

## **KMG EP announces publication of the response of the KMG EP INEDs to the circular published by NC KMG and confirms details of KMG EP EGM**

### **Publication of Response Circular**

**Astana, 17 June 2016.** JSC KazMunaiGas Exploration Production ("KMG EP" or the "Company") notes the announcement earlier today by JSC NC KazMunayGas ("NC KMG") of the publication of a circular (the "NC Circular") setting out NC KMG's rationale for its proposed amendments to the relationship agreement between NC KMG and KMG EP and to the Charter of the Company (the "Proposed Amendments"), and the terms of its conditional on-market purchase offers to be made to the holders of ordinary and preferred shares and GDRs in the Company (the "Purchase Offer").

KMG EP Independent Non-executive Directors ("INEDS") have been able to respond quickly given discussions between NC KMG and KMG EP have been ongoing since November 2015. The INEDs of KMG EP have published a circular (the "Response Circular") to KMG EP Independent Shareholders containing a detailed response to the NC Circular. The Response Circular is available in both English and Russian language versions at the following link: [www.independent-kmgep.com](http://www.independent-kmgep.com). The INEDs' Response Circular is based upon the English language version of the NC Circular published today.

### **Confirmation of details of EGM**

Following the publication of the NC Circular, and as announced by KMG EP earlier today, KMG EP confirms that an extraordinary general meeting of shareholders ("EGM") will be held at 17 Kabanbay Batyr Avenue, Astana 010000, Kazakhstan at 10:00 A.M. on 3 August 2016 with the following agenda, which has been proposed by NC KMG:

1. Endorsement by the shareholders of the Company, holding common shares of the Company (including in the form of global depositary receipts) who are present and voting (whether in person or by proxy) at the extraordinary general meeting of shareholders, other than NC KMG and legal entities under the control of NC KMG or under common control by a third party together with NC KMG ("Independent Shareholders"), of the introduction of changes and amendments to the Relationship Agreement between NC KMG and the Company dated 8 September 2006 and recommendation by the Independent Shareholders to the independent directors of the Company on making a decision on entry into a transaction in which the Company has an interest.
2. Endorsement by the Independent Shareholders of the introduction of changes and amendments to the Charter of the Company.
3. Subject to and conditional upon the approval by Independent Shareholders of Resolutions 1 and 2 of the agenda, introduction of changes and amendments to the Charter of the Company which shall be effective upon completion of the Offer Period.
4. Information on the question of the purchase by NC KMG of the shares of the Company and global depositary receipts, the underlying asset of which are the shares of the Company.

## **Recommendation from the INEDs**

As set out more fully in the Response Circular, the INEDs believe that the Proposed Amendments would significantly weaken the protections afforded to Independent Shareholders of the Company, would stop the Company running its business independently of NC KMG and are not required in order to achieve underlying efficiency and performance improvements sought by KMG EP and NC KMG. The INEDs also believe that the Purchase Offer made by NC KMG at a level that reflects the cash balances of the Company as at the end of Q1 2016 and an overdue receivable from a NC KMG group company, ascribing no value to the operational assets of the Company, significantly undervalues the Company. Thus, the INEDs, having been so advised by HSBC and Rothschild, do not consider the Proposed Amendments and Purchase Offer to be fair or reasonable as far as Independent Shareholders of the Company are concerned and strongly recommend that all Independent Shareholders of the Company vote against the resolutions to be proposed at the EGM.

Should the Proposed Amendments be approved by the Independent Shareholders of the Company, each of the INEDs will resign his directorship of the Company.

Due to the interest of NC KMG in the Proposed Amendments and the Purchase Offer, this announcement has been approved for release by the KMG EP INEDs rather than by the full Board of Directors of KMG EP.

### **Notes to editors**

KMG EP is among the top three Kazakh oil producers. The overall production in 2015 was 12.4 million tonnes (251 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 2015 was 193 million tonnes (1,409 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.

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