purchase Offer to be completed, such as closure of the markets or war. Access to funding is specifically excluded from the force majeure definition. The force majeure definition is reproduced in full in the notes below for the convenience of readers.

In the extremely unlikely event that the force majeure provision was invoked, the changes to the Relationship Agreement and Charter would not take effect until the Purchase Offer was completed, so Minority Shareholders are fully protected in all circumstances.

### **2014 offer**

The EP INEDs also refer to the withdrawal of a full buyout offer at \$18.50 per GDR by NC KMG made in 2014. NC KMG was prepared to honour these commitments for six months (during which time they were not put to shareholders by the EP INEDs) while international oil prices halved. The offer was ultimately withdrawn after failure to reach agreement with the EP INEDs on price.

### **Performance of KMG EP**

NC KMG also notes the comments of the EP INEDs on 18 July regarding the Statement of Operating Profit for the five months ended 31 May 2016, and the assertion by the EP INEDs that the Revised Circular may cause confusion among Minority Shareholders concerning the current profitability of KMG EP's operations.

NC KMG notes that the operating results do not appear to include any income tax expense for the period and, from a free cashflow perspective, appear to ignore expenditures on maintenance capital expenditures at both Embamunaigas JSC and Ozenmunaigas JSC. Furthermore the released information does not appear to include the performance of the Joint Ventures and Associates, so it remains unclear whether KMG EP is generating positive cashflows.

**Note:****1. Full text of the Force Majeure definition**

Force Majeure Event means an event beyond the control of the Offeror which prevents it from complying with any of its obligations under the Purchase Offer. For the avoidance of doubt, such event would be deemed to have occurred only if it makes it legally and/or practically impossible for the Offeror to comply with any of its obligations under the Purchase Offer and may include, for instance, any general suspension of, or limitation on prices for, trading in securities in Kazakhstan, the United Kingdom, the United States or foreign securities or financial markets; a declaration of a banking moratorium or any suspension of payments in respect of banks in Kazakhstan, the United Kingdom, the United States or elsewhere; a commencement or declaration of war, armed hostilities, terrorist acts or other national or international calamity directly or indirectly involving Kazakhstan, the United Kingdom, the United States or any country in which either the Company or any of its subsidiaries conducts its business; any steps, any corporate action or any legal proceedings instituted or threatened against the Company in respect of its winding-up, dissolution, examination or reorganisation or for the appointment of a receiver, examiner, administrator, administrative receiver, trustee or similar officer of all or any part of its assets or revenues, or any analogous proceedings in any jurisdiction. For the avoidance of doubt, a Force Majeure Event shall not include the failure of the Offeror to obtain funding from a third party in order to proceed with the Purchase Offer.

**2. About NC KMG**

NC KMG, Central Asia's largest oil and gas company, is Kazakhstan's national operator for exploration, production, refining and transportation of hydrocarbons. The Company accounts for 28.6% of oil and 16% of gas production in Kazakhstan and is one of the country's largest employers, with over 76,000 employees. The consolidated oil and gas condensate output in 2015 amounted to 22,670 thousand tons, gas production - 7,255 MMcm, 16,317 thousand tons of oil were sent to the refineries for processing; the proven oil and gas condensate reserves are 801.2 mn tons. The Company represents the Government in the oil and gas sector, 90% of it is owned by the "Samruk-Kazyna" JSC, Kazakhstan's sovereign wealth fund, and 10% by the National Bank of the Republic of Kazakhstan. NC KMG has participatory interests in 38 oil & gas businesses in Kazakhstan and abroad.

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