

Astana, 13 August 2018

## **Offer to repurchase preferred shares of KMG EP**

### **1. Introduction**

On 8 December 2017 KazMunaiGas Exploration Production (“Company”) announced the launch of a tender offer to repurchase all of its outstanding global depository receipts (“GDRs”) followed by offer to repurchase all outstanding ordinary shares of the Company.

Following the offer, the Company repurchased 135,454,910 GDRs and 336,584 ordinary shares.

On 10 May 2018, GDRs were delisted from the London Stock Exchange (“LSE”), and the trading of GDRs on the main market of LSE was cancelled, and on the same date ordinary shares of the Company and GDRs were delisted from the Kazakhstan Stock Exchange (“KASE”). This resulted in amended and restated Charter of the Company that was approved on 12 March 2018 at extraordinary general meeting of shareholders to come into force after GDR were delisted from LSE, and the Relationship Agreement to have ceased to have effect.

Currently, National Company KazMunaiGas (“NC KMG”) owns 95.4<sup>1</sup> per cent of all outstanding shares of the Company.

Whereas:

- (i) the offers to repurchase ordinary shares and GDRs of the Company have been accepted by most of holders of GDRs and ordinary shares and that following repurchase NC KMG owns 95.4 per cent<sup>1</sup> of all outstanding shares of the Company;
- (ii) NC KMG is planning to switch to a two-level management of operating assets whereby NC KMG would be managing production companies and oilfield service companies, and the new business approach would make it irrelevant for the Company to operate as a separate business entity,

To protect the interests of minority shareholders and enable them to sell their shares because of the plans of the Company that have been detailed above, the Company has resolved to make an offer to repurchase all outstanding preferred shares of the Company. The offer is in conformity to Kazakh laws to the benefit of all shareholders that hold preferred shares without prejudice to the rights of shareholders.

Preferred shares were distributed among employees of Uzenmunaigaz and Embamunaigaz production branches in the 1990s before those companies merged into KazMunaiGas E&P. Between 2005 and 2017 the holders of preferred shares were paid dividends of nine thousand three hundred tenge (KZT9,300) per preferred share. The nominal value of each preferred share is two hundred fifty tenge (KZT250).

The purpose of this document is to provide holders of preferred shares with details about the terms, the manner and the time for them to exercise their right to accept the offer made by the Company and sell their preferred shares to the Company. Please note that it is the sole discretion of a shareholder to decide whether or not to accept the offer made by the Company

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<sup>1</sup> Including ordinary shares, preferred shares and ordinary shares represented by GDRs with the exception of repurchased ordinary shares, preferred shares and ordinary shares represented by GDRs.

and sell their preferred shares. Holders of preferred shares should decide for themselves whether they wish to sell their preferred shares or not and take into consideration all potential circumstances, factors and risks. Should you wish to know more about rights and obligations of shareholders of a stock corporation please see Kazakh laws, specifically the Kazakh Stock Corporation Act.

The meanings of capitalized words and phrases are shown in Section 7 Definitions of this document.

## **2. Future plans with respect to the Company**

To implement the new business model that was mentioned above, at this stage the Company is considering steps outlined below. Please note that those steps will be taken based on and subject to requisite decisions made by authorized bodies of the Company. However, the Company is not obliged to take those steps, and one cannot guarantee that such decisions will be made and that such steps will be taken.

### ***2.1. Change in the number of ordinary shares of the Company***

As GDRs have been delisted from LSE and KASE, the depositary program will be closed. Therefore, for the purpose of Kazakh laws, the Company is going to increase the number of its outstanding ordinary shares (without changing the stake of holders of ordinary shares), this may include their split so that after the depositary program is closed, the Company has not been in breach of the restriction as to the number of repurchased shares. The increase in the number of outstanding ordinary shares would result in further decrease in the share of preferred shares.<sup>2</sup>The increase in the number of outstanding ordinary shares would result in further decrease in the share of preferred shares.

### ***2.2. Cessation of business by the Company***

To optimize the NC KMG Group and with due account for the new business model of NC KMG and the need to cease business of the Company as a separate business entity, we are considering various options of reorganizing the Company. They include winding-up and merger. No production subsidiaries or oilfield service subsidiaries of the Company are going to be reorganized.

As the Company will no longer be a separate business entity, its preferred shares are going to be delisted. Those shares will not be traded on KASE and, therefore, Company's shareholders would not be able to sell their shares on KASE at market price, and would be hard for them to sell their shares. The Company would also be subject to requirements of KASE, including disclosure requirements. Taxation of dealings in delisted preferred shares of the Company will be different from the current one.

## **3. Repurchase Offer**

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<sup>2</sup> Under the Kazakh Stock Corporation Act, the number of outstanding shares to be repurchased by a stock corporation must not exceed twenty-five percent of total number of outstanding shares of such stock corporation (clause 1 Art. 28). To meet the requirement, it is expected that the number of outstanding ordinary shares is increased at least sixfold.

As at 1 August 2018 the number of outstanding preferred shares is 4,136,107; the number of repurchased preferred shares is 2,230,898. Therefore, 1,905,209 preferred shares are outstanding.

On 10 August 2018 relevant authorized bodies of the Company have resolved to repurchase preferred shares of the Company on KASE. As per the resolution and pursuant to clause 4 of Article 26 of the Kazakh Stock Corporation Act, the Company hereby announces repurchase of its outstanding preferred shares and offers those shareholders that hold preferred shares of the Company to accept the offer of the Company and sell their preferred shares on the terms and in the manner specified herein.

Please read this document carefully and entirely.

**No one may provide any details or make any statement apart from those stated herein; none of such details or statements should be relied upon as formal.**

The decision-making process as regards the repurchase is specified in Section 5 hereof.

Please make sure that you have sufficient time to prepare all documents that you need to provide Broker with. Please note that all documents that are necessary to sell preferred shares should be provided to the Broker **by 17:00 on 15 November 2018**.

The time herein is Almaty time.

The information herein should not be construed as a recommendation on financial, legal or tax matters.

The repurchase offer is being made to all holders of preferred shares with respect to all outstanding preferred shares of the Company.

#### **4. Terms of repurchase**

The repurchase offer hereunder only covers outstanding preferred shares of the Company (KZ1P51460114 (KZ000A0RMTC3)).

The Company may only repurchase 1,905,209 preferred shares hereunder.

The price of repurchase of preferred shares is 12,800 (twelve thousand eight hundred) tenge per preferred share representing a premium of 24.4% to the 30-day volume-weighted average price of preferred shares of 10,292 (ten thousand, two hundred and ninety-two) Tenge as at 10 August 2018.

Under the Kazakh Tax Code, income from value growth upon sale of preferred shares of the Company through open tender on KASE is not taxable.

The offer to repurchase preferred shares is valid until 17:00 on 15 November 2018. Therefore, client order for sale of preferred shares through special trading pursuant to Section 5 hereof must be made by the specified date and time. Any client order made post 17:00 of 15 November 2018 may not be accepted and processed. Please note that you will require considerable amount of time to complete documents required for sale of your preferred shares and you need to make sure that you have sufficient time to prepare necessary documents.

#### **5. Manner of repurchase of preferred shares**

##### **5.1. Trading on KASE**

Preferred shares may be repurchased on KASE through open tender twice a month within three months from the First Settlement Date until the Last Settlement Date.

To that end, the Company will instruct the Broker of the Company to arrange for a special trading twice a month on respective Settlement Dates. The Broker of the Company will file an application with KASE with the period of applications, the time when the acceptance of applications will start and end, the date and time of settlements specified.

### **5.2. Sale of preferred shares through a Broker**

Should you wish to sell preferred shares that you are holding to the Company as per the offer providing you have a Broker, you should:

- (i) file an order with The Integrated Securities Registrar (as per the form of The Integrated Securities Registrar) for your preferred shares to be credited from your personal account;
- (ii) file an order with the Broker (as per the form of the Broker) for your preferred shares to be debited to account with the Central Securities Depository;
- (iii) file a client order with the Broker (as per the form of the Broker) for sale of preferred shares through special trading;
- (iv) file an order with the Broker to transfer money from sale of preferred shares to your bank account;

### **5.3. Sale of preferred shares through Kazpost**

For the convenience of shareholders that hold preferred shares, the Company has arranged for sale of your shares as per this offer through local offices of Kazpost, and will cover expenses specified in clause 5.4 below.

To sell your preferred shares through Kazpost, you will need to:

- (i) contact any of the local offices of Kazpost specified in Annex 1 that acts as a Transfer Agent for The Integrated Securities Registrar and may act as a Broker;
- (ii) sign an application with Kazpost as a Transfer Agent for accession to the transfer agency contract;
- (iii) file an order with Kazpost as a Transfer Agent as per the form of The Integrated Securities Registrar for update/change of The Integrated Securities Registrar personal account details having enclosed all necessary documents as specified in Annex 2 so as to activate the account with The Integrated Securities Registrar once there is provisional account;
- (iv) file an order with The Integrated Securities Registrar for Kazpost as a Transfer Agent to credit preferred shares as per the form of The Integrated Securities Registrar from the personal account of The Integrated Securities Registrar;
- (v) file an application with Kazpost as a Broker for accession to contract for brokerage and fiduciary shareholding account as per the form of Kazpost;
- (vi) open a brokerage account with Kazpost<sup>3</sup>;

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<sup>3</sup> Furthermore, you may open an account with any other Broker. You may see the list of Brokers on the website KASE: <https://kase.kz/ru/membership/>. To open a current account you will need to furnish ID, bank details and any

- (vii) file an order with Kazpost as a Broker for debiting your preferred shares as per the form of Kazpost to the account in the Central Depository;
- (viii) file a client order with Kazpost as a Broker for sale of preferred shares through special trading as per the form of Kazpost;
- (ix) instruct Kazpost after settlement through special trading to transfer money from sale of preferred shares to your bank account.

#### **5.4. Charges and commissions**

Should shareholders that are individuals that hold preferred shares sell their preferred shares as per this offer through Kazpost, the Company will pay for the following services of Kazpost as a Broker and a Transfer Agent:

- (i) transfer securities to fiduciary holding from The Integrated Securities Registrar;
- (ii) transfer securities to fiduciary holding from another Broker;
- (iii) brokerage services (purchase/sale of securities);
- (iv) transfer agency services for filing orders;
- (v) payment acceptance fees.

If there are any other expenses, shareholders would have to bear those themselves.

If a shareholder that holds preferred shares of the Company is a legal entity or hires broker other than Kazpost, then such shareholder would have to bear all charges and commissions.

#### **5.5. Settlement**

The price of repurchase of preferred shares will be paid to those shareholders that have accepted the repurchase offer hereunder on each Settlement Date as per applications for brokerage account as shown in summarized stock exchange statement as per the schedule below:

17.08.2018 - 28.08.2018	the first period for client orders for sale of preferred shares through special trading
29.08.2018	First Settlement Date
03.09.2018-13.09.2018	the second period for client orders for sale of preferred shares through special trading
14.09.2018	Second Settlement Date
17.09.2018- 27.09.2018	the third period for client orders for sale of preferred shares through special trading
28.09.2018	Third Settlement Date
01.10.2018 – 15.10.2018	the fourth period for client orders for sale of preferred shares through special trading
16.10.2018	Fourth Settlement Date
17.10.2018-31.10.2018	the fifth period for client orders for sale of preferred shares

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other documents that your Broker may require. If that is the case, to sell preferred shares of the Company as per this offer you must take steps specified in clause 5.2 above.

	through special trading
01.11.2018	Fifth Settlement Date
02.11.2018-15.11.2018	the final period for client orders for sale of preferred shares through special trading
16.11.2018	Final Settlement Date

The manner in which money is transferred from brokerage accounts to shareholder accounts is governed by respective brokerage contract between shareholder and Broker. Please note that to receive money shareholder would have to provide the Broker with order for transfer of money from sale of preferred shares to shareholder's bank account.

## 6. Questions

Should you have any questions about the terms and manner of repurchase (including acceptance of the offer for repurchase and opening a brokerage account), please call the call center of Kazpost, toll-free number 1499.

Any call from landline or mobile phone to the said number of the Kazpost call center is toll-free.

However, the Kazpost call center gives no advice as to a benefit from the repurchase offer, the purpose and the reason of the offer to repurchase preferred shares of the Company and any other advice on a financial, legal or tax matter.

## 7. Definitions

The definitions below are used herein unless the context requires otherwise.

Broker of the Company	SkyBridge Invest is a professional stock market player purchases preferred shares through an open trading on KASE;
Broker	a professional stock market player that deals in financial instruments for the account and on behalf of holders of preferred shares including Kazpost;
Settlement Date	Settlement dates specified in clause 5.5 of this offer, specifically: First Settlement Date, Second Settlement Date, Third Settlement Date, Fourth Settlement Date, Fifth Settlement Date, and the Final Settlement Date;
Relationship Agreement	Relationship Agreement between the Company and NC KMG dated 8 September 2006;
The Integrated Securities Registrar	The Integrated Securities Registrar, a legal entity incorporated under Kazakh laws, that

	maintains stockholder registers;
Kazakh Stock Corporation Act	Kazakh Stock Corporation Act dated 13 May 2003 (as amended);
Kazpost	Kazpost, a legal entity incorporated under Kazakh laws that renders services as Transfer-agent and/or Broker;
Company	KazMunaiGas Exploration Production, legal entity registered under Kazakh laws;
NC KMG	National Company KazMunaiGas, a legal entity incorporated under Kazakh laws;
Transfer Agent	securities trader that renders services on acceptance and transfer of documents (information) among its clients;
First Settlement Date	29 August 2018;
Final Settlement Date	16 November 2018
Central Securities Depository	Central Securities Depository, legal entity registered under Kazakh laws that runs custody business.

**Annex No.1 to  
Offer to repurchase preferred shares dated  
13 August 2018**

**List of local Kaspost offices which you may contact to sell preferred shares as per this offer<sup>5</sup>**

#	Branch name	Phone number	Address
1	Akmola Branch	8-7162-25-14-85	Kokshetau, 108 Abaya
2	Aktobe Branch	8-7132-97-24-16	Aktobe, 62 Abulkhair khan
3	Almaty Branch	8-7282-62-02-86	Taldykorgan, 53 Tauelsizdik
4	East Kazakhstan Branch	8-7232-50-57-41	Ust Kamenogorsk, 57 Kasym Kaysenov
5	East Kazakhstan Branch, Semey Post office	8-7222-52-69-82	Semey, 48 Urankhayeva
6	Zhambyl Branch	8-7262-96-34-22	Taraz, 79 Tole bi
7	West Kazakhstan Karaganda Branch	8-7112-51-14-95	Uralsk, 104/1 Amanzholov
8	Karaganda Branch	8-7212-60-42-13	Karaganda, 39 Bukhar Zhyrau
9	Karaganda Branch, Zhezkazgan Post office	8-7102-72-22-40	Zhezkazgan, 9 Zheltoksan
10	Kyzylorda Branch	8-7242-23-62-82	Kyzylorda, 38 Muratbayev
11	Kostanai Branch	8-7142-90-25-19	Kostanai, 69 Al Farabi
12	Mangistau Branch	8-7292-20-35-66	Aktau, microdistrict 8, block 20
13	Pavlodar Branch	8-7182-32-07-68	Pavlodar, 50 Satpayev, member of the Academy of Sciences
14	North Kazakhstan Branch	8-7152-46-13-96	Petropavlovsk, 61 Pushkin
15	South Kazakhstan Branch	8-7252-53-73-28	Shymkent, 24 Kazybek bi
16	Atyrau Branch	8-7122-95-69-93	Atyrau, 6 Abay
17	Atyrau Branch, Post office No.8	8-7122-95-69-69	Atyrau, 70a Baimukhanov
18	Atyrau Branch, Post office No.9	8-7122-21-30-02	Atyrau, Avangard microdistrict 3, block 49
19	Atyrau Branch	8-71237-5-17-38	Kulsary, 23 Makhambet
20	Atyrau Branch	8-71239-31-7-18	Makat village, 19 Mukashev
21	Atyrau Branch	8-71239-21-8-01	Dossor village, 1 Suleimenov
22	Mangistau Branch, Zhanaozen post office	8-72934-71-7-90	Zhanaozen, Shanyrak microdistrict, block 46E



**List of documents required for opening an account with the Integrated Registrar of Securities (if it is a temporary account) through Kazpost**

Depending on up-to-dateness of data on a shareholder at the Integrated Registrar of Securities KazPost may require to submit one of the following documents:

- 1) certificate on replacement of identification card from migration police or other authorized state body;
- 2) certificate from the Company with personal file;
- 3) old identification card (copy);
- 4) Certificate of taxpayer's registration number;
- 5) Proof of Residence or register of tenants;
- 6) bank details.

**List of documents required for attachment to the contract for brokerage service contract and nominee holding of securities with KazPost.**

Customers (individuals) must submit the following documents upon signing of brokerage agreement:

- 1) copy of identification card with presentation of original of identification card for check up;
- 2) information about individual identification number if identification card has no individual identification number;
- 3) notarized power of attorney issued for a representative of the customer (if such representative signs brokerage agreement and does any other actions or activities on behalf of the customer);
- 4) details of a bank account opened with second-tier banks or in KazPost (for debiting or crediting the account and transferring of fees and sums as repayment of securities).