

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")

Completion of first settlement under the tender offer by the Company to purchase its GDRs and the offer by the Company to purchase its Common Shares

Astana, February 20, 2018

1. Introduction

On 8 December 2017, KMG EP announced the launch of a conditional tender offer to repurchase all of its outstanding GDRs at a price of US\$14.00 per GDR (the "**Tender Offer**").

On 23 January 2018, KMG EP announced:

- that the Acceptance Condition and all other Tender Conditions were satisfied and the Tender Offer was declared unconditional in all respects; and
- an unconditional offer to repurchase on KASE all of its Common Shares in issue or to be issued (the "**Share Offer**") at a price of US\$84.00 per Common Share but payable in Tenge.

Words and phrases defined in the Company's announcement of the launch of the Tender Offer on 8 December 2017 shall bear the same meaning in this announcement (the "**Tender Offer Announcement**").

2. GDRs and Common Shares acquired pursuant to first settlement of the Tender Offer and the Share Offer

KMG EP is pleased to announce that settlement under the Tender Offer and the Share Offer was effected on the first Settlement Date of 19 February 2018, as a result of which KMG EP has repurchased a total of:

- 134,070,054 GDRs, which as at 31 January 2018 (being the latest practicable date prior to the publication of this announcement) represent approximately 97.7 per cent. of the GDRs in issue (excluding GDRs held by the Company) and approximately 31.8 per cent. of the Common Shares (including Common Shares represented by GDRs) in issue; and
- 320,688 Common Shares in issue which as at 31 January 2018 (being the latest practicable date prior to the publication of this announcement) represent approximately 0.5 per cent. of the Common Shares (including Common Shares represented by GDRs) in issue.

The Common Shares repurchased by the Company will be held in treasury while the GDRs will be held by KMG EP subject to it in due course surrendering such GDRs in exchange for the underlying Common Shares as described in paragraph 3.8 of the Tender Offer Announcement.

NC KMG and KMG EP together now hold a total of 47,194,539 Common Shares and 134,781,116 GDRs representing approximately 99.2% of the Common Shares (including Common Shares represented by GDRs) in issue.

3. Payments made on the First Settlement Date under the Tender Offer and the Share Offer

Settlement of the consideration due under the Tender Offer and the Share Offer was effected on 19 February 2018 as follows:

3.1 OTC Tender Offer

The Company remitted to the Tender Agent, US\$993,297,656, being the relevant entire Tender Price less a Withheld Amount and any other applicable taxes and other governmental charges totalling US\$25,748,120, in respect of all valid acceptances received by 3:00 p.m. (London time) on 22 January 2018. As a result the Company has acquired 72,788,984 GDRs pursuant to the OTC Tender Offer.

The Tender Agent will, as soon as practicable, pay the net amount received by it to the Clearing Systems for further distribution to those GDR Holders who validly tendered their GDRs by 3:00 p.m. (London time) on 22 January 2018. The net amounts shall be paid to tendering GDR Holders through the procedures of the relevant Clearing System.

3.2 KASE Tender Offer

The Company paid to the relevant KASE Brokers US\$857,934,980, being the entire Tender Price less any other applicable taxes and other governmental charges, in respect of all valid acceptances received by that date. As a result the Company has acquired 61,281,070 GDRs pursuant to the KASE Tender Offer.

3.3 Share Offer

The Company settled all valid acceptances of the Share Offer in the case of bids for sale received by 16 February 2018 by the payment of KZT8,604,469,521 (being US\$26,937,792 at the official US dollar:Tenge exchange rate as published by the National Bank of Kazakhstan on its website on 19 February 2018). As a result the Company has acquired 320,688 Common Shares pursuant to the Share Offer.

4. Preference Shares acquired pursuant to the Put Option Right arising on the announcement of the Tender Offer

KMG EP also announces that it has repurchased at a cost of KZT1,160,200,439 a total of 95,761 Preference Shares from Preference Shareholders who between 8 December 2017 and 8 January 2018 exercised the Put Option Right which arose on the announcement of the Tender Offer.

As a result, the Company now holds a total of 2,168,908 Preference Shares in treasury.

5. Kazakhstan withholding tax

5.1 Proof of tax withheld

GDR Holders are reminded that they may be entitled to offset the amount of tax withheld by KMG EP against tax liabilities in their countries of residence, GDR Holders, according to the Kazakhstan Laws, can obtain evidence of withholding tax from the Kazakhstan tax authorities. GDR Holders, as stipulated in the Kazakhstan Laws, are required to request such evidence directly from the Kazakhstan tax authorities.

Information on, and contact details for, the tax authorities can be found on the website of the Ministry of Finance of Kazakhstan: <http://kgd.gov.kz/en>.

5.2 Double tax treaties

A limited number of double tax treaties may provide relief from Kazakhstan withholding tax. However, such relief may only be applied via a tax refund mechanism, where withholding tax should first be paid to the Kazakhstan tax authorities. In practice, obtaining a tax refund may be an onerous process with an uncertain outcome. GDR Holders who seek to apply the double tax treaty relief should consult their professional advisers for each specific case.

The attention of GDR Holders is drawn to Part VII of the tender offer document dated 8 December 2017 for further information on certain Kazakhstan taxation matters.

The above is summary is intended only as a general guide to the taxation position under Kazakhstan tax legislation and does not constitute tax or legal advice. Any GDR Holders who are in doubt as to their taxation position or who require more detailed information should consult their professional tax advisers.

6. EGM 2 and Delisting

The Company announced on 23 January 2018 the convening of an extraordinary general meeting ("EGM 2") on 12 March 2018 to approve 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, as well as to approve certain amendments to the Charter. Due to the irrevocable undertaking given by NC KMG to vote in favour of the resolutions to be proposed at EGM 2 described in the Tender Offer Announcement, the resolutions to be proposed at EGM 2 will be passed and it follows that Delisting will occur.

Subject to the resolutions being passed at EGM 2 and the expiry of the Share Offer, KMG EP intends to apply for the LSE Delisting and the KASE Delisting.

On 11 April 2018, KMG EP will 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. On or after 11 April 2018, the Company will submit notices to cancel the admission of the GDRs to the Official List and to trading on the LSE so as to take effect on the date of the KASE Delisting, which is expected to be approximately after 20 working days. On such notices becoming effective, the Relationship Agreement shall terminate immediately.

The Delisting will significantly reduce the liquidity and marketability of any GDRs not tendered under the Tender Offer and any Common Shares not offered for sale under the Share Offer.

7. Final Closing Date and action to be taken by GDR Holders who have not yet accepted the Tender Offer

In accordance with its terms and conditions, the Tender Offer will remain open for acceptances until 3.00 p.m. (London time) on the Final Closing Date, which is 8 March 2018, and will not be extended beyond that date.

The Directors, including the INEDs, unanimously recommend that Qualifying GDR Holders accept the Tender Offer.

GDR Holders who have not yet accepted the Tender Offer are urged to tender their GDRs as soon as possible.

Further details of the GDR Tender Offer and the proposed delisting of the GDRs are set out in the Tender Offer Document, which can be found at the following link: https://www.kmgep.kz/eng/investor_relations/tender_offer/ or by calling Link Asset Services on +44 371 664 0321.

8. Closing of the Share Offer

The Share Offer will close on 12 March 2018 and will not be extended beyond that date.

Shareholders who have not yet accepted the Share Offer are urged to tender their Common Shares as soon as possible.

The parameters of the Share Offer including the start and end of the bid acceptances periods for the relevant Open Trades are published in a KASE announcement at <http://old.kase.kz/news/show/1361933>.

Press enquiries:

For further details please contact us at:

KMG EP. Investor Relations (+7 7172 97 7979)
e-mail: ir@kmgep.kz

KMG EP. Public Relations (+7 7172 97 7979)
Bakdaulet Tolegen
e-mail: pr@kmgep.kz

Finsbury (+44 (0)20 7251 3801)
Dorothy Burwell
e-mail: KMGEPI@finsbury.com

Deutsche Bank Trust Company Americas (+1 212 250 1305)
Duewa Brooks
e-mail: duewa.t.brooks@db.com

Notes to Editors

KMG EP is among the top three Kazakh oil producers based on the 2017 results. The overall production in 2017 was 11.9 million tonnes (240 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 and Kazakhstan 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.