

NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION IN WHOLE OR IN PART IN, INTO OR FROM ANY JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OF THAT JURISDICTION

JSC KazMunaiGas Exploration Production (“KMG EP” or the “Company”)

Announcement by the Company regarding the launch of a tender offer to purchase its GDRs and to delist from the London Stock Exchange and Kazakhstan Stock Exchange

Astana, 8 December 2017. Following the announcement on 4 December 2017 of its intention to make a tender offer for its GDRs, the Company announces that the board of KMG EP has unanimously approved the launch of a conditional tender offer to repurchase all of its outstanding GDRs at a price of US\$14.00 per GDR. The Board has also approved the convening of an extraordinary general meeting of shareholders (EGM 1) to be held on 22 January 2018 to vote on certain amendments to the Company’s valuation methodology.

KMG EP will implement the Tender Offer by acquiring as principal validly tendered GDRs at the Tender Price. Qualifying GDR Holders who accept the Tender Offer are entitled to receive:

for each GDR US\$14.00 in cash less any applicable Kazakhstan withholding tax

The Tender Price represents a premium of 23.7 per cent. to the 30-day volume-weighted average GDR price of US\$ 11.32 at 1 December 2017 (being the last trading day before the date of the Possible Offer Announcement).

The Tender Offer is for all the GDRs in issue. As at 30 November 2017 (being the latest practicable date prior to the publication of this announcement) there were 143,655,714 GDRs in issue (representing approximately 32.2 per cent. of the Common Shares in issue), of which 6,670,408 GDRs were held by the Company. At such date, there were 70,220,935 Common Shares (including Common Shares represented by GDRs) in issue, of which 2,793,620 Common Shares were held in treasury.

The Tender Offer values the entire issued Common Share capital (including Common Shares represented by GDRs, but excluding Common Shares held in treasury and GDRs held by the Company) of KMG EP at approximately US\$5.6 billion.

The Tender Offer is made on the terms and subject to the Tender Conditions and other conditions set out in this announcement. The Tender Conditions are:

- the GDRs having been admitted to the official list of KASE;
- KMG EP having received valid acceptances of the Tender Offer in respect of 53,908,494 GDRs, which as at 30 November 2017 (being the latest practicable date prior to the publication of this announcement) represent approximately 39.4 per cent. of the GDRs in issue (excluding GDRs held by the Company) and approximately 12.8 per cent. of the Common Shares (including Common Shares represented by GDRs) in issue; and
- the passing of the resolution at EGM 1;

The Tender Offer will lapse at 3.00 p.m. on the First Closing Date, which is 22 January 2018, unless it has become unconditional or is extended by means of an announcement through a Regulatory Information Service. GDR Holders are therefore urged to tender their GDRs as soon as possible and in any event so as to be received no later than such time and date.

Subject to the Tender Offer becoming unconditional in all respects, the Company will also launch a further tender offer to acquire all of its outstanding Common Shares not already owned by NC KMG on the same economic terms as the GDR Tender Offer.

The Company will then also call EGM 2 for Shareholders to consider and, if thought appropriate, approve (as required by the Charter) the cancellation of the London listing of the GDRs and of the KASE listing of the Common Shares, and certain amendments to the Charter.

KMG EP has obtained an irrevocable undertaking from its majority shareholder, NC KMG, to support the Tender Offer and not to sell any of its Shares or GDRs under the Tender Offer or otherwise.

The Proposals are intended to enable NC KMG to increase its control of the Company and for KMG EP to take itself private by applying for the LSE Delisting and KASE Delisting, while providing GDR Holders and the minority holders of Common Shares with an attractive exit.

The Directors unanimously recommend that Qualifying GDR Holders accept the Tender Offer and, to the extent that they have not accepted the Tender Offer, vote in favour of the resolution to be proposed at EGM 1.

In addition the INEDs recommend unanimously that Qualifying GDR Holders accept the Tender Offer and, to the extent that they have not accepted the Tender Offer, vote in favour of the resolution to be proposed at EGM 1.

The materials for EGM 1 will be available on KMG EP's website not later than 10 days before the meeting.

A tender offer document (the "Tender Offer Document") containing the full terms and conditions of the Tender Offer and instructions to GDR Holders on how to tender their GDRs is expected to be sent to GDR Holders later today. The Tender Offer Document will also be available at the Company's website at http://kmgep.kz/eng/investor_relations/tender_offer.

This summary should be read in conjunction, and is subject to, the full text of the following announcement (including its appendix) and the Tender Offer Document. References to time in this announcement are to London time unless otherwise stated.

The definitions set out in the appendix to this announcement apply throughout this announcement, unless the context requires otherwise:

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Notes to Editors

KMG EP is among the top three Kazakh oil producers based on the 2016 results. The overall production in 2016 was 12.2 million tonnes (245 kbopd) of crude oil, including the Company's share in Kazgermunai, CCEL and PKI. The Company's volume of proved and probable reserves excluding shares in the associates, at the end of 2016 was 182 million tonnes (1,327 mmbbl). The Company's shares are listed on the Kazakhstan Stock Exchange and the GDRs are listed on The London Stock Exchange. The Company raised over US\$2bn at its IPO in September 2006.

Important notices

This announcement contains inside information.

The release, publication or distribution of this announcement in, into or from jurisdictions other than the United Kingdom, the US or Kazakhstan may be restricted by the laws of those jurisdictions and therefore persons into whose possession this announcement comes should inform themselves about, and observe, such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction. This announcement does not constitute an offer to sell or issue, nor the solicitation of an offer to buy or subscribe for, shares in any jurisdiction in which such offer or solicitation is unlawful.

J.P. Morgan, which is authorised in the United Kingdom by the PRA and regulated by the PRA and the FCA, is acting as financial adviser exclusively for KMG EP and for no one else in connection with the matters referred to in this announcement, will not regard any other person as its client in relation to the matters set out in this announcement and will not be responsible to anyone other than KMG EP for providing the protections afforded to clients of J.P. Morgan or its affiliates, nor for providing advice in relation to any matter referred to in this announcement.

Rothschild, which is authorised in the United Kingdom by the FCA, is acting as financial adviser exclusively for the INEDs and for no one else in connection with the Tender Offer and will not be responsible to any person other than the INEDs for providing the protections afforded to clients of Rothschild or for providing advice in relation to the matters described in this announcement.

HSBC is authorised by the PRA and regulated by the FCA and the PRA in the United Kingdom. HSBC is acting as financial adviser exclusively for the INEDs in connection with the Tender Offer and no one else and will not regard any person as its client in relation to any matters set out in this

announcement and will not be responsible to anyone other than the INEDs for providing the protections afforded to clients of HSBC or for providing advice in connection with the Tender Offer or any matter referred to in this announcement.

No person has been authorised to give any information or make any representations other than those contained in this announcement and, if given or made, such information or representations must not be relied on as having been so authorised. The delivery of this announcement shall not, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this announcement or that the information in it is correct as of any subsequent time.

Notice for US Securities Holders

The Tender Offer is not subject to the disclosure and other procedural requirements of Regulation 14D under the US Exchange Act. The Tender Offer will be made in the United States in accordance with the requirements of Regulation 14E under the US Exchange Act to the extent applicable. Certain provisions of Regulation 14E under the US Exchange Act are not applicable to the Tender Offer by virtue of Rule 14d-1(c) under the US Exchange Act. US GDR Holders should note that the GDRs are not listed on a US securities exchange and KMG EP is not subject to the periodic reporting requirements of the US Exchange Act and is not required to, and does not, file any reports with the US Securities and Exchange Commission under such Act.

This announcement has not been approved, disapproved or otherwise recommended by the US Securities and Exchange Commission or any US state securities commission and such authorities have not confirmed the accuracy or determined the adequacy of this announcement. Any representation to the contrary is a criminal offence in the United States.

Forward-looking statements

This announcement, including information included or incorporated by reference in this announcement, includes statements that are, or may be deemed to be, “forward-looking statements” concerning the Tender Offer, KMG EP, the KMG EP Group and NC KMG that are subject to risks and uncertainties. These forward-looking statements can be identified by the use of forward-looking terminology including, but not limited to, the terms “believes”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “target”, “will” or “should” or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They include, but are not limited to, statements regarding the Company’s intentions, beliefs and statements of current expectations concerning, amongst other things, the Company’s results of operations, financial condition, liquidity, prospects, growth, potential acquisitions, strategies and as to the industries in which the Company operates. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that may or may not occur. Forward-looking statements are not guarantees of future performance and the actual results of the Company’s operations, financial condition and liquidity and the development of the country and the industries in which the Company operates may differ materially from those described in, or suggested by, the forward-looking statements contained in this announcement. The Company does not intend, and does not assume any obligation, to update or revise any forward-looking statements or industry information set out in this announcement, whether as a result of new information, future events or otherwise. The Company does not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved.

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Astana, 8 December 2017. Following the announcement on 4 December 2017 of its intention to make a tender offer for its GDRs, the Company announces the launch of a conditional tender offer to repurchase all of its outstanding GDRs at a price of US\$14.00 per GDR.

KMG EP has obtained an irrevocable undertaking from its majority shareholder, NC KMG, to support the Tender Offer and not to sell any of its Shares or GDRs under the Tender Offer or otherwise.

The Proposals are intended to enable NC KMG to increase its control of the Company and for KMG EP to take itself private by applying for the LSE Delisting and KASE Delisting, while providing GDR Holders and the minority holders of Common Shares with an attractive exit.

The purpose of this announcement is to set out information about the background to, and reasons for, the Proposals including the Tender Offer and the LSE Delisting and details of the procedure that should be followed by Qualifying GDR Holders in order to participate in the Tender Offer.

1. Summary of the Tender Offer

The Tender Offer comprises the OTC Tender Offer and the KASE Tender Offer.

The OTC Tender Offer may be accepted and settled through Euroclear, Clearstream or DTC, as the case may be. However, the proceeds of the OTC Tender Offer due to tendering GDR Holders will potentially be subject to Kazakhstan withholding tax.

The KASE Tender Offer may be accepted by submitting a KASE Tender Form to the Receiving Agent and instructing a KASE Broker to settle by way of an Open Trade transaction on KASE. The proceeds of the KASE Tender Offer due to tendering GDR Holders will be free of Kazakhstan withholding tax, regardless of whether or not they are Kazakhstan Holders.

KMG EP will implement the Tender Offer by acquiring as principal validly tendered GDRs at the Tender Price. Qualifying GDR Holders who accept the Tender Offer are entitled to receive:

for each GDR US\$14.00 in cash less any applicable Kazakhstan withholding tax

The Tender Price represents a premium of 23.7 per cent. to the 30-day volume-weighted average GDR price of US\$ 11.32 at 1 December 2017 (being the last trading day before the date of the Possible Offer Announcement).

The Tender Offer is for all the GDRs in issue. As at 30 November 2017 (being the latest practicable date prior to the publication of this announcement) there were 70,220,935 Common Shares (including Common Shares represented by GDRs) in issue, of which 2,793,620 Common Shares were held in

treasury. At such date there were 143,655,714 GDRs in issue (representing approximately 32.2 per cent. of the Common Shares in issue), of which 6,670,408 GDRs were held by the Company.

The Tender Offer values the entire issued and to be issued Common Share capital (including Common Shares represented by GDRs and excluding Common Shares held in treasury and GDRs held by the Company) of KMG EP at approximately US\$5.6 billion.

The Tender Offer is made on the terms and subject to the Tender Conditions and other conditions set out in this announcement. The Tender Conditions are:

- the GDRs having been admitted to the official list of KASE;
- KMG EP having received valid acceptances of the Tender Offer in respect of 53,908,494 GDRs, which as at 30 November 2017 (being the latest practicable date prior to the publication of this announcement) represent approximately 39.4 per cent. of the GDRs in issue (excluding GDRs held by the Company) and approximately 12.8 per cent. of the Shares (including Common Shares represented by GDRs) in issue; and
- the passing of the resolution at EGM 1.

The Tender Offer will lapse at 3.00 p.m. on the First Closing Date, which is 22 January 2018, unless it has become unconditional or is extended by means of an announcement through a Regulatory Information Service. GDR Holders are therefore urged to tender their GDRs as soon as possible and in any event so as to be received no later than such time and date.

If the Tender Offer is extended, the Acceptance Condition may be waived by the Company if it has not been satisfied by the Final Closing Date.

If the Tender Offer becomes unconditional in all respects, it will remain open for acceptances until 3.00 p.m. on the Final Closing Date, which is 8 March 2018.

2. Background to the Proposals and the Tender Offer

2.1 Background

In the initial years following the IPO in 2006 the Company was on track to implement successfully its strategy of growth through acquisitions and maintaining cost control at its mature producing assets. The funds raised at the IPO, along with the rights granted to the Company from NC KMG as part of the IPO, were used to purchase significant onshore producing assets. These assets allowed the Company to diversify its resource base and to lower its overall cost of production, while at the same time providing returns to the Company in the form of dividends. In 2011 there was a period of labour unrest at the Company's largest wholly owned asset. This unrest led to poor labour discipline, reduced production and increased costs, primarily due to additional benefits granted to reduce social tension. NC KMG provided significant support to resolve these issues.

From 2011 to the present day the Company has been focused on stabilising production and ensuring that costs remain under control. Unfortunately, the collapse of the oil price in 2014 put additional pressure on the Company to cut costs further, reduce exploration and capital expenditure and lower dividend payouts. With a focus on maintaining production levels at the lowest possible costs, KMG EP, with assistance from NC KMG, created a new business line for the Company which is the current processing scheme and which partially allowed the Company to remain cash flow positive and even

add to its significant cash reserves over the period. However, KMG EP mainly operates mature fields where production maintenance costs remain relatively high and which require increasing investment to address production decline. Furthermore, the Company faces increasing social obligations that limit its ability to control its future costs.

At the same time, the Company has been unable to utilise its large cash balance to create Shareholder value through new acquisitions or through the return of cash to Shareholders via dividends given the different views of different groups of shareholders and their representation on the Board.

KMG EP's business and operations have been and will likely continue to be significantly integrated with NC KMG. NC KMG provides assistance to KMG EP in managing social and tax issues that KMG EP faces.

At present, the rights of NC KMG with respect to KMG EP are limited by the terms of the Relationship Agreement compared to rights that it would have under the JSC Law.

NC KMG in 2014 made a preliminary approach to the INEDs about a possible offer for the Common Shares it did not already own. The approach did not result in NC KMG making an offer for the Common Shares.

On 17 June 2016 NC KMG published a circular setting out its rationale for requisitioning an extraordinary general meeting of the Company to approve certain amendments to the Relationship Agreement and to the Charter and the terms of conditional on-market purchase offers to be made to Shareholders and GDR Holders at US\$47.28 per Common Share and US\$7.88 per GDR (which offers were subsequently increased to US\$54.00 per Common Share and US\$9.00 per GDR, respectively), which were rejected at the extraordinary general meeting on 3 August 2016.

KMG EP and NC KMG have concluded that the lack of alignment between the distinct interests of GDR Holders and Shareholders, on the one hand, and NC KMG, on the other hand, cannot continue without resolution. KMG EP believes that it will benefit from greater strategic and operational alignment with NC KMG and in addition views the Proposals as an effective way to utilise its significant cash reserves to compensate its Shareholders for the value of their holdings in KMG EP.

Furthermore, NC KMG and KMG EP believe that full operational control by NC KMG over KMG EP is appropriate due to NC KMG's greater exposure to social obligations than other Shareholders. NC KMG's status as a state-owned national company may require it to provide full assistance to KMG EP in cases where KMG EP would have insufficient resources to maintain employment. The Proposals are therefore intended to enable NC KMG to increase its control of the Company and for KMG EP to take itself private by applying for the LSE Delisting and KASE Delisting, while providing GDR Holders and the minority holders of Common Shares with an attractive exit.

2.2 Benefits of the Tender Offer

The Tender Offer is intended to provide a monetisation option to the GDR Holders at an attractive premium to the market price prior to the date of the Possible Offer Announcement.

The average daily trading value of the GDRs has been as low as US\$2.8 million during the last 12 months, which restricts the volume that can potentially be sold on the market by GDR Holders to third parties at prevailing prices. If it becomes unconditional, the Tender Offer will allow all GDR Holders to realise their entire holdings of GDRs on attractive terms.

The Share Offer, if made, will also allow all Common Shareholders to realise their entire holdings of Common Shares on attractive terms.

3. The Proposals

3.1 Summary

The Proposals comprise:

- (a) the Tender Offer;
- (b) the application for the admission of the GDRs to the official list of KASE;
- (c) the availability of the Put Option Rights in connection with the Proposals;
- (d) the convening and holding of EGM 1 to approve certain amendments to the Share Valuation Methodology;
- (e) notice of certain amendments to the Deposit Agreement;
- (f) the Share Offer;
- (g) the exchange of GDRs acquired under the Tender Offer for Common Shares to be held by the Company in treasury so as to ensure that, taking into account the other GDRs and Common Shares acquired by the Company, NC KMG can exercise at least 75 per cent. of the votes at EGM 2;
- (h) the convening and holding of EGM 2 to approve the Delisting and certain amendments to the Charter;
- (i) the LSE Delisting and the KASE Delisting; and
- (j) the termination of the Relationship Agreement.

While the Board has resolved to proceed with all the Proposals, Proposals (f) to (j) above are subject to the Tender Offer becoming unconditional in all respects. The availability of (i) the Put Option Right (Proposal (c) above) with respect to non-attendance at, or votes against the Delisting resolutions to be proposed at EGM 2 and (ii) the amendments set out in the Deposit Agreement the subject of Proposal (e) above, are both subject to the Delisting resolutions being passed at EGM 2.

3.2 Reasons for the separate Tender Offer and Share Offer

The Company wishes to acquire a sufficient number of GDRs and Common Shares pursuant to the Tender Offer and the Share Offer so that (on the basis that NC KMG has irrevocably agreed not to accept such tender offers) NC KMG's interest in the total voting share capital of KMG EP (including Common Shares represented by GDRs but excluding Common Shares held in treasury and GDRs held by the Company) increases to 75 per cent. or more, thereby ensuring that NC KMG can pass all the resolutions at EGM 2 so as to enable the Company to implement the Proposals in full.

KMG EP only wishes to acquire GDRs and Common Shares if it can acquire a sufficient number to ensure that NC KMG's interest in the total voting share capital of KMG EP reaches 75 per cent. or

more. It would be preferable for the Company to make simultaneous tender offers to the GDR Holders and the holders of Common Shares subject to an appropriate minimum acceptance condition. However, a number of limitations in the JSC Law constrain the way in which KMG EP can make a tender offer for the Common Shares. For example, it is not possible to set such a minimum acceptance level for any tender offer for the Common Shares.

Furthermore, while KMG EP is able to extend the closing date for the acceptance of a tender offer for the GDRs in order to achieve the required number of acceptances, it is not possible to do so under a tender offer for the Common Shares. Once an offer has been made to the holders of Common Shares, no changes may be made to that offer.

It is also not possible under the JSC Law to make a tender offer for the Common Shares conditional on a tender offer for the GDRs becoming unconditional or *vice versa*. So, should the Tender Offer not reach the required level of acceptances, the Company would still be committed to buy the Common Shares, as it would not be possible to withdraw any offer for the Common Shares. Even if a tender offer for all the Common Shares not owned by NC KMG were accepted in full, KMG EP would still need to acquire a further 51,522,354 GDRs to ensure the Proposals are implemented in full.

Launching the Tender Offer first, and then launching the Share Offer should the Tender Offer become unconditional, ensures KMG EP will acquire the requisite number of GDRs to ensure the Proposals can be implemented in full. If the Tender Offer is amended or extended in any way, the Share Offer can then subsequently be made on the same terms ensuring an equality of treatment for GDR Holders and holders of Common Shares.

Should the Tender Offer not become or be declared unconditional, the Company will have no obligation to convene EGM 2 or to make the Share Offer which, even if it was accepted in full, would be insufficient to enable KMG EP to implement the Proposals in full.

3.3 Application for the admission of the GDRs to the official list of KASE and the KASE Tender Offer

Current Kazakhstan tax legislation provides that any capital gain made by GDR Holders from the OTC Tender Offer represents Kazakhstan-sourced income which will, unless the GDR Holder is able to provide evidence to the satisfaction of the Company that it is a Kazakhstan Holder, be subject to withholding tax to be applied by the Company (acting as tax agent) against the proceeds of the Tender Offer due to accepting GDR Holders. Unless the GDR Holder is able to provide evidence to the satisfaction of the Company that it is a Kazakhstan Holder, the Company will be required to apply withholding tax to the capital gain made by the GDR Holder on the sale of the GDRs at a rate of 20 per cent. (or, if the Non-Kazakhstan Holder is both (i) a tax resident of, and (ii) either incorporated in, or a citizen of, a Non-Preferential Tax Regime Country, 15 per cent.) and to deduct the same by way of a Withheld Amount from the gains represented by the entire Tender Price payable to the GDR Holder.

However, any gains realised by GDR Holders in relation to the disposal of GDRs that are listed as of the date of sale on the official list of KASE and that are sold to the Company on KASE via an Open Trade transaction will not be subject to such withholding tax.

Accordingly, the Company will apply to KASE for the GDRs to be admitted to listing on the official list of KASE and is making the KASE Tender Offer to allow GDR Holders to sell their GDRs to the Company by way of an Open Trade transaction on KASE. **The Company will not apply any**

Withheld Amount to the entire Tender Price due to any GDR Holder whose GDRs are sold under the KASE Tender Offer to the Company by way of an Open Trade transaction on KASE.

Accepting GDR Holders therefore have the option either to accept:

- (a) the OTC Tender Offer and sell their GDRs potentially subject to Kazakhstan withholding tax; or
- (b) the KASE Tender Offer and sell their GDRs free of Kazakhstan withholding tax, regardless of whether or not they are Kazakhstan Holders.

The Company has also made arrangements to allow GDR Holders to open brokerage accounts with SkyBridge Invest, a KASE registered broker, to enable GDR Holders to tender their GDRs and sell them to the Company pursuant to the KASE Tender Offer by way of an Open Trade transaction on KASE. SBI is a licensed brokerage and asset management company in Kazakhstan. Further information on SBI is available on the website of the National Bank of Kazakhstan <http://www.nationalbank.kz/index.cfm?docid=3030&switch=english&view=organization&id=1188> and on SBI's website <https://www.sbinvest.kz/?lang=en>.

GDR Holders are free to open brokerage accounts with any other KASE registered broker but GDR Holders should note that any sales through SBI pursuant to the KASE Tender Offer will be free of commissions and dealing charges.

3.4 The Put Option Rights

In accordance with the JSC Law, Shareholders who do not agree with the Board's decision to launch the Tender Offer or the Board's decision to enter into the irrevocable undertaking with NC KMG or who vote against the Delisting resolutions to be proposed at, or who do not attend, EGM 2 have the right to require the Company to purchase their Shares.

Additionally, in accordance with the JSC Law, GDR Holders who vote against the Delisting resolutions to be proposed at, or who do not appoint a representative to attend, EGM 2 would have the right to require the Company to purchase their GDRs if information about the GDR Holder is disclosed in the KACD system and Common Shares represented by the GDRs become voting shares.

Alternatively, GDR Holders may, on the payment of the applicable fees under the Deposit Agreement, surrender their GDRs for the underlying Common Shares to exercise such Put Option Right. If GDR Holders have any questions about the surrender procedure, please contact the Depositary, Deutsche Bank Trust Company Americas, 60 Wall Street, 10005-2836 New York, NY, USA, telephone: +1 212 250 9100 and email: adr@db.com.

No Put Option Right will arise in relation to EGM 2, if EGM 2 is not called or the Delisting resolutions are not passed at EGM 2.

A Shareholder or GDR Holder will have 30 calendar days from the date of the relevant triggering event to exercise the Put Option Right. Subject to certain limitations established by the JSC Law (the principal one being the 25 per cent. limit on shares held in treasury referred to in paragraph 3.8 of this announcement), the Company must purchase the Shares and GDRs pursuant to the Put Option Right within 30 calendar days of the exercise of the Put Option Right. Such purchase must be carried out in accordance with a procedure set out in the JSC Law and at a price established by the Share Valuation Methodology, namely at a 10 per cent. discount to:

- (a) if a Shareholder exercises the Put Option Right, the weighted average price of the Common Shares or Preference Shares, as the case may be, traded on KASE on the day of the exercise by the relevant Shareholder of the relevant Put Option Right; or
- (b) if a GDR Holder exercises the Put Option Right, the weighted average price of the GDRs traded on the LSE on the day of the exercise by the relevant GDR Holder of the relevant Put Option Right.

Any consideration payable by the Company on the exercise of a Put Option Right will be subject to Kazakhstan withholding tax in the same way as the Tender Offer. Any such information should be provided directly to KMG EP.

3.5 Amendments to the Share Valuation Methodology

The Company has today convened EGM 1 for Shareholders to consider and, if thought appropriate, to approve amendments to the Share Valuation Methodology in the manner set out in the Amended Share Valuation Methodology. Preference Shareholders have no right to vote at EGM 1.

The Share Valuation Methodology currently provides that any voluntary repurchase of Shares traded on an organised securities market will be conducted by the Company at the then current market price. The Amended Share Valuation Methodology will create a distinction between voluntary repurchases of Preference Shares and voluntary repurchases of Common Shares and GDRs. Any voluntary repurchase by the Company of Preference Shares traded on an organised securities market will be conducted at the then current market price, whereas any voluntary repurchase of Common Shares or GDRs traded on an organised securities market will be conducted either at the then current market price or at any other price taking into account the market value of Common Shares or GDRs and the value of the Company's assets and the prospect of any change in the Company's assets in accordance with the development plans of the Company and other factors. These amendments are required in order for the Company to implement the Share Offer. The Tender Offer is conditional on the approval of the Amended Share Valuation Methodology at EGM 1.

These changes do not apply to any purchase by the Company of Shares or GDRs under the Put Option Rights.

GDR Holders who accept the Tender Offer before EGM 1 will irrevocably undertake to vote in favour of the resolution at EGM 1.

3.6 Amendments to the Deposit Agreement

The Deposit Agreement contains undertakings by the Company to use its best endeavours to maintain a listing for the GDRs. In view of the Company's intention to delist the GDRs, the Company has agreed with the Depositary to amend the Deposit Agreement to remove such obligations by entering into the Amended Deposit Agreement.

3.7 The Share Offer

Subject to the Tender Offer becoming unconditional in all respects, the Company will make the Share Offer for all the Common Shares in issue or to be issued. NC KMG has irrevocably undertaken to ensure that the Share Offer is made upon the Tender Offer becoming unconditional in all respects.

The Share Offer will be made at the Share Price but payable in Tenge. The Share Price in Tenge at which the Company will offer to purchase Common Shares on KASE on each Settlement Date will be calculated and converted into Tenge (rounded up to two decimal places) using the official US dollar:Tenge exchange rate as published by the National Bank of Kazakhstan on its website on the relevant Settlement Date.

The Share Offer, if made, will be wholly unconditional, will be open for acceptance for the same period as the Tender Offer remains open until its Closing Date (as such date may be extended), but it will not be extended beyond that period and the Share Price will not be increased.

3.8 Cancellation and exchange of the GDRs acquired pursuant to the Tender Offer into Common Shares

Assuming the Tender Offer is successful, KMG EP intends in due course to surrender all the GDRs it acquires in exchange for the underlying Common Shares which it will then hold in treasury. However, under the JSC Law, the total number of Shares bought back or held in treasury cannot exceed 25 per cent. of the Company's issued share capital, which is equivalent to 18,589,261 Shares as at 30 November 2017 (being the latest practicable date prior to the publication of this announcement). The Company holds 4,866,767 Shares in treasury as at 30 November 2017 (being the latest practicable date prior to the publication of this announcement), meaning that headroom is available to hold a further 13,722,494 Shares in treasury.

Before EGM 2 is held, KMG EP will exchange up to 53,908,494 of the GDRs it has acquired through participation by GDR Holders in the Tender Offer for the 8,984,749 Common Shares underlying those GDRs. The Company will also convert 5,959,348 GDRs it holds in trust into Common Shares. Such Common Shares will be held by the Company in treasury.

Assuming that all Common Shares are purchased from the Common Shareholders and the cancellation and exchange of GDRs representing 8,984,749 Common Shares, after completion of the Tender Offer the Company will hold 15,242,431 Shares in treasury (being 20.5 per cent. of the Company's issued share capital), and will have headroom available to hold a further 3,346,830 Shares in treasury, which could be used in the event that any Shareholders or GDR Holders exercise a Put Option Right.

On the cancellation and exchange of such GDRs for Common Shares, NC KMG will have an interest in at least 75 per cent. of the total voting share capital of the Company (including Common Shares

represented by GDRs but excluding Common Shares held in treasury and GDRs held by the Company).

The remaining GDRs will continue to be held by KMG EP and the Amended Deposit Agreement will remain in effect until the Company is able to hold further Common Shares in treasury and surrender the balance of the GDRs for Common Shares. Given the prohibition in the JSC Law, there is no guarantee KMG EP will be able to surrender all of the GDRs it acquires.

3.9 Amendments to the Charter

Subject to the Tender Offer becoming unconditional in all respects, the Company will convene EGM 2 for Shareholders to consider and, if thought appropriate, to approve the Delisting (as required by the Charter) and certain amendments to the Charter to become effective on the LSE Delisting. Preference Shareholders have no right to vote at EGM 2.

The principal amendments to the Charter, which are in line with Kazakhstan Laws, to be proposed at EGM 2 are as follows:

- (c) to change the required majority to pass resolutions of the Shareholders on certain matters specified in the Charter, including on the delisting of the Company's securities and amendments to the Charter from a qualified majority (i.e. 75 per cent.) of the total number of voting Shares in issue to a simple majority of votes exercised at the meeting;
- (d) to change the requirement for resolutions of the Board on certain matters specified in the Charter to be adopted by a majority vote of the Directors (including a majority vote of the INEDs) present at the relevant meeting to a simple majority vote of the Directors present at the meeting;
- (e) to remove the express right of the INEDs to engage professional consultants to advise them at the expense of the Company (without prejudice to any engagement entered into prior to EGM 2);
- (f) to change the requirement for the agenda of all Board meetings to be approved by the majority of the INEDs present at the relevant meeting to a simple majority of vote of all the Directors present at the meeting;
- (g) to change the quorum required for a duly authorised meeting of the Board from two thirds to one half of all the Directors; and
- (h) to change the requirement that two-thirds of the INEDs be present for a Board meeting to be quorate.

The provisions in the Charter requiring not less than 30 per cent. of the Board to be INEDs will be retained, as will the requirement that the quorum for a Board meeting considering a related party transaction consist of least 2 Directors not related to (or deemed to be related to) such transaction.

Notwithstanding the proposed amendments to the Charter, the Board of KMG EP is expected to remain unchanged immediately following Delisting, and no changes to the remuneration of the INEDs or the terms of appointment of the INEDs will be made as a consequence of the Proposals.

3.10 The LSE Delisting and the KASE Delisting

Subject to the successful completion of the Tender Offer, the resolutions being passed at EGM 2 and the expiry of the Share Offer, KMG EP intends to apply for the cancellation of the listing of the GDRs on the Official List and of their trading on the LSE and the cancellation of the admission of the Common Shares and the GDRs to the official list of KASE. The Delisting would take effect following the expiry of the final Put Option Right which will arise following EGM 2.

3.11 The termination of the Relationship Agreement

The LSE Delisting will result in the termination of the Relationship Agreement.

4. The Preference Shares

The Preference Shares pre-date both the admission of the Common Shares to the official list of KASE and the listing of the GDRs on the Official List and their admission to trading on the LSE. The Preference Shares were originally offered to employees of predecessor companies of KMG EP in the 1990s and are held by current and former employees of the KMG EP Group.

Historically, many of the holders have viewed the Preference Shares as giving them an interest in the wider NC KMG Group. Furthermore, the Board considers that the Preference Shares constitute an important form of incentivisation for the workforce, enabling the Company to reward the holders with future dividend payments and to pass the Preference Shares on as part of their inheritance. Given that historically Preference Shares were provided mainly to employees of production teams of the KMG EP Group, the Board believes it is in the best interests of the Company and for the maintenance of social stability in the regions not to acquire the Preference Shares.

For these reasons and as the JSC Law does not require the Company to extend a voluntary buyback offer to the holders of the Preference Shares as a result of any of the Proposals, the Company does not intend to make any voluntary offer for the Preference Shares or to seek the delisting of the Preference Shares from the official list of KASE. Holders of Preference Shares will, however, be able, if they wish, to exercise their Put Option Rights as explained in paragraph 3.4 of this announcement.

5. The Tender Offer

5.1 Overview of the Tender Offer

As at 30 November 2017 (being the latest practicable date prior to the publication of this announcement) there were 70,220,935 Common Shares in issue, of which 2,793,620 were held in treasury and 143,655,714 GDRs in issue, of which 6,670,408 GDRs were held by the Company.

KMG EP will implement the Tender Offer by acquiring the successfully tendered GDRs at the Tender Price.

The Tender Offer is being made to all Qualifying GDR Holders for all and any GDRs in issue. Qualifying GDR Holders may tender all, some or none of their respective GDRs.

The entire consideration to be paid by KMG EP in respect of the Tender Offer will be US\$1.92 billion assuming: (i) the Tender Offer is accepted by all GDR Holders in respect of all outstanding GDRs; and (ii) no change in the number of GDRs in issue as at 30 November 2017 (being the latest practicable date before the publication of this announcement). This amount may change if some of the GDRs are surrendered for Common Shares (or *vice versa*) and/or Common Shares and/or GDRs

are issued or GDRs are transferred to the holders of Options as a result of the exercise of Options after 30 November 2017 (being the latest practicable date before the publication of this announcement).

5.2 Circumstances in which the Tender Offer may not proceed

The Tender Offer is made on the terms and subject to the Tender Conditions and other conditions set out in this announcement. The Tender Conditions are:

- the GDRs having been admitted to the official list of KASE;
- KMG EP having received valid acceptances of the Tender Offer in respect of 53,908,494 GDRs, which as at 30 November 2017 (being the latest practicable date prior to the publication of this announcement) represent approximately 39.4 per cent. of the GDRs in issue (excluding GDRs held by the Company); and
- the passing of the resolution at EGM 1.

The Acceptance Condition may be waived by the Company if it has not been satisfied by the Final Closing Date.

6. Expected timetable of principal events

The following table describes the expected timing of the implementation of the Proposals. Please note the timings below are indicative timings which may change if the Tender Offer is not wholly unconditional at the First Closing Date and is extended. Furthermore, the making of the Share Offer and all the subsequent events shown below are dependent on the Tender Offer becoming unconditional in all respects. If any of the times and dates shown below change, the revised times and/or dates will be announced by the Company through a Regulatory Information Service without delay.

Announcement of the Tender Offer and the commencement of the Tender Offer period	8 December 2017 ¹
Commencement of the period for those Shareholders who disagree with the Tender Offer to exercise the Put Option Right	8 December 2017
Listing of the GDRs on KASE	20 December 2017
End of the period for those Shareholders who disagree with the Tender Offer to exercise the Put Option Right	7 January 2018
EGM 1 to approve certain amendments to the Share Valuation Methodology	22 January 2018
The time on the First Closing Date by which KASE Tender Forms must be received by the Receiving Agent	1.00 p.m. on 22 January 2018

¹ All references to time in this announcement are to London time (unless otherwise stated).

3.00 p.m. on the First Closing Date, being the time and date at which the Tender Offer may lapse if the Tender Conditions have not been satisfied (or, in the case of the Acceptance Condition only, waived) and the Company does not choose to extend the Tender Offer	3.00 p.m. on 22 January 2018 ²
First SBI Document Collection Date	22 January 2018
Announcement of the results of the Tender Offer	23 January 2018
Announcement of the Share Offer	23 January 2018
First Settlement Date of the Tender Offer and the Share Offer	19 February 2018
Final SBI Document Collection Date	8 March 2018
The time on the Final Closing Date by which KASE Tender Forms must be received by the Receiving Agent	1.00 p.m. on 8 March 2018
3.00 p.m. on the Final Closing Date, being the latest time and date the Tender Offer will be open for acceptances of the OTC Tender Offer if it becomes unconditional in all respects	3.00 p.m. on 8 March 2018 ³
Expiry of the notice period for the amendments to the Deposit Agreement	8 March 2018
Latest date for the receipt of acceptances in relation to the Share Offer (i.e. the close of the Share Offer)	9 March 2018
EGM 2 to approve the Delisting and to make certain amendments to the Charter	9 March 2018
The amendments to the Deposit Agreement become effective	9 March 2018
Commencement of the period for the exercise of the Put Option Right by Shareholders and GDR Holders who vote against the Delisting resolutions at, and Shareholders and GDR Holders who do not attend, EGM 2	9 March 2018
Final Settlement Date of the Tender Offer and the Share Offer	5 April 2018
End of the period for the exercise of the Put Option Right by Shareholders and GDR Holders who vote against the Delisting	8 April 2018

² Please note that Euroclear, Clearstream and DTC, their respective participants and the brokers or other securities intermediaries through which GDRs are held will establish their own cut-off dates and times for the tender of the GDRs, which will be earlier than 3.00 p.m. on the First Closing Date.

³ Please note that Euroclear, Clearstream and DTC, their respective participants and the brokers or other securities intermediaries through which GDRs are held will establish their own cut-off dates and times for the tender of the GDRs, which will be earlier than 3.00 p.m. on the Final Closing Date.

resolutions at, and Shareholders and GDR Holders who do not attend, EGM 2

Cancellation of the admission of the GDRs to the Official List and to trading on the LSE 8 May 2018

Delisting of the Common Shares and the GDRs from KASE 8 May 2018

7. Current trading and prospects

7.1 The Company's current trading

The Company announced its consolidated interim results for the nine months ended 30 September 2017 on 13 November 2017. The announcement referred to the following financial results:

- revenue for the period was up 29 per cent. year-on-year at KZT666 billion (US\$2,059 million¹). This was largely a result of a 24 per cent. increase in the price of Brent, a higher share of export sales and the switch to the processing scheme in April 2016, partially offset by a 6 per cent. decrease in the average Tenge:US dollar exchange rate;
- net profit for the period was KZT168 billion (US\$521 million) compared to KZT76 billion (US\$220 million) in the same period in 2016. Net cash generated from operating activities was KZT184 billion (US\$570 million) compared to KZT108 billion (US\$314 million) in the same period in 2016;
- EBITDA² for the period was KZT181 billion (US\$559 million) compared to KZT123 billion (US\$359 million) in the same period in 2016;
- net cash position³ as at 30 September 2017 was KZT1,360 billion (US\$4.0 billion) compared to KZT1,172 billion (US\$3.5 billion) as at 31 December 2016;
- KMG EP, including its stakes in Kazgermunai (“**KGM**”), Karazhanbasmunai (“**CCEL**”) and PetroKazakhstan Inc. (“**PKI**”), produced 8,884 thousand tonnes of crude oil (240 kbopd), a 3 per cent. decrease over the same period in 2016;
- Ozenmunaigas JSC (“**OMG**”) produced 4,092 thousand tonnes (110 kbopd), a 2 per cent. decrease year on year, mainly due to lower level of production from the existing well stock. Embamunaigas JSC (“**EMG**”) produced 2,117 thousand tonnes (57 kbopd), 0.2 per cent. less than in the same period of 2016. The total volume of oil OMG and EMG produced was 6,209 thousand tonnes (167 kbopd), a 1 per cent. decrease compared to the same period of 2016;
- the Company's share of production from KGM, CCEL and PKI for the period amounted to 2,675 thousand tonnes of crude oil (73 kbopd), 6 per cent. less than in the same period of 2016. This was mainly driven by a natural decline in oil production at PKI, which produced 13.5 per cent. per day less than in the same period of 2016;
- production expenses for the period were KZT230 billion (US\$713 million), up 18 per cent. compared to the same period in 2016. This was mainly due to a 13 per cent. increase in employee benefit expenses, the recognition of a reserve for environmental remediation obligations, additional processing expenses related to the new processing scheme, as well as higher repair and maintenance expenses, partially offset by a change in crude oil balance;

- capital expenditures for the period totalled KZT76 billion (US\$235 million), up 6 per cent. compared to the same period in 2016. This was primarily due to an increase in purchases of fixed assets and higher expenses related to hydraulic fracturing works performed on the new wells at OMG, which was partially offset by a decrease in capital expenditures directed towards the construction and modernisation of production facilities and a reduction in volumes of production drilling; and
- the Company plans capital expenditures for 2017 at the level of KZT136 billion (US\$378 million), which is KZT21 billion above the KZT115 billion (US\$337 million) spent in 2016.

Notes:

1 Amounts shown in US dollars have been translated solely for the convenience of the reader at the average rate over the applicable period for information derived from the consolidated statements of income and consolidated statements of cash flows and the end of the period rate for information derived from the consolidated balance sheets (average rates for the first nine months of 2017 and first nine months of 2016 were KZT323.30 and KZT344.00 to the US dollar, respectively; the period end rates at 30 September 2017 and 31 December 2016 were KZT341.19 and KZT333.29 to the US dollar, respectively).

2 EBITDA is calculated by adding back the share of income in equity-accounted entities, finance income and non-cash expenses such as depreciation and amortisation to the Company's operating profit.

3 Cash, cash equivalents and other financial assets less borrowings.

7.2 Corporate structure and corporate governance following implementation of the Proposals

The strategic goal is to take KMG EP private with the minimal number of minority GDR Holders and holders of Common Shares left after the Delisting.

The Board of KMG EP understands that the ultimate post-transaction corporate structure is yet to be determined by NC KMG. KMG EP, amongst other options, may remain a subsidiary of NC KMG or may be reorganised in accordance with Kazakhstan Laws, including the JSC Law.

KMG EP understands that if KMG EP remains a separate legal entity, its corporate governance and the Charter would be fully aligned with Kazakhstan Laws, including the JSC Law. The proposed amendments to the Charter and to the Share Valuation Methodology are described in this announcement, although the Charter and other corporate governance documents may be changed in the future.

8. Irrevocable undertaking

NC KMG supports the Proposals and has irrevocably undertaken to KMG EP not to sell its Shares or GDRs whether as part of either the Tender Offer or the Share Offer or otherwise, until the final Settlement Date.

NC KMG has further irrevocably undertaken to exercise the voting rights attaching to its Shares and any voting rights that it controls on the Board, to procure: (i) that the application required in connection

with the Listing Condition is made, (ii) that the notice convening EGM 1 is sent by the Company, and (iii) once the Tender Offer becomes unconditional, that the Tender Offer shall be held open for further acceptances until the Final Closing Date, that the notice convening EGM 2 is sent by the Company, and that the Share Offer is made at the Share Price.

NC KMG has also irrevocably undertaken to vote in favour of the resolutions to be proposed at EGM 1 and EGM 2.

The giving of the irrevocable undertaking by NC KMG does not constitute a breach of the Relationship Agreement.

As at 30 November 2017 (being the latest practicable date prior to the publication of this announcement), NC KMG held 43,087,006 Common Shares (including Common Shares represented by GDRs), being approximately 58 per cent. of the 74,357,042 Shares (including Common Shares represented by GDRs) in issue. Prior to EGM 2 and after GDRs representing 8,984,749 Common Shares are converted into Common Shares, NC KMG will control at least 75 per cent. of the voting share capital of KMG EP.

9. Financing of the Tender Offer

It is estimated that full acceptance of the Tender Offer and the Share Offer (other than by NC KMG) would require the payment by KMG EP of an amount of approximately US\$1.95 billion (including Tenge equivalents in respect of the Share Offer) in cash. Such payment, together with the funds required to fulfil any exercise of the Put Option Rights, will be funded from the existing cash reserves of the Company.

10. Notice of certain amendments to the Deposit Agreement

The Deposit Agreement contains an undertaking by the Company to use its best endeavours to maintain, so long as any GDR is outstanding, a listing for the GDRs on the Official List and admission to trading on the LSE. In the event that the listing on the Official List and admission to trading on the LSE is not maintained, the Deposit Agreement also contains an undertaking that the Company must use its best endeavours to obtain and maintain a listing of the GDRs on any other internationally recognised stock exchange in Europe.

In view of the Company's intention to delist the GDRs, the Company has agreed with the Depositary to remove these obligations to maintain such listings by entering into the Amended Deposit Agreement. In addition to removing such listing obligations, the Amended Deposit Agreement also reduces the notice periods for the termination of the Amended Deposit Agreement from 90 days to 30 days, such removal to take effect on the passing of the Delisting resolution at EGM 2, which shall occur no earlier than three months from the date of this document.

As required under the terms of the Deposit Agreement, the Company has today separately given three months' notice to the GDR Holders of such amendments to the Deposit Agreement.

During such period of three months, each GDR Holder is entitled to obtain, subject to and upon compliance with condition 1 of the Amended Deposit Agreement, delivery of the Deposited Property attributable to each GDR held by it upon surrender of the relevant GDR, payment of the charge for such delivery and surrender specified in, and otherwise in accordance with, the Amended Deposit Agreement.

Each GDR Holder at the time when such amendments become effective shall be deemed, by continuing to hold a GDR, to approve, and to be bound by the terms of, such amendments. Such amendments will not impair the right of any GDR Holder at any time to receive, subject to and upon compliance with condition 1 of the Amended Deposit Agreement, the Deposited Property attributable to the relevant GDR.

On the termination of the Amended Deposit Agreement by the Company, the Depositary would in accordance with the terms of the Amended Deposit Agreement sell the Common Shares (and any other deposited property then held by it) represented by the remaining GDRs and would deliver the net proceeds of such sale (together with any other cash then held by it) *pro rata* to those GDR Holders who have not previously surrendered their GDRs.

As a result, the Amended Deposit Agreement may be terminated at a later stage depending on the number of GDRs then outstanding.

11. Delisting

Subject to the successful completion of the Tender Offer, the resolutions being passed at EGM 2 and the expiry of the Share Offer, KMG EP intends to apply for the cancellation of the listing of the GDRs on the Official List and of their admission to trading on the LSE and the cancellation of the admission of the Common Shares and the GDRs to the official list of KASE.

In any event, the Listing Rules require a free float of at least 25 per cent. of the total number of issued GDRs be maintained at all times, a requirement which the Company is unlikely to be able to meet following any material acquisitions of GDRs by the Company under the Tender Offer.

Under the Listing Rules, the Company must advise the FCA of a delisting of the GDRs from the Official List not less than 20 business days before the date it intends the listing to be cancelled. Under the Admission and Disclosure Standards, the Company must advise the LSE of the delisting from the LSE not less than 20 business days before the date it intends trading in the GDRs to be discontinued.

The Company will submit notices to cancel the admission of the GDRs to the Official List and to trading on the LSE after both the notice of the amendments to the Deposit Agreement and the Put Option Right which will arise after EGM 2 have expired.

On such notices becoming effective and on the passing of the Delisting resolution at EGM 2, the Relationship Agreement shall terminate immediately.

The Company will also submit an application for the delisting of the Common Shares and the GDRs with a view to the Listing Commission of KASE approving the KASE Delisting after the expiry of the Put Option Period which will arise after EGM 2.

12. Termination of the Relationship Agreement on the LSE Delisting

The Relationship Agreement was entered into between the Company and NC KMG on 8 September 2006 and regulates, in part, the degree of control that NC KMG exercises over the Company. The principal purposes of the Relationship Agreement are to ensure that:

- (a) the Company is capable of carrying on its business as a self-dependent and free-standing business from NC KMG and of any of its affiliates and in the best interests of shareholders as a whole; and
- (b) the Company's transactions and relationships with NC KMG and its affiliates are at arm's length and on normal commercial terms.

The Relationship Agreement is regulated by Kazakhstan Laws.

The Relationship Agreement and the protections for the GDR Holders and the minority holders of Common Shares contained in it will terminate automatically on the LSE Delisting.

13. Absence of compulsory acquisition procedures

Neither the Charter nor the JSC Law provides for any mechanism whereby a person acquiring a minimum percentage of the total issued share capital of the Company is able compulsorily to require the remaining minority Shareholders and GDR Holders to transfer their Shares and GDRs to such person, whether pursuant to a takeover offer or otherwise. Furthermore, the provisions of the Takeover Code do not apply to the Company.

There is no obligation on either KMG EP or NC KMG to make further purchases of the GDRs or the Shares following the completion of the Tender Offer. Accordingly, there is no guarantee that those Qualifying GDR Holders who decide not to tender any of their GDRs under the Tender Offer will receive a further opportunity to sell their GDRs to KMG EP or NC KMG other than pursuant to the Share Offer and a Put Option Right. Any compensation received following termination of the Amended Deposit Agreement may be less than that offered pursuant to the Tender Offer.

14. Consequences for GDR Holders who do not accept the Tender Offer if the Proposals are implemented in full

Provided the Tender Conditions are satisfied (or, in the case of the Acceptance Condition only, waived), EGM 2 will be convened and the resolutions to be proposed at EGM 2 will also be passed due to the irrevocable undertaking given by NC KMG. Accordingly, after the holding of EGM 2 the Company will send the required notices to the FCA and the LSE to request the LSE Delisting and to KASE to request the KASE Delisting occurs. In other words, if the Tender Conditions are satisfied (or, in the case of the Acceptance Condition only, waived), it follows that Delisting will occur.

GDR Holders who do not or who cannot accept the Tender Offer should note that, following the implementation in full of the Proposals including the completion of the Tender Offer and the Delisting:

- their GDRs would continue in existence as unlisted securities and, although they would be able to surrender any of their GDRs for the Common Shares represented by those GDRs upon the payment of charges to the Depositary pursuant to the terms of the Amended Deposit Agreement, those Common Shares would also be unlisted;
- they would no longer be able to sell their GDRs through a public stock market and it is likely that there would only be limited opportunities for them to realise their investment as the Company does not intend to put in place a replacement trading programme; accordingly, the Delisting would significantly reduce the liquidity and marketability of any GDRs not tendered under the Tender Offer;

- there is no guarantee that those Qualifying GDR Holders who do not accept the Tender Offer would receive an offer from KMG EP or NC KMG to acquire their GDRs (or the Common Shares represented by such GDRs) other than the Share Offer and the Put Option Rights;
- NC KMG would materially increase its interest in KMG EP and the Relationship Agreement would terminate in accordance with its terms; accordingly, NC KMG would exercise a significant influence over the affairs of the Company, including, *inter alia*, having the right to vote in its sole discretion on the election of INEDs in accordance with Kazakhstan Laws;
- KMG EP's cash resources will be reduced to the extent of the entire consideration to be paid by KMG EP in respect of the Tender Offer;
- the minority protection provisions currently in the Charter will no longer apply as described in paragraph 3.9 of this announcement;
- the Company would no longer be required to comply with MAR or any of the Listing Rules or the Disclosure Guidance and Transparency Rules applicable to non-UK companies with depositary receipts admitted to the Official List and to trading on the LSE including the requirements to, *inter alia*, announce inside information (such as material transactions) or to announce final results; accordingly, the Company would only be required to comply with Kazakhstan Laws in respect of corporate governance;
- the Delisting may have implications for GDR Holders, for example, those who are required only to hold listed securities, or those who will hold more than 0.1 per cent. of the securities of the Company, who may require the consent of the competent authority in Kazakhstan for any future disposal of their Shares or GDRs; and
- the Amended Deposit Agreement may in future be terminated by the Company, the Common Shares represented by the remaining GDRs sold by the Depositary and the net proceeds distributed *pro rata* to those GDR Holders who have not previously surrendered their GDRs; accordingly, the sum per GDR received by the remaining GDR Holders in such a situation is likely to be significantly less than the Tender Price. The Company and the Depositary have amended the Deposit Agreement by entering into the Amended Deposit Agreement to reduce the notice periods for the termination of the Amended Deposit Agreement from 90 days to 30 days, such amendments to take effect on the passing of the Delisting resolution at EGM 2, which shall occur no earlier than three months from the date of this announcement.

15. Further details

Full details of the Tender Offer are set out in the Tender Offer Document.

16. Recommendation by the Board

The Directors consider the Proposals to be in the best interests of the Company and terms of the Tender Offer to be fair and reasonable. Accordingly, the Directors unanimously recommend that Qualifying GDR Holders accept the Tender Offer and, to the extent that they have not accepted the Tender Offer, to vote in favour of the resolution to be proposed at EGM 1.

J.P. Morgan has acted as financial adviser to KMG EP in connection with the matters set out in this announcement.

NC KMG has undertaken to vote in favour of the resolutions to be proposed at EGM 1 and EGM 2 in respect of its holding amounting to 43,087,006 Common Shares representing 57.9 per cent. of the 74,357,042 Shares (including Common Shares represented by GDRs) in issue on 30 November 2017 (being the latest practicable date prior to the publication of this announcement).

17. Recommendation by the INEDs

The INEDs, who have been so advised by Rothschild and HSBC in their capacity as financial advisers, consider the terms of the Tender Offer to be fair and reasonable so far as the GDR Holders are concerned. In providing advice to the INEDs, Rothschild and HSBC have taken into account the commercial assessments of the INEDs. Rothschild is providing independent financial advice to the INEDs for the purposes of assessing the terms of the Tender Offer.

The INEDs consider that the Proposals are in the best interests of the GDR Holders and Common Shareholders as a whole and, accordingly, recommend unanimously that GDR Holders accept the Tender Offer and, to the extent that they have not accepted the Tender Offer, to vote in favour of the resolution to be proposed at EGM 1.

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Notes to Editors

KMG EP is among the top three Kazakh oil producers based on the 2016 results. The overall production in 2016 was 12.2 million tonnes (245 kbopd) of crude oil, including the Company's share in Kazgermunai, CCEL and PKI. The Company's volume of proved and probable reserves excluding shares in the associates, at the end of 2016 was 182 million tonnes (1,327 mmbbl). The Company's shares are listed on the Kazakhstan Stock Exchange and the GDRs are listed on The London Stock Exchange. The Company raised over US\$2bn at its IPO in September 2006.

Important notices

This announcement contains inside information.

The release, publication or distribution of this announcement in, into or from jurisdictions other than the United Kingdom, the US or Kazakhstan may be restricted by the laws of those jurisdictions and therefore persons into whose possession this announcement comes should inform themselves about, and observe, such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction. This announcement does not constitute an offer to sell or issue, nor the solicitation of an offer to buy or subscribe for, shares in any jurisdiction in which such offer or solicitation is unlawful.

J.P. Morgan, which is authorised in the United Kingdom by the PRA and regulated by the PRA and the FCA, is acting as financial adviser exclusively for KMG EP and for no one else in connection with the matters referred to in this announcement, will not regard any other person as its client in relation to the matters set out in this announcement and will not be responsible to anyone other than KMG EP for providing the protections afforded to clients of J.P. Morgan or its affiliates, nor for providing advice in relation to any matter referred to in this announcement.

Rothschild, which is authorised in the United Kingdom by the FCA, is acting as financial adviser exclusively for the INEDs and for no one else in connection with the Tender Offer and will not be responsible to any person other than the INEDs for providing the protections afforded to clients of Rothschild or for providing advice in relation to the matters described in this announcement.

HSBC is authorised by the PRA and regulated by the FCA and the PRA in the United Kingdom. HSBC is acting as financial adviser exclusively for the INEDs in connection with the Tender Offer and no one else and will not regard any person as its client in relation to any matters set out in this announcement and will not be responsible to anyone other than the INEDs for providing the protections afforded to clients of HSBC or for providing advice in connection with the Tender Offer or any matter referred to in this announcement.

No person has been authorised to give any information or make any representations other than those contained in this announcement and, if given or made, such information or representations must not be relied on as having been so authorised. The delivery of this announcement shall not, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this announcement or that the information in it is correct as of any subsequent time.

Notice for US Securities Holders

The Tender Offer is not subject to the disclosure and other procedural requirements of Regulation 14D under the US Exchange Act. The Tender Offer will be made in the United States in accordance with the requirements of Regulation 14E under the US Exchange Act to the extent applicable. Certain provisions of Regulation 14E under the US Exchange Act are not applicable to the Tender Offer by virtue of Rule 14d-1(c) under the US Exchange Act. US GDR Holders should note that the GDRs are not listed on a US securities exchange and KMG EP is not subject to the periodic reporting requirements of the US Exchange Act and is not required to, and does not, file any reports with the US Securities and Exchange Commission under such Act.

This announcement has not been approved, disapproved or otherwise recommended by the US Securities and Exchange Commission or any US state securities commission and such authorities have not confirmed the accuracy or determined the adequacy of this announcement. Any representation to the contrary is a criminal offence in the United States.

Forward-looking statements

This announcement, including information included or incorporated by reference in this announcement, includes statements that are, or may be deemed to be, “forward-looking statements” concerning the Tender Offer, KMG EP, the KMG EP Group and NC KMG that are subject to risks and uncertainties. These forward-looking statements can be identified by the use of forward-looking terminology including, but not limited to, the terms “believes”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “target”, “will” or “should” or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They include, but are not limited to, statements regarding the Company’s intentions, beliefs and statements of current expectations concerning, amongst other things, the Company’s results of operations, financial condition, liquidity, prospects, growth, potential acquisitions, strategies and as to the industries in which the Company operates. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that may or may not occur. Forward-looking statements are not guarantees of future performance and the actual results of the Company’s operations, financial condition and liquidity and the development of the country and the industries in which the Company operates may differ materially from those described in, or suggested by, the forward-looking statements contained in this announcement. The Company does not intend, and does not assume any obligation, to update or revise any forward-looking statements or industry information set out in this announcement, whether as a result of new information, future events or otherwise. The Company does not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved.

APPENDIX

DEFINITIONS

The following definitions apply throughout this announcement, unless the context requires otherwise:

"Acceptance Condition"	the Tender Condition relating to acceptances of the Tender Offer as set out in the second bullet under paragraph 1 of this announcement;
"Admission and Disclosure Standards"	the LSE's admission and disclosure standards for securities admitted or seeking to be admitted to trading, as amended from time to time;
"Amended Deposit Agreement"	the amended and restated deposit agreement dated 7 December 2017 between KMG EP and the Depositary in its capacity as depositary for the GDRs;
"Amended Share Valuation Methodology"	the amended Methodology for Determining the Share Price in Case of their Repurchase by the Company, proposed to be approved at EGM 1;
"Board" or "Directors"	the directors of KMG EP;
"Business Day"	any day other than a Saturday, Sunday or a day which is a federal holiday in the United States or a public holiday in Kazakhstan or the United Kingdom;
"Charter"	the charter of the Company, as amended from time to time;
"Clearstream"	Clearstream Banking, Société Anonyme;
"Common Shareholders"	holders of Common Shares from time to time excluding those in a Restricted Jurisdiction;
"Common Shares"	common shares in the capital of the Company admitted to the "Premium" category of the official list of KASE;
"Company" or "KMG EP"	JSC KazMunaiGas Exploration Production, a company registered in accordance with Kazakhstan Laws;
"Delisting"	the LSE Delisting and the KASE Delisting;
"Deposit Agreement"	the amended and restated deposit agreement dated 24 January 2014 between KMG EP and the Depositary in its capacity as depositary for the GDRs;
"Depositary"	Deutsche Bank Trust Company Americas;
"Deposited Property"	the Common Shares deposited with the custodian appointed by the Depositary and all and any rights, interests and other securities, property and cash for the time being held by such custodian or the Depositary or their respective agents and attributable to the Deposited Shares pursuant to the provisions of the Amended Deposit Agreement;
"Disclosure Guidance and Transparency Rules"	the Disclosure Guidance and Transparency Rules of the FCA;

"DTC"	The Depository Trust Company;
"EGM 1"	the extraordinary general meeting of the Company convened for 22 January 2018 to consider and, if thought appropriate, to adopt the Amended Share Valuation Methodology;
"EGM 2"	the extraordinary general meeting of the Company to be convened to consider and, if thought appropriate, to approve the Delisting and to make certain amendments to the Charter;
"Euroclear"	Euroclear Bank S.A./N.V., as operator of the Euroclear System;
"FCA"	the UK Financial Conduct Authority in its capacity as the competent authority for the purposes of Part VI of FSMA, including its successor(s) from time to time;
"Final Closing Date"	8 March 2018;
"First Closing Date"	22 January 2018;
"FSMA"	the UK Financial Services and Markets Act 2000, as amended from time to time;
"GDR"	a global depository receipt (representing one sixth of one Common Share) created pursuant to the Deposit Agreement or the Amended Deposit Agreement (as the case may be);
"GDR Holders"	holders of GDRs from time to time;
"HSBC"	HSBC Bank plc;
"INEDs"	the independent non-executive directors of the Company;
"IPO"	the initial public offering of the GDRs by the Company and the admission of the GDRs to the Official List and to trading on the LSE;
"J.P. Morgan"	J.P. Morgan Securities plc;
"JSC Law"	the Kazakhstan Law "On Joint-Stock Companies" dated 13 May 2003, as amended from time to time;
"KACD"	the Kazakhstan Central Securities Depository;
"KASE"	Joint-Stock Company Kazakhstan Stock Exchange;
"KASE Broker"	SBI or any other KASE registered broker;
"KASE Delisting"	the cancellation of the admission of the Common Shares and the GDRs to the official list of KASE;
"KASE Tender Form"	the form set out in Appendix A to the Tender Offer Document for use by GDR Holders who wish to accept the KASE Tender Offer;
"KASE Tender Offer"	the invitation to GDR Holders to tender GDRs as an Open Trade transaction on KASE on the terms and conditions set out in this announcement;
"Kazakhstan"	the Republic of Kazakhstan;

"Kazakhstan Holder"	a GDR Holder who is a resident of Kazakhstan or a tax non-resident who maintains a permanent establishment in Kazakhstan and the gain from the sale of their GDRs is attributable to such permanent establishment;
"Kazakhstan Laws"	the constitution and all laws, edicts, decrees, regulations, instructions, orders and other legal acts of Kazakhstan, as amended from time to time;
"kbopd"	thousands of barrels of oil per day;
"KMG EP Group"	KMG EP and its subsidiaries from time to time;
"KZT" or "Tenge"	Tenge, the lawful currency of Kazakhstan;
"Listing Rules"	the listing rules made by the FCA for the purposes of Part VI of FSMA, as amended from time to time;
"LSE" or "London Stock Exchange"	London Stock Exchange plc;
"LSE Delisting"	the cancellation of the admission of the GDRs to the Official List and to trading on the LSE;
"MAR"	the Market Abuse Regulation (EU No. 596/2014) and relevant technical standards relating to such Regulation;
"NC KMG"	JSC National Company KazMunayGas, a company registered in accordance with Kazakhstan Laws;
"NC KMG Group"	NC KMG and its subsidiaries from time to time;
"Non-Kazakhstan Holder"	a GDR Holder who is an individual who is a tax non-resident of Kazakhstan or a legal entity that is neither established in accordance with the legislation of Kazakhstan, nor has its actual governing body (place of effective management) in, nor maintains a permanent establishment in, or otherwise has any legal taxable presence in Kazakhstan;
"Official List"	the Official List of the FCA;
"Open Trade"	a sale and purchase of the GDRs on KASE as a "specialised trade" (as defined under Kazakhstan Laws) which meets the requirements for an "open trade" method under Kazakhstan Laws;
"Options"	the options over GDRs representing 118,510 Common Shares which are outstanding at 30 November 2017 (being the latest practicable date prior to the date of this announcement);
"OTC Tax Declaration Form"	the form set out in Appendix B to the Tender Offer Document for use by GDR Holders who wish to accept the OTC Tender Offer and to mitigate any Kazakhstan withholding tax that may be deducted as a Withheld Amount;
"OTC Tender Offer"	the invitation to GDR Holders to tender GDRs over-the-counter on the terms and conditions set out in this announcement;
"Possible Offer Announcement"	the announcement made by KMG EP on 4 December 2012 in

	regarding the Intention to Repurchase its GDRs and delist from the London Stock Exchange and Kazakhstan Stock Exchange;
“PRA”	the Prudential Regulation Authority;
“Preference Shareholders”	holders of Preference Shares from time to time;
"Preference Shares"	non-redeemable preference shares in the capital of the Company admitted to the first category of the official list of KASE;
"Preferential Tax Regime Country"	a country with preferential tax regime in accordance with Order No.595 dated 29 December 2014 of Kazakhstan;
"Proposals"	the proposals including the Tender Offer, EGM 1, the Share Offer, EGM 2 and the Delisting described in paragraph 3 of this announcement;
“Put Option Period”	the time in which relevant Shareholders may exercise the Put Option Right;
"Put Option Right"	the Shareholders' right to require the Company to purchase the Common Shares and the GDRs in case of the occurrence of certain events in accordance with the JSC Law;
"Qualifying GDR Holders"	GDR Holders who are entitled to participate in the Tender Offer, being those who are GDR Holders on the Closing Date or a Settlement Date and excluding those in a Restricted Jurisdiction;
"Receiving Agent"	Link Asset Services whose address is Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU in its capacity as receiving agent in connection with the KASE Tender Offer;
“Regulatory Information Service”	any information service authorised from time to time by the FCA for the purpose of disseminating regulatory announcements;
"Relationship Agreement"	the relationship agreement between the Company and NC KMG dated 8 September 2006;
“Restricted Jurisdiction”	any jurisdiction where the extension or availability of the Tender Offer would breach any applicable law or regulation or would result in a requirement to comply with any governmental or other consent or any registration, filing or other formality which KMG EP regards as unduly onerous;
"Rothschild"	N.M. Rothschild & Sons Limited;
"SBI" or "SkyBridge Invest"	JSC SkyBridge Invest, a broker licensed in Kazakhstan;
"SBI Document Collection Date"	the date on which the Tender Offer becomes or is declared unconditional in all respects and the date which is 90 days after the date of this announcement, each being the date by which SBI must receive to its satisfaction the documents required for it to open a brokerage account for a GDR Holder wishing to settle its GDRs validly tendered before that date by way of an

	Open Trade transaction on KASE;
"Settlement Date"	each date which is 28 days after each SBI Document Collection Date;
"Shareholders"	holders of the Common Shares and Preference Shares;
"Shares"	Common Shares and Preference Shares;
"Share Price"	a price per Common Share in US dollars equivalent to six times the Tender Price (or, if such Tender Price is increased pursuant to paragraph 2.27 of Part V of the Tender Offer Document, equivalent to six times such increased price);
"Share Offer"	the offer to be made by the Company for its Common Shares as described in paragraph 3.7 of this announcement;
"Share Valuation Methodology"	the Methodology for Determining the Share Price in Case of their Repurchase by the Company, which was approved by a general meeting of Shareholders of 23 January 2008 and by the Board of Directors resolution of 4 December 2007;
"Takeover Code"	the UK City Code on Takeovers and Mergers;
"Tender Agent"	The Bank of New York Mellon of 101 Barclay Street, 22 nd Floor, New York, New York 10286, USA, in its capacity as tender agent in connection with the OTC Tender Offer;
"Tender Conditions"	the conditions to which the Tender Offer is subject as set out in this announcement;
"Tender Offer"	the invitation to GDR Holders to tender GDRs under either the OTC Tender Offer or the KASE Tender Offer on the terms and conditions set out in this announcement;
"Tender Price"	US\$14.00 in cash per GDR;
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland;
"United States" or "US"	the United States of America;
"US dollar" or "US\$"	the lawful currency of the United States of America;
"US Exchange Act"	the United States Securities Exchange Act of 1934, as amended from time to time;
"Withheld Amount"	the amount withheld by the Company from the entire Tender Price due to Non-Kazakhstan Holders on account of Kazakhstan withholding tax in respect of any capital gain made on tendered GDRs.