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JSC NC “KazMunayGas” (“KMG” or the “Issuer”) and KazMunaiGaz Finance Sub B.V. (“KMG Finance”) announce a consent solicitation in relation to the outstanding notes issued by KMG detailed in the table below (each of the seven series of notes referred to below, a “Series”, and all outstanding notes of all Series collectively, the “Notes”)

<b>Description of Notes</b>	<b>Regulation S Global Note ISIN / Common Code</b>	<b>Rule 144A Global Note ISIN / Common Code / CUSIP</b>	<b>Amount Issued</b>	<b>Amount Outstanding</b>
U.S.\$1,600,000,000 9.125% notes due 2018 (the “ <b>2018 Notes</b> ”)	XS0373641009 / 037364100	US48667QAA31 / 037371971 / 48667QAA3	U.S.\$1,600,000,000	U.S.\$1,600,000,000
U.S.\$1,500,000,000 7.000% notes due 2020 (the “ <b>2020 Notes</b> ”)	XS0506527851 / 050652785	US48667QAE52 / 050653145 / 48667QAE5	U.S.\$1,500,000,000	U.S.\$1,371,437,000
U.S.\$1,250,000,000 6.375% notes due 2021 (the “ <b>2021 Notes</b> ”)	XS0556885753 / 055688575	US48667QAF28 / 055708223 / 48667QAF2	U.S.\$1,250,000,000	U.S.\$1,130,274,000
U.S.\$1,000,000,000 4.400% notes due 2023 (the “ <b>2023 Notes</b> ”)	XS0925015074 / 092501507	US46639UAA34 / 092527441 / 46639UAA3	U.S.\$1,000,000,000	U.S.\$406,564,000
U.S.\$500,000,000 4.875% notes due 2025 (the “ <b>2025 Notes</b> ”)	XS1132166031 / 113216603	US48667QAH83 / 113217545 / 48667QAH8	U.S.\$500,000,000	U.S.\$123,177,000
U.S.\$2,000,000,000 5.750% notes due 2043 (the “ <b>2043 Notes</b> ”)	XS0925015157 / 092501515	US46639UAB17 / 092527425 / 46639UAB1	U.S.\$2,000,000,000	U.S.\$512,249,000
U.S.\$1,000,000,000 6.000% notes due 2044 (the “ <b>2044 Notes</b> ”)	XS1134544151 / 113454415	US48667QAK13 / 113454202 / 48667QAK1	U.S.\$1,000,000,000	U.S.\$30,112,000

### Overview

The Issuer has today, in conjunction with KMG Finance, provided notices of meetings (the “**Notices of Meetings**”) to solicit proxies (the “**Solicitation**”) from the beneficial holders of the outstanding Notes (the “**Noteholders**”) to consider and, if thought fit, pass Extraordinary Resolutions (the “**Extraordinary Resolutions**”) at meetings of the Noteholders (the “**Meetings**”) in relation to certain consents and

amendments (the “**Consents and Amendments**”) being sought to (i) the terms and conditions of the 2018 Notes (the “**2018 Note Conditions**”), (ii) the terms and conditions of the 2020 Notes (the “**2020 Note Conditions**”), (iii) the terms and conditions of the 2021 Notes (the “**2021 Note Conditions**”), (iv) the terms and conditions of the 2023 Notes (the “**2023 Note Conditions**”), (v) the terms and conditions of the 2025 Notes (the “**2025 Note Conditions**”), (vi) the terms and conditions of the 2043 Notes (the “**2043 Note Conditions**”), and (vii) the terms and conditions of the 2044 Notes (the “**2044 Note Conditions**”, which collectively with the 2018 Note Conditions, the 2020 Note Conditions, the 2021 Note Conditions, the 2023 Note Conditions, the 2025 Conditions and the 2043 Conditions are referred to as the “**Conditions**”), all as more fully described in the Consent Solicitation Memorandum (the “**Memorandum**”) dated 9 March 2017 (the “**Proposal**”).

Subject to the terms of the Proposal and, unless such condition is waived by the Issuer, provided all Extraordinary Resolutions are passed and become effective and upon the occurrence of the Effective Date (see “*Timetable*” below), Noteholders who validly vote in favour of the Proposal in accordance with the Solicitation will be entitled to receive the applicable Early Consent Fee on the Settlement Date (see “Early Consent Fee” below). Noteholders are advised to refer to the Memorandum for meanings of capitalised terms used in this announcement, the full terms of the Solicitation and the procedures related thereto.

The Notices of Meetings convening the Meetings at the offices of Dechert LLP, 160 Queen Victoria Street, London EC4V 4QQ, at which the Extraordinary Resolutions to approve the Proposal and its implementation will be considered and, if thought fit, passed, have been published in accordance with the Conditions.

The initial meeting (in respect of the 2018 Notes) will commence at 10:00 a.m. (London time) on 31 March 2017, with subsequent Meetings in respect of each other Series being held at 15 minute intervals thereafter or after the completion of the preceding Meeting (whichever is later).

## **Background to and Rationale for the Proposal**

### ***The KazMunayGas International N.V. Sale***

In line with the Group’s overall strategy to focus on its operations in Kazakhstan, as well as the State’s privatisation programme, KMG is considering selling all or a significant portion of its stake in KazMunayGas International N.V (“**KMG International**”) in one or more transactions over the near to medium term to the effect that KMG will no longer hold at least the Restricted Percentage (*i.e.*, 75 per cent.) of the shares of Capital Stock of KMG International (collectively, the “**KMG International Sale**”). KMG International has been considered and recorded in KMG’s consolidated Financial Statements as a “discontinued operation” and the assets and liabilities of KMG International have been considered and recorded as “assets classified as held for sale” since December 2015 (see Note 4 to the interim unaudited consolidated financial statements of KMG as at and for the nine months ended 30 September 2016).

To this end, KMG has entered into an agreement with CEFC China Energy Company Limited (the “**CEFC Agreement**”) to sell 51 per cent. of the shares of Capital Stock it holds in KMG International as of the date of this Memorandum to CEFC China Energy Company Limited or one or more of its affiliates (“**CEFC**”) for a purchase price payable by CEFC to KMG of U.S.\$680 million (the “**Proposed KMG International/CEFC Sale**”). Under the CEFC Agreement, the Proposed KMG International/CEFC Sale is subject to the satisfaction of a number of conditions precedent, including, but not limited to, receipt of the KMG International Sale Consent (as defined below), to the extent necessary or required by the respective facilities, consents of the lenders under KMG’s debt facilities and regulatory approvals in all applicable jurisdictions; the CEFC Agreement further contemplates that the Proposed KMG International/CEFC Sale is expected to be completed by the end of the first half of 2017, although KMG and CEFC may agree in writing to extend such completion date as they deem necessary or appropriate.

KMG is of the view that, as required by paragraph (i) of Condition 4(c) (Limitation on Sales of Assets and Subsidiary Stock) of the Conditions, the terms of the Proposed KMG International/CEFC Sale as set forth in the CEFC Agreement comprise arm's length terms and that, in particular, the purchase price to be received by KMG in connection with the Proposed KMG International/CEFC Sale under the CEFC Agreement comprises the Fair Market Value. The Board of Directors has approved the terms of the Proposed KMG International/CEFC Sale, including the purchase price, under the CEFC Agreement based on an independent appraisal obtained from an Independent Appraiser.

KMG expects that the Proposed KMG International/CEFC Sale will reduce the level of KMG's consolidated debt by approximately U.S.\$0.6 billion and, that, consequently, the Proposed KMG International/CEFC Sale will reduce the Group's debt service and thereby improve its overall liquidity position, while also providing funds to the Group to be used for the purposes of maintaining the Group's financial stability.

Whether or not the Proposed KMG International/CEFC Sale is completed, KMG may pursue sales of additional stakes in KMG International, by way of merger, consolidation or similar transactions relating to shares of Capital Stock in KMG International or by way of sales or dispositions of assets. In all cases, however, KMG expects to effect any such sale only if the proposed terms comprise arm's length terms and that, in particular, the purchase price to be received by KMG is at least equal to the Fair Market Value. The Fair Market Value of the purchase price for any such sale will be determined by the Board of Directors in good faith or, if required under Conditions, by an Independent Appraiser. For the avoidance of doubt, any such additional sales or dispositions described in this paragraph shall be deemed to be included in the definition of "KMG International Sale" and as such, are the subject of the requested waiver described below.

Based on all of the foregoing, KMG expects that, notwithstanding that the KMG International Sale will result in KMG foregoing some positive contribution to EBITDA, the combined effects of the KMG International Sale will result in an improvement to KMG's consolidated net debt/EBITDA ratio. Details regarding the revenues, profit, assets and liabilities attributable to KMG International after eliminations of intergroup transactions are set out in the note entitled "Discontinued operations and assets classified as held for sale" to the Financial Statements available at <http://www.kmg.kz/en/investors/reports/reports/>.

#### *Syndicated and Bilateral Facilities*

Consents and amendments will separately be sought under certain of KMG's syndicated and bilateral facilities with respect to the KMG International Sale.

#### *Ratings Agencies*

KMG has discussed the transactions contemplated by the Memorandum with Fitch Ratings Limited ("**Fitch**"), Moody's Investor Services Limited ("**Moody's**") and Standard & Poor's Credit Market Services Europe Limited ("**S&P**"). Based on these discussions, KMG expects that none of these rating agencies will downgrade or take any other negative action in respect of the credit ratings assigned by it to the Notes (Moody's: Baa3; S&P: BB; and Fitch: BBB-) at this time as a result of the Proposed KMG International/CEFC Sale.

#### *Requested Waiver*

In order to permit the KMG International Sale, consent of the Noteholders is being sought to waive any potential breach of the covenant set out in Condition 4(c)(ii) (Limitation on Sales of Assets and Subsidiary Stock) pursuant to the Conditions that may arise as a result of the KMG International Sale (the "**KMG International Sale Consent**"). The KMG International Sale Consent is required because KMG expects that, following the KMG International Sale (including, but not limited to, the Proposed KMG International/CEFC Sale by itself), KMG will no longer retain at least the Restricted Percentage (*i.e.*, 75 per cent.) of Capital Stock of KMG International, as required pursuant to Condition 4(c)(ii). The KMG International Sale Consent shall apply, and remain valid with respect to, any KMG International Sale undertaken so long as any of the Notes remain outstanding.

### ***Judgment Clause Amendment***

Consent of the Noteholders is also being sought to the amendment of Condition 10(e) (Judgments) to increase the basket for a judgment event of default from U.S.\$10,000,000 to U.S.\$50,000,000 (the “Judgment Clause Amendment”).

KMG believes that the Judgment Clause Amendment is fair and reasonable for the following reasons:

- Condition 10(e) should only be applicable in the event of a failure by KMG or any subsidiary to pay any final judgment of a material amount. KMG is of the view that the existing basket of U.S.\$10,000,000 does not meet this materiality threshold when considered in the context of the Group’s business and activities taken as a whole.
- The Judgment Clause Amendment is consistent with that provided for in certain of KMG’s syndicated and bilateral debt facilities and, in line with its prior efforts, KMG wishes to align the terms of the Notes with parallel provisions across its debt platform

### ***Record Date***

Noteholder consent is being sought to approve, with retroactive effect, the fixing by the Issuer of the Record Date (see “*Timetable*” below) in respect of the Proposal at 20 March 2017 notwithstanding the requirements of the Trust Deeds. The Record Date is used to determine which DTC Participants will be allowed to vote on the Proposal, and only those Direct Participants in DTC appearing on the omnibus proxy issued by DTC on the Record Date will be entitled to submit Forms of Sub-Proxy. The Trust Deeds provide that the record date for the purposes of any meeting may not be more than ten days prior to the time fixed for such meeting.

### ***Early Consent Fee***

Noteholders who validly submit an Electronic Voting Instruction or who validly submit a Form of Sub-Proxy, as applicable, in favour of the relevant Extraordinary Resolution that is received by the relevant Tabulation Agent on or prior to the Early Consent Expiration Time and who have not validly revoked their Electronic Voting Instruction or Form of Sub-Proxy, as applicable, will be entitled to receive the applicable Early Consent Fee, provided that all Extraordinary Resolutions that are the subject of the Proposal are duly passed (unless such condition is waived by the Issuer) and become effective in accordance with their terms and the Effective Date has occurred.

**The Early Consent Fee will be paid as consideration for the relevant Noteholders' approval of the relevant Extraordinary Resolution, and, unless such condition is waived by the Issuer, are subject to the passing of the Extraordinary Resolutions relating to all seven Series. Unless such Condition is waived by the Issuer, no Early Consent Fee shall be payable to any Noteholder to the extent any one or more Extraordinary Resolutions is not duly passed at the relevant Meeting or, as the case may be, Adjourned Meeting, notwithstanding that any other Extraordinary Resolution was duly passed at the relevant Meeting or, as the case may be, Adjourned Meeting.**

The Early Consent Fee will be U.S.\$2.00 in each case per U.S.\$1,000 in principal amount of Qualifying Notes (as defined in the Memorandum) in each Series held by such Noteholder.

### ***Revocation of instructions***

Noteholders who have submitted Electronic Voting Instructions or Forms of Sub-Proxy, as applicable, have a right to revoke such instruction in the following circumstances only: (i) if required by law or permitted by the relevant Trust Deed (as applicable); or (ii) if KMG and KMG Finance consider that any modification or amendment (excluding any material modification or amendment to the relevant Extraordinary Resolution which may not be made during the relevant Meeting notice period) is materially prejudicial to Noteholders

compared with the initial terms of the Proposal and Solicitation, as more fully described in the Memorandum.

**Expected Timetable (assuming the Meeting is not adjourned)**

<b>Event</b>	<b>Date and Time</b>
<b>Launch Date/Announcement of the Solicitation</b>  <i>Announcement of the Solicitation and each Notice of Meeting given to Noteholders of each Series through the Clearing Systems.</i>  Memorandum made available to Noteholders via the Tabulation Agent (free of charge).	9 March 2017
<b>Record Date</b>  <i>Record Date in respect of DTC Notes. Only Direct Participants in DTC at this time and date will be entitled to submit a Form of Sub-Proxy</i>	5:00 p.m. (EST) / 10:00 p.m. (London time) on 20 March 2017
<b>Early Consent Expiration Time and Early Consent Date</b>  <i>Deadline for Noteholders to deliver or procure delivery of Electronic Voting Instructions or Forms of Sub-Proxy in favour of the relevant Extraordinary Resolution to the Tabulation Agent to be eligible to receive the applicable Early Consent Fee.</i>	5:00 p.m. (EST)/ 10:00 p.m. (London time) on 21 March 2017
<b>Expiration Time and Expiration Date</b>  <i>Deadline for Noteholders to deliver or procure delivery (of Electronic Voting Instructions or Forms of Sub-Proxy in favour of the relevant Extraordinary Resolution to the Tabulation Agent to be eligible to vote but not to receive the Early Consent Fee).</i>  <i>Latest time for Noteholders to appoint the Tabulation Agent (or its nominee) as proxy to attend the relevant Meeting and vote in respect of the applicable Extraordinary Resolution or to appoint another proxy to attend and vote at the relevant Meeting in accordance with the provisions of the relevant Trust Deed and the relevant Notice of Meeting.</i>	11:00 a.m. (EST) / 4:00 p.m. (London time) on 29 March 2017
<b>Date of the Meetings</b>	31 March 2017
<b>Announcement of results</b>  <i>The announcement via the Clearing Systems of the results or notice of adjournment of the Meetings, as the case may be.</i>	31 March 2017, or as soon as reasonably practicable after the Meetings
<b>Effective Date</b>  <i>If all Extraordinary Resolutions are passed, without requiring any adjourned meetings, the date on which all Proposed Supplemental Trust Deeds and the Trustee Consent Letter shall be executed and delivered and become effective</i>	Not later than 2 days after all Extraordinary Resolutions have been passed
<b>Settlement Date</b>  <i>Settlement in respect of the Early Consent Fee.</i>	On or about 7 April 2017

The Issuer will make (or cause to be made) announcements in connection with the Consent Solicitation in accordance with applicable law by delivery of notices to the Clearing Systems for communication to Direct Participants and through RNS, the news distribution service operated by the London Stock Exchange. Copies of all announcements, notices and press releases may also be obtained from the Tabulation Agent at its address and telephone number as set forth below. Delays may be experienced in respect of notices delivered to the Clearing Systems and Noteholders are urged to contact the Solicitation Agents or the Tabulation Agent for the relevant announcements during the course of the Consent Solicitation, the contact details for which are set forth below.

### **Solicitation Agents**

Any questions from any person (other than persons located and/or resident in Kazakhstan) regarding the terms of the Proposal or the Solicitation may be directed to the Solicitation Agents at the addresses and telephone numbers specified below:

#### **SOLICITATION AGENTS**

##### **Deutsche Bank AG, London Branch**

Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom  
Attention: DCM / LM team  
By telephone: +44 (0) 20 754 76568/  
+44 (0) 207 545 8011

##### **UBS AG, London Branch**

5 Broadgate  
London EC2M 2QS  
United Kingdom  
*In Europe and Asia:*  
Attention: Liability Management Group  
Tel: +44 (0) 20 7568 2133  
Email: ol-liabilitymanagement-eu@ubs.com

*In the Americas:*  
Attention: Liability Management Group  
Collect: +1 (203) 719-4210  
Toll free: +1 (888) 719-4210

### **Tabulation Agent**

Noteholders may obtain copies of the Memorandum, the Notices of Meetings and any announcements in connection with the Solicitation from the Tabulation Agent:

<b>TABULATION AGENT</b>
<p><b>Lucid Issuers Services Limited</b> Tankerton Works 12 Argyle Walk London WC1H 8HA United Kingdom</p> <p>Attention: David Shilson / Paul Kamminga By telephone: +44 207 704 0880 By email: kmg@lucid-is.com</p>

Neither the Solicitation Agents, the Tabulation Agent, the Trustee, KMG nor KMG Finance takes any responsibility for the contents of this announcement and none of KMG, KMG Finance, the Solicitation Agents, the Tabulation Agent, the Trustee or any of their respective directors, employees or affiliates makes any representation or recommendation whatsoever regarding the Solicitation, or any recommendation as to whether Noteholders should provide their consent in the Solicitation. This announcement must be read in

conjunction with the Memorandum. This announcement and the Memorandum contain important information which should be read carefully before any decision is made with respect to the Solicitation. If any Noteholder is in any doubt as to the action it should take, it is recommended to seek its own advice, including as to any tax consequences, from its stockbroker, bank manager, solicitor, accountant or other independent adviser.