

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QIBS (AS DEFINED BELOW) OR (2) NON-U.S. PERSONS (AS DEFINED BELOW) LOCATED OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following before continuing. The following applies to the preliminary Listing Particulars (the "**Preliminary Listing Particulars**") following this page and you are therefore advised to read this page carefully before reading, accessing or making any other use of the Preliminary Listing Particulars. In accessing the Preliminary Listing Particulars, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from the Issuer, the Guarantor, and the Managers (as defined in the Preliminary Listing Particulars) as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO, EXCEPT AS EXPRESSLY DESCRIBED HEREIN. THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**U.S. SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE NOTES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE ATTACHED PRELIMINARY LISTING PARTICULARS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE LISTING PARTICULARS OR THIS TRANSMISSION IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE NOTES DESCRIBED IN THE LISTING PARTICULARS.

Confirmation of your representation: In order to be eligible to view the Preliminary Listing Particulars or make an investment decision with respect to the said securities, prospective investors must be either (1) Qualified Institutional Buyers ("**QIBs**") (within the meaning of Rule 144A ("**Rule 144A**") under the U.S. Securities Act) or (2) non-U.S. persons (as defined in Regulation S under the U.S. Securities Act ("**Regulation S**")) located outside the United States. The Preliminary Listing Particulars is being sent to you at your request and, by accessing the Preliminary Listing Particulars, you shall be deemed to have represented to the Issuer, the Guarantor, and the Managers that (1) either (a) you and any customers you represent are QIBs or (b) you and any customers you represent are outside of the United States/(1) you are purchasing the securities being offered in an offshore transaction (within the meaning of Regulation S) and the electronic mail address that you gave us and to which this transmission has been delivered is not located in the United States, its territories and possessions, any State of the United States or the District of Columbia and (2) you consent to delivery of the Preliminary Listing Particulars by electronic transmission.

You are reminded that the Preliminary Listing Particulars has been delivered to you on the basis that you are a person into whose possession the Preliminary Listing Particulars may be lawfully delivered

in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Preliminary Listing Particulars to any other person.

The materials relating to this offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer, and the Managers or any affiliate of the Managers is a licensed broker or dealer in the relevant jurisdiction, the offering shall be deemed to be made by the Managers or such affiliate on behalf of the Issuer in such jurisdiction.

The Preliminary Listing Particulars may only be distributed to, and is directed at (a) persons who have professional experience in matters relating to investments falling within article 19(1) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**") or (b) high net worth entities falling within article 49(2)(a) to (d) of the Order, and other persons to whom it may be lawfully communicated, falling within article 49(1) of the Order (all such persons together being referred to as "**relevant persons**"). Any person who is not a relevant person should not act or rely on this document or any of its contents.

The Preliminary Listing Particulars has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Guarantor, and the Managers, any person who controls them or any director, officer, employee or agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Preliminary Listing Particulars distributed to you in electronic format and the hard copy version available to you on request from the Manager(s).



KazTransGas Joint Stock Company
(A joint stock company incorporated in the Republic of Kazakhstan)

U.S.\$750,000,000 4.375 per cent. Guaranteed Notes due 2027

unconditionally and irrevocably guaranteed by

Intergas Central Asia Joint Stock Company
(A joint stock company incorporated in the Republic of Kazakhstan)

Issue Price: 99.799 per cent.

Application has been made to the Irish Stock Exchange Public Limited Company (the "**Irish Stock Exchange**") for the approval of this document as listing particulars (the "**Listing Particulars**") and for the U.S.\$750,000,000 4.375 per cent. Guaranteed Notes guaranteed by Intergas Central Asia Joint Stock Company (the "**Guarantor**") due 2027 (the "**Notes**") of KazTransGas Joint Stock Company (the "**Issuer**" or the "**Company**") to be admitted to the Official List of the Irish Stock Exchange (the "**Official List**") and trading on its Global Exchange Market, which is the exchange regulated market of the Irish Stock Exchange. The Irish Stock Exchange's Global Exchange Market is not a regulated market for the purposes of Directive 2004/39/EC (the "**Markets in Financial Instruments Directive**").

In addition, application has been made to list the Notes on JSC Kazakhstan Stock Exchange (the "**KASE**"). On 18 August 2017, KASE consent was obtained to include the Notes into the "bonds" category of the "debt securities" sector of the official list of the KASE. It is expected that the KASE consent will come into effect on or before 26 September 2017. No Notes may be issued, placed or listed outside of the Republic of Kazakhstan ("**Kazakhstan**" or the "**State**") without the prior permission of the National Bank of Kazakhstan (the "**NBK**"). The NBK's permission was obtained on 28 August 2017. Simultaneously with offering of the Notes outside Kazakhstan, the Notes must be offered at the KASE on the same terms on which the Notes are being offered in a foreign state. Local investors' orders must be satisfied in the volume not less than 20% of the total volume of the Notes to be placed. If the demand for the Notes in Kazakhstan is less than 20%, the investors' orders will be satisfied in full and all and any Notes remaining after the satisfaction of the investors' orders may be offered and placed outside of Kazakhstan.

Interest on the Notes is payable semi-annually in arrear on 26 March and 26 September in each year. Payments on the Notes will be made without deduction for or on account of taxes of Kazakhstan to the extent described under "*Terms and Conditions of the Notes—Taxation*".

The Notes mature on 26 September 2027 and may be redeemed before then at the option of the relevant holder at their principal amount, together with accrued interest, upon the occurrence of a Put Event (as defined in the Conditions). The Notes are also subject to redemption in whole, at their principal amount, together with accrued interest, at the option of the Issuer at any time in the event of certain changes affecting taxes of Kazakhstan. See "*Terms and Conditions of the Notes—Redemption and Purchase*".

Notes which are offered and sold in reliance on Regulation S will be represented by beneficial interests in a permanent global Note (the "**Unrestricted Global Note**") in registered form, without interest coupons attached, which will be registered in the name of Citivic Nominees Limited as nominee for, and shall be deposited on or about the Closing Date with a common depository for, Euroclear Bank SA/NA ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"). Notes which are offered and sold in reliance on Rule 144A will be represented by beneficial interests in one or more permanent global Notes (the "**Restricted Global Notes**" and, together with the Unrestricted Global Note, the "**Global Notes**") in registered form, without interest coupons attached, which will be deposited with a custodian for, and registered in the name of Cede & Co. as nominee for, The Depository Trust Company ("**DTC**"), on or about the Closing Date. The Notes will be issued in denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. See "*Terms and Conditions of the Notes—Form, Denomination and Title*". Interests in the Restricted Global Notes will be subject to certain restrictions on transfer. See "*Form of the Notes and Transfer Restrictions*". Beneficial interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear and Clearstream, Luxembourg and their participants. Except as described herein, certificates for Notes will not be issued in exchange for beneficial interests in the Global Notes.

NEITHER THE NOTES NOR THE GUARANTEE HAVE BEEN NOR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT, OR ANY STATE SECURITIES LAW, AND THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON (AS SUCH TERMS ARE DEFINED IN REGULATION S), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT. SEE "FORM OF THE NOTES AND TRANSFER RESTRICTIONS".

The Notes will be rated Baa3 (outlook stable) by Moody's Investors Service Ltd. ("**Moody's**") and BBB- (outlook stable) by Fitch Ratings Limited ("**Fitch**"). The Issuer's current long-term rating is Baa3 (outlook stable) by Moody's, BB (outlook negative) by Standard & Poor's and BBB- (outlook stable) by Fitch. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Each of Moody's and Fitch is established in the European Union (the "**EU**"), domiciled in the United Kingdom, and is included in the list of credit rating agencies registered in accordance with Regulation (EC) No. 1060/2009 on Credit Rating Agencies as amended by Regulation (EU) No. 513/2011 (the "**CRA Regulation**"). This list is available on the ESMA website (<http://www.esma.europa.eu/page/list-registered-and-certified-CRAs>) (last updated 16 July 2017). Investing in the Notes involves a high degree of risk. See "*Risk Factors*" beginning on page 15.

Joint Lead Managers

Citigroup

ING

VTB Capital

Kazakhstan Lead Manager

SkyBridge Invest

This Listing Particulars is dated 22 September 2017

The Issuer and the Guarantor accept responsibility for the information contained in this Listing Particulars. To the best of the knowledge of the Issuer and the Guarantor, having taken all reasonable care to ensure that such is the case, the information contained in this Listing Particulars is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Listing Particulars is to be read in conjunction with all the documents which are deemed to be incorporated herein by reference (see "*Incorporation by Reference*" below).

Neither the Joint Lead Managers nor the Kazakhstan Lead Manager (together, the "**Managers**") nor Citibank N.A., London Branch (the "**Trustee**") nor any of their directors, affiliates, advisers or agents has made an independent verification of the information contained in this Listing Particulars in connection with the issue or offering of the Notes and no representation or warranty, express or implied, is made by the Managers, the Trustee or any of their directors, affiliates, advisers or agents with respect to the accuracy or completeness of such information. Nothing contained in this Listing Particulars is, is to be construed as, or shall be relied upon as, a promise, warranty or representation, whether to the past or the future, by the Managers, the Trustee or any of their respective directors, affiliates, advisers or agents in any respect. The contents of this Listing Particulars are not, are not to be construed as, and should not be relied on as, legal, business or tax advice and each prospective investor should consult its own legal and other advisers for any such advice relevant to it.

No person is authorised to give any information or make any representation not contained in this Listing Particulars in connection with the issue and offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by any of the Issuer, the Guarantor, the Trustee or the Managers or any of their directors, affiliates, advisers or agents. The delivery of this Listing Particulars does not imply that there has been no change in the business and affairs of the Issuer or the Guarantor since the date hereof or that the information herein is correct as of any time subsequent to its date.

This Listing Particulars does not constitute an offer to sell or a solicitation of an offer to buy the Notes by any person in any jurisdiction where it is unlawful to make such an offer or solicitation. The distribution of this Listing Particulars and the offer or sale of the Notes in certain jurisdictions is restricted by law. This Listing Particulars may not be used for, or in connection with, and does not constitute, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstance in which such offer or solicitation is not authorised or is unlawful. In particular, this Listing Particulars does not constitute an offer of securities to the public in the United Kingdom. Consequently this document is being distributed only to, and is directed at (a) persons who have professional experience in matters relating to investments falling within article 19(1) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**") or (b) high net worth entities falling within article 49(2)(a) to (d) of the Order, and other persons to whom it may be lawfully communicated, falling within article 49(1) of the Order (all such persons together being referred to as "**relevant persons**"). Any person who is not a relevant person should not act or rely on this document or any of its contents. Persons into whose possession this Listing Particulars may come are required by the Issuer, the Guarantor and the Managers to inform themselves about and to observe such restrictions. Further information with regard to restrictions on offers, sales and deliveries of the Notes and the distribution of this Listing Particulars and other offering material relating to the Notes is set out under "*Subscription and Sale*" and "*Form of the Notes and Transfer Restrictions*".

Unless otherwise specified or the context so requires, references to "**U.S. Dollars**" and "**U.S.\$**" are to United States dollars, references to "**euro**", "**EUR**" and "**€**" are to the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended, references to "**Tenge**" and "**KZT**" are to the Kazakhstan tenge, the official currency of Kazakhstan and references to "**Roubles**" and "**RUR**" are to Russian Roubles.

In connection with the issue of the Notes, Citigroup Global Markets Limited (the "**Stabilising Manager**") (or any person acting on behalf of any Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that

which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or person(s) acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager (or person(s) acting on behalf of any Stabilising Manager) in accordance with all applicable laws and rules.

FORWARD-LOOKING STATEMENTS

Certain statements included herein may constitute "forward-looking statements" within the meaning of Section 27A of the U.S. Securities Act and Section 21E of the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"); however, this Listing Particulars is not entitled to the benefit of the safe harbour created thereby. Such statements, certain of which can be identified by the use of forward-looking terminology such as "believes", "expects", "may", "are expected to", "intends", "will", "will continue", "should", "could", "would be", "seeks", "approximately", "estimates", "predicts", "projects", "aims" or "anticipates", or similar expressions or the negative thereof or other variations thereof or comparable terminology, or by discussions of strategy, plans or intentions, involve a number of risks and uncertainties. Such forward-looking statements are necessarily dependent on assumptions, data or methods that may be incorrect or imprecise and that may be incapable of being realised. Such forward-looking statements include statements regarding the Issuer's intentions, beliefs or current expectations concerning, amongst other things, the Issuer's results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which it operates. Factors that might affect such forward-looking statements include, among other things, overall business and government regulatory conditions; changes in tariff and tax requirements (including tax rate changes, new tax laws and revised tax law interpretations); interest rate fluctuations and other capital market conditions, including foreign currency exchange rate fluctuations; economic and political conditions in Kazakhstan and other emerging markets; and the timing, impact and other uncertainties of future actions. See "*Risk Factors*".

The Issuer is not obliged to, and does not intend to, update or revise any forward-looking statements made in this Listing Particulars whether as a result of new information, future events or otherwise. All subsequent written or oral forward-looking statements attributable to the Issuer, or persons acting on its behalf, are expressly qualified in their entirety by the cautionary statements contained throughout this Listing Particulars. As a result of these risks, uncertainties and assumptions, a prospective purchaser of the Notes should not place undue reliance on these forward-looking statements.

AVAILABLE INFORMATION

Neither the Issuer nor the Guarantor is currently required to file periodic reports under Sections 13 or 15 of the Exchange Act with the U.S. Securities and Exchange Commission. To permit compliance with Rule 144A in connection with resales and transfers of Notes, the Issuer and the Guarantor have agreed that, for so long as any of the Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, the Issuer and the Guarantor will provide to any holder or beneficial owner of such restricted securities, or to any prospective purchaser of such restricted securities designated by a holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the U.S. Securities Act, if at the time of such request the Issuer or the Guarantor, as the case may be, is not a reporting company under Section 13 or Section 15(d) of the Exchange Act or exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act. See "*Terms and Conditions of the Notes—Provision of Certain Information*".

ENFORCEMENT OF CIVIL LIABILITIES

Each of the Issuer and the Guarantor is a joint stock company organised under the laws of Kazakhstan and all of its officers and certain of its directors and other persons referred to in this Listing

Particulars are residents of Kazakhstan. All or a substantial portion of the assets of the Issuer and the Guarantor are located in Kazakhstan. As a result, it may not be possible (i) to effect service of process upon the Issuer or any such person outside Kazakhstan, (ii) to enforce against any of them, in courts of jurisdictions other than Kazakhstan, judgments obtained in such courts that are predicated upon the laws of such other jurisdictions or (iii) to enforce against any of them, in Kazakhstan courts, judgments obtained in jurisdictions other than Kazakhstan, including judgments obtained in respect of the Notes or the Trust Deed in the courts of England and judgments obtained in the United States predicated upon the civil liability provisions of the federal securities laws of the United States.

The Notes and the Trust Deed are governed by the laws of England, and the Issuer and the Guarantor have agreed in the Notes and the Trust Deed that disputes arising thereunder are subject to arbitration in London or, at the election of the Trustee or, in certain circumstances, a Noteholder (as defined in "*Terms and Conditions of the Notes*"), to the non-exclusive jurisdiction of English courts. See Condition 20(d) under "*Terms and Conditions of the Notes*". The Civil Procedure Code of Kazakhstan, which became effective on 1 January 2016, provides that Kazakhstan courts should recognize and enforce foreign court judgments only if such recognition and enforcement is provided for by Kazakhstan legislation or international treaties ratified by Kazakhstan, or on the basis of the principle of reciprocity. Kazakhstan is not a party to any multilateral or bilateral treaties with the United Kingdom (or the U.S. or any other Western jurisdiction) for the mutual enforcement of court judgments, and, accordingly, there is a risk that a judgment obtained from a court in England would not be enforceable in Kazakhstan courts. Each of Kazakhstan and the United Kingdom are, however, parties to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**Convention**") and, accordingly, an arbitral award obtained under the Convention generally should be recognised and enforceable in Kazakhstan provided the conditions to enforcement set out in the Convention and the Civil Procedure Code of Kazakhstan are met. The Civil Procedure Code of Kazakhstan establishes the procedure for the enforcement of foreign arbitral awards.

The Issuer and the Guarantor have agreed that disputes arising under the Notes, the Trust Deed, the Subscription Agreement and the Agency Agreement (as such terms are defined below) are subject to arbitration or, at the discretion of the Trustee or a Noteholder, to the non-exclusive jurisdiction of English courts. Such one-sided alternative dispute resolution provisions providing the Trustee/Noteholder (but not the Issuer or the Guarantor) the right to commence proceedings in state courts have not been properly tested before Kazakhstan courts. There is a risk that a Kazakhstan court will hold that the parties to an agreement with such clause failed to conclude a valid arbitration agreement for the purposes of Kazakhstan laws.

The Law "On Arbitration" (No. 488-V, dated 8 April 2016) (the "**Arbitration Law**") was signed by the President of Kazakhstan on 8 April 2016. The introductory language to the Arbitration Law, as well as other provisions of the Arbitration Law, imply that the Arbitration Law should apply only where the matter involves dispute resolution in Kazakhstan (i.e., in respect of arbitration bodies with a seat in Kazakhstan). In particular, the preamble to the Arbitration Law states that: "*This [l]aw regulates social relations arisen in the process of arbitration activity on the territory of the Republic of Kazakhstan as well as the procedure and terms of recognition and enforcement of arbitral awards in Kazakhstan...*".

There are, however, certain novelties in the Arbitration Law, which may have implications (as described below) in respect of the arbitration provisions contained in the Notes and the Trust Deed. In particular, the provisions of the Arbitration Law do not clearly differentiate between domestic and foreign arbitration. In particular:

- Article 8.8 of the Arbitration Law restricts the trying of disputes between the so-called "quasi-sovereign companies" by arbitration. Both the Issuer and the Guarantor fall under the definition of a "quasi-sovereign company". While there is no established practice in relation to Article 8.8 of the Arbitration Law, the management of the Issuer (the "**Management**") believes that this requirement only applies when two or more quasi-sovereign companies are involved in a dispute as adverse parties. Accordingly, Article 8.8 should not apply if two or more quasi-

sovereign companies are not adverse parties to the dispute, which would be the case in respect of the Notes and the Trust Deed.

- Article 8.10 of the Arbitration Law requires legal entities in which the state holds (directly or indirectly) at least 50% of the voting shares to obtain consent of the relevant state body for entering into an arbitration agreement. Both the Issuer and the Guarantor are wholly owned by the state. Although the Arbitration Law does not expressly so state and largely remains untested, Management believes that Article 8.10 of the Arbitration Law should only apply to arbitration proceedings within Kazakhstan and should not extend to arbitration proceedings outside of Kazakhstan. Accordingly, Management believes that no consent of the relevant state body is required under the Arbitration Law for the Issuer or the Guarantor to enter into the arbitration agreement pursuant to the Notes and the Trust Deed.
- Article 44.1 of the Arbitration Law provides that disputes involving legal entities in which the state holds (directly or indirectly) at least 50% of the voting shares must be resolved in accordance with Kazakhstan laws, unless otherwise is provided by an international treaty ratified by Kazakhstan. While the Arbitration Law is unclear on this, under a conservative interpretation, a contract with a state-controlled company (such as the Issuer and Guarantor) must be governed by Kazakhstan legislation, unless otherwise is provided by an international treaty ratified by Kazakhstan. Although the Arbitration Law does not expressly so state and largely remains untested, Management believes that Article 44.1 of the Arbitration Law should only apply to arbitration proceedings within Kazakhstan and should not extend to arbitration proceedings outside of Kazakhstan. Accordingly, the Arbitration Law does not require an arbitral tribunal outside of Kazakhstan to apply Kazakhstan law when considering a dispute involving the Issuer and/or the Guarantor.

Given that the Arbitration Law has not been tested in practice, there can be no assurance that Kazakhstan courts would support the above interpretation of the Arbitration Law and that an award against the Issuer and/or the Guarantor in arbitral proceedings in London under English law would be enforced in Kazakhstan. See "*Risk Factors—Risk Factors Relating to the Notes and the Trading Market— It may be difficult to effect service of legal process and enforce judgments obtained outside of Kazakhstan against the Issuer and its management*".

In February 2010, the Parliament of Kazakhstan (the "**Parliament**") passed legislation amending Kazakhstan law to provide for certain immunities to government entities in the context of arbitration and foreign court judgments. While companies, such as the Issuer and/or the Guarantor, are not considered to be government entities and, thus, do not have such immunity, arbitral awards and foreign court decisions in respect of the Issuer, including in relation to the issuance of the Notes, may not be recognised and enforced on the grounds that they affect the interests of the State. Notwithstanding these concerns, although no assurance can be given that a Kazakhstan court would give effect to such provisions, under the Trust Deed, the Issuer and the Guarantor has, to the full extent permitted by applicable laws, waived any immunity that may be attributed to it in respect of the Notes or the Guarantee, respectively.

In addition, 100% of the shares of each of the Issuer and the Guarantor, as well as certain assets owned by the Issuer, Guarantor and/or their subsidiaries, are deemed to be "strategic assets", and their disposal (whether through sale, bankruptcy or otherwise) requires a prior consent of the government of Kazakhstan (the "**Government**"). Accordingly, enforcement of the rights of the Noteholders against the Issuer and Guarantor may be limited due to restrictions imposed under the legislation with respect to disposal of the assets of the Issuer and Guarantor.

CERTAIN ERISA CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**") imposes certain requirements on "**employee benefit plans**" (as defined in ERISA) subject to Title I of ERISA, including entities such as collective investment funds and separate accounts whose underlying assets

include the assets of such plans (collectively, "**ERISA Plans**") and on those persons who are fiduciaries with respect to ERISA Plans.

Section 406 of ERISA and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), prohibit certain transactions involving the assets of an ERISA Plan (Section 4975 of the Code also imposes prohibitions for certain plans that are not subject to Title I of ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "**Plans**")) and certain persons (referred to as "**parties in interest**" or "**disqualified persons**") having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and Section 4975 of the Code. Accordingly, each original or subsequent purchaser or transferee of a Note that is or may become a Plan is responsible for determining that its purchase and holding of such Note will not constitute a prohibited transaction under ERISA or Section 4975 of the Code. Additionally, with respect to each original or subsequent purchaser or transferee of a Note that is or may become a Plan, the fiduciary making the decision to invest in the Notes on the purchaser or transferee's behalf will be required or deemed to represent and warrant that the purchase or transfer, and holding of such Notes by the Plan, shall not constitute a non-exempt prohibited transaction under ERISA and the Code.

THE PRECEDING DISCUSSION IS ONLY A SUMMARY OF CERTAIN ERISA IMPLICATIONS OF AN INVESTMENT IN THE NOTES AND DOES NOT PURPORT TO BE COMPLETE. PROSPECTIVE INVESTORS SHOULD CONSULT WITH THEIR OWN LEGAL, TAX, FINANCIAL AND OTHER ADVISORS PRIOR TO INVESTING IN THE NOTES TO REVIEW THESE IMPLICATIONS IN LIGHT OF SUCH INVESTOR'S PARTICULAR CIRCUMSTANCES.

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

Financial statements

This Listing Particulars incorporates by reference the audited consolidated financial information of the Company and the audited financial information of the Guarantor as of and for the years ended 31 December 2016 and 2015 with comparative data as of and for the years ended 31 December 2015 and 31 December 2014, respectively, the unaudited interim condensed consolidated financial statements of the Company as of and for the six months ended 30 June 2017 (with comparative figures as of and for the six months ended 30 June 2016) and the unaudited interim condensed financial statements of the Guarantor as of and for the six months ended 30 June 2017 (with comparative figures as of and for the six months ended 30 June 2016) (the "**Financial Statements**"). These Financial Statements were prepared in accordance with International Financial Reporting Standards (for annual periods), and in accordance with IAS 34 *Interim Financial Reporting* (for interim periods), as adopted by the International Accounting Standards Board, in effect at the time of preparing the relevant financial statements ("**IFRS**").

The Company's consolidated financial statements and the Guarantor's financial statements as of and for the years ended 31 December 2016 and 2015 have been audited and the Company's and the Guarantor's interim condensed financial statements as of and for the six months ended 30 June 2017 have been reviewed by Ernst & Young LLP ("**EY**"), acting as auditors under licence number 0000003 dated 15 July 2005 issued by the Ministry of Finance of the Republic of Kazakhstan, who rendered unqualified audit and review reports on these financial statements.

Presentation of Non-IFRS Measures

The Company defines:

"**EBITDA**" as gross profit less general and administrative expenses plus depreciation and amortisation plus/(less) income/(loss) on allowance for doubtful debts and obsolete inventory;

"**EBITDA margin**" as EBITDA divided by total revenues;

"**Gross debt**" as long-term debt plus short-term debt;

"**Net debt**" as long-term debt plus short-term debt less cash and cash equivalents; and

"**Net debt to EBITDA**" as gross debt divided by EBITDA.

The Company presents EBITDA, EBITDA margin, gross debt, net debt and net debt to EBITDA because it believes that these measures are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the Company's industry. These measures have limitations as analytical tools, and they should not be considered in isolation, or as a substitute for analysis of the Company's operating results as reported under IFRS. In addition, other companies in the industry may calculate these non-IFRS measures differently or may use them for different purposes than the Company does, limiting their usefulness as comparative measures. EBITDA, EBITDA margin, gross debt, net debt and net debt to EBITDA are measures of the Company's performance that are not required by, or presented in accordance with, IFRS. These measures are not a measurement of the Company's performance under IFRS and should not be considered as an alternative to any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating activities or as a measure of the Company's liquidity. In particular, EBITDA should not be considered as a measure of discretionary cash available to the Company to invest in the growth of its business.

In addition to the above, this Listing Particulars includes certain unaudited consolidated results from operations and other financial and operating information for the twelve months ended 30 June 2017 and 30 June 2016. The unaudited financial and operating information presented for the twelve months ended 30 June 2017 has been derived by adding the results of operations and other operating

information for the six months ended 30 June 2017 to the results of operations and operating information for the year ended 31 December 2016 and subtracting the results of operations and other operating information for six months ended 30 June 2016 derived from the Company's financial statements. The unaudited financial and operating information presented for the twelve months ended 30 June 2016 has been derived by adding the results of operations and other operating information for the six months ended 30 June 2016 to the results of operations and operating information for the year ended 31 December 2015 and subtracting the results of operations and other operating information for six months ended 30 June 2015 derived from the Company's financial statements.

This data has been prepared solely for the purpose of this Listing Particulars, is not prepared in the ordinary course of the Company's financial reporting and has not been audited or reviewed.

Third party information

This Listing Particulars includes market, economic and industry data, which has been obtained by the Company from external sources, including other private companies, agencies, international organisations and Kazakhstan authorities, such as the National Statistical Agency of Kazakhstan (the "**Statistics Committee**"), the NBK and other public sources in Kazakhstan, and the Company has relied on that information without carrying out any independent verification. These market data are primarily presented in the section titled "*Description of the Company and the Guarantor*". The Company confirms that this data has been accurately reproduced and, so far as it is aware and has been able to ascertain from that published information, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The third party sources the Company has used generally state that the information they contain has been obtained from sources believed to be reliable. Some of these third party sources also state, however, that the accuracy and completeness of such information is not guaranteed and that the projections they contain are based on significant assumptions. As the Company does not have access to the facts and assumptions underlying such market data, or statistical information and economic indicators contained in these third party sources, the Company is unable to verify such information and, while the Company believes it to be reliable, the Company cannot guarantee its accuracy or completeness.

In addition, certain information in this Listing Particulars is not based on published data obtained from independent third parties or extrapolations therefrom, but rather is based upon the Company's best estimates, which are in turn based upon information obtained from trade and business organisations and associations, consultants and other contacts within the industries in which the Company competes, information published by the Company's competitors and the Company's own experience and knowledge of conditions and trends in the markets in which the Company operates.

The Company cannot assure that any of the assumptions that the Company has made while compiling this data from third party sources are accurate or correctly reflect the Company's position in the industry and none of the Company's internal estimates have been verified by any independent sources. None of the Company or the Managers makes any representation or warranty as to the accuracy or completeness of this information. None of the Company or the Managers have independently verified this information and, while the Company believes it to be reliable, none of the Company or the Managers can guarantee its accuracy.

Presentation of other information

Certain figures in this Listing Particulars relates to measurements of gas or length. The principal measurements used are as follows:

- "bcm" or "bln m³" means billion cubic metres, as measured under one atmosphere of pressure at 20C°;
- "m³/hr" means cubic metre of gas per hour; and

- "bln m³/100 km" means bcm transported for 100 kilometres.

Rounding

Certain figures included in this Listing Particulars have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

INCORPORATION BY REFERENCE

The following documents which have previously been published and have been approved by or filed with the Irish Stock Exchange shall be deemed to be incorporated in, and to form part of, this Listing Particulars:

- (a) the unaudited interim condensed consolidated financial statements of the Company as of and for the six months ended 30 June 2017 (including the auditors' report thereon and notes thereto), which is available for viewing at http://www.ise.ie/debt_documents/Half-yearly%20Financial%20Statement_5e718b77-f3b6-45c2-957f-ca66e535a72f.PDF;
- (b) the audited consolidated financial statements of the Company as of and for the year ended 31 December 2016 (including the auditors' report thereon and notes thereto), which is available for viewing at http://www.ise.ie/debt_documents/Annual%20Financial%20Statement_2ce26dd8-d6c6-4e99-88f2-520b2e0091d7.PDF;
- (c) the audited consolidated financial statements of the Company as of and for the year ended 31 December 2015 (including the auditors' report thereon and notes thereto), which is available for viewing at http://www.ise.ie/debt_documents/Annual%20Financial%20Statement_2d18b1e2-92a5-4297-ae7e-f678a3b8f46e.PDF;
- (d) the unaudited interim condensed financial statements of the Guarantor as of and for the six months ended 30 June 2017 (including the auditors' report thereon and notes thereto), which is available for viewing at http://www.ise.ie/debt_documents/Half-yearly%20Financial%20Statement_4621a7b3-b9c7-417b-b635-224f7cb5059a.PDF;
- (e) the audited financial statements of the Guarantor as of and for the year ended 31 December 2016 (including the auditors' report thereon and notes thereto), which is available for viewing at http://www.ise.ie/debt_documents/Annual%20Financial%20Statement_58861d8c-bd72-4d2b-9b2a-33945d546b13.PDF; and
- (f) the audited financial statements of the Guarantor as of and for the year ended 31 December 2015 (including the auditors' report thereon and notes thereto), which is available for viewing at http://www.ise.ie/debt_documents/Annual%20Financial%20Statement_72b52d43-2377-4713-a2c9-2ef4596fcdfa.PDF;

save that any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Listing Particulars to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Listing Particulars.

Copies of documents deemed to be incorporated by reference in this Listing Particulars may be obtained, free of charge, from the registered office of the Issuer and viewed on the website of the Irish Stock Exchange at www.ise.ie.

TABLE OF CONTENTS

	Page
OVERVIEW	11
RISK FACTORS	15
TERMS AND CONDITIONS OF THE NOTES	38
USE OF PROCEEDS	61
CAPITALISATION AND INDEBTEDNESS	62
SELECTED FINANCIAL INFORMATION AND OPERATING DATA.....	63
MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION	67
DESCRIPTION OF THE COMPANY AND THE GUARANTOR	88
SHARE CAPITAL, SHAREHOLDERS AND RELATED PARTY TRANSACTIONS	121
MANAGEMENT AND CORPORATE GOVERNANCE.....	122
REGULATION IN KAZAKHSTAN	133
FORM OF THE NOTES AND TRANSFER RESTRICTIONS	147
TAXATION.....	154
SUBSCRIPTION AND SALE	160
GENERAL INFORMATION	162

OVERVIEW

This overview does not purport to be complete and must be read as an introduction to this Listing Particulars and any decision to invest in the Notes should be based on a consideration of this Listing Particulars as a whole. Words and expressions defined in "Terms and Conditions of the Notes" shall have the same meanings in this overview.

Issuer or Company	KazTransGas Joint Stock Company
Guarantor	Intergas Central Asia Joint Stock Company
Group	The Issuer and its subsidiaries.
Parent	KazMunayGas Joint Stock Company
Trustee	Citibank N.A., London Branch
Principal Paying and Transfer Agent ..	Citibank N.A., London Branch
Registrar	Citibank N.A., London Branch
The Issue	U.S.\$750,000,000 4.375 per cent. Guaranteed Notes due 2027
Managers	Citigroup Global Markets Limited, ING Bank N.V., London Branch, VTB Capital plc and JSC "SkyBridge Invest"
Issue Price	99.799 per cent. of the principal amount of the Notes.
Issue Date	26 September 2017
Maturity Date	26 September 2027
Interest Rate	The Notes will bear interest at the rate of 4.375 per cent. per annum from and including 26 March 2027 to but excluding the Maturity Date.
Yield	4.4 per cent.
Interest Payment Dates	Interest will be payable semi-annually in arrear on 26 March and 26 September in each year, commencing on 26 March 2018.
Ranking	The Notes constitute the direct, unconditional, unsubordinated and (subject to Condition 5(a) (<i>Negative Pledge</i>)) unsecured obligations of the Issuer and rank and will rank <i>pari passu</i> , without preference among themselves, with all other unsecured and unsubordinated obligations of the Issuer, from time to time outstanding, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
The Guarantee	The Guarantee of the Notes will constitute a direct and (subject to Condition 5(a) (<i>Negative Pledge</i>)) unconditional obligation of the Guarantor which will at all times rank <i>pari passu</i> with all other present and future unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both

mandatory and of general application.

- Cross Default** The terms of the Notes will contain a cross default provision as further described in Condition 12 (*Events of Default*).
- Negative Pledge** The terms of the Notes will contain a negative pledge provision as further described in Condition 5(a) (*Negative Pledge*).
- Certain Other Covenants** The Notes will contain covenants relating to limitations on indebtedness, restrictions on certain consolidations or mergers, disposals and transactions with affiliates, maintenance of authorisations and restrictions on changes to business. See Condition 5 (*Covenants*).
- Redemption for Taxation Reasons** The Issuer may at its option redeem the Notes, in whole but not in part, at their principal amount plus accrued interest in the event of certain changes affecting taxation in Kazakhstan as further specified in Condition 9(b) (*Redemption for Taxation Reasons*).
- Make-Whole Redemption** The Issuer may at its option redeem all or some of the Notes at any time in accordance with Condition 9(c) (*Make-Whole Redemption at the Option of the Issuer*).
- Redemption at Option of Noteholders** Noteholders shall have the option, in the event of a Put Event, to require the Issuer to redeem or purchase the relevant Notes at par plus accrued interest, as further specified in Condition 9(d) (*Redemption at the Option of Noteholders (Change of Control)*).
- Taxation** All payments of principal and interest in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by any Relevant Jurisdiction to the extent provided in Condition 10 (*Taxation*). In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 10 (*Taxation*), be required to pay additional amounts to cover the amounts so deducted.
- Use of Proceeds** The net proceeds of the issue of the Notes, amounting to approximately U.S.\$746,750,000 after the deduction of fees and expenses in connection with the issuance of the Notes, will be used by the Issuer to pay down outstanding indebtedness, including under the outstanding bridge loan agreement entered into by, among others, the Issuer as a borrower, the Guarantor as a guarantor and ING Bank, Citibank N.A., London Branch and VTB Bank PJSC as original lenders on 28 June 2017 (the "**Bridge Loan**"), and for general corporate purposes.
- Form of the Notes** Notes which are offered and sold in reliance on Regulation S will be represented by beneficial interests in the Unrestricted Global Note in registered form, without

interest coupons attached, which will be registered in the name of Citivic Nominees Limited as nominee for, and shall be deposited on or about the Closing Date with a common depository for and in respect of interests held through Euroclear and Clearstream, Luxembourg. Notes which are offered and sold in reliance on Rule 144A will be represented by beneficial interests in the Restricted Global Notes in registered form, without interest coupons attached, which will be deposited with a custodian for, and registered in the name of Cede & Co. as nominee for DTC, on or about the Closing Date. Notes will be issued in denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. See Condition 1 (*Form, Denomination and Title*).

Interests in the Restricted Global Notes will be subject to certain restrictions on transfer. See "*Form of the Notes and Transfer Restrictions*".

Beneficial interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear and Clearstream, Luxembourg and their participants.

Except as described herein, certificates for Notes will not be issued in exchange for beneficial interests in the Global Notes.

- Listing and Clearing** Application has been made to list the Notes on the Irish Stock Exchange and the KASE. The Notes have been accepted for clearance through DTC, Euroclear and Clearstream, Luxembourg.
- ISIN** Regulation S: XS1682544157; Rule 144A: US48668NAA90
- Common Code**..... Regulation S: 168254415; Rule 144A: 168958498
- CUSIP** 48668N NAA9
- Governing Law**..... The Notes and any non-contractual obligations arising out of or in connection with them, will be governed by, and shall be construed in accordance with, English law.
- Selling Restrictions**..... The offering and sale of Notes is subject to applicable laws and regulations including, without limitation, those of the United States, the United Kingdom and Kazakhstan. See "*Subscription and Sale*".
- Ratings** The Notes will be rated Baa3 (outlook stable) by Moody's and BBB- (outlook stable) by Fitch. The Issuer's current long term rating is Baa3 (outlook stable) by Moody's, BB (outlook negative) by Standard & Poor's and BBB- (outlook stable) by Fitch.

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or

withdrawal at any time by the assigning rating organisation.

Risk Factors..... Investing in the Notes involves a high degree of risk. See "*Risk Factors*" beginning on page 15.

RISK FACTORS

An investment in the Notes involves a high degree of risk. Accordingly, prospective investors should carefully consider, amongst other things, the risks described below, as well as the detailed information set out elsewhere in this Listing Particulars, and reach their own views before making an investment decision. The risks and uncertainties described below are not the only risks and uncertainties the Company faces. Additional risks and uncertainties not presently known to the Company, or that the Company currently believes are immaterial, could also impair the Company's business operations. If any of the following risks actually materialises, the Company's business, results of operations, financial condition or prospects could be materially adversely affected. If that were to happen, the trading price of Notes could decline and the Company may be unable to pay interest or principal on the Notes, and investors may lose all or part of their investment.

In addition, factors which are material for the purposes of assessing the market risks associated with the Notes are also described below.

Risk Factors Relating to the Company's Business

The Company's revenue depends on volumes and prices of gas transportation and gas sales

The Company primarily derives revenue from the sale of gas (in the domestic market and for export) and from gas transportation services. For the six months ended 30 June 2017 and the six months ended 30 June 2016, revenue from the sale of gas represented 64.2% and 62.7% of the Company's total revenue, respectively, and revenue from gas transportation services represented 28.6% and 36.3% of the Company's total revenue, respectively. In 2016, volumes of natural gas transported by the Guarantor decreased to 66.8 bcm from 83.9 bcm in 2015, mainly due to the decrease in the volumes of gas transported by the Guarantor for Gazprom from 59.6 bcm in 2015 to 41.2 bcm in 2016. See "*—Revenue is dependent upon the volumes of natural gas transported by and sold to Gazprom, which volumes are in turn dependent on international demand for natural gas*".

International natural gas prices are typically linked to international prices for oil products. International oil prices have fluctuated widely in response to changes in a number of factors over which the Company and the Guarantor have no control. These factors include: economic and political developments in oil producing regions, particularly in the Middle East; global and regional supply and demand, and expectations regarding future supply and demand, for oil products; the ability of members of the Organisation of Petroleum Exporting Countries ("**OPEC**") and other crude oil producing nations to agree upon and maintain specified global production levels; other actions taken by major crude oil producing or consuming countries; prices and availability of alternative fuels; global economic and political conditions; prices and availability of new technologies; and weather conditions. A decline in international prices for oil products and changes in the demand for natural gas could have a material adverse effect on the business, financial condition and the results of operations of the Company.

The Group may be unable to increase the tariffs it charges its customers, which may be set by the Government at below market rates

The Group provides natural gas transit services to its customers based on tariff structures that are typically fixed. Under the Gazprom Contracts, the Group renegotiates most of its contracts with Gazprom on an annual basis each December, including the terms of the tariff-setting mechanism. See "*Description of the Company and the Guarantor—Material Contracts*". While international tariffs may, under certain circumstances, and subject to approval by both the Group and its customers, be adjusted to reflect changes in the costs incurred by the Group, including pursuant to a tariff renegotiation mechanism in the case of the Gazprom Contracts, the Group may not be able to increase its tariffs to reflect an increase in its cost base in all circumstances. Further, the Group may not be able to increase its tariffs in response to any potential decrease in the volume of gas transmitted by its customers, including Gazprom, in the future.

Revenue of the Group depends on the volumes of natural gas it agrees with its customers to transmit through the pipelines it operates and the price it is able to charge for such transportation in accordance with applicable tariffs. If the Group is unable to increase the international tariffs it charges its customers, particularly as may be necessary to cover increases in its costs, or to respond to changes in year-to-year volumes of natural gas transmitted by its customers, this could have a material adverse effect on the Company's business, financial condition and results of operations. In addition, should the Group increase its international tariffs, this may make alternative routes for the transportation of Central Asian gas more economically attractive and feasible than they are at present, which could similarly have a material adverse effect on the Company's business, financial condition and results of operations.

The Guarantor is a natural monopoly under, and as defined in, the Law on Natural Monopolies of Kazakhstan dated 9 July 1998 (the "**Law on Natural Monopolies**"). While the Guarantor's international transit tariffs and the tariffs for transportation of gas designated for export are not subject to regulation, the Guarantor's domestic gas transportation tariffs and natural gas storage tariffs are subject to regulation and approval by the Committee for Regulation of Natural Monopolies Protection of Competition and Consumers' Rights under the Ministry of the National Economy of the Republic of Kazakhstan (the "**Natural Monopolies Committee**"). The Natural Monopolies Committee has approved the tariffs for domestic gas transportation and storage of natural gas for distribution in the domestic market for a period from 2016 through 2021. The Guarantor's domestic transportation tariffs and natural gas storage tariffs are significantly affected by social and political considerations and have historically been kept at artificially low levels, reducing the revenues the Guarantor is able to generate domestically. The Guarantor charges the Company and other shippers flat tariffs for shipments through its pipeline systems. Once approved, the tariffs remain in effect subject to the Guarantor's right to apply to the Natural Monopolies Committee with a request to review and modify such tariffs. The Natural Monopolies Committee also has the right to initiate a review of the transportation tariffs. No assurance can be given that the Group will be able to adjust its prices in response to changes in the market conditions in a timely manner. In addition, if the Natural Monopolies Committee continues to set domestic gas transportation tariffs at lower than market rates, this could reduce the Guarantor's revenue and consequently may have a material adverse effect on the Company's business, prospects, financial condition, cash flows or results of operations.

Revenue is dependent upon the volumes of natural gas transported by and sold to, Gazprom, which volumes are in turn dependent on international demand for natural gas

The Company's revenue is dependent on the volumes of natural gas that it transports for and sells to Public Joint Stock Company Gazprom and its subsidiaries ("**Gazprom**"), the Company's single largest customer. In 2016 and the first six months of 2017, Gazprom accounted for 26% and 40%, respectively, of the Company's total revenue. The decline in the first six months of 2017 is driven by the termination of Gazprom orders for gas in Turkmenistan and a decrease in transportation volumes of Uzbek gas.

Gazprom's volume requirements for gas transit are determined by demand for gas in Russia, Ukraine and Poland and, to a lesser extent, the rest of Europe. Factors affecting natural gas consumption patterns in these countries, including weather, electricity generation from gas and other end uses of gas, can have a significant effect on demand from these countries. To some extent, natural gas prices, which are driven by global factors, can also have an effect on demand for natural gas.

In 2016 and the first six months of 2017, volumes of natural gas sold to Gazprom were 2.2 bcm and 1.1 bcm, respectively. In 2016, volumes of natural gas transported by the Guarantor decreased to 66.8 bcm from 83.9 bcm in 2015, mainly due to the decrease in the volumes of gas transported by the Guarantor for Gazprom from 59.6 bcm in 2015 to 41.2 bcm in 2016. Moreover, most of the Gazprom Contracts no longer provide for "ship-or-pay" terms and, as a result, the Guarantor does not have the same level of protected revenue as it had in the past. There can be no assurance that the volumes of gas the Company sells to Gazprom will not decrease in the future, which could have a material adverse effect on the business, financial condition and the results of operations of the Company. See

"Management's Discussion and Analysis of Results of Operations and Financial Condition—Factors Affecting Results of Operations—Key Customer Contracts and Bilateral Agreements".

The Company conducts several of its significant operations through joint ventures in which it has a non-controlling interest

The Company is currently a party to several joint ventures and may in the future enter into additional joint ventures as a means of conducting its business. The Company cannot fully control the operations or the assets of these entities, nor can it unilaterally make major decisions with respect to such entities. This lack of control constrains the Company's ability to cause such entities to take action that would or might be in the best interests of the Company or refrain from taking action that would or might be materially adverse to the interests of the Company.

In particular, the Company is a party to two significant joint ventures with Chinese government-controlled entities as China continues to enhance its presence in Kazakhstan's gas industry. These joint ventures are (i) Asian Gas Pipeline LLP ("**AGP**"), a joint venture of the Company with Chinese National Petroleum Corporation ("**CNPC**") (acting through Trans-Asian Gas Pipeline Company Limited) to construct the Turkmenistan-China gas pipeline across Kazakhstan, which transmits gas from the other Central Asian Republics to China ("**Asian Gas Pipeline**"); and (ii) Beineu-Shymkent Gas Pipeline LLP ("**BSGP**"), a joint venture between the Company and CNPC (acting through Trans-Asian Gas Pipeline Company Limited) to construct and operate the Beineu-Bozoy-Shymkent gas pipeline ("**Beineu-Shymkent Gas Pipeline**"). Both joint ventures were created by equal partners, and neither party has a controlling stake. Chinese government-controlled entities have also provided financing or guaranteed the financing required to fund certain of these projects. Although, as at the date of this Listing Particulars, relations between the Company and its Chinese partners are generally positive and Management does not foresee any deterioration in its relationship with its Chinese partners, the Company cannot be sure that relations will remain so in the future. In addition, Kazakhstan's National Security Law permits restrictions on investments if such investments may harm national security. Consequently, a deterioration in the Company's relationship with its Chinese partners, or a deterioration in the Government's relationship with the Chinese government, could have a material adverse impact on these various joint ventures and, accordingly, the Company's business.

Certain of the Company's customers and business associates are subject to U.S. and EU sanctions and the ongoing or future impact of such sanctions may have an adverse effect on the Company

The U.S. government imposes economic sanctions and trade embargoes with respect to certain countries in support of its foreign policy and national security goals. These laws and regulations are administered by the U.S. Treasury Department's Office of Foreign Assets Control ("**OFAC**"), and in certain instances by the U.S. Department of State. U.S. economic sanctions impose restrictions on U.S. persons and, in certain circumstances, non-U.S. persons with respect to activities or transactions with certain countries, governments, entities or individuals that are the target of the relevant U.S. economic sanctions. Under applicable U.S. economic sanctions, U.S. persons also are prohibited from facilitating such activities or transactions, and non-U.S. persons are prohibited from causing other persons to violate applicable prohibitions. The United Kingdom, the other Member States of the EU and various other countries (such as Australia, Canada, Japan and Switzerland), as well as the United Nations, have also implemented measures aimed at prohibiting or restricting engagements in financial and other dealings with sanctioned countries, entities and individuals.

In connection with the instability and unrest in Ukraine since 2014, the United States and the EU have imposed sanctions on certain individuals and companies in Russia, including Gazprom (a Russian state-owned oil and gas company). The Company has business relationships with Gazprom and, in particular, generates significant revenues from the sales of gas to and from transportation of gas for Gazprom through the Company's pipelines.

While the Company has not been sanctioned and has not engaged in, and does not expect to engage in, any actions that would cause it to be sanctioned by any relevant authority, there can be no assurance that the Company will not be sanctioned in the future. If the Company were to be

sanctioned in the future, some of its investors, in the United States, in the EU and in other jurisdictions where sanctions similar to the U.S. Economic Sanctions apply, may be required (by operation of law or regulations or under internal investment policies, or both) to divest their interests in the Notes and some potential investors may forgo the purchase of Notes. Moreover, under such circumstances, other counterparties to the Company, both U.S. and non-U.S. and including various sources of funding for the Company, may be required, or may decide for reputational reasons or otherwise, to cease their business relationships with or divest their investments in the Company. Any of these factors could have a material adverse effect on the Company's business, prospects, financial condition, cash flows or results of operations.

In addition, the Company has been granted the Bridge Loan by a syndicate of banks, one of which is included on the list of entities subject to sectoral sanctions. See "*Management's Discussion and Analysis of Results of Operations and Financial Condition—Indebtedness—Interest-bearing loans with floating rate*". As a result of the imposition of sanctions on certain Russian financial institutions, the Company's continued and future access to funding from Russian banks may be limited as such banks may be unable to offer funds, particularly in U.S. Dollars, to companies at an acceptable cost, if at all. Accordingly, the Company's available funding sources may become more limited and there can be no assurance that the Company will be able to find alternative available funding on the same or better terms, if at all.

The Company is leveraged and may increase its debt burden over the coming years

The Company has historically had significant levels of capital spending and recently implemented a large capital expenditure programme, in part to finance the accelerated modernisation of the Company's pipelines. As a result, the Company is leveraged, with total borrowings of KZT 288 billion as at 30 June 2017 and KZT 365 billion as at 31 December 2016 and net debt to EBITDA ratios of 1.4 as at 30 June 2017 and 2.0 as at 31 December 2016. The Company has not paid dividends to its parent company Joint Stock Company National Company "KazMunayGas" (the "**Parent**") since 2011, but it may resume paying dividends in the future.

There can also be no assurance that the Company's debt levels will not increase in the future, that the Company will continue to be able to comply with the restrictive covenants of its debt facilities, or that the Company will be able to refinance its indebtedness at maturity on terms that are favourable or acceptable to the Company, or at all. Failure by the Company to refinance its outstanding indebtedness could have a material adverse effect on the Company's business, prospects, financial condition, cash flows or results of operations. See "*—The Company's business requires significant capital expenditures and the Company may be unable to finance its planned capital expenditures*" and "*—The Company is required to comply with certain financial and other restrictive covenants*".

The Company's business requires significant capital expenditures and the Company may be unable to finance its planned capital expenditures

The Company's business requires significant capital expenditures related to gas transportation and compliance with environmental laws and regulations. The Company has historically had significant levels of capital spending and investment, which continued in 2014, 2015 and 2016, and have continued to date in 2017. In 2014, the Company increased its capital expenditure programme significantly, primarily to implement an accelerated modernisation programme, including, *inter alia*, in respect of the Company's pipelines. In 2015 and 2016, the Company's capital expenditures were KZT 83.5 billion and KZT 83.8 billion, respectively, and are expected to be KZT 95.4 billion in 2017. The Company expects that its capital expenditures will significantly decrease from 2018 compared to previous years. The majority of the Company's current capital expenditure commitments are in respect of the construction of a compressor station (Karaozek), modernisation, reconstruction and construction in the Mangystau region, and capital investments for the Bukhara-Ural Pipeline and the Bukhara gas region-Tashkent-Bishkek-Almaty pipeline ("**BGR-TBA Pipeline**"). See "*Description of the Company and the Guarantor—Investment Projects*". Overall, the Company expects to incur capital expenditures of KZT 95.4 billion in 2017 (of which the Company has spent KZT 54.2 billion

as at 30 June 2017), capital expenditures of KZT 33.7 billion in 2018 and total capital expenditures of KZT 232.5 billion over the next five years (including 2017 and 2018) both for general purposes and, in particular, to finance the projects described above. See "*—The Company is leveraged and may increase its debt burden over the coming years*".

The Company expects to fund a substantial part of its capital expenditures out of intragroup financings and net cash provided by its operating activities, as well as through loans from international banks and further issuances of notes. The Company may have to finance more of its planned capital expenditures from external sources, including bank borrowings and offerings of debt securities, such as the Notes, in the domestic and international capital markets, which could be more expensive. The Company may be unable to raise the financing required for its future capital expenditures, on a secured basis or otherwise, on acceptable terms or at all. Lack of sufficient funds in the future may require the Company to delay or terminate some of its anticipated projects.

If the Company is unable to raise necessary financing either from the Parent, Joint Stock Company "Sovereign Wealth Fund "Samruk-Kazyna" ("**Samruk-Kazyna**"), the Government, international or domestic banks or the capital markets, it may be forced to reduce planned capital expenditures or curtail or abandon certain projects, which could adversely affect the Company's ability to expand its business, and if the reductions or curtailments are severe enough, could adversely affect its ability to maintain its operations at current levels, which could have a material adverse effect on its business, financial condition and results of operations.

Many of the Company's transportation facilities were constructed many years ago and will require significant further investment, in particular, to meet required ecological standards

The Company's transportation facilities largely rely on old infrastructure, which could materially adversely affect the Company's activities. The natural gas transportation systems operated by the Guarantor, including the pipelines and compressor stations, were, for the most part, constructed over 30 years ago. Most of the pipelines are over 25 years old with some parts of the pipelines being more than 35 years old; overall, the pipelines have depreciated in value.

Considerable sums of money have been invested by the Company to overhaul and improve the pipeline network and compressor stations to bring them into compliance with internationally accepted standards and significant investments will also be required in the short and long-term to maintain and upgrade the Company's pipeline network and facilities. See also "*—The Company's business requires significant capital expenditures and the Company may be unable to finance its planned capital expenditures*". There can be no assurance that there will not be any delays or curtailments of the supply of natural gas to the Company's customers in the future due to the stress and corrosion of pipelines, defective construction of compressor stations, problems associated with a harsh climate, the insufficient maintenance or refurbishment of the network or the breakdown or failure of equipment or processes leading to performance below expected levels of output or efficiency.

If the Company is not able to complete further works, find sources of funding for such works on favourable terms or at all or control the costs of such works, there could be a material adverse effect on the Company's business, prospects, financial condition, cash flows or results of operations.

The Company's operations in the ordinary course of business subject it to developing and uncertain environmental and operational health and safety regulations and requirements to comply with ecological standards, non-compliance with which could result in severe fines and the suspension or permanent shut down of activities

The Company's operations are subject to the environmental risks inherent in all aspects of its business, including gas exploration, transportation and storage.

Although the level of pollution and potential clean-up costs is difficult to assess, the Company's subsidiaries, joint ventures and associates, like most other gas companies operating in the

Commonwealth of Independent States ("CIS"), are burdened with a Soviet era legacy of environmental mismanagement.

The legal framework in Kazakhstan for environmental protection and operational health and safety is developing. Stricter environmental requirements, such as those governing discharges into the air and water, the handling and disposal of solid and hazardous wastes, land use and reclamation and remediation of contamination, are being introduced and the environmental authorities are moving towards a stricter interpretation of environmental legislation. In addition, the Eurasian Economic Union (the "EEU") has imposed deadlines for compliance with Euro 4 and Euro 5 standard ecological requirements by 2017 and 2018, respectively. There can be no assurance that either the Kazakhstan regulators or the EEU will not impose additional, more stringent environmental requirements on the Company. Compliance with such environmental requirements may make it necessary for the Company, at costs which may be substantial, to undertake new measures in connection with the storage, handling, transport, treatment or disposal of hazardous materials and wastes and the remediation of contamination.

The costs of environmental compliance in the future and potential liability due to any environmental damage that may be caused by the Company could be material. Moreover, the Company could be adversely affected by future actions and fines imposed on a subsidiary, joint venture or associate of the Company by the environmental authorities, including the potential suspension or revocation of one or more of the Company's subsoil licences or environmental permits. To the extent that any provision in the Company's accounts relating to remediation costs for environmental liabilities proves to be insufficient, this could have a material adverse effect on the Company's business, prospects, financial condition, cash flows or results of operations.

Although the Company is obliged to comply with all applicable environmental laws and regulations, it cannot, given the changing nature of environmental regulations, guarantee that it will be in compliance at all times. Any failure to comply with these environmental requirements could subject the Company to, among other things, civil liabilities and penalty fees and, possibly, the temporary or permanent shutdown of the Company's operations. Any imposition of environmental fines, increase in the costs associated with compliance or suspension or revocation of licences or contracts could have a material adverse effect on the Company's business, prospects, financial condition, cash flows or results of operations.

The Company's activities could be reduced by adverse weather events

Kazakhstan's climate is characterised by harsh winters and hot summers. A large number of the Company's facilities and large segments of its networks are located in areas that experience severe weather conditions, particularly in winter, and extreme variability in winter and summer weather, which can accelerate wear and tear on pipelines and related equipment. Extremely harsh weather conditions and the remoteness of certain of the Company's facilities may make it difficult to gain access to conduct repair or maintenance quickly. See "*The Company operates in remote or otherwise inaccessible areas*". There can be no assurance that such events or other significant weather events will not negatively affect the Company's operations in the future, which could, in turn, have a materially adverse effect on the Company's business, financial condition, results of operations and prospects.

The Company operates in remote or otherwise inaccessible areas

Because of the remote location of many of the Company's operations, the Company generally does not have ready access to equipment, facilities or labour to address problems such as, among other things, equipment breakdowns and failures, and delays may occur in accessing required materials or supplies in order to carry out necessary repairs or maintenance. In addition, equipment breakdowns and failures affecting certain key parts of the Company's facilities, such as the Company's transportation operations and the interface between the field gathering system and its processing facilities, might, in turn, affect the Company's ability to use all of its facilities and substantially curtail or stop production. Similarly, operating in remote areas exposes the Company's operations to risks

caused by poor infrastructure, such as power outages. The remote location of many of the Company's operations also makes its assets and infrastructure susceptible to acts of terrorism or sabotage and natural disasters. As a result, the Company may not be able to immediately respond to or repair damage resulting from such acts, which could have a material adverse effect on the Company's business, prospects, financial condition, cash flows or results of operations.

The Company relies on the services of third parties

The Company relies to a large extent on external contractors to carry out maintenance of the Company's assets and infrastructure. The Company relies on external contractors in all regions of Kazakhstan to perform major works, such as repairs and maintenance of equipment, pipe isolation systems and electrochemical protection systems, maintenance and replacement of pipes and maintenance of other general buildings and structures. As a result, the Company is largely dependent on the satisfactory performance by its external contractors and the fulfilment of their obligations. If an external contractor fails to perform its obligations satisfactorily, this may lead to delays or curtailment of the production, transportation, delivery of gas and related products, which could have an adverse effect on the Company's results of operations.

The Company's corporate governance procedures differ significantly from those applicable to comparable companies in other jurisdictions

The Company's existing corporate governance policies are based upon the laws governing companies incorporated in Kazakhstan. See "*Management—Governance*". The corporate governance policies of the Company under Kazakhstan law are different from, and may be less stringent than, those generally applicable to companies organised in the United Kingdom, the United States or other jurisdictions. For example, significant investment decisions of the Company are approved by the investment committee of the Parent.

While Management believes that the Company's corporate governance regime in effect as at the date of this Listing Particulars is more developed than those of its peer companies in Kazakhstan, Samruk-Kazyna has expanded its "Business Transformation Programme", the objective of which is for companies within the Samruk-Kazyna group, including the Company, to, *inter alia*, implement international standards of best practice (including those relating to corporate governance), and the Company has implemented a number of measures in furtherance of this "Business Transformation Programme". Any deficiencies in the Company's corporate governance policies could subject the Company to civil penalties, which could, in turn, materially adversely affect the Company's business, prospects, financial condition, cash flows or results of operations.

The Company is required to comply with certain financial and other restrictive covenants

The Company is subject to certain financial and other restrictive covenants under the terms of its indebtedness that limit its ability to borrow and impose other restrictions on the Company. The Company's ability to meet its financial covenants and tests under the terms of its indebtedness are, to an extent, affected by events beyond the Company's control. While, as at the date of this Listing Particulars, the Company and its subsidiaries are in compliance with all financial covenants applicable to them, Management cannot give any assurance that the Company or its subsidiaries will be able to meet the tests imposed by the financial and other restrictive covenants under the terms of its respective indebtedness or that it will be able to obtain consents to amend, or waivers in respect of breaches of, such covenants in the future. If the Company or its subsidiaries are unable to comply with the restrictions and covenants in its existing or future debt and other agreements, a default under the terms of those agreements may result. In the event of a default under these agreements, the parties may terminate their commitments to further lend to the Company or the relevant subsidiaries and/or accelerate the loans, declare all amounts borrowed due and payable and enforce security triggering events of default in other finance agreements, including pursuant to the Term and Conditions of the Notes. If any of these events occurs, the Company cannot guarantee that available assets would be sufficient to repay in full all of the affected indebtedness, or that the Company would be able to secure

alternative financing. Even if the Company could obtain alternative financing, Management cannot guarantee that such financing would be on terms that are favourable or acceptable to the Company.

The Company has been subject to, and may continue to be subject to, adverse regulatory developments

The Parliament is considering the implementation of a subsoil code, which is expected to supersede the 2010 Subsoil Law (the "**Subsoil Code**"). While a number of drafts of the Subsoil Code have been released to date, the Subsoil Code is neither in final form nor has it been adopted. While the Company does not believe that the adoption of the Subsoil Code would have a material adverse impact on its business or operations, the draft Subsoil Code was amended to a significant extent during its review by the Parliament and may continue to do so prior to the adoption of the final version of the Subsoil Code. There can be no assurance as to the terms that will be included in the final version of the Subsoil Code because amendments to it are outside of the Company's control. In addition, there can be no assurance as to if and when adopted (if at all) the Subsoil Code will be adopted, or whether the Subsoil Code could have a material adverse effect on the Company.

In addition, the Ministry of the National Economy has made a proposal to introduce a new tax code (the "**Proposed Tax Code**"). The Proposed Tax Code is aimed at changing, among other things, taxation of subsoil users, and provides for a tax based on financial results that would supersede the specific taxes and payments of subsoil users currently in force. The Ministry of the National Economy has also announced that it is also contemplating the abolition of the commercial discovery bonus currently in effect. The final text of the Proposed Tax Code has not yet been published or submitted to the Parliament. Once submitted, it may change significantly as a result of Parliamentary review. There can be no assurance as to the provisions of any draft or the final form of the Proposed Tax Code because amendments to it are outside of the Company's control. In addition, there can be no assurance as to if and when adopted (if at all) the Proposed Tax Code will be adopted, or whether the Subsoil Code could have a material adverse effect on the Company.

Risk Factors Relating to the Republic of Kazakhstan

The Company is subject to Kazakhstan specific risks, including, but not limited to, local currency devaluation, civil disturbances, changes in exchange controls or lack of availability of hard currency, changes in energy prices, changes with respect to taxes, withholding taxes on distributions to foreign investors, changes in anti-monopoly legislation, nationalisation or expropriation of property and interruptions or embargos on the export of hydrocarbons or other strategic material and the potential impact of international sanctions. The occurrence of any of these factors or any of the factors described below could have a material adverse effect on the Company's business, prospects, financial condition, cash flows or results of operations.

Emerging markets are generally subject to greater risk than more developed markets and actual and perceived risks associated with investing in emerging economies could dampen foreign investment in Kazakhstan

The disruptions experienced due to the impact of the global financial and economic crisis in the international and domestic capital markets have led to reduced liquidity and increased credit risk premiums for certain market participants and have resulted in a reduction of available financing. Companies located in emerging markets such as Kazakhstan may be particularly susceptible to such disruptions, reductions in the availability of credit and increases in financing costs, which could result in them experiencing financial difficulty.

In addition, the availability of credit to entities operating within the emerging markets is significantly influenced by the level of investor confidence in such markets as a whole and any factors that affect investor confidence (for example, a decrease in credit ratings or state or central bank intervention) could affect the price or availability of funding for entities within any of these markets.

Investors in emerging markets such as Kazakhstan should be aware that these markets are subject to greater risk than more developed markets, including, in some cases, significant legal, economic and political risks. For example, the continued instability and unrest in Ukraine and related events have had and may continue to have an adverse effect on the economy in Russia, which could, in turn, have a "contagion effect" on economies in the region, including, in particular, Kazakhstan, which is a close trading partner of Russia. In connection with such instability and unrest in Ukraine, the EU, the United States and Canada have imposed sanctions on certain individuals and companies in Russia and Russia has, in turn, imposed trade sanctions on certain goods and services originating in the EU and the United States. See "*—Sanctions imposed on Russia could have an indirect adverse impact on Kazakhstan's economy*". If the instability in Ukraine continues, tensions between Russia and Ukraine escalate further or new tensions between Russia and other countries emerge, or if further economic or other sanctions, such as further limitations on trade, are imposed in response to such instability and tensions, this could have a further adverse effect on the economies in the region, including the Kazakhstan economy, as well as on companies active in the region, including the Company. Such risks may be of particular significance to the Company given its reliance on the volumes of natural gas transported through its system by Gazprom, which is currently subject to both EU and U.S. sanctions.

Investors should also note that emerging economies such as Kazakhstan's are subject to rapid change and that the information set out in this Listing Particulars may become outdated relatively quickly. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in the light of those risks, their investment is appropriate. Generally, investment in emerging markets is suitable only for sophisticated investors who fully appreciate the significance of the risks involved. Investors are urged to consult with their own legal and financial advisers before making an investment in the Notes.

In addition, instances of fraud, bribery and corruption may be, or may be perceived to be, more commonplace in emerging markets such as Kazakhstan, which may impact investor confidence or willingness to invest. Financial problems or an increase in the perceived risks associated with investing in emerging economies may dampen foreign investment in Kazakhstan and adversely affect Kazakhstan's economy. In addition, companies operating in emerging markets can face severe liquidity constraints if foreign funding resources are withdrawn. Thus, whether or not Kazakhstan's economy is relatively stable, financial turmoil in any emerging market country, in particular those in the CIS or Central Asian regions which have recently experienced significant political instability (including terrorism), could seriously disrupt the Company's business, which could, in turn, have a material adverse effect on the Company's business, prospects, financial condition, cash flows or results of operations.

Most of the Company's operations are conducted, and a substantial part of its assets are located, in Kazakhstan; therefore, the Company is largely dependent on the economic and political conditions prevailing in Kazakhstan

Kazakhstan became an independent sovereign state in 1991 as a result of the dissolution of the former Soviet Union. Since then, Kazakhstan, under President Nursultan Nazarbayev, has experienced significant changes as it emerged from a centrally controlled command economy to a market-oriented economy. The transition was initially marked by political uncertainty and tension, a stagnant economy marked by high inflation, instability of the local currency and rapid, but incomplete, changes in the legal environment. However, Kazakhstan actively pursued a programme of economic reform designed to establish a free market economy through privatisation of government-owned enterprises and deregulation and it is more advanced in this respect than some other countries of the former Soviet Union. Under President Nazarbayev's leadership, Kazakhstan has moved toward a market-oriented economy. If the current administration changes its outlook or, in the event of a change in administration, such future administration has a different outlook, the economy in Kazakhstan could be adversely affected. Changes to Kazakhstan's economy, including in property, tax or regulatory regimes or other changes could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Kazakhstan depends on neighbouring states to access world markets for a number of its major exports, including oil, natural gas, steel, copper, ferro-alloys, iron ore, aluminium, coal, lead, zinc and wheat. Thus, Kazakhstan is dependent upon good relations with its neighbours to ensure its ability to export. Should access to these export routes be materially impaired, this could adversely impact the economy of Kazakhstan. Moreover, adverse economic factors in regional markets may adversely impact Kazakhstan's economy.

Samruk-Kazyna's policy is for entities that it controls (including the Company, through the Parent) to limit their cash and cash equivalents (including deposits) in international banks to 10% of the total amount, although there are no legal consequences to a violation of this policy. Depending on the levels of cash maintained by the Company, compliance with this policy could increase the Company's exposure to the Kazakhstan banking sector. As at 30 June 2017, the Company was not in compliance with this policy. In the event that the Kazakhstan banking sector encounters difficulties, it could result in a *de facto* or *de jure* freezing of all or a portion of the Company's cash, which could have a material adverse effect on the Company's business, prospects, financial condition, cash flows or results of operations.

Deterioration of the economic and political conditions in Kazakhstan could have a material adverse effect on the Company's business, financial condition and results of operations

Since the dissolution of the Soviet Union, a number of former Soviet Republics have experienced periods of political instability, civil unrest, military action and popular changes in governments or incidents of violence. Kazakhstan has had only one president, Nursultan Nazarbayev, who is 77 years old as at the date of this Listing Particulars. Under President Nazarbayev's leadership, the foundations of a market economy have taken hold, including the privatisation of state assets, liberalisation of capital controls, tax reforms and pension system development and the country has been largely free from political violence. In 2007, Kazakhstan's Parliament amended Kazakhstan's constitution to allow President Nazarbayev to run in an unlimited number of consecutive re-elections. The 2007 amendment permitted President Nazarbayev to seek re-election at the end of his terms in 2011 and 2015 and, in April 2015, President Nazarbayev was re-elected with 97.8% of the votes for a new five-year term.

In addition, Kazakhstan could be adversely affected by political unrest in the region, such as the continuing unrest in Ukraine. Additionally, like other countries in Central Asia, Kazakhstan could be adversely affected by terrorism or military or other action taken against sponsors of terrorism in the region. Moreover, adverse economic, political or social factors in other jurisdictions within or outside the region may also adversely impact the Kazakhstan economy.

In the last quarter of 2016, President Nazarbayev announced planned constitutional reforms that contemplate a distribution of authority among governmental bodies. The law amending the constitution was promulgated by President Nazarbayev on 10 March 2017. The law provides for 26 amendments, which transfer certain powers of the President to the Parliament and the Government. Despite this, given that Kazakhstan has not had a presidential succession and that there is no clear successor to Mr. Nazarbayev, there can be no assurance that any succession will result in a smooth transfer of office and economic policies. Thus, should he fail to complete his current term of office for any reason or should a new president be elected at the next election, Kazakhstan's political situation and economy could become unstable and the investment climate in Kazakhstan could deteriorate. As there is currently no clear successor, the issue is a potential cause of instability in Kazakhstan. If a future president is elected with a different political outlook, the business regime in Kazakhstan could change. Political instability in Kazakhstan or changes to its property, tax or regulatory regimes or other changes, resulting from a new administration or otherwise, could have a material adverse effect on the Company's business, prospects, financial condition, cash flows or results of operations.

Kazakhstan's economy and finances have and continue to experience slower levels of growth since the global financial crisis which began in 2008. According to statistics published by the Statistics Committee of the Republic of Kazakshtan, the rate of real GDP growth was 4.1% in 2014, 1.2% in

2015, 1.0% in 2016 and 5.8% in the first six months of 2017. The IMF forecast for real GDP growth in 2017 is 2.5%.

Weaknesses in the global financial markets since the onset of the global financial crisis also contributed to several major bank failures in Kazakhstan and subsequent restructurings. The Kazakhstan banking system overall remains under stress with persistently high levels of non-performing loans, and there can be no assurance that the reforms recently implemented with the aim of reducing non-performing loans will be successful or sufficient. There is also a high level of concentration in the banking sector, with the five largest banks holding more than half of all customer deposits. While measures have been taken to address and reduce systemic risk, such measures are ongoing and there remains a risk that further reforms may be required, the impact of which is not certain. There is also a risk further financial assistance to the banking sector may be needed from the State, which it may not be willing and/or able to provide.

Further downgrades of Kazakhstan's credit ratings could have a material adverse effect on the Company's business, financial condition and results of operations

In February 2016, S&P changed the outlook of Kazakhstan's credit rating from stable to negative. Any further negative changes to the outlook or rating downgrade is likely to result in a downgrade of the Company's ratings. For example, in February 2016, in line with the change of outlook to the sovereign rating, S&P revised its outlook on the Company's long-term foreign currency rating from stable to negative. In the past, the Company's credit rating has also been affected by its exposure to the Kazakhstan banking sector. Any future downgrade of Kazakhstan's sovereign credit rating and liquidity problems in Kazakhstan's economy could adversely affect its economic development, which could in turn, materially and adversely affect the Company's prospects, business, financial condition and results of operations.

Further devaluations of the Tenge could have an adverse impact on the Company and Kazakhstan's public finances and economy

Although the Tenge is convertible for current account transactions, it is not a fully convertible currency for capital account transactions outside Kazakhstan. Since the NBK adopted a floating rate exchange policy for the Tenge in April 1999, the Tenge has fluctuated significantly. The Tenge had generally appreciated in value against the U.S. Dollar over the previous decade until its devaluation by the NBK in February 2009. Between February 2009 and February 2014, the Tenge had generally stabilised. On 11 February 2014, the NBK devalued the Tenge by 18.6% to KZT 184.50 per U.S.\$1.00. The NBK stated that such devaluation was made in light of the situation in the global financial and commodity markets and the depreciation of the Russian Rouble over the course of 2013 and 2014. In August 2015, the NBK announced the adoption of a free-floating exchange rate, which resulted in a 35.5% depreciation against the U.S. Dollar. As at 30 June 2017, the official KZT/U.S.\$ exchange rate reported by the NBK was KZT 321.46 per U.S.\$1.00, compared to KZT 333.29 per U.S.\$1.00 as at 31 December 2016 and KZT 339.47 as at 31 December 2015.

While certain of the Company's subsidiaries that have significant U.S. Dollar revenue and a significant share of Tenge-denominated costs may benefit from a devaluation of the Tenge against the U.S. Dollar and the devaluation of the Tenge against the U.S. Dollar has a positive effect on the EBITDA of the Company, the Company has significant outstanding U.S. Dollar denominated liabilities, including the Bridge Loan, and will pay principal and interest on the Notes in U.S. Dollars. Therefore, the Company's accounts are sensitive to currency exchange rate fluctuations, and the devaluation of the Tenge against the U.S. Dollar may have an overall adverse effect on the Company resulting in foreign currency translation losses that are recognised in the Company's consolidated statement of comprehensive income. For example, following the depreciation of the Tenge in 2015, the Company recognised a net foreign exchange loss of KZT 101.2 billion for the year ended 31 December 2015. Certain of the Company's subsidiaries and joint ventures are regulated companies that operate on the basis of tariffs or maximum prices established by the regulator in Tenge, and such

tariffs may not always be amended to reflect currency exchange fluctuations in a timely manner or at all.

In addition, there can be no assurance that the NBK will maintain its managed exchange rate policy. Any change in the NBK's exchange rate policy could have an adverse effect on Kazakhstan's public finances and economy, which could, in turn, have a material adverse effect on the Company's business, prospects, financial condition, cash flows or results of operations.

Sanctions imposed on Russia could have an indirect adverse impact on Kazakhstan's economy

The U.S. have recently strengthened sanctions on certain Russian industries and projects, including international energy investments in Russia, in connection with the current conflict in Ukraine and Syria and alleged interference in the 2016 U.S. Presidential elections. The sanctions imposed to date have had an adverse effect on the Russian economy, prompting downward revisions to the credit ratings of the Russian Federation and a number of major Russian companies that are ultimately controlled by the Russian Federation, causing extensive capital outflows from Russia and impairing the ability of Russian issuers to access the international capital markets. See also "*Risk Factors Relating to the Company's Business—Certain of the Company's customers and business associates are subject to U.S. and EU sanctions and the ongoing or future impact of such sanctions may have an adverse effect on the Company*".

While Kazakhstan maintains strong independent diplomatic relationships with both Russia and Ukraine and has confirmed its neutral position with respect to the tensions between Russia and Ukraine, Kazakhstan has significant economic and political relations with Russia. The establishment and functioning of the EEU are expected to continue to strengthen Kazakhstan's economic relations with Russia. In 2016, based on actual trade flows, Kazakhstan's imports from Russia accounted for 36.3% of Kazakhstan's total imports, and its exports to Russia accounted for approximately 9.5% of its total exports. In addition, a significant amount of the natural gas transported through Kazakhstan's natural gas pipeline system is transported to Russia or from one part of Russia to another through Kazakhstan's territory.

As at 1 July 2017, the total assets of four Russian banks operating in Kazakhstan (Sberbank, Alfa-Bank, VTB Bank (Kazakhstan) and Bank Home Credit) represented 9.4% of the total assets of Kazakhstan's banking sector. Although Kazakhstan's trade with Russia increased from approximately U.S.\$ 5.5 billion in the first five months of 2016, to U.S.\$7.4 billion in the same period of 2017, there can be no guarantee that it will not decrease in the future, as may the activities of the Russian banks operating in Kazakhstan.

Kazakhstan's close economic links with Russia, the existing sanctions imposed on Russia or any future sanctions could have a material adverse effect on Kazakhstan's economy, which could, in turn, have an adverse effect on the Company's business, prospects, financial condition or results of operations.

Currency control laws affect the Company's foreign currency dealings

Pursuant to the Kazakhstan's Law On Currency Regulation and Currency Control dated 13 June 2005, as amended (the "**Currency Law**"), the Government has the right to impose, under certain emergency circumstances, restrictions in respect of currency operations of residents and non-residents of Kazakhstan. Such restrictions may be imposed within the framework of the "special currency regime" introduced by the Government upon consultation with the NBK and other relevant state bodies if there is a threat to economic security of Kazakhstan and stability of its financial system. For example, the Government may require (among other things) that certain currency operations may be carried out only upon obtaining the permit from the NBK, impose restrictions on the use of foreign bank accounts and/or require that funds from currency operations be deposited with a non-interest bearing deposit account with Kazakhstan-authorized banks or the NBK. To date, Kazakhstan has not applied the special currency regime.

Further, the NBK has prepared a draft of a new Law On Currency Regulation and Currency Control (the "**Draft New Currency Law**") that is intended to supersede the current Currency Law. The Draft New Currency Law, while retaining the Government's power to impose restrictions under the special currency regime, also provides for a new power of the NBK to restrict the conversion of Tenge into foreign currency. Specifically, under the Draft New Currency Law, the NBK would have the right to allow resident legal entities to convert Tenge into foreign currency only for certain specified purposes (to be determined by the NBK). The NBK announced that it intends to finalize the Draft New Currency Law and submit it to Parliament for voting by the end of 2017. In order for Kazakhstan to remain in compliance with its membership obligations under the Charter of the International Monetary Fund, the new currency regime cannot restrict residents from repaying foreign currency-denominated obligations. It is at present unclear how the new currency regime would ultimately impact the Company. However, significant restrictions on the Company's foreign currency dealings could have a material adverse effect on the Company's business, prospects, financial condition or results of operations.

Kazakhstan is heavily dependent upon export trade and commodity prices, particularly with respect to the oil and gas industry, and weak demand for its export products and low commodity prices may adversely affect Kazakhstan's economy in the future

As Kazakhstan is negatively affected by low commodity prices, particularly in respect of the oil and gas sector, which represented 18.2% of the GDP of Kazakhstan in 2016, and economic instability elsewhere in the world, the Government has been promoting economic reform, inward foreign investment and the diversification of the economy. In 2000, the Government established the National Fund of Kazakhstan (the "**National Fund of Kazakhstan**") to support the financial markets and the economy of Kazakhstan in the event of any sustained drop in oil revenues, although as a result of substantial spending by the National Fund of Kazakhstan to date, the status of future funding from the National Fund of Kazakhstan is uncertain. Notwithstanding these efforts, weak demand in its export markets and low commodity prices, especially with respect to the oil and gas industry, may adversely affect Kazakhstan's economy in the future, which may materially adversely affect the Company's business, prospects, financial condition, cash flows or results of operations. Most of the Company's operations are conducted, and a substantial part of its assets are located, in Kazakhstan; therefore, the Company is largely dependent on the economic and political conditions prevailing in Kazakhstan.

The decline in world prices for oil and other commodities from 2008 through early 2009 had a negative impact on the growth prospects of the Kazakhstan economy. The State budget for 2009-2014 originally projected revenue on the basis of world oil prices of U.S.\$60 per barrel. Budget projections, which were initially revised to U.S.\$40 per barrel in light of the then-decline in world oil prices, were further revised to U.S.\$90 per barrel for 2013 and U.S.\$95 per barrel for each of 2014, 2015 and 2016 as the price of oil began to recover. Following the decrease in global oil prices in 2014, and the devaluation of the Tenge against the U.S. Dollar in 2015, the State budget set projections based on U.S.\$40 per barrel for 2016-2018; the State budget was further revised in 2016 to reflect an assumed world oil price of U.S.\$35 per barrel for 2017-2019. There can be no assurance that further revisions of the State budget will not be required in light of continuing oil price volatility, which could adversely affect the development of Kazakhstan and, in turn, the Company's business, financial condition, results of operations and prospects.

An oversupply of oil or other commodities in world markets or a general downturn in the economies of any significant markets for oil or other commodities or weakening of the U.S. Dollar relative to other currencies would have a material adverse effect on the Kazakhstan economy, which, in turn, could indirectly have an adverse effect on the business, financial condition and results of operations of the Company.

Kazakhstan's legislative, tax and regulatory framework is underdeveloped and evolving; therefore, court decisions can be difficult to predict and tax liabilities can be difficult to ascertain

Although a large volume of legislation has been enacted since early 1995 (including new tax codes in January 2002 and January 2009 and new or amended laws relating to foreign arbitration and foreign investment, additional regulation of the banking sector and other legislation covering such matters as securities exchanges, economic partnerships and companies, and State enterprise reform and privatisation throughout the period), the legal framework in Kazakhstan is still evolving compared to countries with established market economies.

The judicial system, judicial officials and other Government officials in Kazakhstan may not be fully independent of external social, economic and political forces. For example, there have been instances of improper payments being made to public officials. Therefore, court decisions can be difficult to predict and administrative decisions have on occasion been inconsistent. Kazakhstan is a civil law-based jurisdiction and, as such, judicial precedents have no binding effect on subsequent decisions.

Further, the legal and tax authorities may make arbitrary judgments and assessments of tax liabilities and challenge previous judgments and tax assessments, thereby rendering it difficult for companies to ascertain whether they are liable for additional taxes, penalties and interest. As a result of these ambiguities, including, in particular, the uncertainty surrounding judgments rendered under the tax code introduced with effect from 1 January 2009 (as amended from time to time, the "**2009 Tax Code**"), as well as a lack of an established system of precedent or consistency in legal interpretation, the legal and tax risks involved in doing business in Kazakhstan are substantially more significant than those in jurisdictions with a more developed legal and tax system.

The 2009 Tax Code introduced a number of changes to the tax system in Kazakhstan, including reduced rates for certain taxes such as a corporate income tax rate of 20%. The 2009 Tax Code also effectively repealed the duty on exports of oil and gas condensate and introduced a revised rent tax which imposes the tax at progressive rates ranging from 0 to 32% depending on the price of oil.

In summer 2010, the Government re-introduced the export customs duty on crude oil. In February 2016, the Minister of National Economy of Kazakhstan introduced a progressive scale of export customs duty rates on crude oil. Under the new regime, export duty rates are calculated on the mean market prices of Brent Crude and Urals oil trading classifications. Increases in export customs duties have in the past increased the Company's export costs and, accordingly, reduced profitability. No assurance can be given that further increases of export customs duties will not occur and the Company expects that any such further increases will continue to have a significant negative impact on its costs and profitability.

In past years, the Company's tax burden has increased as a result of changes to tax legislation. Kazakhstan's tax system is still in a transitional phase and it is expected that tax legislation in Kazakhstan will continue to evolve. There can be no assurance that new taxes and duties or new tax rates will not be introduced or that any tax legislation passed in the future will not materially adversely affect the Company's business, prospects, financial condition, cash flows or results of operations. For example, a new Tax Code has been proposed by the Ministry of the National Economy, although no final draft of the Proposed Tax Code has yet been published. There can be no assurance as to the final provisions of the Proposed Tax Code or whether, if and when adopted, the Proposed Tax Code would have a material adverse effect on the Company.

In addition, investors in the Notes should be aware that further changes in the withholding tax regime may give the Company the right to redeem the Notes prior to their stated maturity.

Kazakhstan has a less developed securities market than the United States, the United Kingdom and the rest of Western Europe, which may hinder the development of Kazakhstan's economy

Kazakhstan has a less developed securities market than the United States or the United Kingdom and other Western European countries, which may hinder the development of the Kazakhstan economy.

An organised securities market was established in Kazakhstan only in the mid-to-late 1990s and procedures for settlement, clearing and registration of securities transactions may therefore be subject to legal uncertainties, technical difficulties and delays. Although significant developments have occurred in recent years, including an initiative to develop Almaty as a regional financial centre and Astana as an international financial centre, the sophisticated legal and regulatory frameworks necessary for the efficient functioning of modern capital markets have yet to be fully developed in Kazakhstan. In particular, legal protections against market manipulation and insider trading are not as well developed or as strictly enforced in Kazakhstan as they are in the United States or the United Kingdom and other Western European countries, and existing laws and regulations may be applied inconsistently. In addition, less information relating to Kazakhstan-based entities, such as the Company's subsidiaries, joint ventures and associates, may be publicly-available to investors in such entities than is available to investors in entities organised in the United States or the United Kingdom and other Western European countries. The above-mentioned factors may impair foreign investment in Kazakhstan and hinder the development of Kazakhstan's economy.

The Company cannot ensure the accuracy of official statistics and other data in this Listing Particulars published by Kazakhstan authorities

Official statistics and other data published by State authorities may not be as complete or reliable as those of more developed countries. Official statistics and other data may also be produced on different bases from those used in more developed countries. The Company has not independently verified such official statistics and other data and any discussion of matters relating to Kazakhstan in this Listing Particulars is, therefore, subject to uncertainty due to questions regarding the completeness or reliability of such information. Specifically, investors should be aware that certain statistical information and other data contained in this Listing Particulars has been extracted from official Government sources and was not prepared in connection with the preparation of this Listing Particulars.

In addition, certain information contained in this Listing Particulars is based on the knowledge and research of Management using information obtained from non-official sources. The Company has accurately reproduced such information and, so far as the Company is aware and is able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Nevertheless, prospective investors are advised to consider this data with caution. This information has not been independently verified and, therefore, is subject to uncertainties due to questions regarding the completeness or reliability of such information, which was not prepared in connection with the preparation of this Listing Particulars.

Sustained periods of high inflation could adversely affect the Company's business

The Company's operations are located principally in Kazakhstan and a majority of the Company's costs are incurred in Kazakhstan. Since the majority of the Company's expenses are denominated in Tenge, inflationary pressures in Kazakhstan are a significant factor affecting the Company's expenses. For example, employee and contractor wages, consumable prices and energy costs have been, and are likely to continue to be, particularly sensitive to monetary inflation in Kazakhstan. On 11 February 2014, the NBK devalued the Tenge by 18.3% to KZT 184.50 per U.S.\$1.00. The NBK stated that such devaluation was made in light of the situation in the global financial and commodity markets and the depreciation of the Russian Rouble over the course of 2013 and 2014. In August 2015, the NBK announced its adoption of a free-floating exchange rate and medium-term inflation targeting policy. According to the NBK, annual consumer price inflation for the years ended 31 December 2016, 2015 and 2014 was 8.5%, 13.6% and 7.4%, respectively. The Company operates under fixed tariffs and consequently, in a low oil price environment, such as the current environment, the Company may not be able to sufficiently increase the prices that it receives from the sale of gas products in order to preserve existing operating margins, particularly in the case of the Company's domestic crude oil and oil product sales.

Any further increase in inflation could have a material adverse effect on the Company's business, prospects, financial condition, cash flows or results of operations.

Risk Factors Relating to the Involvement of the Government of Kazakhstan in the Affairs of the Company and the Guarantor

The Government can impose unfavourable terms and conditions on the Company's domestic operations

The Gas Law has created the concept of a "national operator" for gas transportation and supply, and the Company has been appointed as the national operator. As national operator, the Company has been given a priority right to purchase all associated gas produced in Kazakhstan (on behalf of the State) at a regulated price, which it will then sell on the domestic market and internationally. There can be no assurance, however, that the Company will remain the national operator or what terms and conditions will continue to be imposed on the Company in this capacity by the Government. For example, the Company's sale of trade gas on the wholesale market was not profitable for the period from 1 July 2015 to 30 June 2016 because the actual cost of the trade gas was higher than the maximum wholesale prices approved by the Natural Monopolies Committee. There remains uncertainty as to what impact the role of national operator will have on the Company in the future. Low prices may materially adversely affect the Company's business, financial condition and results of operations. See also "*Risk Factors Relating to the Company's Business—The Group may be unable to increase the tariffs it charges from its customers, which may be set by the Government at below market rates*".

There can be no assurance that the Government will not continue to compel the Company to sell natural gas at non-profitable rates in the domestic market. Furthermore, there can be no assurance that natural gas prices in Kazakhstan will increase, or that consumers will be willing or able to pay increased natural gas prices.

The Government's ownership of the Company and the Guarantor may constrain the efficient and profitable management of the Group

The Company and its subsidiaries, including the Guarantor, are ultimately wholly owned by the Government, which has exercised and can be expected to continue to exercise strong influence over the operations of the Group. Among other things, on an annual basis, the Government-owned company Samruk-Kazyna approves the medium term development plans for the Parent, which include strategic objectives for the Company and the Guarantor, in accordance with Government-issued programmes for the development of the oil and gas industry. The strategy and objectives of the Company and the Guarantor are heavily dependent on, and influenced by, the development plan set out by the Government for the oil and gas sector. Further, as members of the Group ultimately controlled by the Government, the Company and the Guarantor have provided, and may continue to provide financial support to related parties in the form of interest-free loans and guarantees. Such related party transactions may not be in the best interests of, or profitable for, the Company and the Guarantor.

As entities controlled by the Government, the Company and the Guarantor have been and may be required by the Government, its ultimate shareholder, in the future to undertake social projects or other projects, or make a minimum level of monetary or in kind contributions to such projects, which may not be in the best interests of, or profitable for, the Company and the Guarantor.

In addition, the Government is in a position to appoint and remove, or influence the appointment and removal of, members of the management of the Company and its subsidiaries, including the Guarantor. There can be no assurance that the qualifications of candidates will be the only, or most significant, factor considered by the Government in appointing management. See also "*Risk Factors Relating to the Company's Business—The Government, which indirectly controls the Company, may cause the appointment or removal of members of the Company's management team*" and "*Risk*

Factors Relating to the Company's Business—The Company's corporate governance procedures differ significantly from those applicable to comparable companies in other jurisdictions".

The outcome of the implementation of further privatisation initiatives and market based economic reforms is uncertain

In recent years, the Government has introduced a number of measures to encourage privatisation and competition among Kazakhstan entities. In 2012, the Government launched the programme of "People's IPOs" in order to, among other aims, stimulate the domestic equities market. In December 2012, approximately 9.99% of the shares of KazTransOil JSC ("**KTO**") were sold to Kazakhstan investors as part of this programme. The "People's IPO" programme was terminated at the end of 2015.

In January 2014, President Nazarbayev instructed the Government to prepare a list of state-owned companies that should be privatised and approved a comprehensive privatisation programme for 2014-2016. On 31 March 2014, the Government of Kazakhstan adopted Decree No. 80, which set out its "Complex Privatisation Plan" for that period (the "**2014 Complex Privatisation Plan**"). Samruk-Kazyna sold 37 assets for an aggregate consideration of KZT 49.97 billion pursuant to the 2014 Complex Privatisation Plan. In December 2015, the Government issued Decree No. 1141, which sets out the Government's "Complex Privatisation Plan" to be implemented between 2016 and 2020 (the "**2016 Complex Privatisation Plan**"), which identifies a number of members of the Group and the Parent as potential targets for privatisation. See "*—Risk Factors Relating to the Company's Business—The Government, which indirectly controls the Company, may cause the appointment or removal of members of the Company's management team*".

The Government's privatisation programme is driven by the need for substantial investment in many enterprises. The programme has, however, excluded certain enterprises deemed strategically significant by the Government and there remains a need for substantial investment in many sectors of the Kazakhstan economy, including business infrastructure. Further, the significant size of the shadow economy (or black market) in Kazakhstan may adversely affect the implementation of reforms and hamper the efficient collection of taxes. The Government has stated that it intends to address these problems by improving the business infrastructure and tax administration and by continuing the privatisation process. There can be no assurance, however, that these measures will be effective or that any failure to implement them may not have a material adverse effect on the Company's business, prospects, financial condition, cash flows or results of operations.

The Government, which indirectly controls the Company, may cause the appointment or removal of members of the Company's management team.

The Parent was established as the national oil and gas company of Kazakhstan. The Government, through Samruk-Kazyna and the NBK, wholly owns the Parent, which in turn owns the Company and, therefore, is in a position to appoint and remove, or influence the appointment and removal of, members of the management of the Company and its subsidiaries, including the Guarantor.

In September 2014, Samruk-Kazyna launched its "Business Transformation Programme", the objective of which is for companies within the Samruk-Kazyna group, including the Company, to increase their financial and operating efficiency, to implement international standards of best practice and to promote diversification of the economy and social responsibility in Kazakhstan, all with a view to increasing the value of companies within the Samruk-Kazyna group. This policy notably includes, where appropriate, the appointment and promotion of persons with international and industry experience and expertise as members of the governing bodies of the relevant companies. See "*Management and Corporate Governance*". There can be no assurance that the Government will not make further or frequent management changes at the Company, which could be disruptive to its operations.

Risk Factors Relating to the Notes and the Trading Market

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Listing Particulars or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Notes are complex financial instruments. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Payments made in respect of Notes may be subject to withholding tax and have other tax consequences for investors.

Generally, payments of interest on borrowed funds made by a Kazakhstan entity to a non-resident are subject to Kazakhstan withholding tax at the rate of 15% for legal entities, unless such withholding tax is reduced or eliminated under Kazakhstan domestic tax legislation or pursuant to the terms of an applicable double tax treaty.

If payments in respect of any Notes are subject to withholding of Kazakhstan tax as a result of which the Issuer or the Guarantor (as the case may be) would reduce such payments by the amount of such withholding, the Issuer or the Guarantor (as the case may be) is obliged to increase payments as may be necessary so that the net payments received by holders of Notes will not be less than the amounts they would have received in the absence of such withholding. While tax gross-up provisions are not unusual in agreements between a local borrower and foreign lenders, there is a risk that they will be unenforceable under Kazakhstan law where they are viewed by the Kazakhstan court or tax authorities as constituting payments of taxes on behalf of third parties.

The Notes may be redeemed prior to maturity following a change in the tax laws of Kazakhstan or at the Issuer's discretion

In the event that the Issuer or the Guarantor would be obliged to increase the amounts payable in respect of the Notes due to any change in or amendment to the laws or regulations of Kazakhstan or any political sub-division thereof or of any authority therein or thereof having the power to tax or in the interpretation or administration thereof, the Issuer may redeem all outstanding Notes in accordance with the Conditions of the Notes. In addition, the Issuer may decide, at any time, to redeem all or any part of the Notes in accordance with the Conditions of the Notes.

Payments under the Notes may be subject to withholding tax pursuant to the U.S. Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the U.S. Internal Revenue Code (commonly referred to as "FATCA") may impose a 30 per cent. withholding tax on all or a portion of payments of principal or interest made in respect of the Notes which are treated as "foreign pass thru payments" made on or after January 1, 2019 to or through foreign financial institutions unless the payee foreign financial institution agrees, among other things, to disclose the identity of certain U.S. account holders at the institution (or the institution's affiliates) and to annually report certain information about such accounts.

Under current guidance, Notes that are classified as debt for U.S. federal income tax purposes and that are issued on or prior to the date (the "**grandfathering date**") that is six months after the date on which final U.S. Treasury regulations defining the term "foreign passthru payments" are filed should not be subject to withholding under FATCA unless the Notes are significantly modified after the grandfathering date.

Further guidance may affect the application of FATCA to the Notes, including the finalisation of an intergovernmental agreement (**IGA**) between the United States and Kazakhstan to implement the provisions of FATCA. Although no IGA between the United States and Kazakhstan is currently in force, on 30 November 2014 the United States and Kazakhstan entered into an agreement in substance to implement the provisions of FATCA based on the Model 1 IGA.

If an amount in respect of FATCA were to be deducted or withheld from interest, principal or other payments on the Notes, none of the Issuer, any intermediary or agent would, pursuant to the Conditions, be required to pay additional amounts as a result of the deduction or withholding of such tax.

Risks related to the Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

Modification and waivers

The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or (ii) determine without the consent of the Noteholders that any Event of Default or Potential Event of Default (each as defined in the Trust Deed) shall not be treated as such in the circumstances described in Condition 14 (*Meetings of Noteholders; Modification and Waiver*) of the Notes.

Risks related to the market generally

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

The Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of the Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in U.S. Dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than U.S. Dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of U.S. Dollars or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to U.S. Dollars would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

Credit ratings may not reflect all risks

The credit rating(s) assigned to the Notes at any time may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

The market price of the Notes may be volatile

The market price of the Notes could be subject to significant fluctuations in response to actual or anticipated variations in the Issuer's operating results and those of its competitors, adverse business developments, changes to the regulatory environment in which the Issuer operates, changes in financial estimates by securities analysts and the actual or expected sale of a large number of Notes, as well as other factors. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations, which, if repeated in the future, could adversely affect the market price of the Notes without regard to the Issuer's results of operations, prospects or financial condition. Factors including increased competition, fluctuations in the Group's operating results, the regulatory environment, availability of reserves, general market conditions, natural disasters and armed conflict may have an adverse effect on the market price of the Notes.

Insolvency laws in Kazakhstan may not be as favourable to holders of Notes as English or U.S. insolvency laws or those of another jurisdiction with which the Noteholders may be familiar.

The Issuer and the Guarantor are organised in Kazakhstan and are subject to bankruptcy laws of Kazakhstan. Kazakhstan bankruptcy law may limit the Issuer's and/or the Guarantor's ability to make payments pursuant to the Notes and the Guarantee, as applicable, and may impose further restrictions in respect of enforcement of the rights of the Noteholders.

After commencement of insolvency proceedings against the debtor, creditors of such debtor will be allowed to file claims against the debtor only within the bankruptcy proceedings. Such claims, if grounded, will result in the creditor being included into the list of the debtor's creditors, to be repaid from the sale of the debtor's bankruptcy estate, pursuant to the established order of priority. With limited exceptions, enforcement against the debtor's assets would no longer be permitted.

Under Kazakhstan bankruptcy law, expenses relating to the bankruptcy procedures are paid before any distributions to creditors of an insolvent debtor. The proceeds of the bankruptcy estate of the insolvent debtor should be distributed among its creditors in the following order of priority:

- claims of individuals relating to damage caused to their life and health by the bankrupt entity, alimony payments, social and labor payments, including social insurance and pension funds payments, fees under IP contracts;
- claims of creditors secured by pledge (to the extent of the value of the collateral) and creditors that provided a loan to the debtor during bankruptcy proceedings;
- tax payments;
- claims of unsecured creditors (including claims of secured creditors to the extent that their claims were not satisfied from the value of the collateral);
- claims for compensation of losses and payment of penalties.

Accordingly, under current Kazakhstan bankruptcy law, claims of the Noteholders with respect to the repayment of outstanding amounts under the Notes and the Guarantee (as applicable) would be treated as claims of creditors identified in the fourth item, and with respect to losses and penalties, as claims of creditors identified in the last item above.

Kazakhstan bankruptcy law allows the insolvency administrator to challenge the validity of the following transactions made by the debtor within three years prior to commencement of bankruptcy or rehabilitation proceedings: (i) the price of the transaction or other conditions which are more onerous for the debtor than the price and conditions for similar transactions in the market concluded under similar circumstances if the transaction resulted in a financial loss to the debtor; (ii) transactions made by the debtor outside of its capacity specified in the law or constitutional documents of the debtor or in breach of the competence of the corporate bodies of the debtor; (iii) assets were transferred (including for temporary use) free of charge or at a price materially less favourable to the debtor than the price to a similar or comparable product in comparable economic circumstances or without grounds to the detriment of creditors; (iv) transactions entered into six months prior to commencement of bankruptcy or rehabilitation proceedings if such transactions resulted in preferential payments to certain creditors; (v) gifts to a creditor (other than gifts under ordinary commercial operations) if such transactions materially differ from transactions concluded by the debtor one year prior to commencement of bankruptcy or rehabilitation proceedings; (vi) transactions which may be invalidated on the basis of general civil law grounds (on the basis that the transaction contradicts law, *ultra vires* transactions, etc.). Since Kazakhstan's courts are not experienced in dealing with complex commercial issues, it is not possible to predict the outcome of any bankruptcy or rehabilitation proceedings.

It may be difficult to effect service of legal process and enforce judgments obtained outside of Kazakhstan against the Issuer and its management.

The Issuer is a company organised under the laws of Kazakhstan and a substantial part of its businesses, assets and operations are located in Kazakhstan. In addition, a substantial majority of its directors and executive officers reside in Kazakhstan and substantially all of their assets are located in Kazakhstan. As a result, it may not be possible to effect service of process within the United States or elsewhere outside Kazakhstan upon the Issuer or such directors or executive officers, including with respect to matters arising under U.S. federal securities laws or applicable United States state securities laws. Moreover, Kazakhstan does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom and many other countries. As a result, recognition and enforcement in Kazakhstan of judgments of a court in the United States, the United Kingdom and many other jurisdictions in relation to any matter may be difficult. See "*Enforcement of Civil Liabilities*".

In February 2010, the Parliament passed legislation amending Kazakhstan law to provide for certain immunities to government entities in the context of arbitration and foreign court judgments. While these immunities should apply only to government entities to the extent they are performing sovereign functions and not commercial activities, and the issuance of Notes should be considered a commercial

activity (and, under the Trust Deed, the Issuer and the Guarantor have, to the full extent permitted by applicable laws, waived any immunity that may be attributed to it in respect of the Notes or the Guarantee, as applicable), under the amendments, whether a particular activity is deemed to be sovereign or commercial in nature is subject to determination by a Kazakhstan court on a case by case basis.

On 8 April 2016, the Arbitration Law was signed by the President of Kazakhstan. The introductory language to the Arbitration Law, as well as other provisions of this law, imply that the Arbitration Law should only apply where the matter involves dispute resolution in Kazakhstan (i.e., in respect of arbitration bodies with a seat in Kazakhstan) and should not apply to foreign arbitration such as the LCIA. In particular, the preamble to the Arbitration Law states that: "*This [l]aw regulates social relations arisen in the process of arbitration activity on the territory of the Republic of Kazakhstan as well as the procedure and terms of recognition and enforcement of arbitral awards in Kazakhstan...*". There are, however, certain novelties in the Arbitration Law which may have implications (as described below) in respect of the arbitration provisions contained in the Notes and the Trust Deed. In particular, the provisions of the Arbitration Law do not clearly differentiate between domestic and foreign arbitration. However, given that the Arbitration Law has not been tested in practice, there can be no assurance that Kazakhstan courts would support the interpretation of the Arbitration Law set out in "*Enforcement of Civil Liabilities*" and that an award against the Issuer and/or the Guarantor in arbitral proceedings in London under English law would be enforced in Kazakhstan. If the Arbitration Law applies to disputes under the Notes and the Trust Deed, there is a risk that an LCIA award in a proceeding related to the Notes and the Trust Deed may not be recognised and enforced in Kazakhstan as being contrary to Kazakhstan public order and/or a dispute under the Notes and the Trust Deed cannot be resolved by arbitration. Furthermore, an event of default could occur under the Notes and the Trust Deed to the extent that the Issuer's and/or the Guarantor's obligations under the Notes and/or the Trust Deed to settle disputes by arbitration in the LCIA and/or under English law become illegal or unenforceable.

Return on an investment in the Notes will be affected by charges incurred by investors.

An investor's total return on an investment in any Notes will be affected by the level of fees charged by an agent, nominee service provider and/or clearing system used by the investor. Such a person or institution may charge fees for the opening and operation of an investment account, transfers of Notes, custody services and on payments of interest and principal. Potential investors are, therefore, advised to investigate the basis on which any such fees will be charged on the Notes.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Because the Global Notes are held by or on behalf of DTC, Euroclear and/or Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer.

Notes may be represented by one or more Global Notes. Such Global Notes will be deposited with (i) (in the case of Bearer Notes) a common depositary for Euroclear and Clearstream, Luxembourg or (ii) (in the case of Registered Notes) either (a) a custodian for, and registered in the name of a nominee of, DTC or (b) a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive notes. DTC, Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors

will be able to trade their beneficial interests only through DTC, Euroclear and Clearstream, Luxembourg.

While the Notes are represented by one or more Global Notes, the Issuer will discharge its payment obligations under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system to receive payments under the relevant Notes. The Issuer shall have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system to appoint appropriate proxies.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions of the Notes which, subject to amendment and completion and except for the text in italics, will be endorsed on each Definitive Note Certificate, if issued (capitalised terms as defined below).

The U.S.\$750,000,000 4.375 per cent. Guaranteed Notes due 2027 (the "**Notes**", which expression includes any further notes issued pursuant to Condition 18 (*Further Issues*) and forming a single series therewith) of KazTransGas Joint Stock Company (the "**Issuer**") are (a) constituted by and subject to, and have the benefit of, a trust deed dated on or around 26 September 2017 (as amended or supplemented from time to time, the "**Trust Deed**") between the Issuer, Intergas Central Asia Joint Stock Company (the "**Guarantor**") and Citibank N.A., London Branch as trustee (the "**Trustee**", which expression includes all persons for the time being appointed as trustee for the Noteholders (as defined below) under the Trust Deed) and (b) are the subject of a paying agency agreement dated on or around 26 September 2017 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, the Guarantor, the Trustee and Citibank N.A., London Branch as principal paying and transfer agent (the "**Principal Paying and Transfer Agent**", which expression includes any successor principal paying and transfer agents appointed from time to time in connection with the Notes), the other paying and transfer agents named therein (together with the Principal Paying and Transfer Agent, the "**Paying and Transfer Agents**", which expression includes any successor or additional paying and transfer agents appointed from time to time in connection with the Notes) and Registrar (the "**Registrar**", which expression shall include any successor registrar appointed from time to time in connection with the Notes).

Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. The Noteholders are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the Specified Office (as defined in the Agency Agreement) of the Principal Paying and Transfer Agent. References to "**Conditions**" are, unless the context otherwise requires, to the numbered paragraphs of these terms and conditions.

1. FORM, DENOMINATION AND TITLE

- (a) **Form and denomination.** The Notes are in registered form and will be issued in denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (each, an "**Authorised Denomination**").
- (b) **Title.** Title to the Notes will pass by transfer and registration as described in Conditions 2 (*Registration*) and 3 (*Transfer of Notes*). The holder (as defined below) of any Note will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or any other interest in it, any writing thereon by any Person (as defined below) (other than a duly executed transfer thereof in the form endorsed thereon) or any notice of any previous theft or loss thereof; and no Person will be liable for so treating the holder.

In these Conditions, "**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, unincorporated organisation, trust or other judicial entity, including, without limitation, any state or agency of a state or other entity, whether or not having separate legal personality, "**Noteholder**" or, in relation to a Note, "**holder**" means the Person in whose name a Note is for the time being registered in the Register (as defined below) (or, in the case of joint holders, the first named thereof) and "**holders**" shall be construed accordingly. A certificate in definitive form (a "**Definitive Note Certificate**") will be issued to each Noteholder in respect of its registered holding.

Notes sold to qualified institutional buyers in the United States in reliance on Rule 144A under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") will be represented by one or more restricted global notes (the "**Restricted Global Notes**"). Notes sold to investors outside the United States in reliance on Regulation S under the Securities Act will be represented by an unrestricted global note (the "**Unrestricted Global Note**" and, together with the Restricted Global Note, the "**Global Notes**"). The Restricted Global Note will be deposited with a custodian for, and registered in the name of, Cede & Co., as nominee of The Depository Trust Company ("**DTC**"). The Unrestricted Global Note will be deposited with, and registered in the name of a nominee for, a common depository for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"). Ownership of beneficial interests in the Restricted Global Note will be limited to Persons that have accounts with DTC or Persons that may hold interests through such participants. Ownership of beneficial interests in the Unrestricted Global Note will be limited to Persons that have accounts with Euroclear or Clearstream, Luxembourg or Persons that may hold interests through such participants. Beneficial interests in the Global Notes will be shown on, and transfers thereof will be effected through, records maintained in book-entry form by DTC and its participants or by Euroclear, Clearstream, Luxembourg and their participants as applicable. Interests in the Global Notes will be exchangeable for Definitive Note Certificates only in certain limited circumstances specified in the relevant Global Note.

- (c) **Third party rights.** No Person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any Person which exists or is available apart from that Act.

2. **REGISTRATION**

The Issuer will cause to be kept at the Specified Office of the Registrar a register (the "**Register**") in which will be entered the names and addresses of the holders of the Notes and the particulars of the Notes held by them and all transfers and redemptions of the Notes.

3. **TRANSFER OF NOTES**

- (a) **Transfer.** Each Note may, subject to the terms of the Agency Agreement and to Conditions 3(b) (*Formalities Free of Charge*), 3(c) (*Closed Periods*) and 3(e) (*Regulations Concerning Transfer and Registration*), be transferred in whole or in part in an Authorised Denomination by lodging the relevant Definitive Note Certificate (with the endorsed form of application for transfer in respect thereof duly executed and duly stamped where applicable) at the Specified Office of the Registrar or any Paying and Transfer Agent. A Note may be registered only in the name of, and transferred only to, a named person or persons. No transfer of a Note will be valid unless and until entered on the Register.

The Registrar will within five Business Days (as defined below) of any duly made application for the transfer of a Note, register the transfer and deliver a new Definitive Note Certificate to the transferee (and, in the case of a transfer of part only of a Note, deliver a Definitive Note Certificate for the untransferred balance to the transferor), at the Specified Office of the Registrar or (at the risk and, if mailed at the request of the transferee or, as the case may be, the transferor otherwise than by ordinary mail, at the expense of the transferee or, as the case may be, the transferor) mail the Definitive Note Certificate by uninsured mail to such address as the transferee or, as the case may be, the transferor may request.

- (b) **Formalities Free of Charge.** Such transfer will be effected without charge subject to (i) the person making such application for transfer paying or procuring the payment of any taxes, duties and other governmental charges in connection therewith, (ii) the Registrar being satisfied with the documents of title and/or identity of the person making the application and (iii) such reasonable regulations as the Issuer may from time to time agree with the Registrar and the Trustee. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.
- (c) **Closed Periods.** Neither the Issuer nor the Registrar will be required to register the transfer of any Note (or part thereof) during the period of 15 days immediately prior to the due date for any payment of principal or interest in respect of the Notes.
- (d) **Business Day.** In these Conditions, "**Business Day**" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in both New York City and the city in which the Specified Office of the Registrar or, as the case may be, the Principal Paying and Transfer Agent is located.
- (e) **Regulations Concerning Transfer and Registration.** All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer to reflect changes in legal requirements or in any other manner which is not prejudicial to the interests of Noteholders with the prior approval of the Registrar and the Trustee.
- (f) **Authorised Denominations.** No Note may be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a holder are being transferred) the principal amount of the balance of the Notes not transferred are Authorised Denominations.

4. STATUS AND GUARANTEE

- (a) The Notes constitute the direct, unconditional and (subject to Condition **Ошибка! Источник ссылки не найден.**(a) (*Negative Pledge*)) unsecured obligations of the Issuer and rank and will rank *pari passu*, without preference among themselves, with all other unsecured obligations of the Issuer, from time to time outstanding, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
- (b) The Guarantor has, in the Trust Deed, unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes. That guarantee (the "**Guarantee**") constitutes the direct, unconditional and (subject to Condition 5(a) (*Negative Pledge*)) unsecured obligations of the Guarantor and ranks and will rank *pari passu*, without preference among themselves, with all other unsecured obligations of the Guarantor, from time to time outstanding, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

5. COVENANTS

- (a) **Negative Pledge.** So long as any Note remains outstanding (as defined in the Trust Deed), the Issuer shall not, and shall procure that none of its Subsidiaries will, create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Indebtedness for Borrowed Money or any

Indebtedness Guarantee in respect of any Indebtedness for Borrowed Money without at the same time or prior thereto (i) securing the Notes equally and rateably therewith to the satisfaction of the Trustee or (ii) providing such other arrangement (whether or not comprising a Security Interest) as the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Noteholders or as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Noteholders.

- (b) **Merger and Consolidation.** Neither the Issuer nor the Guarantor shall, without the approval of an Extraordinary Resolution of Noteholders, consolidate with or merge into any other Person (or enter into any transaction whose effect would be similar to that of a merger) or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its property and assets to any Person by one or more transactions or series of transactions (whether related or not) (any such consolidation or merger (or transaction whose effect would be similar to that of a merger) and any such transaction or series of transactions, a "consolidation" or "merger") if such consolidation or merger would have a Material Adverse Effect, unless the Issuer (or the Guarantor, as the case may be) shall be the continuing Person or the successor Person (as a result of such consolidation or merger) shall be a corporation organised and validly existing under the laws of the Republic of Kazakhstan, and shall expressly assume by a supplemental trust deed to the Trust Deed in form and substance satisfactory to the Trustee, all of the obligations of the Issuer (or the Guarantor, as the case may be) under the Notes, the Guarantee and the Trust Deed.
- (c) **Limitations on Indebtedness.** The Issuer will not, and will not permit any Subsidiary to incur, directly or indirectly, any Indebtedness for Borrowed Money; *provided, however,* that the Issuer and Subsidiaries will be entitled to incur Indebtedness for Borrowed Money if the ratio of Consolidated Gross Indebtedness for Borrowed Money as of any date of determination, after giving effect to such incurrence and the application of the proceeds thereof, to the aggregate amount of Consolidated EBITDA for the most recently ended two semi-annual periods for which consolidated financial statements are available, does not exceed 4.0 to 1.

This Condition 5(c) will not prohibit the incurrence of any of the following items of Indebtedness for Borrowed Money:

- (i) refinancing (including successive refinancing) of Indebtedness for Borrowed Money of the Issuer or any Subsidiary outstanding on the Issue Date (including the Notes issued on the Issue Date) or permitted to be incurred under this Condition 5(c) above; provided that the aggregate principal amount is not thereby increased by more than the expenses incurred by the Issuer or its Subsidiaries in connection with such refinancing plus the amount of any premium to be paid in connection with such refinancing;
- (ii) intercompany debt that is contractually subordinate to the Issuer's Indebtedness under the Notes and all present and future unsecured and unsubordinated obligations of the Issuer (i) between the Issuer and any Subsidiary and (ii) between any Subsidiary and another Subsidiary; provided, however, that any subsequent issuance or transfer of any capital stock which results in any such Subsidiary ceasing to be a Subsidiary or any subsequent disposition, pledge or transfer of such Indebtedness for Borrowed Money (other than to the Issuer or a Subsidiary) shall be deemed, in each case, to constitute the incurrence of such Indebtedness for Borrowed Money by the obligor thereon; and
- (iii) Indebtedness for Borrowed Money of the Issuer or any Subsidiary arising out

of hedging agreements for bona fide hedging purposes of the Issuer and any Subsidiary and not for speculative purposes (as determined in good faith by the Issuer or such Subsidiary, as the case may be).

- (d) **Limitation on Disposals.** The Issuer shall not, and shall procure that none of its Subsidiaries shall, either in a single transaction or in a series of transactions, whether related or not and whether voluntarily or involuntarily, sell, assign (except when used as a Permitted Security Interest), transfer, lease, convey or otherwise dispose of, to a Person other than the Issuer or a Subsidiary of the Issuer, any shares of a Subsidiary or any other assets of the Issuer or any Subsidiary (together, an "**Asset Disposition**") unless:
- (i) the Issuer or such Subsidiary receives consideration at the time of such Asset Disposition at least equal to the Fair Market Value (including as to the value of all non-cash consideration) of the shares and assets subject to such Asset Disposition; and
 - (ii) solely with respect to an Asset Disposition of shares of a Subsidiary, after giving effect to any such Asset Disposition, the Issuer will continue to "beneficially own" (as such term is defined in Rule 13(d)(3) and Rule 13(d)(5) under the Exchange Act), directly or indirectly, at least the 75 per cent. of the voting power of the capital stock of such Subsidiary.
- (e) **Maintenance of Authorisations.** The Issuer shall, and shall procure that each of its Subsidiaries shall:
- (i) take all necessary action to obtain and do or cause to be done all things necessary, in the opinion of the Issuer or the relevant Subsidiary, to ensure the continuance of its corporate existence, its business and/or operations; and
 - (ii) take all necessary action to obtain, and do or cause to be done all things necessary to ensure the continuance of, all consents, licences, approvals and authorisations, and make or cause to be made all registrations, recordings and filings, which may at any time be required to be obtained or made in any relevant jurisdiction for the execution, delivery or performance of the Notes, the Guarantee and the Trust Deed or for the validity or enforceability thereof.
- (f) **Change of Business.** The Issuer shall not, and shall ensure that no Subsidiary will engage in any business other than (a) gas supply and transportation, (b) development, finance, construction and maintenance of gas pipelines and gas storages, (c) any wholesale or retail marketing relating to any of the foregoing, and (d) any business reasonably related, ancillary or complementary thereto.
- (g) **Transactions with Affiliates.** The Issuer shall not, and shall ensure that none of its Subsidiaries, directly or indirectly, will enter into or permit to exist any transaction or series of related transactions (including, without limitation, the purchase, sale, transfer, assignment, lease, conveyance or exchange of any property or the rendering of any service) with, or for the benefit of, any Affiliate (an "**Affiliate Transaction**") including, without limitation, intercompany loans, disposals or acquisitions, unless the terms of such Affiliate Transaction are no less favourable to the Issuer or such Subsidiary, as the case may be, than those that could be obtained (at the time of such transaction or, if such transaction is pursuant to a written agreement, at the time of the execution of the agreement providing therefor) in a comparable arm's-length transaction with a Person that is not an Affiliate of the Issuer or such Subsidiary.

This Condition 5(g) shall not apply to (i) compensation or employee benefit arrangements with any officer or director of the Issuer or any of its Subsidiaries

arising as a result of their employment contract, or (ii) any Affiliate Transaction between the Issuer and any of its Subsidiaries or between any Subsidiaries of the Issuer.

- (h) **Determination of Material Adverse Effect.** To the extent that the Trustee is instructed to take any action pursuant to (a) a request in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding, or (b) an Extraordinary Resolution of Noteholders, and any such action requires the determination of whether an event or occurrence has had a Material Adverse Effect, the Trustee shall have no duty to enquire or satisfy itself as to the existence of an event or occurrence having a Material Adverse Effect and shall be entitled to rely conclusively upon such request in writing by, or Extraordinary Resolution of, the Noteholders regarding the same, and shall bear no liability of any nature whatsoever to any person for acting upon such request in writing or Extraordinary Resolution of the Noteholders.

6. DEFINITIONS

For the purposes of these Conditions:

"Cash Equivalent Investments" means at any time any investment in marketable obligations issued or guaranteed by the government of any member state of the European Economic Area (excluding Iceland and Greece) or any Participating Member State, the United States of America or the U.K. or by an instrumentality or agency of any of them having an equivalent rating;

"Code" means the U.S. Internal Revenue Code of 1986, as amended;

"Consolidated EBITDA" means EBITDA of the Issuer on a consolidated basis in accordance with IFRS as shown in the then most recent financial statements;

"Consolidated Gross Indebtedness for Borrowed Money" means, at any date of determination, the total amount (without duplication) of the Indebtedness for Borrowed Money of the Issuer on a consolidated basis in accordance with IFRS;

"Fair Market Value" means, with respect to any asset or property, the price which could be negotiated in an arm's-length, market transaction, for cash, between a willing seller and a willing and able buyer, neither of whom is under undue pressure or compulsion to complete the transaction. Fair Market Value will be determined in good faith by the Board of Directors of the Issuer, whose determination will be conclusive.

"FATCA" means sections 1471 to 1474 of the Code, any regulations or agreements promulgated thereunder, any official interpretations thereof, any agreement described in section 1471(b) of the Code, or any law implementing an intergovernmental approach thereto;

"FFI" means a "foreign financial institution" as such term is defined pursuant to FATCA;

"Incur" means issue, assume, guarantee, incur or otherwise become liable for; *provided, however*, that any Indebtedness for Borrowed Money of a Person existing at the time such Person becomes a Subsidiary (whether by merger, consolidation, acquisition or otherwise) shall be deemed to be Incurred by such Person at the time it becomes a Subsidiary. The term "Incurrence" when used as a noun shall have a correlative meaning.

"indebtedness" includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present, future, actual or contingent;

"Indebtedness for Borrowed Money" means any indebtedness of any Person for or in respect of:

- (a) moneys borrowed;
- (b) amounts raised by acceptance under any acceptance credit facility;
- (c) amounts raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or similar instruments;
- (d) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with International Financial Reporting Standards, be treated as finance or capital leases;
- (e) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred primarily as a means of raising finance or financing the acquisition of the relevant asset or service;
- (f) amounts raised under any other transaction (including any forward sale or purchase agreement and the sale of receivables or other assets on a "with recourse" basis) having the commercial effect of a borrowing;
- (g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the mark-to-market value shall be taken into account); or
- (h) any counter-indemnity obligation in respect of any guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution,

less Cash Equivalent Investments and cash of the Issuer on a consolidated basis in accordance with IFRS and excluding Subordinated Indebtedness;

"Indebtedness Guarantee" means in relation to any indebtedness of any Person, any obligation of another Person to pay such indebtedness including (without limitation) (i) any obligation to purchase such indebtedness, (ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such indebtedness, (iii) any indemnity against the consequences of a default in the payment of such indebtedness and (iv) any other agreement to be responsible for repayment of such indebtedness;

International Financial Reporting Standards means the International Financial Reporting Standards (formerly International Accounting Standards) issued by the International Accounting Standards Board ("**IASB**") and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (as amended, supplemented or reissued from time to time);

"Material Adverse Effect" means a material adverse effect on (a) the business, property, condition (financial or otherwise), operations or prospects of the Issuer or its Subsidiaries, (b) the Issuer's ability to perform its obligations under the Notes or the Trust Deed, (c) the Guarantor's ability to perform its obligations as a guarantor under the Notes or (d) the validity, legality or enforceability of the Notes or any Agreement;

"Non-recourse Project Financing" means any financing of all or part of the costs of the acquisition, construction or development of any project, *provided that* (i) any Security Interest given by the Issuer or the relevant Subsidiary is limited solely to assets of the project, (ii) the Person or Persons providing such financing expressly agrees to limit their recourse to the project financed and the revenues derived from such project as the principal source of repayment for the moneys advanced; and (iii) there is no other recourse to the Issuer or the relevant Subsidiary in respect of any default by any Person under the financing;

"Participating FFI" means an FFI is a "participating foreign financial institution" as from the effective date of withholding on "passthru payments" (as terms are defined pursuant to FATCA);

"Participating Member State" means any member state of the European Union that has the euro as its lawful currency in accordance with legislation of the European Union relating to Economic and Monetary Union;

"Permitted Security Interest" means:

- (a) in relation to the Issuer:
 - (i) any Security Interest in existence on the date of the Trust Deed to the extent that it secures Indebtedness for Borrowed Money or any Indebtedness Guarantee in respect of Indebtedness for Borrowed Money outstanding on such date;
 - (ii) any Security Interest created by the Issuer or any Subsidiary in favour of another Subsidiary or the Issuer to secure Indebtedness for Borrowed Money or any Indebtedness Guarantee in respect of Indebtedness for Borrowed Money owed by such party to the other;
 - (iii) any Security Interest on property acquired (or deemed to be acquired) under a financial lease, or claims arising from the use or loss of or damage to such property, provided that any such encumbrance secures only rentals and other amounts payable under such lease;
 - (iv) any Security Interest granted upon or with regard to any property hereafter acquired by the Issuer or any Subsidiary to secure the purchase price of such property or to secure Indebtedness for Borrowed Money or any Indebtedness Guarantee in respect of Indebtedness for Borrowed Money incurred solely for the purpose of financing the acquisition of such property and transactional expenses related to such acquisition (other than a Security Interest created in contemplation of such acquisition), provided that the maximum amount of Indebtedness for Borrowed Money or Indebtedness Guarantee in respect of Indebtedness for Borrowed Money thereafter secured by such Security Interest does not exceed the purchase price of such property (including transactional expenses) or the Indebtedness for Borrowed Money or Indebtedness Guarantee in respect of Indebtedness for Borrowed Money incurred solely for the purpose of financing the acquisition of such property;
 - (v) any Security Interest created by the Issuer or a Subsidiary over the assets of any capital project of the Issuer or that Subsidiary commenced after the date of the Trust Deed (or over the shares of a company carrying out the capital project) to secure credits, lease obligations or other indebtedness to finance the capital project where the financiers' rights of recovery are primarily limited to the assets of the capital project;
 - (vi) any Security Interest created in connection with any Non-recourse Project Financing;
 - (vii) any Security Interest securing any Indebtedness for Borrowed Money or any Indebtedness Guarantee in respect of Indebtedness for Borrowed Money of a Person existing at the time that such Person is merged into or consolidated with the Issuer or a Subsidiary, provided that such Security Interest was not created in contemplation of such merger or consolidation and does not extend to any assets or property of the Issuer or any Subsidiary, other than the surviving Person and its Subsidiaries;

- (viii) easements, rights of way, restrictions (including zoning restrictions), reservations, permits, servitudes, minor defects or irregularities in title and other similar charges or encumbrances, and Security Interests arising under leases or subleases granted to others, in each case not interfering in any material respect with the business of the Issuer or any of its Subsidiaries and existing, arising or incurred in the ordinary course of business;
- (ix) any Security Interest arising out of the refinancing, extension, renewal or refunding of any Indebtedness for Borrowed Money or any Indebtedness Guarantee in respect of Indebtedness for Borrowed Money secured by a Security Interest either existing on or before the issue date of the Notes or permitted by any of the above exceptions, provided that the Indebtedness for Borrowed Money or Indebtedness Guarantee in respect of Indebtedness for Borrowed Money thereafter secured by such Security Interest does not exceed the amount of the original Indebtedness for Borrowed Money or Indebtedness Guarantee in respect of Indebtedness for Borrowed Money and such Security Interest is not extended to cover any property not previously subject to such Security Interest;
- (x) any Security Interest that does not fall within sub-paragraphs (i) to (ix) above and that secures Indebtedness for Borrowed Money or any Indebtedness Guarantee in respect of Indebtedness for Borrowed Money which, when aggregated with Indebtedness for Borrowed Money and any Indebtedness Guarantee in respect of Indebtedness for Borrowed Money secured by all other Security Interests permitted under this sub-paragraph, does not exceed in the aggregate 20 per cent. of the Issuer's consolidated total assets (calculated by reference to the most recent audited consolidated financial statements of the Issuer prepared in accordance with IFRS).

"Relevant Date" means, in relation to a payment of principal and/or interest, whichever is the later of (i) the date on which such payment first becomes due and (ii) if the full amount payable has not been received in New York City by the Principal Paying and Transfer Agent or the Trustee on or prior to such due date, the date on which (the full amount plus any accrued interest having been so received) notice to that effect shall have been given to the Noteholders by the Issuer in accordance with Condition 15 (*Notices*);

"Relevant Jurisdiction" means the Republic of Kazakhstan or any political subdivision or any authority thereof or therein having power to tax;

"Security Interest" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"Subordinated Indebtedness" means the aggregate amount of indebtedness owed to Joint Stock Company KazMunaiGas and which is expressed to rank at all times subordinate to the Issuer's Indebtedness under the Notes and all other present and future unsecured and unsubordinated obligations of the Issuer; and

"Subsidiary" means, in relation to any Person at any time, any other Person (whether or not now existing) which is controlled directly or indirectly, or more than 50 per cent. of whose issued equity share capital (or equivalent) is then beneficially owned by the first Person and/or any one or more of the first Persons' Subsidiaries, and "control" means the power (whether directly or indirectly) and whether by the ownership of share capital, the possession of voting power, contract or otherwise to appoint the majority of the members of the governing body of management or otherwise to control the affairs and policies, of that other Person.

Any reference in these Conditions or the Notes to principal and/or interest shall be deemed to include any additional amounts which may be payable under Condition 10 (*Taxation*) or any undertaking given in addition to or substitution for it under the Trust Deed.

7. INTEREST

- (a) **Interest Accrual.** Each Note bears interest from (and including) 26 September 2017 (the "**Issue Date**") at the rate of 4.375 per cent. per annum (the "**Rate of Interest**") payable semi-annually in arrear on 26 March and 26 September in each year (each, an "**Interest Payment Date**"), subject as provided in Condition 8 (*Payments*). The period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date, is herein called an "**Interest Period**".
- (b) **Cessation of Interest.** Each Note will cease to bear interest from the due date for final redemption unless, upon due surrender of the relevant Note, payment of principal is improperly withheld or refused. In such case, it will continue to bear interest at such rate (after as well as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying and Transfer Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment) in accordance with Condition 15 (*Notices*).
- (c) **Calculation of Interest for an Interest Period.** The amount of interest payable in respect of each Note for any Interest Period shall be calculated by applying the Rate of Interest to the principal amount of such Note, dividing the product by two and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).
- (d) **Calculation of Interest for any other Period.**

If interest is required to be calculated for any period other than an Interest Period, it will be calculated on the basis of a year of 360 days consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed.

The determination of the amount of interest payable under Conditions 7(c) (*Calculation of Interest for an Interest Period*) and 7(d) (*Calculation of Interest for any other Period*) by the Principal Paying and Transfer Agent shall, in the absence of manifest error, be binding on all parties.

8. PAYMENTS

- (a) **Principal.** Payment of principal in respect of each Note will be made by United States dollar upon application by the holder to the Specified Office of the Registrar or any Paying and Transfer Agent not less than 15 days before the due date for any such payment, by transfer to a United States dollar account maintained by the payee with a bank in New York City and subject to the surrender (or, in the case of part payment only, endorsement) of the relevant Definitive Note Certificate at the Specified Office of the Registrar or of the Paying and Transfer Agents.
- (b) **Interest.** Payments of interest in respect of each Note will be made by transfer to a United States dollar account maintained by the payee with a bank in New York City and, in respect of interest payable on redemption, subject to the surrender (or, in the

case of part payment only, endorsement) of the relevant Definitive Note Certificate at the Specified Office of the Registrar or of the Paying and Transfer Agents.

- (c) **Record Date.** Each payment in respect of a Note will be made to the person shown in the Register at the close of business on the fifteenth day before the due date for the relevant payment (the "**Record Date**").

So long as the Notes are represented by Global Notes, payments of principal and interest in respect of Notes represented by the Global Note shall be made to the person(s) shown as the holder(s) of the relevant Note(s) in the Register at the close of business on the Clearing System Business Day before the due date for payment, where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Note is being held is open for business, and shall be made against presentation for endorsement and if no further payment falls to be made in respect of the Notes, surrender of the Global Note.

- (d) **Agents.** The names of the initial Paying and Transfer Agents and Registrar and their Specified Offices are set out below. The Issuer and the Guarantor reserve the right under the Agency Agreement by giving to the relevant Agent concerned at least 60 days' prior written notice, which notice shall expire at least 30 days before or after any due date for payment in respect of the Notes, to remove any Paying and Transfer Agent or the Registrar and to appoint successor or additional Paying and Transfer Agents or another Registrar, provided that they will at all times maintain:

- (i) a Paying and Transfer Agent in at least one major European city approved by the Trustee;
- (ii) a Paying and Transfer Agent in a jurisdiction other than Kazakhstan; and
- (iii) a Registrar.

Notice of any such removal or appointment and of any change in the Specified Office of any Paying and Transfer Agent or Registrar will be given to Noteholders in accordance with Condition 15 (*Notices*) as soon as practicable.

- (e) **Payments subject to Fiscal Laws; Commissions.** All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 10 (*Taxation*) and any withholding or deduction required pursuant to FATCA. No commissions or expenses shall be charged to the Noteholders in respect of such payments.
- (f) **Delay in Payment.** Noteholders will not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for payment not being a Payment Business Day.
- (g) **Payment Business Days.** Payment instructions (for value the due date, or, if the due date is not a Payment Business Day, for value the next succeeding Payment Business Day) will be initiated (i) in the case of payments of principal and interest payable on redemption, on the later of the due date for payment and the Payment Business Day on which the relevant Definitive Note Certificate is surrendered (or endorsed as the case may be) and (ii) in the case of payments of interest payable other than on redemption, on the due date for payment. In this Condition 8 (*Payments*), "**Payment Business Day**" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in New York City and Astana and, in the case of surrender of a Definitive Note Certificate, the place of the Specified Office

of the Registrar or relevant Paying and Transfer Agent, to whom the relevant Definitive Note Certificate is surrendered.

9. REDEMPTION AND PURCHASE

- (a) **Redemption at Maturity.** Unless previously redeemed or purchased and cancelled as provided below, each Note will be redeemed at its principal amount on 26 September 2027, subject as provided in Condition 8 (*Payments*).
- (b) **Redemption for Taxation Reasons.** The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 15 (*Notices*) (which notice shall be irrevocable) at their principal amount, together with interest accrued to (but excluding) the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that:
- (i) it has become or will become obliged to pay additional amounts as provided or referred to in Condition 10 (*Taxation*) or the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and, in making payment itself, would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of Kazakhstan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 22 September 2017; and
 - (ii) such obligation cannot be avoided by the Issuer (or, as the case may be, the Guarantor), taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this Condition 9(b) (*Redemption for Taxation Reasons*), the Issuer (or, as the case may be, the Guarantor) shall deliver to the Trustee (x) a certificate signed by two Directors of the Issuer (or as the case may be, the Guarantor) stating that the obligation referred to in (i) above cannot be avoided by the Issuer (or as the case may be, the Guarantor) taking reasonable measures available to it and (y) an opinion in form and substance satisfactory to the Trustee of independent legal advisers of recognised standing to the effect that the Issuer (or as the case may be, the Guarantor) has or will become obliged to pay such additional amounts as a result of such change or amendment. The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the condition precedent set out in (i) above in which event it shall be conclusive and binding on the Noteholders.

Upon the expiry of any such notice as is referred to in this Condition 9(b) (*Redemption for Taxation Reasons*), the Issuer (or as the case may be, the Guarantor) shall be bound to redeem the Notes in accordance with this Condition 9(b) (*Redemption for Taxation Reasons*).

- (c) **Make-whole Redemption at the Option of the Issuer.** The Issuer may, at any time, on giving not more than 60 nor less than 30 calendar days' notice to the Noteholders in accordance with Condition 15 (*Notices*) (which notice shall specify the date fixed for redemption (the "**Optional Redemption Date**")) redeem all or some of the Notes at a redemption price per Note equal to the higher of the following (the "**Optional**

Redemption Amount"), in each case together with interest accrued to but excluding the Optional Redemption Date:

- (i) the principal amount of the Note; and
- (ii) the sum of the then current values of the remaining scheduled payments of principal and interest (not including any interest accrued on the Notes to, but excluding the Optional Redemption Date) discounted to the Optional Redemption Date on a semi-annual basis on the basis of a year of 360 calendar days consisting of 12 months of 30 calendar days each and, in the case of an incomplete month, the actual number of calendar days elapsed at the Treasury Rate.

In this Condition 9(c) (*Make-whole Redemption at the Option of the Issuer*):

"Treasury Rate" means, the yield to maturity as of the Optional Redemption Date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days (but not more than five Business Days) prior to the Optional Redemption Date (or, if such statistical release is no longer published, any publicly available source of similar market data selected by the Issuer in good faith)) most nearly equal to the period from the Optional Redemption Date to 26 September 2027; provided, however, that, if the period from the Optional Redemption Date to 26 September 2027 is not equal to the constant maturity of a US Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by a linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of US Treasury securities for which such yields are given, except that, if the period from the Optional Redemption Date to 26 September 2027 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

- (d) **Redemption at the Option of Noteholders (Change of Control).** If a Change of Control Event (as defined below) occurs, the Issuer shall, at the option of the holder of any Note, upon the holder of such Note giving notice to the Issuer as provided in this Condition 9(d) (*Redemption at the option of Noteholders (Change of Control)*) at any time during the Redemption Period (as defined below), redeem such Note on the Redemption Date (as defined below) at 101 per cent. of its principal amount together (if applicable) with interest accrued and unpaid to (but excluding) the Redemption Date.

Immediately upon the Issuer becoming aware that a Change of Control Event has occurred, the Issuer shall give notice (a **"Change of Control Notice"**) to the Noteholders in accordance with Condition 15 (*Notices*) specifying the nature of the Change of Control Event and the procedure for exercising the put option contained in this Condition 9(d) (*Redemption at the option of Noteholders (Change of Control)*).

To exercise the right to require the Issuer to redeem a Note pursuant to this Condition 9(d) (*Redemption at the option of Noteholders (Change of Control)*), the Noteholder must deposit, at the Specified Office of any Paying and Transfer Agent at any time during normal business hours of such Paying and Transfer Agent on a Business Day falling within the Redemption Period, the relevant Definitive Note Certificate, together with a duly completed and signed notice of exercise (a **"Put Notice"**) in the form (for the time being current) obtainable from the Specified Office of any Paying and Transfer Agent. The Paying and Transfer Agent with which a Definitive Note Certificate and Put Notice are so deposited shall deliver a duly completed receipt (in the form specified in the Agency Agreement) (the **"Put Receipt"**) to the depositing Noteholder. Payment by the Issuer in respect of any Definitive Note Certificate so

delivered shall be made to the bank account or otherwise as specified in the Put Option Notice by transfer to that account (or as otherwise specified in the Put Option Notice) on the relevant Redemption Date. No Definitive Note Certificate, once deposited with a duly completed Put Option Notice in accordance with this Condition 9(d) (*Redemption at the option of Noteholders (Change of Control)*), may be withdrawn; *provided, however*, that if, prior to the relevant Redemption Date, any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Redemption Date, payment of the redemption moneys is improperly withheld or refused, the relevant Paying and Transfer Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold the relevant Definitive Note Certificate at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Receipt. For so long as any outstanding Note is held by a Paying and Transfer Agent in accordance with this Condition 9(d) (*Redemption at the option of Noteholders (Change of Control)*), the depositor of such Definitive Note Certificate and not such Paying and Transfer Agent shall be deemed to be the holder of such Definitive Note Certificate for all purposes.

For the purpose of this Condition 9(d) (*Redemption at the option of Noteholders (Change of Control)*):

- (i) a "**Change of Control Event**" will be deemed to have occurred upon the occurrence of any of the following: (a) the sale, assignment, transfer, lease, conveyance or other disposal, in one or a series of related transactions, of all or substantially all of the properties or assets of the Issuer or the Guarantor to any "person" (as such term is used in Section 13(d)(3) of the Exchange Act) other than the Republic of Kazakhstan or any agency or instrumentality of the Republic of Kazakhstan or a person more than 50 per cent. of the voting power of the capital stock of which is "beneficially owned" (as such term is defined in Rule 13(d)(3) and Rule 13(d)(5) under the Exchange Act) by the Republic of Kazakhstan or such agency or instrumentality; (b) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any "person" (as such term is defined above), other than the Republic of Kazakhstan or any agency or instrumentality of the Republic of Kazakhstan or a person more than 50 per cent. of the voting power of the capital stock of which is "beneficially owned" (as such term is defined in Rule 13(d)(3) and Rule 13(d)(5) under the Exchange Act) by the Republic or such agency or instrumentality, becomes the "beneficial owner" (as such term is defined in Rule 13d-3 and Rule 13d-5 under the Exchange Act), directly or indirectly through one or more intermediaries, of more than 50 per cent. of the voting power of the capital stock of the Issuer or the Guarantor; or (c) the Issuer ceasing to be a "national operator in the sphere of gas and gas supply" in accordance with the Decree of the Government Republic of Kazakhstan № 914 dated 5 July 2012, under the Law of the Republic of Kazakhstan "About gas and gas supply" № 532-IV, dated 9 January 2012;
- (ii) "**Redemption Date**" means, in respect of any Note, the date which falls 14 days after the date on which the relevant holder exercises its option in accordance with this Condition 9(d) (*Redemption at the option of Noteholders (Change of Control)*); and
- (iii) "**Redemption Period**" means the period from and including the date on which a Change of Control Event occurs (whether or not the Issuer has given a Change of Control Notice in respect of such event) to and including the date falling 60 days after the date on which such Change of Control Notice is

given, provided that if no Change of Control Notice is given, the Redemption Period shall not terminate.

- (e) **No other Redemption.** The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 9(a) (*Scheduled redemption*), 9(b) (*Redemption for Taxation Reasons*) and 9(c) (*Make-whole Redemption at the Option of the Issuer*) above.
- (f) **Purchase.** The Issuer and the Guarantor or any of their respective Subsidiaries may at any time purchase or procure others to purchase for its account Notes in the open market or otherwise and at any price. The Notes so purchased may be held, reissued, resold (provided that such resale is outside the United States or, in the case of any Notes resold pursuant to Rule 144A, is only made to qualified institutional buyers in the United States and is otherwise in compliance with all applicable laws) or surrendered for cancellation at the option of the Issuer or otherwise, as the case may be in compliance with Condition 9(g) (*Cancellation of Notes*) below. The Notes so purchased, while held by or on behalf of the Issuer, the Guarantor or any such Subsidiary, shall not entitle the holder to vote at any meeting of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Condition 14(a) (*Meetings of Noteholders*).
- (g) **Cancellation of Notes.** All Notes which are redeemed or purchased and submitted for cancellation pursuant to Condition 9(f) (*Purchase*) will be cancelled and may not be reissued or resold.

10. TAXATION

- (a) All payments of principal and interest in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or on behalf of any Relevant Jurisdiction, unless such withholding or deduction is required by law. In that event, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them if no such withholding or deduction had been required, except that no such additional amounts shall be payable in respect of any Note:
 - (i) **Other Connection:** presented for payment by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of a holder having some connection with a Relevant Jurisdiction other than the mere holding of such Note;
 - (ii) **Presentation more than 30 days after the Relevant Date:** where (in the case of a payment of principal or interest on redemption) the relevant Definitive Note Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on surrendering such Definitive Note Certificate for payment on the last day of such period of 30 days; or
 - (iii) **Payment by another Paying and Transfer Agent:** where (in the case of a payment of principal or interest on redemption) the relevant Definitive Note Certificate is surrendered for payment by or on behalf of a Noteholder who would have been able to avoid such withholding or deduction by surrendering the relevant Definitive Note Certificate to another Paying and Transfer Agent in a Member State of the European Union.

- (a) For the avoidance of doubt, neither the Issuer nor any Agent nor any other person will be obliged to make any additional payments to the Noteholders in respect of amounts withheld or deducted pursuant to FATCA.
- (b) **Taxing jurisdiction.** If the Issuer or, as the case may be, the Guarantor becomes subject at any time to any taxing jurisdiction other than a Relevant Jurisdiction, references in this Condition 10 (*Taxation*) to Relevant Jurisdiction shall, subject to clause 4.2 of the Trust Deed, be construed as references to the Republic of Kazakhstan and/or such other jurisdiction or, in each case, any political subdivision or any authority thereof or therein having power to tax.

11. PRESCRIPTION

Claims in respect of principal and interest will become void unless the relevant Definitive Note Certificate is surrendered for payment as required by Condition 8 (*Payments*) within a period of 10 years, in the case of principal, or five years, in the case of interest, from the appropriate Relevant Date.

12. EVENTS OF DEFAULT

The Trustee at its discretion may, and if so requested in writing by the holders of not less than one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject, in each case, to being indemnified and/or prefunded and/or secured to its satisfaction), give notice to the Issuer that the Notes are, and shall thereupon immediately become, due and repayable, in each case at their principal amount together with accrued interest if any of the following events (each, an "**Event of Default**") occurs:

- (a) **Non-payment.** The Issuer or the Guarantor, as the case may be, fails to pay any amount of principal in respect of the Notes when the same becomes due and payable either at maturity, by declaration or otherwise or the Issuer or the Guarantor, as the case may be, is in default with respect to the payment of interest or any additional amount payable in respect of any of the Notes and such default in respect of interest or additional amounts continues for a period of 10 Payment Business Days; or
- (b) **Breach of other obligations.** The Issuer or the Guarantor, as the case may be, defaults in the performance or observance of any of its other obligations under the Notes or the Trust Deed and such default (i) is in the opinion of the Trustee, incapable of remedy or (ii) being a default which is, in the opinion of the Trustee, capable of remedy, remains unremedied for 30 days or such longer period as the Trustee may agree after the Trustee has given written notice thereof, addressed to the Issuer and the Guarantor; or
- (c) **Cross-default.**
 - (i) Any Indebtedness for Borrowed Money of the Issuer, the Guarantor or any of their respective Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;
 - (ii) any such Indebtedness for Borrowed Money becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer, the Guarantor or (as the case may be) the relevant Subsidiary or (provided that no event of default, howsoever described, has occurred) any Person entitled to such Indebtedness for Borrowed Money; or

- (iii) the Issuer, the Guarantor or any of their respective Subsidiaries fails to pay when due any amount payable by it under any Indebtedness Guarantee in respect of Indebtedness for Borrowed Money,

provided that the amount of Indebtedness for Borrowed Money referred to in Conditions 12(c)(i) and/or 12(c)(ii) above and/or the amount payable under any Indebtedness Guarantee referred to in Condition 12(c)(iii) above individually or in the aggregate exceeds U.S.\$50,000,000 (or its equivalent in any other currency or currencies);

- (d) **Judgment default.** One or more judgments or orders or arbitration awards from which no further appeal or judicial review is permissible under applicable law for the payment of an amount in excess of U.S.\$50,000,000 (or its equivalent in any other currency or currencies), whether individually or in aggregate, is rendered or granted against the Issuer, the Guarantor or any of their respective Subsidiaries and continue(s) unsatisfied and unstayed for a period of 30 days after the date thereof or, if later, the date therein specified for payment; or
- (e) **Security Enforced.** A secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a substantial (in the opinion of the Trustee) part of the undertaking, assets and revenues of the Issuer, the Guarantor or any of their respective Subsidiaries; or
- (f) **Bankruptcy.**
 - (i) (A) The Issuer, the Guarantor or any of their respective Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (B) an administrator or liquidator or other similar officer of the Issuer, the Guarantor or any of their respective Subsidiaries or the whole or a substantial (in the opinion of the Trustee) part of the undertaking, assets and revenues of the Issuer, the Guarantor or any of their respective Subsidiaries is appointed (or application for any such appointment is made), (C) the Issuer, the Guarantor or any of their respective Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness for Borrowed Money or any Indebtedness Guarantee in respect of any Indebtedness for Borrowed Money given by it or (D) the Issuer, the Guarantor or any of their respective Subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or
 - (ii) an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer, the Guarantor or any of their respective Subsidiaries, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or
 - (iii) any event occurs which under the laws of the Republic of Kazakhstan has an analogous effect to any of the events referred to in Conditions 12(f)(i) and 12(f)(ii) above; or
- (g) **Invalidity or unenforceability.**
 - (i) Any action, condition or thing at any time required to be taken, fulfilled or done in order (A) to enable the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under and in respect of the Notes or the Trust Deed,

- (B) to ensure that those obligations are legal, valid, binding and enforceable and (C) to make the Definitive Note Certificates and the Trust Deed admissible as evidence in the courts of the Republic of Kazakhstan is not taken, fulfilled or done;
- (ii) it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any of its obligations under or in respect of the Notes or the Trust Deed; or
 - (iii) the Guarantee of the Notes is not (or is claimed by the Issuer or the Guarantor not to be) in full force and effect; or
- (h) **Government intervention.**
- (i) All or any substantial part of the undertaking, assets and revenues of the Issuer, the Guarantor or any of their respective Subsidiaries is condemned, seized or otherwise appropriated by any Person acting under the authority of any national, regional or local government; or
 - (ii) the Issuer, the Guarantor or any of their respective Subsidiaries is prevented by any such Person from exercising normal control over all or any substantial part of its undertaking, assets and revenues; or
- (i) **Substantial Change in Business.** The Issuer or the Guarantor makes or threatens to make any substantial change in the principal nature of its business as presently conducted; or
- (j) **Maintenance of Business.** The Issuer or the Guarantor fails to take any action as is required of it under applicable regulations in the Republic of Kazakhstan or otherwise to maintain in effect its license or corporate existence or fails to take any action to maintain any material rights, privileges, titles to property, franchises and the like necessary or desirable in the normal conduct of its business, activities or operations and such failure is not remedied within 30 days (or such longer period as the Trustee may in its sole discretion determine) after notice thereof has been given to the Issuer or the Guarantor, as the case may be; or
- (k) **Material Compliance with Applicable Laws.** The Issuer or the Guarantor fails to comply in any (in the opinion of the Trustee) material respect with any applicable laws or regulations (including any foreign exchange rules or regulations) of any governmental or other regulatory authority for any purpose to enable it lawfully to exercise its rights or perform or comply with its obligations under the Notes, the Trust Deed or the Agency Agreement or to ensure that those obligations are legally binding and enforceable or that all necessary agreements or other documents are entered into and that all necessary consents and approvals of, and registrations and filings with, any such authority in connection therewith are obtained and maintained in full force and effect; or
- (l) **Ownership.** The Guarantor ceases to be a Subsidiary of the Issuer.

13. REPLACEMENT OF NOTES

If any Definitive Note Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the Specified Office of the Registrar or any Paying and Transfer Agent subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer and the Guarantor may require (provided that the requirement is reasonable in the light of prevailing market

practice). Mutilated or defaced Definitive Note Certificates must be surrendered before replacements will be issued.

14. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

- (a) **Meetings of Noteholders.** The Trust Deed contains provisions for convening meetings of Noteholders to consider any matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Trustee, the Guarantor or the Issuer, or by the Trustee upon the request in writing of Noteholders holding not less than one-tenth in principal amount of the outstanding Notes (subject to it being indemnified and/or secured and/or prefunded to its satisfaction against any costs and expenses thereby occasioned). The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing a clear majority of the principal amount of the Notes for the time being outstanding, or, at any adjourned meeting, one or more persons being or representing Noteholders whatever the principal amount of the Notes for the time being outstanding so held or represented; *provided, however*, that certain proposals (including any proposal (i) to change any date fixed for payment of principal or interest in respect of the Notes, (ii) to reduce or cancel the amount of principal or interest or additional amounts payable on any date in respect of the Notes or to reduce the rate of interest on the Notes, (iii) to change the currency of payment under the Notes, (iv) to modify or cancel the Guarantee, (v) to amend this proviso or (vi) to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "**Reserved Matter**") may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more persons holding or representing not less than two-thirds or, at any adjourned meeting, one-quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present at the meeting(s) or not.
- (b) **Written resolution and Electronic Consent.** The Trust Deed provides that a resolution in writing will take effect as if it were an Extraordinary Resolution if it is signed (i) by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed or (ii) if such Noteholders have been given at least 21 days' notice of such resolution, by or on behalf of persons holding three-quarters of the aggregate principal amount of the outstanding Notes. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders. The Trust Deed also provides that, subject to the terms therein, a resolution approved by an Electronic Consent communicated through the electronic communications systems of the relevant clearing system by or on behalf of not less than three-quarters in aggregate nominal amount of the Notes outstanding shall take effect as an Extraordinary Resolution.
- (c) **Modification without Noteholders' consent.** The Trustee may agree, without the consent of the Noteholders, (a) to any modification of these Conditions or the Trust Deed (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders and (b) to any modification of the Notes or the Trust Deed which is of a formal, minor or technical nature or to correct a manifest error. In addition, the Trustee may, without the consent of the Noteholders, authorise or waive any proposed breach or breach of the Notes or the Trust Deed (other than a proposed breach or breach relating to the subject of a

Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby. Any such authorisation, waiver or modification shall be binding on the Noteholders and, if the Trustee so requires, shall be notified to the Noteholders as soon as practicable thereafter.

15. NOTICES

Notices to Noteholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses recorded in the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing. Notices to Noteholders will be valid if published, for so long as the Notes are admitted to trading on the stock exchange and the rules of such exchange so require, in a leading newspaper having general circulation in Ireland (which is expected to be the Irish Times) or, if, in the opinion of the Trustee, such publication is not practicable, in a leading English language daily newspaper of general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made.

So long as any of the Notes are represented by the Unrestricted Global Note, notices required to be published in accordance with Condition 15 (*Notices*) may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the relevant accountholders, provided: (i) that such notice is also delivered to the stock exchange; and (ii) so long as the Notes are admitted to trading on the stock exchange and the rules of the stock exchange so require, publication will also be made in a leading daily newspaper having general circulation in Dublin (which is expected to be the Irish Times). So long as any of the Notes are represented by the Restricted Global Notes, notices required to be published in accordance with Condition 15 (*Notices*) may be given by delivery of the relevant notice to DTC for communication to the relevant accountholders, provided: (i) that such notice is also delivered to the stock exchange; and (ii) so long as the Notes are admitted to trading on the stock exchange and the rules of the stock exchange so require, publication will also be made in a leading daily newspaper having general circulation in Dublin (which is expected to be the Irish Times).

16. TRUSTEE

- (a) **Indemnification.** Under the Trust Deed, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and any entity relating to the Issuer or the Guarantor without accounting for any profit and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, the Guarantor and/or any of their respective Subsidiaries.
- (b) **Exercise of power and discretion.** In the exercise of its powers and discretion under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual holders of Notes as a result of such holders being connected in any way with a particular territory or taxing jurisdiction.
- (c) **Enforcement; Reliance.** The Trustee may at any time after the Notes become due and payable, at its discretion and without notice, take such steps and actions and institute such proceedings as it thinks fit to enforce its rights under the Trust Deed and these Conditions in respect of the Notes, but it shall not be bound to do so unless:

- (i) it has been so requested in writing by the holders of at least one-fifth in principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and
 - (ii) it has been indemnified and/or secured and/or prefunded to its satisfaction.
- (d) **Failure to act.** No Noteholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.
- (e) **Confidentiality.** Unless ordered to do so by a court of competent jurisdiction or unless required by the rules of the stock exchange, the Trustee shall not be required to disclose to any Noteholder any confidential financial or other information made available to the Trustee by the Issuer or the Guarantor.

17. PROVISION OF INFORMATION

The Issuer and the Guarantor shall, during any period in which it is not subject to or in compliance with the reporting requirements of Section 13 or 15(d) of the United States Securities Exchange Act of 1934 (the "**Exchange Act**") nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, duly provide to any holder of a Note which is a "**restricted security**" within the meaning of Rule 144(a)(3) under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or to any prospective purchaser of such securities designated by such Noteholder, upon the written request of such Noteholder or (as the case may be) prospective Noteholder addressed to the Issuer or the Guarantor, as the case may be, and delivered to the Issuer or the Guarantor, as the case may be, or to the Specified Office of the Registrar, the information specified in Rule 144A(d)(4) under the Securities Act.

18. FURTHER ISSUES

The Issuer may from time to time, without notice to or the consent of the Noteholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the date for and amount of the first payment of interest) so as to be consolidated and form a single series with the Notes ("**Further Notes**"). The Issuer may from time to time, with the consent of the Trustee, create and issue other series of notes having the benefit of the Trust Deed.

19. CURRENCY INDEMNITY

The Trust Deed provides that if any Noteholder receives or recovers any amount in a currency other than the Contractual Currency (as defined in the Trust Deed) (whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding up or dissolution of the Issuer or Guarantor, as the case may be, or otherwise), in respect of any sum expressed to be due to it from the Issuer or the Guarantor, that amount will only discharge the Issuer and the Guarantor to the extent of the Contractual Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt of recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that Contractual Currency amount is less than the Contractual Currency amount expressed to be due to the relevant Noteholder under the Notes, the Issuer failing whom the Guarantor, as the case may be will indemnify such Noteholder against any loss sustained by it as a result on the written demand of such Noteholder addressed to the Issuer or Guarantor, as the case may be, and delivered to the Issuer or Guarantor, as the case may be, or to the Specified Office of the Registrar or any Paying and Transfer Agent with its Specified Office in London.

In any event, the Issuer or failing whom the Guarantor will indemnify the relevant Noteholder against the cost of making any such purchase.

20. GOVERNING LAW, JURISDICTION AND ARBITRATION

- (a) **Governing Law.** The Notes, the Guarantee, the Trust Deed, the Agency Agreement and the arbitration agreement at Condition 20(b) (*Arbitration*), including any non-contractual obligations arising out of or in connection with them, are governed by, and shall be construed in accordance with, English law.
- (b) **Arbitration.** Subject to Condition 20(c) (*Noteholders' Option*) and Condition 20(d) (*Jurisdiction*), each of the Issuer and the Guarantor in the Trust Deed agreed for the benefit of the Noteholders that any claim, dispute or difference of whatever nature arising under, out of or in connection with the Trust Deed or the Notes (including any non-contractual obligations arising out of or in connection with the Trust Deed or the Notes) (a "**Dispute**"), shall be referred to and finally settled by arbitration in accordance with the London Court of International Arbitration ("**LCIA**") Rules (the "**Rules**") as in force at the date of the Trust Deed and as modified by this Condition, which Rules shall be deemed incorporated into this Condition. The number of arbitrators shall be three, one of whom shall be nominated by the Issuer, one by the Trustee and the third of whom, who shall act as Chairman, shall be nominated by the two party-nominated arbitrators, provided that if the third arbitrator has not been nominated within 30 days of the nomination of the second party-nominated arbitrator, such third arbitrator shall be appointed by the LCIA Court. The parties may nominate and the LCIA court may appoint arbitrators from among the nationals of any country, whether or not a party is a national of that country. The seat of arbitration shall be London, England and the language of arbitration shall be English. Sections 45 and 69 of the Arbitration Act 1996 shall not apply.
- (c) **Noteholders' Option.** At any time before the Trustee has nominated an arbitrator to resolve any Dispute or Disputes pursuant to Condition 20(b) (*Arbitration*), the Trustee may elect by notice in writing (an "**Election Notice**") to the Issuer and the Guarantor that such Dispute(s) shall instead be resolved in the manner set out in Condition 20(d) (*Jurisdiction*). Following any such election, no arbitral tribunal shall have jurisdiction in respect of such Dispute(s).
- (d) **Jurisdiction.** In the event that the Trustee serves an Election Notice in respect of any Dispute(s) pursuant to Condition 20(c) (*Noteholders' Option*), the Issuer and the Guarantor agree for the benefit of the Noteholders and the Trustee that the courts of England shall have exclusive jurisdiction to hear and determine any such Dispute(s) and that neither the Issuer nor the Guarantor may commence proceedings ("**Proceedings**") for the determination of any such Dispute(s) in any other jurisdiction. Subject to Condition 20(b) (*Arbitration*), following the service of an Election Notice by the Trustee, nothing in this Condition shall (or shall be construed so as to) limit the right of the Noteholders to bring Proceedings for the determination of any Dispute(s) in the courts of England or in any other court of competent jurisdiction, nor shall the bringing of such Proceedings in any one or more jurisdictions preclude the bringing of Proceedings by the Noteholders in any other jurisdiction (whether concurrently or not) if and to the extent permitted by law.
- (e) **Appropriate Forum.** For the purpose of Condition 20(d) (*Jurisdiction*), each of the Issuer and the Guarantor irrevocably submit to the jurisdiction of the courts of England and waives any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and agrees not to claim that any such court is not a convenient or appropriate forum.

- (f) **Service of Process.** Each of the Issuer and Guarantor agreed in the Trust Deed that the process by which any Proceedings are commenced in England pursuant to Condition 20(d) (*Jurisdiction*) may be served on it by being delivered Law Debenture Corporate Services Limited of Fifth Floor, 100 Wood Street, London EC2V 7EX, or, if different, its registered office from time to time. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer and the Guarantor, the Issuer and the Guarantor shall, on the written demand of the Trustee, appoint a further person in England to accept service of process on its behalf and, failing such appointment within 14 days, the Trustee shall be entitled to appoint such a person by written notice to the Issuer and the Guarantor. Nothing in this paragraph shall affect the right of the Trustee and the Noteholders to serve process in any other manner permitted by law.
- (g) **Waiver of Immunity.** Each of the Issuer and the Guarantor agrees that any award made pursuant to Condition 20(b) (*Arbitration*) in relation to a Dispute or any final judgment in any Proceeding may be enforced in a court of competent jurisdiction of which the Issuer and Guarantor are or may be subject. To the extent that the Issuer or the Guarantor may in any jurisdiction claim for itself or its assets, property or revenues (irrespective of their use or intended use) immunity from jurisdiction, suit, enforcement, execution, attachment (whether in aid of execution, before the making of a judgment or award or otherwise) or other legal process, including in relation to the enforcement of any arbitration award, and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or Guarantor or its assets, property or revenues, each of the Issuer and the Guarantor agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

USE OF PROCEEDS

The net proceeds of the issue of the Notes, amounting to approximately U.S.\$746,750,000 after the deduction of fees and expenses in connection with the issuance of the Notes, will be used by the Issuer to pay down outstanding indebtedness, including under the outstanding bridge loan agreement entered into by, among others, the Issuer as a borrower, the Guarantor as a guarantor and ING Bank, Citibank N.A., London Branch and VTB Bank PJSC as original lenders on 28 June 2017 (the "**Bridge Loan**"), and for general corporate purposes.

CAPITALISATION AND INDEBTEDNESS

The table below gives information on the Company's capitalization. The table below has been prepared for illustrative purposes only and does not represent the Company's actual financial position or results. The following table should be read in conjunction with the Financial Statements and the accompanying notes thereto and the notes to this Listing Particulars., and with the information given in the sections "*Selected Financial Information and Operating Data*", "*Use of Proceeds*", "*Management's Discussion and Analysis of Results of Operations and Financial Condition*", "*Description of the Company and the Guarantor*", and the Financial Statements and the notes to them.

	As of 30 June 2017
	Actual
	<i>(KZT billions)</i>
Current liabilities	196.9
Trade and other payables	118.3
Interest bearing loans	16.0
Loans from related parties	25.3
Provisions	25.3
Other	12.0
Non-current (long-term) liabilities	338.2
Interest bearing loans	96.4
Loans from related parties	137.7
Provisions	48.6
Debt securities issued.....	12.8
Other	42.7
Equity and liabilities	615.7
Share capital	192.6
Additional paid-in capital	241.2
Foreign currency translation reserve	0.6
Retained earnings	181.3
Total equity and liabilities	1,150.8

SELECTED FINANCIAL INFORMATION AND OPERATING DATA

The following selected financial information should be read together with the other information contained in this Listing Particulars, including "Management's Discussion and Analysis of Results of Operations and Financial Condition" and the Financial Statements and related notes incorporated in this Listing Particulars by reference. This financial information is historical and not necessarily indicative of results to be expected in any future period.

The annual financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), and the interim financial statements were prepared in accordance with IAS 34 *Interim Financial Reporting*, as adopted by the International Accounting Standards Board, in effect at the time of preparing the relevant financial statements. For more information on the content and interpretation of this information, see "Presentation of Financial and Certain Other Information".

This Listing Particulars also includes certain measures that are not measures defined by IFRS. Such non-IFRS measures should not be considered in isolation, or as a substitute for analysis of the Company's operating results as reported under IFRS.

Comprehensive Income

	For the six months ending 30 June		For the years ending 31 December		
	2017	2016	2016	2015	2014
			<i>(KZT thousands)</i>		
Revenue.....	255,847,283	211,781,778	501,958,495	374,319,323	328,972,045
Cost of sales	(191,116,183)	(160,448,297)	(348,453,622)	(277,605,060)	(242,473,336)
Gross profit.....	64,731,100	51,333,481	153,504,873	96,714,263	86,498,709
General & administrative expenses	(10,806,486)	(9,735,991)	(34,085,402)	(27,339,503)	(37,076,216)
Other operating income	1,841,814	2,140,488	7,440,302	11,365,124	14,198,390
Other operating expenses	(3,744,618)	(2,389,867)	(3,688,783)	(8,840,880)	(6,205,506)
Operating profit	52,021,810	41,348,111	123,170,990	71,899,004	57,415,377
Finance income	6,311,218	5,866,485	13,247,026	7,991,115	3,010,945
Finance costs	(14,574,187)	(14,637,723)	(27,210,248)	(26,096,094)	(15,269,989)
Share in loss of joint ventures.....	(2,797,402)	(2,682,057)	(3,456,173)	(60,500,985)	(37,180,604)
Foreign exchange gain/(loss), net	8,622,839	(1,540,782)	2,175,101	(101,242,892)	(15,018,749)
Profit/(loss) before income tax.....	49,584,278	28,354,034	107,926,696	(107,949,852)	(7,043,020)
Income tax expenses.....	(12,802,144)	(7,697,371)	(26,531,702)	(1,534,705)	(13,124,799)
Net profit/(loss) for the period after tax	36,782,134	20,656,663	81,394,994	(109,484,557)	(20,167,819)
Other comprehensive income	—	—	110,650	461,606	501,395
Total comprehensive income profit/(loss) for the period, net of income tax.....	36,782,134	20,656,663	81,505,644	(109,022,951)	(19,666,424)

Balance Sheet Data

	For the six months ending on 30 June		For the years ending on 31 December		
	2017	2016	2016	2015	2014
<i>(KZT thousands)</i>					
Consolidated statement of financial position					
Non-current assets.....	888,614,730	841,341,855	841,341,855	773,566,443	780,449,286
Current assets.....	262,165,032	374,290,989	374,290,989	221,835,565	165,347,846
Total assets	1,150,779,762	1,215,632,844	1,215,632,844	995,402,008	945,797,132
Total equity	615,658,893	565,784,778	565,784,778	486,963,801	564,443,209
Non-current liabilities	338,182,927	323,096,467	323,096,467	352,902,726	203,720,262
Current liabilities	196,937,942	326,751,599	326,751,599	155,535,481	177,633,661
Total equity and liabilities	1,150,779,762	1,215,632,844	1,215,632,844	995,402,008	945,797,132

Cash Flow Statement

	For the six months ending on 30 June		For the years ending on 31 December		
	2017	2016	2016	2015	2014
<i>(KZT thousands)</i>					
Consolidated statement of cash flows					
Net cash flow from operating activities.....	81,246,797	101,486,925	124,603,220	79,949,539	31,222,954
Net cash used in investing activities.....	(24,206,172)	(77,629,194)	(129,397,630)	(13,604,753)	(119,505,265)
Net cash used in financing activities	(64,538,459)	(204,119)	47,616,447	(53,275,436)	82,381,169
Net change in cash and cash equivalents.....	(7,497,834)	23,653,612	42,822,037	13,069,350	(5,901,142)
Net foreign exchange difference on cash and cash equivalents	4,775,156	(1,280,490)	(412,159)	1,877,460	—
Cash and cash equivalents at the beginning of the period	61,988,460	19,578,582	19,578,582	4,631,772	10,532,914
Cash and cash equivalents at the end of the period.....	59,265,782	41,951,704	61,988,460	19,578,582	4,631,772

Total comprehensive income to gross profit/(loss) reconciliation

	For the six months ending on 30 June		For the years ending on 31 December		
	2017	2016	2016	2015	2014
<i>(KZT thousands)</i>					
Net profit/(loss) for the reporting period after tax.....					
plus income tax expense.....	36,782,134	20,656,663	81,394,994	(109,484,557)	(20,167,819)
Profit/(loss) before tax.....	12,802,144	7,697,371	26,531,702	1,534,705	13,124,799
plus/less foreign exchange (gain)/loss.....	49,584,278	28,354,034	107,926,696	(107,949,852)	(7,043,020)
plus finance costs	(8,622,839)	1,540,782	(2,175,101)	101,242,892	15,018,749
less (finance income)	14,574,187	14,637,723	27,210,248	26,096,094	15,269,989
plus share in loss of joint ventures	(6,311,218)	(5,866,485)	(13,247,026)	(7,991,115)	(3,010,945)
Operating profit	2,797,402	2,682,057	3,456,173	60,500,985	37,180,604
plus general and administrative expenses.....	52,021,810	41,348,111	123,170,990	71,899,004	57,415,377
plus other operating expenses	10,806,486	9,735,991	34,085,402	27,339,503	37,076,216
less other operating income	3,744,618	2,389,867	3,688,783	8,840,880	6,205,506
Gross profit.....	(1,841,814)	(2,140,488)	(7,440,302)	(11,365,124)	(14,198,390)
Gross profit.....	64,731,100	51,333,481	153,504,873	96,714,263	86,498,709

Non-IFRS Measures

	As of and for the twelve months ending on 30 June		As of and for the years ending on 31 December		
	2017	2016	2016	2015	2014
EBITDA ⁽¹⁾⁽²⁾	165,752,249	115,177,562	151,327,813	95,207,157	80,056,087
EBITDA margin ⁽¹⁾⁽³⁾ (%)	30%	27%	30%	25%	24%
Net debt ⁽¹⁾⁽⁴⁾ (%)	229,028,156	276,305,116	303,194,287	301,226,179	216,458,513
Net debt to EBITDA ⁽¹⁾⁽⁵⁾ (%)	1.4x	2.4x	2.0x	3.2x	2.7x

- (1) Non-IFRS Measures, presented as additional measures of the Company's operating activity. These additional measures are analytical tools, and investors should not view any of these measures individually or together as a replacement for analysis on the basis of the operating results of the Company in accordance with IFRS.
- (2) EBITDA means gross profit less general and administrative expenses plus depreciation and amortisation plus/(less) income/(loss) on allowance for doubtful debts and obsolete inventory.
- (3) EBITDA margin is EBITDA divided by total revenues.
- (4) Net debt is long-term debt plus short-term debt less cash and cash equivalents.
- (5) Net debt to EBITDA is net debt divided by EBITDA.

EBITDA reconciliation

	For the twelve months ending on 30 June		For the years ending on 31 December		
	2017	2016	2016	2015	2014
Gross profit	166,902,492	117,612,206	153,504,873	96,714,263	86,498,709
less general and administrative expenses	(35,155,897)	(28,629,000)	(34,085,402)	(27,339,503)	(37,076,216)
plus depreciation and amortisation	29,797,779	23,886,864	28,802,223	25,655,040	29,439,433
plus change in allowance for doubtful debts, advances paid, obsolete and slow- moving inventories, net	4,207,875	2,307,492	3,106,119	177,357	1,194,161
EBITDA	165,752,249	115,177,562	151,327,813	95,207,157	80,056,087

EBITDA margin reconciliation

	For the twelve months ending on 30 June		For the years ending on 31 December		
	2017	2016	2016	2015	2014
EBITDA	165,752,249	115,177,562	151,327,813	95,207,157	80,056,087
Divided by:					
Total revenues	546,024,000	427,731,078	501,958,495	374,319,323	328,972,045
EBITDA margin	30%	27%	30%	25%	24%

Net debt reconciliation

	As at 30 June		As at 31 December		
	2017	2016	2016	2015	2014
Long-term borrowings	246,888,079	185,253,950	232,136,321	277,146,722	133,630,129
plus short term borrowings	41,405,859	133,002,870	133,046,426	43,658,039	87,460,156
Gross debt	288,293,938	318,256,820	365,182,747	320,804,761	221,090,285
less cash and cash equivalents	(59,265,782)	(41,951,704)	(61,988,460)	(19,578,582)	(4,631,772)
Net debt	229,028,156	276,305,116	303,194,287	301,226,179	216,458,513

Net debt to EBITDA reconciliation

	For the twelve months ending on 30 June		For the years ending on 31 December		
	2017	2016	2016	2015	2014
Net debt.....	229,028,156	276,305,116	303,194,287	301,226,179	216,458,513
<i>Divided by:</i>					
EBITDA.....	165,752,249	115,177,562	151,327,813	95,207,157	80,056,087
Net debt to EBITDA	1.4x	2.4x	2.0x	3.2x	2.7x

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following management's discussion and analysis of the Company's results of operations and financial performance should be read in conjunction with the Financial Statements, in each case, with the related notes thereto, included elsewhere in this Listing Particulars. The Financial Statements have been prepared in accordance with IFRS and IAS 34. This management's discussion and analysis contains forward-looking statements, which involve risks and uncertainties. See "Forward-Looking Statements". The Company's actual results could differ materially from those anticipated in the forward looking statements contained herein for several reasons, including those set forth under "Risk Factors" and elsewhere in this Listing Particulars.

Overview

The Company is a holding company engaged mainly in the sale of natural gas in Kazakhstan and abroad. The Company is wholly-owned by the Parent, which is, in turn, indirectly wholly-owned by the State through its direct holdings in the Parent of 90.09 per cent. by Samruk-Kazyna and 9.91 per cent. by the NBK, both of which are, in turn, State-owned. The Company is the National Gas Operator in Kazakhstan and represents the Republic's strategic interests in the gas industry. The Company, through its subsidiaries, operates the natural monopoly gas transmission network within the country.

The Company controls, through the Guarantor, the transit of Central Asian gas to Gazprom and, ultimately, to Europe, and through its subsidiaries and joint ventures with CNPC, the transit of Central Asian gas to China. The Company, through its subsidiaries, operates the natural monopoly gas transmission network within the country. The Company also has ancillary businesses, including storage and exploration and production of gas.

The Company's natural gas transportation activities, which are conducted principally through the Guarantor, comprise a significant portion of the Company's operational business. The pipeline infrastructure operated by the Company consists principally of pipeline network in western and southern Kazakhstan. The pipeline system in western Kazakhstan includes "Central Asia-Center", "Orenburg-Novopskov" and "Bukhara-Ural" pipelines with a total annual throughput capacity of 82.8 bcm per year. The pipeline system in southern Kazakhstan include "Bukhara gas field region-Tashkent-Bishkek-Almaty" and "Kazakhstan-China" pipelines with a total annual throughput capacity of 35.8 bcm.

As at 30 June 2017, the total length of the gas pipeline network that the Company operates, through the Guarantor and its joint ventures, was 18,088 kilometres. The Group's large gas transportation system includes 33 compressor stations with 328 gas compressor units having a total capacity of 2,882 mW, and three underground gas storage facilities with a total active storage volume of 4.65 bcm and a total buffer storage volume of 16.36 bcm of gas designed to provide gas to Kazakhstan customers during winter seasons and periods of reduced gas supply.

The Company is developing the Amangeldy Field (as defined below) in the Zhambyl Region with reserves estimated at 28.5 bcm of gas. In the six months ended 30 June 2017 and the years ended 31 December 2016, 2015 and 2014, Amangeldy Gas produced 170.1, 327.2, 300.6 and 327.8 million cubic metres of gas and 10.6, 20.7, 18.5 and 20.6 thousand tonnes of gas condensate, respectively.

The Company had revenue of KZT 255.8 billion for the six months ended 30 June 2017 and revenue of KZT 502.0 billion, KZT 374.3 billion and KZT 329.0 billion for the years ended 31 December 2016, 2015 and 2014, respectively. The Company had a net profit of KZT 36.8 billion in the six months ended 30 June 2017 and a net profit/loss of KZT 81.4 billion, KZT (109.5) billion and KZT (20.2) billion for the years ended 31 December 2016, 2015 and 2014, respectively. As at 30 June 2017, the Company had total assets of KZT 1,150.8 billion.

The Company's principal customer is Gazprom, which accounted for 26% of the Company's total revenues for the six months ended 30 June 2017. The Company provides gas transportation services to Gazprom pursuant to the Gazprom Contracts, which specify the agreed volumes for the transport of Uzbek gas to Russia or from gas fields in Western Russia and the Orenburg gas refinery plant in Southwestern Russia. See "*Description of the Company and the Guarantor—Material Contracts*".

Factors Affecting Results of Operations

Set forth below are the main factors that have affected the Company's results of operations during the periods under review.

Tariffs and costs relating to gas transportation services

The Company's international gas transportation tariffs are set forth in the Guarantor's gas transportation contracts with customers, and the Guarantor is able to freely negotiate international transportation tariffs with its international transit contractor counterparties. However, domestic transportation tariffs are regulated by the Natural Monopolies Committee. The Guarantor's domestic transportation tariffs are significantly impacted by social and political considerations and have historically been kept at artificially low levels.

The Natural Monopolies Committee approved capped tariffs for domestic transportation of gas by the Guarantor through its trunk pipelines for 2016 to 2021 at KZT 2,212.7 per 1,000 cubic metres. The tariffs came into effect from 1 January 2017 and represent a significant increase from the KZT 1,380 tariff in effect before 1 January 2017.

The table below shows historical information relating to certain tariffs and prices for the periods presented.

	Six months ended 30 June		Year ended 31 December		
	2017	2016	2016	2015	2014
Domestic tariff (Tenge) ⁽¹⁾	2,213	1,380	1,380	1,380	1,380
Gas storage tariff (Tenge)	281	200	200	200	200
Regional transportation tariff (Tenge)	4,432	4,330	4,330	3,576	2,052
Wholesale gas prices (Tenge)	14,531	12,745	12,745	12,340	11,178
Russian tariff (USD) ⁽¹⁾	2.0	2.0	2.0	2.0	2.0
Export tariff (Tengizchevroil) (USD) ⁽¹⁾	5.0	5.0	5.0	3.2	2.8
Export tariff (the Company) (USD) ⁽¹⁾	5.0	5.0	5.0	3.2	2.5
KazRosGas tariff (USD) ⁽¹⁾	2.0	2.0	2.0	2.0	2.0
Central Asia tariff (USD) ⁽¹⁾	2.0	1.7	1.7	1.7	1.7

(1) based on 1,000 cubic metres of natural gas transported over 100 km of pipeline.

Volume and distance of gas transportation

Under its bilateral contracts with international customers, the Company receives payments that are calculated, at agreed tariffs, based on the volume and distance of gas transported through the gas transportation system operated by the Guarantor. Accordingly, the Company's revenues and costs are significantly affected by the cubic metres of gas transported. The table below shows the historical volumes transported through the Guarantor's gas transportation system for the periods presented.

	For the six months ending on 30 June	For the years ending on 31 December		
	2017	2016 <i>in billion m³</i>	2015	2014
Export gas transportation.....	7.4	13.2	12.7	11.2
Domestic gas transportation.....	8.9	15.4	13.5	14.3
International transit.....	20.6	41.1	59.7	64.0
Domestic gas sales.....	6.7	11.8	11.5	11.1
Export gas sales.....	2.0	4.3	2.6	1.8

Volumes are normally agreed by the Guarantor with its customers on an annual basis and customer requirements vary based on customers' production levels, as well as changes in bilateral agreements between the governments of natural gas producing countries and purchasing countries.

The Company's revenues are also significantly affected by the distance gas is transported. This depends on where gas is sourced by the Guarantor's clients and the delivery destination, which, in turn, is affected by the strategic requirements of the Guarantor's clients based on consumption patterns in Russia, Europe and Asia.

Because transportation and sale revenue from Gazprom accounted for 26.0% of the Company's revenues in the first six months ended 30 June 2017, the terms of the Company's contracts with Gazprom have a significant effect on the predictability of gas transportation volumes.

Although Management believes that the Company's revenues from the export of Kazakh-produced gas will benefit from current gas field development projects, including Kashagan field, there can be no assurance that plans by these third parties to continue increasing gas production in Kazakhstan will be successfully and timely implemented.

Impact of changes in exchange rates

The KZT/U.S.\$ exchange rate and inflation trends in Kazakhstan affect the Company's results of operations, principally because the majority of the Company's consolidated revenue and the Company's expenses and a significant majority of the Company's borrowings and accounts payable are denominated in U.S. Dollars. All things being equal, a depreciation of the Tenge against the U.S. Dollar will result in higher revenue for the Company and will have a positive effect on operating margins. However, the Company also has significant U.S. Dollar-denominated liabilities, and, thus, a devaluation or depreciation of the Tenge relative to the U.S. Dollar results in foreign currency translation losses that are recognised in the Company's consolidated statement of comprehensive income. In the first six months of 2017, 55% of the Company's revenues and 90% of the Company's expenses were denominated in USD and the 45% of the Company's revenues and 10% of the Company's expenses were in Tenge.

Exchange rates are affected by Kazakhstan economy's dependence on demand for and prices of crude oil and other commodities. In the period 2014 to 2016, the Kazakhstan economy was impacted by continuing low crude oil prices. In February 2014, the NBK devalued the Tenge by 18.6% against the U.S. Dollar in light of the depreciation of the Russian Rouble over the course of 2013 and 2014, as well as the overall situation in the global financial and commodity markets. In August 2015, the NBK announced the adoption of a free-floating exchange rate, which resulted in a 35.5% depreciation against the U.S. Dollar.

The following table sets forth the period average and period end KZT/U.S.\$ exchange rates reported by the KASE (after rounding adjustment) for the periods indicated:

	<u>Period Average⁽¹⁾</u>	<u>Period-end</u>
	<i>(KZT per U.S.\$1.00)</i>	
Six months ended 30 June 2017.....	314.72	321.46
Year ended 31 December 2016.....	342.16	333.29
Six months ended 30 June 2016.....	345.35	338.87
Year ended 31 December 2015.....	221.73	340.01
Year ended 31 December 2014.....	179.19	182.35

(1) The average of the rate reported by the KASE for each month during the relevant period.

Primarily as a result of the depreciation of the Tenge in August 2015, the Company recognised a net foreign exchange loss of KZT 101.2 billion for the year ended 31 December 2015. The foreign exchange loss was tax deductible and, as a result, contributed to a 88.3% decrease in income tax for the year ended 31 December 2015 compared to the year ended 31 December 2014. Following a subsequent appreciation of the Tenge in 2016, which the Company attributes to the increase in the average crude oil price in 2016, the Company recognised net foreign exchange gain of KZT 2.2 billion for the year ended 31 December 2016. Any further devaluation or depreciation of the Tenge would positively affect the Company's consolidated sales revenue in light of the breakdown of its transactional currency exposures.

Changes in the Share in Profit from Joint Ventures

The Company has 50% interests in joint arrangements in the form of joint ventures, whereby the ventures have a contractual arrangement that established joint control over the economic activities of the entities. The interests of the Company and its subsidiaries in joint ventures are accounted for using the equity method of accounting. Under the equity method, the Company's consolidated statement of comprehensive income simply reflects the Company's portion of the financial results of the joint ventures. The Company's joint ventures comprise the following:

- AGP, which is engaged in the construction and operation of the Kazakhstan-China gas pipeline; and
- BSGP, which is engaged in the construction and operation of the Beineu-Shymkent Gas Pipeline.

The table below shows the Company's share of the selected historical financial information relating to the joint ventures for the period presented.

	<u>Six months ended 30 June</u>		<u>Year ended 31 December</u>		
	<u>2017</u>	<u>2016</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
	<i>(KZT billions)</i>				
AGP:					
Revenue	292.1	298.1	551.2	335.9	242.4
Net profit/(loss) for the period	202.4	158.3	305.1	(843.3)	(81.2)
Other comprehensive (loss)/income for the period	(0.1)	(0.2)	(0.4)	3.5	0.8
BSGP:					
Revenue	32.8	16.9	33.8	14.3	16.3
Net profit/(loss) for the period	28.1	6.3	15.0	(182.6)	(27.7)
Other comprehensive income for the period.....	—	—	—	—	—

Taxation and Government-mandated payments

In past years, the Company's tax burden has increased as a result of changes to tax legislation. Kazakhstan's tax system is still in a transitional phase and it is expected that tax legislation in Kazakhstan will continue to evolve. For example, the Proposed Tax Code has been proposed by the Ministry of the Finance, although no draft of the Proposed Tax Code has yet been published. There

can be no assurance as to the final provisions of the Proposed Tax Code or whether, if and when adopted, the Proposed Tax Code would have a material adverse effect on the Company. See "*Risk Factors Relating to the Company's Business—The Company has been subject to, and may continue to be subject to, adverse regulatory developments*".

In addition to taxation, through its ultimate control of the Company, the Government is in a position to influence the Company's activities, including the imposition of certain social and other obligations on the Company, which may have an adverse effect on the Company's financial position and results of operations. For example, following the devaluation of the Tenge against the U.S Dollar in February 2014, the Parent ordered the Company to perform an indexation exercise in respect of employee salaries to avoid a negative effect to workers as a result of the devaluation. Such exercise increased the Company's payroll and other employee expenses in the year ended 31 December 2014, and further increases to salaries based on Government-mandated repeats of this indexation exercise have continued to increase payroll and other employee expenses in subsequent periods.

Results of Operations for the Six Months Ended 30 June 2017 Compared to the Six Months Ended 30 June 2016

Revenue

The following table sets forth certain information regarding the Company's revenue for the periods indicated:

	Six months ended 30 June		% change
	2017	2016	
	<i>(KZT billions)</i>		
Gas transportation services	73.2	76.8	(4.7)%
Sales of gas	164.3	132.9	23.7%
Management fee.....	16.6	—	100.0%
Maintenance of gas pipelines.....	1.3	1.5	(17.9)%
Other.....	0.4	0.6	(29.5)%
Total.....	255.8	211.8	20.8%

In the six months ended 30 June 2017, total revenue was KZT 255.8 billion compared to KZT 211.8 billion in the six months ended 30 June 2016, reflecting an increase of KZT 44.1 billion, or 20.8%. This increase was primarily due to a KZT 31.4 billion, or 23.7%, increase in revenue from gas sales due to increases in volumes of gas sales and average gas prices, and a KZT 16.6 billion increase in revenue from management fee due to the declaration of dividends by KazRosGas in the first half of 2017, partially offset by a KZT 3.6 billion, or 4.7%, decrease in revenue from gas transportation services mainly due to a decrease in volumes of gas transportation to Russia (in turn driven by the use of alternative pipelines) and expiration of "take-or-pay" agreements in relation to Central Asian gas.

Cost of sales

The following table sets forth certain information regarding the Company's cost of sales for the periods indicated:

	Six months ended 30 June		% change
	2017	2016	
	(KZT billions)		
Cost of gas sold.....	109.2	98.3	11.1%
Transportation expenses.....	34.9	19.5	79.1%
Payroll and related contributions.....	14.8	12.4	20.2%
Depreciation, depletion and amortisation.....	14.4	13.4	7.2%
Fuel gas and gas losses.....	7.1	7.0	1.2%
Taxes other than income tax.....	4.1	3.8	7.6%
Billing services.....	2.0	1.9	8.6%
Security.....	1.2	1.0	17.9%
Electricity.....	1.1	0.7	69.9%
Repair and maintenance.....	0.9	0.8	18.4%
Business trip expenses.....	0.5	0.3	53.7%
Insurance.....	0.3	0.3	—
Communication expenses.....	0.3	0.2	33.9%
Change in provision for gas transportation expenses, net.....	(0.9)	(0.04)	1,871.7%
Other.....	1.2	1.1	13.0%
Total.....	191.1	160.4	19.1%

Cost of sales increased by KZT 30.7 billion, or 19.1%, to KZT 191.1 billion in the six months ended 30 June 2017 from KZT 160.4 billion in the six months ended 30 June 2016. The increase was principally attributable to a 10.9 billion, or 11.1%, increase in cost of gas sold principally due to increases in volumes of gas sales and average purchased gas prices, a KZT 15.4 billion, or 79.1%, increase in transportation expenses principally due to increase in the volume of gas transportation, and a KZT 2.4 billion, or 20.2%, increase in payroll and related contributions due to an increase in the number of production employees and an average salary increase by 7%.

General and administrative expenses

The following table sets forth certain information regarding the Company's general and administrative expenses for the periods indicated:

	Six months ended 30 June		% change
	2017	2016	
	(KZT billions)		
Payroll and related contributions.....	4.3	3.6	22.0%
Allowance for doubtful debts and write-down of inventory to net realisable value.....	1.9	0.8	131.8%
Rent expenses.....	1.3	1.5	(13.4)%
Depreciation, depletion and amortisation.....	0.6	0.5	6.0%
Taxes other than income tax.....	0.5	0.5	—
Consulting services.....	0.4	0.6	(31.3)%
Office maintenance expenses.....	0.3	0.3	—
Bank charges.....	0.2	0.2	—
Business trip expenses.....	0.2	0.1	23.1%
Personnel development and qualification upgrade.....	0.2	0.1	46.9%
Repair and maintenance.....	0.2	0.1	50.7%
Other.....	0.7	1.4	(44.6)%
Total.....	10.8	9.7	11.0%

General and administrative expenses increased by KZT 1.1 billion, or 11.0%, to KZT 10.8 billion in the six months ended 30 June 2017 from KZT 9.7 billion in the six months ended 30 June 2016. This increase was principally attributable to a KZT 0.7 billion, or 22.0%, increase in payroll and related

contributions principally due to a 7% increase of salaries, and a KZT 1.1 billion, or 131.8% increase in change in allowance for doubtful debts and write-down of inventory to net realisable value principally due to further gas payment delays of doubtful counterparties.

Other operating income

Other operating income decreased by KZT 0.3 billion, or 14.0% to KZT 1.8 billion in the six months ended 30 June 2017 from KZT 2.1 billion in the six months ended 30 June 2016. This decrease was principally attributable to a one-off sale of gas filling compressor stations for KZT 0.3 billion in the first half of 2016.

Other operating expenses

Other operating expenses increased by KZT 1.3 billion, or 56.7%, to KZT 3.7 billion in the six months ended 30 June 2017 from KZT 2.4 billion in the six months ended 30 June 2016. The increase was principally attributable to a KZT 2.8 billion increase in the Trust Management Agreement (as defined below) expenses due to an increase in operations and activities, partially offset by a KZT 0.8 billion, or 83.7% decrease in provisions for impairment of property, plant and equipment due to impairment of a sports complex, which was disposed in the second half of 2016, a KZT 0.6 billion, or 95.2% decrease in the loss made on disposal of property, plant and equipment and intangible assets (net) due to the disposal of the sports complex.

Operating profit

As a consequence of the factors discussed above, operating profit increased by KZT 10.7 billion, or 25.8%, to KZT 52.0 billion in the six months ended 30 June 2017 from KZT 41.3 billion in the six months ended 30 June 2016.

Finance income

Finance income increased by KZT 0.4 billion, or 7.6%, to KZT 6.3 billion in the six months ended 30 June 2017 from KZT 5.9 billion in the six months ended 30 June 2016. The increase was principally attributable to a KZT 0.8 billion, or 29.7%, increase in interest income on bank deposits due to the placement of additional bank deposits, partially offset by a KZT 0.3 billion, or 8.9%, decrease in amortisation of discount on loans issued to related parties principally due to repayment of the principal.

Finance costs

Finance costs decreased by KZT 60.0 million, or 0.4%, to KZT 14.6 billion in the six months ended 30 June 2017. The decrease was principally attributable to a KZT 2.5 billion, or 62.5% decrease in interest on debt securities issued due to the redemption of eurobonds, partially offset by a KZT 1.8 billion, or 99.5% increase in interest bearing loans due to receipt of additional tranches in May 2016, and a KZT 0.3 billion, or 12.4%, increase in unwinding of discount costs (comprising historical costs and asset abandonment liabilities) due to reconsideration of inflation and discount rates.

Share in loss of joint ventures

Share in loss of joint ventures increased by KZT 0.1 billion, or 4.3% to KZT 2.8 billion in the six months ended 30 June 2017 from KZT 2.7 billion in the six months ended 30 June 2016. The increase was attributable to a discount on initial recognition of the loan provided to BSGP.

Foreign exchange gain (loss), net

Foreign exchange gain (loss), net increased by KZT 10.1 billion, or 659.6%, to a foreign exchange gain of KZT 8.6 billion in the six months ended 30 June 2017 from foreign exchange loss of KZT 1.5 billion in the six months ended 30 June 2016. The increase was principally attributable to the

devaluation of the Tenge against the U.S. Dollar in August 2015 which impacted the exchange rates in 2015 and 2016, and significant liabilities of the Company. The currency appreciated from an average exchange rate of KZT 338.66 per 1 U.S. Dollar in the six months ended 30 June 2016 to an average exchange rate of KZT 322.27 per 1 U.S. Dollar in the six months ended 30 June 2017.

Profit before income tax

As a consequence of the factors discussed above, profit before income tax increased by KZT 21.2 billion, or 74.9%, to KZT 49.6 billion in the six months ended 30 June 2017 from a KZT 28.4 billion gain in the six months ended 30 June 2016.

Income tax expense

Income tax expense increased by KZT 5.1 billion, or 66.3%, to KZT 12.8 billion in the six months ended 30 June 2017 from KZT 7.7 billion in the six months ended 30 June 2016. The increase was principally attributable to the corresponding increase in profit before income tax.

Net profit for the year

As a consequence of the factors discussed above, net profit increased by KZT 16.1 billion or 78.1% to KZT 36.8 billion in the six months ended 30 June 2017 from net profit of KZT 20.7 billion in the six months ended 30 June 2016.

Results of Operations for the Year Ended 31 December 2016 Compared to Year Ended 31 December 2015

Revenue

The following table sets forth certain information regarding the Company's revenue for the periods indicated:

	Year ended 31 December		% change
	2016	2015	
	<i>(KZT billions)</i>		
Transportation of gas	156.3	125.6	24.4%
Sales of gas	322.7	243.2	32.7%
Management fee.....	17.1	—	100.0%
Maintenance of gas pipelines.....	4.7	5.4	(13.4)%
Other	1.1	0.1	1,275.4%
Total.....	502.0	374.3	34.1%

During the year ended 31 December 2016, revenues amounted to KZT 502.0 billion, compared to KZT 374.3 billion in the year ended 31 December 2015, reflecting an increase of KZT 127.7 billion or 34.1%. The increase in revenues was primarily due to:

- the KZT 58.3 billion increase in sales of gas to KazRosGas which amounted to 1.8 bcm at the end of 2016;
- the KZT 25.3 billion increase in revenues from transportation of gas for export due to the strengthening of the U.S. Dollar, and an increased tariff for Tengizchevroil from U.S.\$3.2 to U.S.\$5.0 per thousand cubic meters per 100 km in January 2016;
- the KZT 13.7 billion increase in revenues from regional transportation of gas principally due to an increase in the volume of gas transportation by 0.5 bcm and increases in the tariffs for

gas transportation on Aktyubinsk, Atyrau, Zhambyl, Kostanai and South-Kazakhstan production branches; and

- KZT 17.1 billion revenue from the management of KazRosGas for 2015 on the basis of the KazRosGas Management Agreement (as defined below).

Cost of sales

The following table sets forth certain information regarding the Company's cost of sales for the periods indicated:

	Year ended 31 December		% change
	2016	2015	
	<i>(KZT billions)</i>		
Cost of gas sold	212.1	169.0	25.5%
Transportation expenses	39.0	17.1	128.0%
Payroll and related contributions	30.2	26.5	14.0%
Depreciation, depletion and amortisation	27.8	24.6	12.8%
Fuel gas and gas losses	14.9	7.6	96.9%
Taxes other than income tax	9.7	7.3	32.8%
Repair and maintenance	6.1	5.6	8.8%
Billing services	4.3	3.4	24.5%
Electricity	1.3	1.7	(23.7)%
Business trip expenses	0.8	0.6	18.4%
Change in provision for gas of transportation expenses, net	(0.5)	11.5	(103.9)%
Other	2.8	2.7	5.0%
Total	348.5	277.6	25.5%

The cost of sales increased by KZT 70.9 billion, or 25.5%, to KZT 348.5 billion in the year ended 31 December 2016 from KZT 277.6 billion in the year ended 31 December 2015. The increase in expenses was principally attributed to the increase in gas volumes purchased by 2.0 bcm (KZT 28.0 million), the growth of the weighted average price of gas purchase by KZT 22.8 million, an increase of KZT 10.4 billion in transportation of gas costs due to an increase in the volume of gas transportation to the Southern regions through Beineu-Shymkent Gas Pipeline and Asian Gas Pipeline, and an increase in the cost of gas transportation by BSGP from KZT 11,765 to 18,071 per thousand m³.

General and administrative expenses

The following table sets forth certain information regarding the Company's general and administrative expenses for the periods indicated:

	Year ended 31 December		% change
	2016	2015	
	<i>(KZT billions)</i>		
Impairment of tax assets and accrual of tax provision	11.0	1.4	689.5%
Payroll and related contributions	9.4	12.5	(25.3)%
Change in allowance for doubtful debts, advances paid, obsolete and slow-moving inventories	3.1	0.2	1,651.3%
Rent expenses	3.1	2.1	45.5%
Consulting services	1.5	1.1	32.0%
Taxes other than income tax	1.0	0.8	22.5%
Amortisation of housing compensation to employees	—	1.1	(100.0)%
Depreciation, depletion and amortisation	1.0	1.0	(0.1)%
Other	4.0	7.1	(42.8)%
Total	34.1	27.3	24.7%

Administrative costs increased by KZT 6.8 billion, or 24.7%, to KZT 34.1 billion in the year ended 31 December 2016 from KZT 27.3 billion in the year ended 31 December 2015. The increase was principally attributable to the creation of KZT 10.5 billion reserve for VAT and KZT 0.4 billion reserve for accounts receivable overdue for more than six months. In addition, there was an excess of the provision for doubtful receivables of consumed gas in the amount of KZT 1.4 billion.

Other operating income

Other operating income decreased by KZT 4.0 billion, or 34.5%, to KZT 7.4 billion in the year ended 31 December 2016 from KZT 11.4 billion in the year ended 31 December 2015. The decrease was principally attributable to sponsorship of KazRosGas in the amount of KZT 2.8 billion in 2015.

Other operating expenses

Other operating expenses decreased by KZT 5.1 billion, or 58.3%, to KZT 3.7 billion in the year ended 31 December 2016 from KZT 8.8 billion in the year ended 31 December 2015. The decrease was principally attributable to the allocation of impairment reserves in the amount of KZT 4.7 billion related to a gas project feasibility study and the allocation of reserves for the construction of a social infrastructure object in Astana in the amount of KZT 1.0 billion.

Operating profit

As a consequence of the factors discussed above, operating profit increased by KZT 51.3 billion, or 71.3%, to KZT 123.2 billion in the year ended 31 December 2016 from KZT 71.9 billion in the year 31 December 2015.

Finance income

Finance income increased by KZT 5.2 billion, or 65.8%, to KZT 13.2 billion in the year ended 31 December 2016 from KZT 8.0 billion in the year ended 31 December 2015. The increase was principally attributable to a KZT 2.5 billion increase in amortisation of discount on loans issued to related parties principally due to the issue of an additional interest-free loan. In addition, interest income increased by KZT 2.7 billion due to increases in the average interest rate and the volume of placed deposits.

Finance costs

Finance costs increased by KZT 1.1 billion, or 4.3%, to KZT 27.2 billion in the year ended 31 December 2016 from KZT 26.1 billion in the year ended 31 December 2015. The increase was principally attributable to a KZT 3.8 billion increase in interest on loans of related parties principally due to receipt of additional long-term loans at the end of 2015, a KZT 1.0 billion increase in unwinding of discount on financial liabilities principally due to receipt of additional financial aid and a KZT 1.6 billion reversal of unused provision under a financial guarantee to Bank of Georgia due to signing an amicable settlement, partially offset by a KZT 5.6 billion decrease in interest on debt securities issued principally due to the early redemption of eurobonds.

Share in loss of joint ventures

Share in loss of joint ventures decreased by KZT 57.0 billion, or 94.3%, to KZT 3.5 billion in the year ended 31 December 2016 from KZT 60.5 billion in the year ended 31 December 2015. The decrease was due to no major investments in the joint ventures in 2016 partially offset by the loss on write-off of discount on an interest free loan provided to a joint venture.

Foreign exchange gains/(losses), net

Foreign exchange gains/(losses), net increased by KZT 103.4 billion to KZT 2.2 billion during the year ended 31 December 2016 from a net foreign exchange loss of KZT 101.2 billion in the year

ended 31 December 2015. The increase was principally attributable to the devaluation of the national currency in August 2015, which resulted in the Tenge weakening against the U.S. Dollar from KZT 343 to KZT 333 in the period between the end of 2015 and the end of 2016.

Profit/(loss) before income tax

As a consequence of the factors discussed above, profit before income tax increased to a KZT 107.9 billion profit in the year ended 31 December 2016 from a KZT 107.9 billion loss in the year ended 31 December 2015.

Income tax expense

Income tax expense increased by KZT 25.0 billion, or 1,628.8%, to KZT 26.5 billion in the year ended 31 December 2016 from KZT 1.5 billion in the year ended 31 December 2015. The increase was principally attributable to the growth in profit before income tax.

Net profit/(loss) for the year

As a consequence of the factors discussed above, net profit increased by KZT 190.9 billion to KZT 81.4 billion in the year ended 31 December 2016 from net loss of KZT 109.5 billion in the year ended 31 December 2015.

Results of Operations for the Year Ended 31 December 2015 Compared to Year Ended 31 December 2014

Revenue

The following table sets forth certain information regarding the Company's revenue for the periods indicated:

	Year ended 31 December		% change
	2015	2014	
	<i>(KZT billions)</i>		
Transportation of gas	125.6	115.5	8.8%
Sales of gas	243.2	211.5	15.0%
Maintenance of gas pipelines.....	5.4	2.0	169.0%
Other	0.1	—	100.0%
Total.....	374.3	329.0	13.8%

In the year ended 31 December 2015, total revenue was KZT 374.3 billion compared to KZT 329.0 billion in the year ended 31 December 2014, reflecting an increase of KZT 45.3 billion, or 13.8%. This increase was primarily due to a KZT 12.8 billion, or 75.1%, increase in revenue from transportation of gas outside Kazakhstan, including a KZT 8.4 billion, or 46.3%, increase in revenue from transportation of Russian gas (transit), principally due to increases in tariffs, volumes of gas transportation and the appreciation of the U.S. Dollar, a KZT 4.9 billion, or 28.7%, increase in revenue from transportation of gas within Kazakhstan, a KZT 5.2 billion, or 3.8%, increase in sales of gas at the domestic market and, a KZT 26.5 billion, or 36.8%, increase in revenue from sales of gas for export, all principally due to an increase in tariffs and volumes of gas sales, a KZT 3.4 billion, or 169.0%, increase in revenue from maintenance of gas pipelines principally due to major technical maintenance of Asian Gas Pipeline and Beineu-Shymkent Gas Pipeline in 2015, partially offset by a KZT 15.8 billion, or 24.9%, decrease in revenue from transportation of Central Asian gas (transit) principally due to a decrease in volumes of gas transportation.

Cost of sales

The following table sets forth certain information regarding the Company's cost of sales for the periods indicated:

	Year ended 31 December		% change
	2015	2014	
	(KZT billions)		
Cost of gas sold.....	169.0	141.7	19.2%
Payroll and related contributions.....	26.5	28.7	(7.8)%
Depreciation, depletion and amortisation.....	25.1	28.1	(10.6)%
Transportation expenses.....	17.1	17.3	(1.1)%
Change in provision for gas of transportation expenses, net.....	11.5	(4.1)	(382.0)%
Fuel gas and gas losses.....	7.6	9.4	(19.1)%
Taxes other than income tax.....	7.3	5.1	42.5%
Repair and maintenance.....	3.6	2.8	27.8%
Billing services.....	3.4	2.8	22.6%
Electricity.....	1.7	1.5	16.2%
Business trip expenses.....	0.6	1.0	(35.2)%
Expenses under Concession Agreement.....	—	2.0	(100.0)%
Other.....	4.2	6.2	(32.0)%
Total.....	277.6	242.5	14.5%

Cost of sales increased by KZT 35.1 billion, or 14.5%, to KZT 277.6 billion in the year ended 31 December 2015 from KZT 242.5 billion in the year ended 31 December 2014. The increase was principally attributable to a depreciation of the Tenge which put pressure on gas purchase prices and transportation expenses denominated in U.S. Dollars.

General and administrative expenses

The following table sets forth certain information regarding the Company's general and administrative expenses for the periods indicated:

	Year ended 31 December		% change
	2015	2014	
	(KZT billions)		
Payroll and related contributions.....	12.5	13.5	(7.2)%
Rent expenses.....	2.1	1.2	73.8%
Amortisation of housing compensation to employees.....	1.1	0.4	155.8%
Consulting services.....	1.1	1.2	(2.4)%
Depreciation, depletion and amortisation.....	1.0	1.3	(26.6)%
Loss from impairment of tax assets.....	0.9	-	100.0%
Taxes other than income tax.....	0.8	1.2	(29.9)%
Reimbursement of gas borrowing expenses.....	—	11.1	(100.0)%
Other.....	7.8	7.2	8.4%
Total.....	27.3	37.1	(26.3)%

Administrative expenses decreased by KZT 9.8 billion, or 26.3%, to KZT 27.3 billion in the year ended 31 December 2015 from KZT 37.1 billion in the year ended 31 December 2014. The decrease was principally attributable to a KZT 11.1 billion reimbursement of gas borrowing expenses incurred in 2014.

Other operating income

Other operating income decreased by KZT 2.8 billion, or 20.0%, to KZT 11.4 billion in the year ended 31 December 2015 from KZT 14.2 billion in the year ended 31 December 2014. The decrease

was principally attributable to a KZT 5.3 billion decrease in gain on disposal of property, plant and equipment (net) due to the sale of an office building in Astana in the year ended 31 December 2014, partially offset by a one off gratuitous financial aid for the works on a sports complex of KZT 2.8 billion in the year ended 31 December 2015 and a KZT 2.0 billion one off gain on curtailment in the year ended 31 December 2015 reflecting implementation of cost cutting measures.

Other operating expenses

Other operating expenses increased by KZT 2.6 billion, or 42.5%, to KZT 8.8 billion in the year ended 31 December 2015 from KZT 6.2 billion in the year ended 31 December 2014. This was principally attributable to a KZT 3.9 billion increase in loss on impairment of property, plant and equipment principally due to termination of the construction of pipelines project developed by the Company and a KZT 0.9 billion increase in expenses on services rendered principally due to increase in the volume of work on gasification of residential buildings, partially offset a KZT 1.6 billion decrease in loss on gas borrowing transactions due to the fact that there were no gas borrowing transactions in 2015.

Operating profit

As a consequence of the factors discussed above, operating profit increased by KZT 14.5 billion, or 25.2%, to KZT 71.9 billion in the year ended 31 December 2015 from KZT 57.4 billion in the year 31 December 2014.

Finance income

Finance income increased by KZT 5.0 billion, or 165.4%, to KZT 8.0 billion in the year ended 31 December 2015 from KZT 3.0 billion in the year ended 31 December 2014. The increase was principally attributable to a KZT 4.7 billion increase in amortisation of discount on loans issued to related parties principally due to issue of an additional interest-free loan, and a KZT 0.5 billion increase in interest income on bank deposits principally due to an increase of deposit interest rates.

Finance costs

Finance costs increased by KZT 10.8 billion, or 70.9%, to KZT 26.1 billion in the year ended 31 December 2015 from KZT 15.3 billion in the year ended 31 December 2014. The increase was principally attributable to a KZT 1.9 billion increase in interest on debt securities issued principally due to the early partial redemption of eurobonds, a KZT 3.4 billion increase in unwinding of discount - historical costs and assets abandonment liabilities principally due to transfer of pipelines to the Company, a KZT 1.3 billion increase in interest on bank loans and overdrafts principally due to early repayment of the principal and interest, a KZT 2.9 billion discount on interest free loans principally due to issue of additional interest-free loan, a KZT 2.5 billion increase in unwinding of discount on financial liabilities principally due to receipt of additional financial aid, partially offset by a KZT 1.6 billion reversal of unused provision under a financial guarantee to Bank of Georgia due to signing an amicable settlement.

Share in loss of joint ventures

Share in loss of joint ventures increased by KZT 23.3 billion, or 62.7%, to KZT 60.5 billion in the year ended 31 December 2015 from KZT 37.2 billion in the year ended 31 December 2014. The increase was attributable to a KZT 154.9 billion increase in net loss of BSGP from KZT 27.7 billion in the year ended 31 December 2014 to KZT 182.6 billion in the year ended 31 December 2015 and a KZT 762.1 billion increase in net loss of AGP from KZT 81.2 billion in the year ended 31 December 2014 to KZT 843.3 billion in the year ended 31 December 2015, mostly due to a depreciation of Tenge in 2015, which was partially offset by a decrease of the Company's share in net loss of AGP from KZT 23.3 billion in 2014 to zero in 2015 due to decrease of investments in AGP to zero.

Foreign exchange loss, net

Foreign exchange loss, net increased by KZT 86.2 billion, or 574.1%, to KZT 101.2 billion in the year ended 31 December 2015 from foreign exchange loss of KZT 15.0 billion in the year ended 31 December 2014. The increase was principally attributable to a rapid depreciation of the Tenge in 2015.

Loss before income tax

As a consequence of the factors discussed above, loss before income tax increased by KZT 100.9 billion, or 1,432.7%, to KZT 107.9 billion in the year ended 31 December 2015 from a KZT 7.0 billion loss in the year ended 31 December 2014.

Income tax expense

Income tax expense decreased by KZT 11.6 billion, or 88.3%, to KZT 1.5 billion in the year ended 31 December 2015 from KZT 13.1 billion in the year ended 31 December 2014. The increase was principally attributable to the increase in loss before income tax.

Net loss for the year

As a consequence of the factors discussed above, net loss increased by KZT 89.3 billion to KZT 109.5 billion in the year ended 31 December 2015 from net loss of KZT 20.2 billion in the year ended 31 December 2014.

Liquidity and Capital Resources

Cash Flows

The following tables set forth certain information regarding the principal items of the statement of cash flows for the periods indicated:

	Six months ended 30 June		Year ended 31 December		
	2017	2016	2016	2015	2014
			<i>(KZT billions)</i>		
Net cash flows received from operating activities.....	81.2	101.5	124.6	79.9	31.2
Net cash flows used in investing activities.....	(24.2)	(77.6)	(129.4)	(13.6)	(119.5)
Net cash flows (used in)/received from financing activities.....	(64.5)	(0.2)	47.6	(53.3)	82.4
Net foreign exchange difference in cash and cash equivalents	4.8	(1.3)	(0.4)	1.9	—
Cash and cash equivalents at the beginning of the period	62.0	19.6	19.6	4.6	10.5
Net change in cash and cash equivalents	(2.7)	22.4	42.4	15.0	(5.9)
Cash and cash equivalents at the end of period.....	59.3	42.0	62.0	19.6	4.6

Net cash flows received from operating activities

The Company generated KZT 81.2 billion net cash from operating activities in the first six months of 2017, compared to net cash generated from operating activities of KZT 101.5 billion in corresponding period of 2016, reflecting a decrease of KZT 20.3 billion, or 19.9%. The decrease was principally

attributable to a decrease in transit volumes for export and increase in tax payments, which was partially offset by dividends received from KazRosGas.

The Company generated KZT 124.6 billion net cash from operating activities in 2016, compared to net cash generated from operating activities of KZT 79.9 billion in 2015, reflecting an increase of KZT 44.7 billion, or 55.9%. The increase was principally attributable to an increase in operating profit before changes in working capital of KZT 40.9 billion in 2016 relative to 2015 and an overall decrease in changes in working capital of KZT 2.2 billion in 2016 relative to 2015, which was principally attributable to an increase in operations and activities of the Company, partially offset by decreases in reserve on bonuses.

The Company generated KZT 79.9 billion net cash from operating activities in 2015, compared to net cash generated from operating activities of KZT 31.2 billion in 2014, reflecting an increase of KZT 48.7 billion, or 156.1%. The increase was principally attributable to an increase in operating profit before changes in working capital of KZT 40.7 billion in 2015 relative to 2014, partially offset by an overall decrease in changes in working capital of KZT 7.1 billion in 2015 relative to 2014, which was principally attributable to increases in operations and activities of the Company.

Net cash flows used in investing activities

The Company used KZT 24.2 billion in investing activities in the first six months of 2017, compared to net cash used in investing activities of KZT 77.6 billion in the first six months of 2016. This decrease was principally attributable to a reduction in available cash.

The Company used KZT 129.4 billion in investing activities in 2016, compared to net cash used in investing activities of KZT 13.6 billion in 2015. This increase was principally attributable to:

- placement of bank deposits of KZT 23.0 billion in 2016 as compared to a withdrawal of bank deposits of KZT 88.8 billion in 2015 principally due to the necessity of using cash;
- a decrease in advances paid for non-current assets from KZT 14.1 billion in 2015 to KZT 10.5 billion in 2016 principally due to the fact that the major works on construction, modernisation and capital repair of pipelines were carried out in 2015, and a withdrawal of restricted cash in the amount of KZT 0.7 billion in 2016 compared to the placement of restricted cash in the amount of KZT 1.9 billion in 2015 due to partial repayment of mortgage loans,

partially offset by

- a decrease in interest free loans provided to related parties from KZT 36.8 billion in 2015 to KZT 11.4 billion in 2016 principally due to decrease the volumes of interest free loans provided to related parties; and
- a decrease in proceeds from sale of property, plant and equipment and intangible assets from KZT 7.4 billion in 2016 to KZT 0.1 billion in 2015 principally due to proceeds from the one-time sale of the office building in Astana.

The Company used KZT 13.6 billion in investing activities in 2015, compared to net cash used in investing activities of KZT 119.5 billion in 2014. This decrease was principally attributable to:

- a withdrawal of bank deposits of KZT 88.8 billion in 2015 as compared to a placement of bank deposits of KZT 38.4 billion in 2014 principally due to the necessity of using cash; and
- an increase in proceeds from sale of property, plant and equipment and intangible assets from KZT 0.8 billion in 2014 to KZT 7.4 billion in 2015,

partially offset by:

- an increase in interest-free loans provided to related parties from KZT 26.1 billion in 2014 to KZT 36.8 billion in 2015 principally due to providing financial assistance to BSGP;
- an increase in purchase of property, plant and equipment and intangible assets from KZT 43.6 billion in 2014 to KZT 57.1 billion in 2015 principally due to increases in volumes of construction, modernisation and capital repair of pipelines; and
- an increase in advances paid for non-current assets from KZT 10.5 billion in 2014 to KZT 14.1 billion in 2015.

Net cash flows (used in)/received from financing activities

Net cash used in financing activities was KZT 64.5 billion in the first six months of 2017, compared to KZT 0.2 billion in the first six months of 2016. The increase was principally attributable to proceeds from interest bearing loans and debt securities issued in the amount of KZT 37.7 billion and repayment of interest bearing loans and debt securities issued in the amount of KZT 102.3 billion in the first six month of 2017.

Net cash received from financing activities was KZT 47.6 billion in 2016, compared to net cash flow used in financing activities KZT 53.3 billion in 2015. This increase was principally attributable to:

- an increase in proceeds from bank loans and debt securities from KZT 89.8 billion in 2015 to KZT 253.8 billion in 2016; and
- a decrease in repayments of bank loans and debt securities from KZT 303.5 billion in 2015 to KZT 206.1 billion in 2016,

partially offset by

- no proceeds from borrowings from related parties in 2016 as compared to KZT 149.0 billion in 2015; and
- no contribution to the share capital in 2016 as compared to KZT 11.4 billion in 2015.

Net cash used in financing activities was KZT 53.3 billion in 2015, compared to net cash flow from financing activities of KZT 82.4 billion in 2014. This decrease was principally attributable to a decrease in proceeds from bank loans and debt securities from KZT 172.3 billion in 2014 to KZT 89.8 billion in 2015 and a increase in repayments of bank loans and debt securities from KZT 104.8 billion in 2014 to KZT 303.5 billion in 2015, partially offset by an increase in proceeds from borrowings from related parties from KZT 14.9 billion in 2014 as compared to KZT 149.0 billion in 2015 and a contribution to the share capital in 2015 in the amount of KZT 11.4 billion.

Cash and cash equivalents

Cash and cash equivalents increased by KZT 17.3 billion, or 41.3%, in the first six months of 2017 to KZT 59.3 billion as compared to KZT 42.0 billion in the first six months of 2016.

Cash and cash equivalents increased by KZT 42.4 billion, or 216.6%, in 2016 to KZT 62.0 billion as compared to KZT 19.6 billion in 2015.

Cash and cash equivalents increased by KZT 15.0 billion, or 322.7%, in 2015 to KZT 19.6 billion as compared to KZT 4.6 billion in 2014.

Indebtedness

As at 30 June 2017, the Company's total outstanding indebtedness in respect of short-term and long-term bank loans and long-term loans due to related parties was KZT 275.4 billion, of which KZT 41.3

billion was indebtedness maturing within one year and KZT 234.1 billion was indebtedness maturing in more than one year. The following is a description of the Group's bank loans, including loans due to related parties, and debt instruments, and bank loans of the Company's joint ventures, the AGP and the BSGP, outstanding as of 30 June 2017:

Interest-bearing loans with floating rate

European Bank for Reconstruction and Development

In May 2016, the European Bank for Reconstruction and Development provided a U.S.\$220 million loan to the Guarantor for the purposes of restructuring its existing obligations. The Guarantor received tranches of U.S.\$140 million and U.S.\$80 million in July 2016 and May 2017, respectively. The obligations of the Guarantor under this loan agreement are guaranteed by the Company. The Guarantor shall repay this loan in 26 (twenty-six) consecutive equal quarterly instalments commencing on 5 June 2017. The interest rate equals to three months LIBOR increased by 3.15 per cent payable quarterly. As at 30 June 2017, the outstanding indebtedness of the Guarantor under this loan was U.S.\$211.5 million.

Interest-bearing loans with fixed rate

European Bank for Reconstruction and Development

In November 2016, European Bank for Reconstruction and Development provided a KZT 1.1 billion loan to KTG Aimak at 10.15 per cent. per annum for up to ten years to finance "Modernization of gas distribution system in Mangistau region". KTG Aimak received additional financing under this loan in the amount of KZT 3.3 billion in the first half of 2017. The obligations of KTG Aimak under this loan agreement are guaranteed by the Company. The principal amount is payable from September 2018. As at 30 June 2017, the outstanding indebtedness of KTG Aimak under this loan agreement was KZT 4.7 billion.

Eurasian Development Bank

In November 2016, Eurasian Development Bank provided a KZT 7.7 billion loan to KTG Aimak at 11.0 per cent. per annum for up to 3 years to finance "Modernization of gas distribution system in Aktobe region". The obligations of the KTG Aimak under this loan agreement are guaranteed by the Company. The principal amount is payable from May 2019. As at 30 June 2017, the outstanding indebtedness of KTG Aimak under this loan agreement was KZT 7.7 billion.

Development Bank of Kazakhstan

In November 2015, Development Bank of Kazakhstan and KTG Aimak entered into a KZT 8 billion at 7 per cent. per annum for up to ten years to finance "Gasification of five communities in Kyzylorda region".

In March 2014, Development Bank of Kazakhstan provided a KZT 21.5 billion loan to KTG Aimak at 8.2 per cent. per annum for up to 13 years to finance "Modernization of gas pipeline system in South Kazakhstan Region".

In July 2013, Development Bank of Kazakhstan provided a KZT 16.4 billion to KTG Aimak loan at 8.1 per cent per annum (in certain cases increasing to 10.02 per cent. per annum) for up to 15 years to finance "Modernization of gas distribution pipeline system in Taraz".

In June 2007, Development Bank of Kazakhstan provided a KZT 3.6 billion credit line to KTG Aimak at 9.0 per cent. per annum for up to 15 years for the purpose of financing the project "Construction of gas pipeline Uzen-Zhetybai". The Company has undertaken not to dispose of its equity interest in KTG Aimak for the life of this credit line.

As at 30 June 2017, the total outstanding indebtedness of KTG Aimak under loan agreements with Development Bank of Kazakhstan was KZT 32 billion. The obligations of KTG Aimak under these loan agreements are guaranteed by the Company.

Debt securities

In December 2013, KTG Aimak registered a KZT 50 billion notes programme under which KTG Aimak may issue, from time to time, notes. Two issuances of notes have been issued under the programme to date. In particular, in December 2013, KTG Aimak issued KZT 12.4 billion 7.5 per cent. notes due 2018, and in December 2015, the company issued KZT 17.1 billion 7.5 per cent. notes due 2025. The notes are listed on the KASE. As at 30 June 2017, the outstanding indebtedness of KTG Aimak under these notes was KZT 8.6 billion.

In August 2015, KTG Aimak established a KZT 30.5 billion medium-term notes programme and issued its first issuance of notes under the programme consisting of KZT 5 billion 7.5 per cent. notes due 2025. The notes are listed on the KASE. As at 30 June 2017, the outstanding indebtedness of KTG Aimak was KZT 5.0 billion.

Intra-group loans

In September 2014, the Company entered into a loan agreement with the Parent pursuant to which the Parent agreed to provide to the Company a loan in the amount of KZT 14.9 billion at 4.1 per cent. per annum for up to ten years to improve the Company's liquidity. As at 30 June 2017, the outstanding indebtedness of the Company under the agreement was KZT 14.9 billion.

In December 2015, the Company entered into a loan agreement with the Parent pursuant to which the Parent provided to the Company U.S.\$400 million loan at 2.88 per cent. per annum for up to three years to finance repayment of the loan from the syndicate of banks consisting of Citigroup, ING Bank and Natixis. As at 30 June 2017, the outstanding indebtedness of the Company was U.S.\$400 million.

In March 2017, the Company entered into a loan agreement with the Parent, pursuant to which the Parent provided to the Company KZT 25.3 billion loan at five per cent. per annum for up to 12 months to finance repayment of the Company's debt to the Parent under the financial assistance agreement dated March 2015. As at 30 June 2017, the outstanding indebtedness of the Company under the agreement was KZT 25.3 billion.

As of 30 June 2017, 79% of interest-bearing loans with floating rates, interest-bearing loans with fixed rates, debt securities and intra-group loans were in USD while 21% of interest-bearing loans with floating rates, interest-bearing loans with fixed rates, debt securities and intra-group loans were in Tenge.

Principal debt obligations of joint ventures

Certain joint ventures of the Company have significant debt obligations, the most important of which are described below.

In October 2008, AGP entered into a U.S.\$7.5 billion syndicated loan facility with China Development Bank and Bank of China for the purposes of financing the development, construction and operation of lines A and B of the "Kazakhstan-China" pipeline. The loan bears interest at a rate of three-month LIBOR increased by 2.15 per cent. per annum during the guarantee period and three-month LIBOR increased by 2.9 per cent. per annum thereafter. The loan must be repaid in several instalments from March 2013 until October 2023. The amounts due under this loan are secured by account charges, a pledge over deposit certificate agreement, an insurance assignment and are guaranteed by CNPC. As at 30 June 2017, the outstanding indebtedness under this loan was U.S.\$4.5 million.

In December 2012, AGP entered into a U.S.\$4.7 billion syndicated loan facility with China Development Bank and Bank of China for the purposes of financing the construction of line C of the "Kazakhstan-China" pipeline. Amounts borrowed under the facility accrue interest at a rate of three-month LIBOR increased by 2.35 per cent. per annum during the guarantee period and three-month LIBOR increased by 3.45 per cent. per annum thereafter. The borrowed amounts must be repaid starting from June 2017 until 2027. The loan is secured by a "ship or pay" transportation agreement pledge, account charges, insurance and reinsurance policies assignments and guaranteed by CNPC. As at 30 June 2017, the outstanding indebtedness under the loan was U.S.\$3.3 million.

In December 2012, BSGP entered into a U.S.\$1.8 billion syndicated loan facility with China Development Bank and Bank of China for the purposes of financing the development, construction and operation of the Beineu-Shymkent Gas Pipeline. Each of the Parent and CNPC provided guarantees for 50% of the total outstanding amount of the loan. Amounts due under the facility bear an annual interest at the rate of three-month LIBOR increased by 2.7 per cent. until 31 December 2019 and three-month LIBOR increased by 3.2 per cent. thereafter. The loan is repayable in instalments from December 2017 until March 2028. In 2014 and 2015, the Company provided interest free loans to BSGP in the total amount of KZT 68.4 billion for the purposes of a project funding shortfall. In February 2016 and September 2017, certain amendments were signed as a result of BSGP's non-compliance with certain project milestones provided for in the facility agreement. The parties agreed to extend these project milestones until 30 September 2019. As of the date of this Listing Particulars, these amendments are subject to certain conditions precedent, including BSGP's prepayment of U.S.\$400 million of the outstanding indebtedness. As part of this amendment and restatement package, the Company entered into certain agreements, including a shareholder support agreement, which require the Company to provide a U.S.\$400 million loan to BSGP to make a repayment, and to cover shortfalls in BSGP's payment obligations. The loan is secured by certain additional security, including an offshore account charge, onshore account pledge and security assignment of BSGP's rights under the shareholder support agreement in favour of the security agent. As at 30 June 2017, the outstanding indebtedness under the loan was U.S.\$1,462 million.

Certain provisions and terms of debt obligations

The debt arrangements of the Company and its subsidiaries (including the Guarantor) contain standard market terms, including certain financial and other restrictive covenants. By way of example, under the debt arrangements with EBRD, the Company and Guarantor must comply with a number of financial covenants, including maintaining, commencing on 31 December 2017, a ratio of Total Financial Debt (as defined in the financing agreements with EBRD) to EBITDA for the 12 months preceding the date of calculation, of not more than 4.0. In addition, the debt arrangements of the Company and its subsidiaries restrict their ability to transfer assets (other than in the ordinary course of business), grant any security over their assets and be a party to any merger, reorganisation or disposition. The agreements with the lenders also require the Company and its subsidiaries to comply in all materials respects with the laws to which they are subject. As at the date of this Listing Particulars, the Company and its subsidiaries are in compliance with these covenants.

Significant accounting judgements, estimates and assumptions

The preparation of the Company's payroll and other employee expenses consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities and assets, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Taxation

In assessing tax risks, management considers to be probable obligations the tax positions which the Company would not appeal or does not believe it could successfully appeal, if assessed by tax authorities. Such determinations inherently involve significant judgement and are subject to change as a result of changes in tax laws and regulations, the determination of pending tax proceedings and the outcome of ongoing compliance audits by tax authorities.

Allowance for VAT Receivable

The Company determines whether VAT recoverable is doubtful at least on an annual basis. Allowance for doubtful VAT recoverable is based on the Management's expectations on future VATable turnovers and VAT refund in cash. Significant management judgment is required to determine whether the Company can further defend its right for VAT refund or offset.

Deferred Tax Assets

Deferred tax assets are recognised for loans receivable, prior years' tax losses carried forward, all allowances for doubtful debts, accrued vacations, allowances for slow-moving inventories and other liabilities to the extent that it is probable that taxable temporary differences and business nature of such expenses will be proved, as well as on the successful application of tax planning strategies.

Fair Value of Financial Instruments

Where the fair value of financial assets and financial liabilities cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model.

The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include liquidity risk, credit risk and volatility. Changes in valuations and judgements can affect the fair values of financial instruments.

Allowances for Doubtful Accounts

The Company records allowances for doubtful accounts receivable, advances paid and other current assets. Significant judgement is used to estimate doubtful debts. In estimating doubtful debts, historical and anticipated customer performance are considered. Changes in the economy, industry, or specific customer conditions may require adjustments to the allowance for doubtful accounts recorded in the financial statements.

Employee Benefits

The costs of future social benefit to employees are determined using actuarial valuations. Actuarial method involves the use of different assumptions, which may differ from actual results in future. Actuarial method comprises assumptions on discounting rates, future salary growth and mortality rate. All assumptions are reviewed at each reporting date. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases are based on expected future inflation rates for the respective country.

Useful Lives of Items of Property, Plant and Equipment

Additions or improvements to property, plant and equipment managed and operated under the Trust Management Agreement are capitalized and depreciated over an estimated remaining useful life regardless of the term of the Trust Management Agreement. The Company assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end and, if expectations differ from previous estimates, changes are accounted for prospectively as changes in

accounting estimates in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Impairment of property, plant and equipment and gas assets

An impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of: its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five (5) years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and growth rates used for extrapolation purposes.

Assets retirement obligations

In accordance with legislation and terms and conditions of the contract for exploration and production of hydrocarbons, the Company has legal obligations to dismantle and remove property, plant and equipment and restore the land lots at each gas production site and also with respect to main gas pipelines.

The amount of the obligation is the present value of estimated costs, which are expected to be required to settle the obligation. The Company reviews site restoration provisions at each reporting date, and adjusts them to reflect the current best estimate in accordance with IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*. Estimating the future costs involves significant estimates and judgments by management. Most of these obligations are many years in the future and, in addition to ambiguities in the legal requirements, the Company's estimate can be affected by changes in asset removal technologies, costs and industry practice. Uncertainties related to the final closure costs are mitigated by the effects of discounting the expected cash flows. The Company estimates the cost of future gas pipeline abandonment, closure of all gas producing wells and rehabilitation of contract territory using current year prices and the average long-term inflation rate.

DESCRIPTION OF THE COMPANY AND THE GUARANTOR

General

The Company's legal and commercial name is JSC "KazTransGas". The Company was established as a closed joint stock company in accordance with Resolution of the Government No. 173 dated 5 February 2000. The Company was re-registered as a joint stock company pursuant to the Law of the Republic of Kazakhstan On Joint Stock Companies (No. 415-II, dated 13 May 2003), as amended from time to time (the "**JSC Law**") under re-registration certificate No. 13898-1901-AO issued by the Justice Department of the City of Astana on 9 June 2004. The Company's business identification number (BIN) is: 000340002165.

The legal address of the Company is House 11, 36 Street, Esil District, Astana, 010000, the Republic of Kazakhstan, and its telephone numbers are +7 (7172) 55 22 24, +7 (7172) 55 23 08, +7 (7172) 55 23 06.

The Guarantor's legal and commercial name is JSC "Intergas Central Asia". The Guarantor was established under Kazakhstan law as a closed joint stock company on 1 July 1997. The Guarantor was re-registered as a joint stock company pursuant to the JSC Law under re-registration certificate No. 13899-1901-AO issued by the Justice Department of the City of Astana on 28 January 2005. The Guarantor's business identification number (BIN) is: 970740000392.

The legal address of the Guarantor is House 11, 36 Street, Esil District, Astana, 010000, the Republic of Kazakhstan, and its telephone numbers are +7 (7172) 97 70 48, +7 (7172) 97 71 20.

Overview

The Company, a wholly-owned subsidiary of the Parent, is a holding company engaged mainly in the sale of natural gas in the Republic of Kazakhstan and abroad. The Company controls, through the Guarantor, the transit of Central Asian gas to Gazprom and, ultimately, to Europe, and through its subsidiaries and joint ventures with CNPC, the transit of Central Asian gas to China. The Company, through its subsidiaries, operates the natural monopoly gas transmission network within the country. The Company also has ancillary businesses, including storage and exploration and production of gas. The ultimate shareholder of the Company is the Government of the Republic of Kazakhstan, through the Parent and Samruk-Kazyna. The Company is the National Gas Operator in Kazakhstan and represents the Republic's strategic interests in the gas industry.

The Company's natural gas transportation activities, which are conducted principally through the Guarantor, comprise a significant portion of the Company's operational business. The Company supplies commercial gas to over 1.3 million customers in Kazakhstan and sells gas to Gazprom.

As at 30 June 2017, the total length of the gas pipeline network that the Company operates, through the Guarantor and its joint ventures, was 18,088 kilometres. The Group's large gas transportation system includes 33 compressor stations with 328 gas compressor units having a total capacity of 2,882 mW, and three underground gas storage facilities with a total active storage volume of 4.65 bcm and a total buffer storage volume of 16.36 bcm of gas designed to provide gas to Kazakhstan customers during winter seasons and periods of reduced gas supply.

The Company, through its subsidiary Amangeldy Gas, is developing the Amangeldy group of gas fields in the Zhambyl Region with reserves estimated at 28.5 bcm, according to the State Commission on Mineral Reserves of the Republic of Kazakhstan. In the years ended 2014, 2015 and 2016 and the six months ended 30 June 2017, the Company produced 327.8, 300.6, 327.2 and 170.1 million cubic metres of gas and 20.6, 18.5, 20.7 and 10.6 thousand tonnes of gas condensate, respectively.

The Company's principal customer is Gazprom, which accounted for 26% of the Company's total revenues for the six months ended 30 June 2017. The Company provides gas transportation services to Gazprom pursuant to the Gazprom Contracts, which specify the agreed volumes for the transport of

Uzbek gas to Russia or from gas fields in Western Russia and the Orenburg gas refinery plant in Southwestern Russia. See "*Description of the Company and the Guarantor—Material Contracts*".

The Company generated revenue of KZT 255.8 billion for the six months ended 30 June 2017 and revenue of KZT 502.0 billion, KZT 374.3 billion and KZT 329.0 billion for the years ended 2016, 2015 and 2014, respectively. The Company had a net profit of KZT 36.8 billion in the six months ended 30 June 2017 and a net profit/(loss) of KZT 81.4 billion, KZT (109.5) billion and KZT (20.2) billion in 2016, 2015 and 2014, respectively. As at 30 June 2017, the Company had total assets of KZT 1,150.8 billion.

History

In 1991, following the break up of the former Soviet Union and the declaration of Kazakhstan's independence, Kazakhstan's gas transportation system was operated by 11 separate regional entities owned, directly or indirectly, by the Government (the "**Regional Entities**"). In the years following, there was an economic recession in Kazakhstan, and the Government did not have sufficient resources to manage and control the operations of the gas transportation system in Kazakhstan through the Regional Entities. In order to increase the efficiency and unify control of the gas transportation system, the Government decided to delegate the management of the gas transportation system to a single private company. In October 1996, the Government held a tender for the transfer of the right to operate the Kazakhstan natural gas transportation system. As a result of this tender, in June 1997, the Government entered into a concession agreement with Tractebel S.A. ("**Tractebel**"), a Belgian based international energy company (the "**Concession Agreement**").

In 1997, Tractebel transferred all its rights and liabilities under the Concession Agreement to the Guarantor, which it owned and operated through a holding company, Intergas International B.V. However, several years after the transfer, the State deemed the natural gas transportation system in Kazakhstan a strategic national asset. As a result, at the request of the Government, Tractebel agreed in 2000 to transfer 100% of its interest in Intergas International B.V., including its 100% interest in the Guarantor, back to the State. For this purpose, the Government established the Company pursuant to a Government resolution dated 5 February 2000. As a result of such transfer, the Guarantor became 100% directly owned by the Company.

Since 2000, the State has continued to indirectly own the concession assets. However, in 2013, in furtherance of Presidential Decree No.571 dated 22 May 2013 and Resolution of the Government No. 516 dated 25 May 2013, the State Property and Privatisation Committee of the Ministry of Finance of Kazakhstan and Samruk-Kazyna entered into an agreement dated 31 July 2013, whereby the State Property and Privatisation Committee agreed to transfer the concession assets to Samruk-Kazyna.

On 5 December 2014, the Concession Agreement was terminated and the Trust Management Agreement was signed among the State Property and Privatisation Committee of the Ministry of Finance of Kazakhstan, Samruk-Kazyna and the Guarantor (the "**Trust Management Agreement**"), pursuant to which the Guarantor was appointed as a trust manager of the pipeline system. The parties also agreed that the assets comprising the pipeline system will eventually be transferred to the Guarantor, although this transfer has not been completed as at the date of this Listing Particulars. The Trust Management Agreement does not directly regulate tariffs to be charged by the Guarantor. For further details on the Trust Management Agreement, see "*—Material Contracts—Trust Management Agreement*".

Strengths

Management believes that the Company's key strengths are:

The Company benefits from the strong support of the Government

The Company is wholly-owned by the Parent, which is, in turn, indirectly wholly-owned by the State through its direct holdings in the Parent of 90.09 per cent. by Samruk-Kazyna and 9.91 per cent. by the NBK, both of which are, in turn, State-owned. The Company is the vehicle through which the

Government has structured the management of the State's natural gas pipeline infrastructure, a key strategic asset for Kazakhstan. As such, Management believes that the Guarantor's rights to operate the State's pipeline system under the Trust Management Agreement have been established on a firm basis, as evidenced by the Guarantor's history of operating the natural gas pipeline infrastructure. Other benefits of this support include:

- enhanced bargaining power in negotiations with the Company's principal customer, Gazprom, as well as with suppliers;
- the Company's involvement, by way of consultation, in the regulation of domestic tariff setting and in other regulatory issues directly or indirectly connected with the Company's business;
- joint formulation (with the participation of Samruk-Kazyna, the Parent, the Company and the Guarantor) of development and investment plans for the enhancement of the pipeline system, gas storage facilities and compressor stations;
- the Company's participation in the Government's plans, through Samruk-Kazyna and the Parent, to further develop gas production facilities, which may result in greater gas transmission volumes, enabling the Company and the Guarantor to plan accordingly; and
- the Company's exclusive right to purchase gas from Kashagan field. In addition, in accordance with Resolution of the Government No. 914 dated 5 July 2012, the Company has been appointed as the national operator for gas and gas supply, which gives the Company a priority right (on behalf of the State) to purchase all associated gas produced in Kazakhstan, which it resells in the domestic market. The Company expects its status as national operator to continue to enhance the Company's revenue from gas sales to end-users and lessen its dependence on gas transportation tariffs.

The Company operates strategically located gas pipeline infrastructure

The strategic location of Kazakhstan's pipeline system links the significant natural gas resources of Turkmenistan and Uzbekistan with the high demand for natural gas from Russia and, further afield, Europe. Kazakhstan's geographic location between Turkmenistan and Uzbekistan and China also provides significant potential opportunities for playing an important role in the supply of natural gas from these countries to the high demand growth market of China. See "*Description of the Company and the Guarantor—Business Segments—Transportation of Gas—Other Pipeline Network—Asian Gas Pipeline*".

Management believes that potential routes providing an alternative to Kazakhstan's natural gas pipeline network for the transport of Central Asian gas, such as, for example, a proposed pipeline system from Turkmenistan to Azerbaijan over the Caspian Sea and from there to Russia, would be very expensive to build for a number of political and environmental reasons.

Strong relationships with key customers

The Company's relationship with Gazprom as its principal customer dates back to 1997, when the Guarantor (then directly and indirectly owned by Tractebel) became the operator of Kazakhstan's natural gas pipeline network. Since then, the Company and Gazprom have formalised their relationship through five-year contracts for transportation, the latest of which were entered into in December 2016 and a gas sale contract for the export of Kazakh gas which provides for negotiations of volumes on an annual basis. See "*Material Contracts*".

In addition, Kazakhstan's location between Turkmenistan, Uzbekistan and China provides potential opportunities to play a significant role in the supply of natural gas from these countries to meet the demand from the high growth market of China, as evidenced by the expansion of the Asian Gas Pipeline with a third line in 2014. As of the date of this Listing Particulars, the Company is planning to sell gas to CNPC under the framework of the Memorandum of Understanding and is negotiating

with CNPC a full scope agreement for the sale of gas. See "*Material Contracts—Memorandum of Understanding between the Parent and CNPC*". The Company also expects to start receiving dividends from AGP after 2022. See "*Business Segments—Transportation of Gas—Other Pipeline Network—Asian Gas Pipeline*".

Robust current and expected end-market demand for gas from Central Asia and Europe

The principal end users of the Company's transit and export natural gas are primarily located in Russia, but are also located in Ukraine and Poland and, to a lesser extent, other European countries. According to information made publicly available by the EIA, the non-OECD Europe and Eurasia region is more reliant on natural gas than any other region in the world, with Russia being second only to the United States in total natural gas consumption. According to the BP Statistical Review of World Energy June 2017, total European gas demand increased to 1,029.9 bcm in 2016, from 1,005.6 bcm in 2014, while Chinese gas demand increased to 210.3 bcm in 2016 from 188.4 bcm in 2014.

The Company demonstrates strong financial performance

Over the last 20 years, Management has been focused on maintaining the reliability of throughput capacity of its gas transmission network and growing the profitability of its operations. Management believes that partly as a result of these measures, the Company has obtained a long-term rating of "Baa3" from Moody's (outlook negative), "BB" (outlook negative) from Standard & Poor's and "BBB-" (outlook stable) from Fitch. In addition, the Company achieved growth in its gross profit, operating profit and net profit over the period from 2014 to the first half of 2017 (annualised). The following table sets forth these measures of the Company's financial performance for the periods indicated.

	As of and for the twelve months ending on 30 June	For the year ended and as of 31 December		
	2017	2016	2015	2014
	<i>(KZT thousands, unless indicated otherwise)</i>			
Revenue	546,024,000	501,958,495	374,319,323	328,972,045
EBITDA	165,752,249	151,327,813	95,207,157	80,056,087
EBITDA margin	30%	30%	25%	24%
Net debt to EBITDA	1.4x	2.0x	3.2x	2.7x

Strategy

The strategic direction of the Company as the national operator of Kazakhstan and of the Government of Kazakhstan in the area of gas and gas supply will be determined to a large extent by the objectives of the Government of Kazakhstan in the field of energy and natural resources in general, and gas resources in particular. These strategic directions are set out in the Strategic plan of the Ministry of Oil and Gas (the predecessor of the Ministry of Energy) for 2014 to 2018 and include:

- ***Developing the transit and export potential of Kazakhstan***, including the development of new and existing gas fields, as well as the reconstruction of existing and the construction of new gas refining plants;
- ***Increasing revenue from gas trading operations***, which includes the construction and the modernisation of the existing gas pipeline network; and
- ***Providing for the needs of the domestic market of Kazakhstan***, by way of the gasification of all the regions of Kazakhstan and providing the public and companies with utility gas produced in Kazakhstan;

The Company plans to achieve these priorities through the following strategic initiatives:

Expanding its resource base

The Company plans to increase annual volumes of gas purchased from the Kashagan field up to 3 bcm and expand its production of gas and consolidate gas assets within Kazakhstan. The Company intends to continue the development of the Amangeldy group of fields in the Zhambyl Region, geological exploration of coalbed methane the Karaganda coal basin and exploration of the Kansu project in Mangystau region. The Company also plans to carry out a programme for the additional exploration of existing fields and start up of new gas fields, a project for the comprehensive use of gas at the fields in the Yuzhno-Turgay Depression, and the commercialisation of inert gases, including helium and nitrogen, on the contract territory of the Amangeldy group of fields in the Zhambyl Region to achieve the fullest and most economically effective extraction of gas reserves. The Company is examining the possibility of acquiring subsoil usage rights to the fields of the South-Turgai Region and Urikhtau.

Developing the existing gas pipeline network while optimising capital expenditures

While carrying out investments in order to ensure energy safety and uninterrupted supply of commodity gas on the domestic market of Kazakhstan, the Company is also working to develop the existing gas pipeline network. Currently, the Company is implementing a number of investment projects, including (i) the construction of compressor stations to increase the capacity of the Beineu-Shymkent Gas Pipeline and the Asian Gas Pipeline; (ii) increasing the capacity of the Bozoy underground gas storage facility; (iii) the modernisation, reconstruction and construction of gas distribution networks in Mangistau Region and Taraz city; (iv) the gasification, modernisation of networks, technical re-equipment, renewal and creation of new assets of the KTG Aimak Aktobe branch; and (v) gasification of the remaining regions of Kazakhstan, including the Almaty region and the city of Almaty, non-urban areas of the South-Kazakhstan, Mangistau and Aktobe Regions. See "*—Investment Projects—Construction of Gas Distribution Networks*".

In 2015 and 2016, the Company's capital expenditures were KZT 83.5 billion and KZT 83.8 billion, respectively, and are expected to be KZT 95.4 billion in 2017. The Company expects that its capital expenditures will significantly decrease from 2018 compared to previous years.

Increasing the volumes of gas sold internationally

In the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, the Company exported 1.8 bcm, 2.6 bcm, 4.3 bcm and 2.0 bcm of gas, respectively. Although the ongoing gasification projects in the Almaty region and other regions are expected to result in an increase in the number of subscribers and an increase in the consumption of gas overall on the territory of Kazakhstan, Management believes that expansion of throughput capacity of the Asian Gas Pipeline and the commencement of gas exploration in Kashagan field will provide significant potential for the Company to increase its international gas sales, which are the largest contributor to the Company's EBITDA. See also "*—Business segments—Transportation of gas—Other Pipeline Networks—Asian Gas Pipeline*".

Implementation of modern information technologies for managing the gas transport network and collection and transmission of information

The Company has successfully implemented and uses electronic document and personnel management information systems in its daily work, 1C system projects, and an information centre. The Company uses SAP software solutions to automate the preparation of its Financial Statements. The Company plans to implement the GeoInformationSystem (GIS) by the end of 2017, which will help monitor pipelines, compressor stations and other facilities of the gas distribution network, through the digitalisation and collection of technical and operational data, in order to provide required indicators and analysis capabilities for better maintenance, transparency and customer safety. The Company plans to continue to invest in information technology in order to ensure effective operations and to increase the safety of its operated infrastructure. See "*—Maintenance and Technology*".

Strengthen the Company's financial position further

The Company intends to strengthen its financial position by:

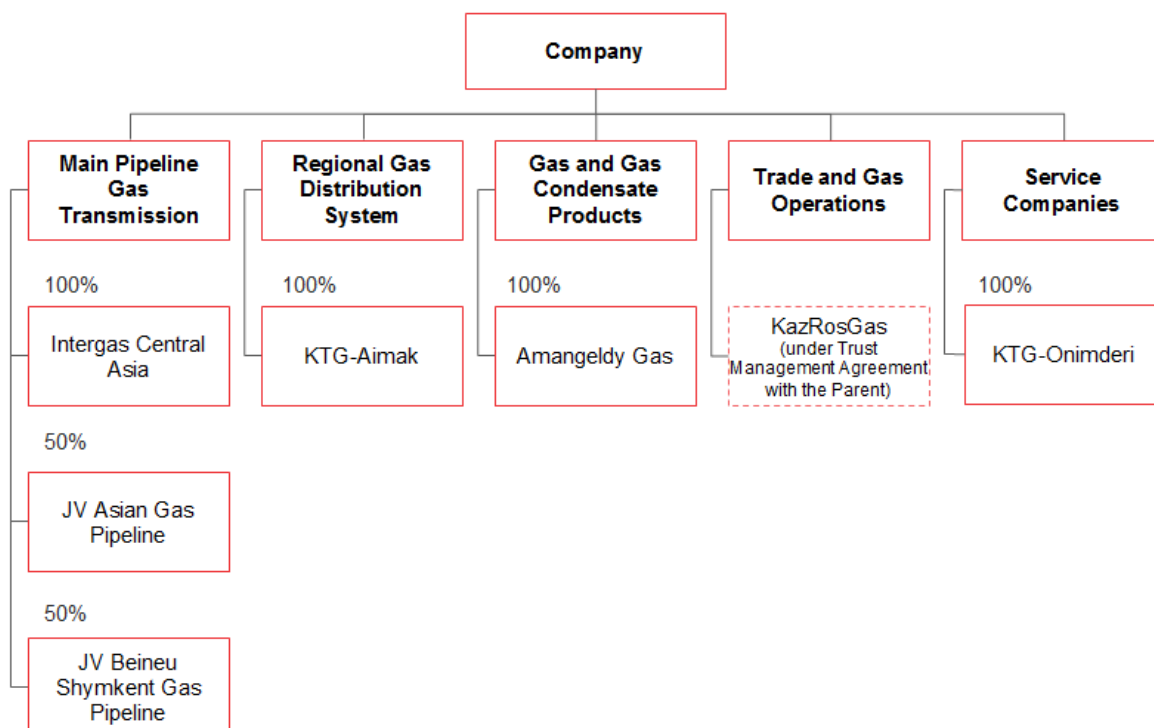
- improving operational performance and labour productivity;
- establishing a balanced portfolio of investment projects;
- increasing cash-positive production;
- optimising the Company's tax position; and
- improving operational structures and business processes.

The Company's is aiming to establish new routes and acquire new clients (such as Petro China) for the transportation and sale of gas, including by means of:

- halting further expansion within the domestic market in Kazakhstan;
- increasing the Company's purchases of gas at Kashagan field;
- optimising returns from the Company's investment projects; and
- maximising the amount of dividends from AGP which the Company will receive after 2022.

Corporate Structure

The following chart represents the simplified corporate structure of the Company and its subsidiaries as of the date of this Listing Particulars, which includes its main subsidiaries and joint ventures:



Main Pipeline Gas Transmission

The Guarantor, JSC Intergas Central Asia, directly operates Kazakhstan's gas pipelines. The Guarantor is responsible for technical servicing of the pipelines and also provides underground gas storage facilities. The Guarantor transports natural gas through the territory of seven Kazakhstan regions along pipelines with a total length of more than 12,723 kilometres. The Guarantor operates 24 compressor stations, 298 gas pumping units and three underground gas storage facilities, the largest of which is in Bozoy, with an active storage volume of approximately 4.00 bcm and a buffer storage volume of approximately 15.60 bcm of gas, located in the Aktobe Region. The two other underground storage facilities, Poltoratskoye, with an active storage volume of approximately 0.35 bcm and a buffer storage volume of approximately 0.37 bcm of gas and Akyrtoobe, with an active storage volume of approximately 0.3 bcm and a buffer storage volume of approximately 0.40 bcm of gas, are located in the South Kazakhstan and Zhambyl Regions, respectively.

Joint Ventures

Joint ventures of the Company are accounted for in the consolidated financial statements using the equity method.

JV Asian Gas Pipeline ("AGP") is a joint venture created by the Company and CNPC, each owning 50% in AGP. AGP was created pursuant to the Agreement between the Government of Kazakhstan and the Government of China "On Cooperation in Construction and Operation of the Kazakhstan-China Pipeline" dated 18 August 2007 and the Agreement between the Parent and CNPC "On the Main Principles of Construction and Operation of the Kazakhstan-China Pipeline" dated 8 November 2007. The Company is responsible for the financing, design, construction and operation of a portion of the "Kazakhstan-China" pipeline and transportation of gas from the border of the Republic of Kazakhstan with the Republic of Uzbekistan to Horgos gas metering station in China. AGP has constructed three branches of the "Kazakhstan-China" pipeline with a throughput capacity of up to 50 bcm per year and a length of 1,300 kilometres each. The Company does not expect to receive dividends from AGP until 2022. See "*Business segments—Transportation of gas—Other Pipeline Networks—Asian Gas Pipeline*".

JV Beineu-Shymkent Gas Pipeline (BSGP) is a joint venture created by the Company and CNPC, each owning 50% in BSGP. BSGP was created pursuant to the Agreement between the Government of Kazakhstan and the Government of China On Cooperation in Construction and Operation of the Kazakhstan-China Pipeline dated 18 August 2007 and the Agreement between the Parent and CNPC On the Main Principles of Construction and Operation of the Kazakhstan-China Pipeline dated 8 November 2007. BSGP carries out construction of the BSP Pipeline. The Beineu-Shymkent Gas Pipeline is of key strategic importance to both the Republic of Kazakhstan and China with a throughput capacity of up to 10 bcm per year and a length of approximately 1,475 kilometres. See "*Business segments—Transportation of gas—Other Pipeline Networks—BSGP*".

Regional gas distribution system

KTG-Aimak is responsible for gas supply to the public, utilities and industrial enterprises in the following ten Kazakhstan regions: South Kazakhstan, Kostanay, Zhambyl, Aktobe, West Kazakhstan, Kyzylorda, Almaty, Atyrau, East Kazakhstan and Mangistau. As of 30 June 2017, KTG-Aimak's commercial gas sales represent 95% of the market in Kazakhstan.

KTG-Bishkek, a wholly-owned subsidiary of the Company, is in the process of being liquidated.

Gas and Gas Condensate Production

Amangeldy Gas is developing the Amangeldy Field in the Zhambyl Region, with reserves estimated at 28.5 bcm. In the six months ended 30 June 2017 and the years ended 31 December 2016, 2015 and 2014, Amangeldy Gas produced 170.1, 327.2, 300.6 and 327.8 million cubic metres of gas and 10.6, 20.7, 18.5 and 20.6 thousand tonnes of gas condensate, respectively.

Trade and Gas Operations

KazRosGas was established on the basis of a treaty between the governments of Kazakhstan and Russia in 2001. As of 30 June 2017, KazRosGas is 50% owned by the Parent (representing Kazakhstan) and 50% owned by Gazprom (representing Russia). The Company holds Parent's shares in KazRosGas on trust pursuant to a trust management agreement between the Parent and the Company dated 22 June 2015 (the "**KazRosGas Management Agreement**"), and is entitled to the management fee (including VAT) equal to the amount of dividends due to the Parent. KazRosGas is engaged in the purchase and marketing of gas from the Karachaganak Field in Western Kazakhstan and the Tengiz Field in the Atyrau oblast in Kazakhstan. Gas from these fields is transported mainly to the Russian border and further through Gazprom's transportation system to the CIS and other foreign markets.

Service Companies

KTG-Onimderi is engaged in the services for leasing vehicles and special equipped machinery and production and sale of compressed natural gas.

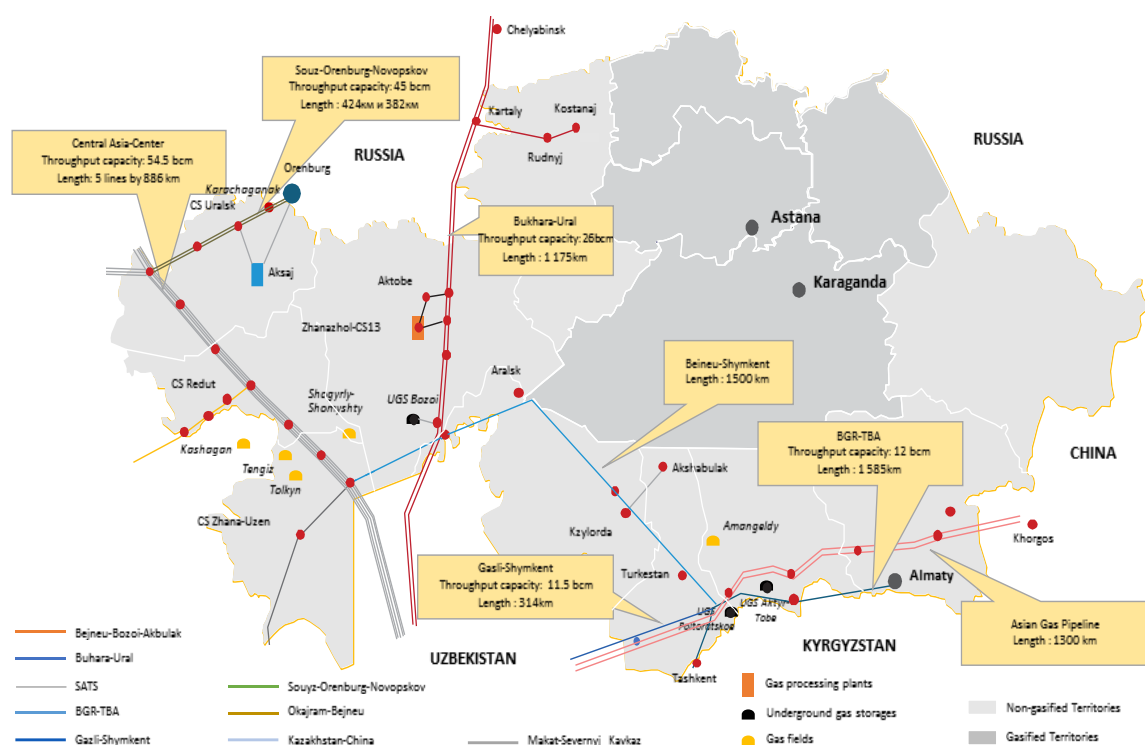
Business segments

Transportation of Gas

Overview

The Company partially owns and operates (through the Guarantor) the largest gas pipeline network in Kazakhstan in terms of length and throughput capacity. The Company's natural gas transportation activities, which are conducted principally through the Guarantor, comprise a significant portion of the Company's business. For the six months ended each of 30 June 2017 and the years ended 31 December 2016, 2015 and 2014, the Company's revenue from the transportation of gas represented 29%, 31%, 34% and 35%, respectively, of the Company's total revenue.

As of 30 June 2017, the total length of the natural gas pipeline system operated by the Company, through the Guarantor and its joint ventures, was 18,088 kilometres. The following map sets forth an illustration of the Group's pipeline system as at 30 June 2017:



The Central Asia-Center gas pipeline (the "**CAC Pipeline**") and the Bukhara-Ural gas pipeline ("**Bukhara-Ural Pipeline**") start in Turkmenistan and Uzbekistan, respectively, run through Kazakhstan and continue into Russia. The Soyuz gas pipeline ("**Soyuz Pipeline**") and Orenburg-Novopskov pipeline ("**Orenburg-Novopskov Pipeline**") link to the CAC Pipeline in Kazakhstan and extend into Russia. The Asian Gas pipeline ("**Asian Gas Pipeline**") starts at the Kazakh-Uzbek border and runs through Kazakhstan to China.

The pipeline infrastructure operated by the Company consists principally of two main pipeline networks in western and southern Kazakhstan. See "*The Guarantor's pipeline network*".

The following table sets forth certain information with respect to the pipeline segments owned and operated by the Company as at 30 June 2017:

Pipeline	As of 30 June 2017				
	Kilometres of pipeline	Diameter of pipeline		Throughput capacity ⁽¹⁾	Primary source of gas or crude oil
		Under 0.5 m	0.5 m to 1.4 m		
Western Pipeline Network:	8,659	—	8,659	189,393	Russia and Kazakhstan
Central Asian System.....	5,325	—	5,325	79,500	Uzbekistan (from TCO and Karachaganak Fields)
Uralsk System.....	1,165	—	1,165	69,460	Turkmenistan
Aktobe System.....	2,169	—	2,169	37,433	Uzbekistan
Southern Pipeline Network	2,161	—	2,161	9,380	Akshabulak Field
Kyzylorda Pipeline Network ⁽²⁾	123	123	—	420	Turkmenistan
Asian Gas Pipeline ⁽³⁾	3,911	—	3,911	50,000	Kazakhstan
Beineu-Shymkent Gas Pipeline ⁽³⁾	1,454	—	1,454	5,000	Kazakhstan
Gas distribution pipeline	1,780	—	—	—	Kazakhstan
Total	18,088	123	17,965	213,954	

Notes:

(1) Million cubic metres per year for gas (annualised).

(2) Comprises the Akshabulak-Kyzylorda gas pipeline running from Akshabulak Field to one of the Guarantor's gas compressor units in Kyzylorda, which is used for transportation of Akshabulak Field gas.

(3) Asian Gas Pipeline is operated by AGP, a joint venture of the company and CNPC. Beineu-Shymkent Gas Pipeline is being constructed by BSGP, a joint venture of the Company and CNPC.

The following table sets forth a breakdown, by type and volume, of natural gas transported through the natural gas transportation system operated by the Company in the six months ended 30 June 2017 and the years ended 31 December 2016, 2015 and 2014:

Pipeline	Transit	For the six months ended 30 June 2017	For the year ended 31 December		
		2017	2016	2015	2014
<i>(bcm)</i>					
The Guarantor's Pipeline System:					
International transit through Kazakhstan territory					
Soyuz/Orenburg-Novoposkov Pipeline of the Uralsk System	Russian gas	11.1	25.2	38.9	33.8
Bukhara-Ural Pipeline of the Aktobe System	Russian gas	7.0	11.8	14.2	15.6
CAC Pipeline of the Central Asian System	Uzbek gas	2.5	4.1	3.5	3.6
CAC Pipeline of the Central Asian System	Turkmen gas	0.0	0.0	3.1	11.0
Total		20.6	41.1	59.7	64.0
Kazakhstan Gas Export					
CAC Pipeline of the Central Asian System	TCO gas	2.7	4.1	3.2	3.0
Soyuz/Orenburg-Noyoposkov Pipeline of the Uralsk System	Karachaganak gas	3.2	6.6	6.6	6.5
Soyuz/Orenburg-Noyoposkov Pipeline of the Uralsk System	Chinarevskoe gas	0.5	1.0	1.0	1.0
Bukhara-Ural Pipeline of the Aktobe System	Zhanazhol gas	0.9	1.0	1.5	0.5
Bukhara-Ural Pipeline of the Aktobe System	Other gas	0.0	0.3	0.2	0.0
BGR-TBA Pipeline	Amangeldy gas	0.1	0.2	0.2	0.1
Total		7.4	13.2	12.7	11.1
Domestic Gas Transportation					
The Guarantor pipeline system.....		6.8	12.3	11.5	11.9
Kazakhstan-China Gas Pipeline		0.3	1.0	0.7	1.0
Beineu-Shymkent Gas Pipeline		1.8	2.1	1.3	1.4
Total		8.9	15.4	13.5	14.3
Total gas transportation through the Guarantor pipeline system		34.8	66.6	83.9	87.0
Joint Ventures:					
International transit through Kazakhstan territory					
Kazakhstan-China Gas Pipeline (AGP).....	Turkmen gas	18.1	30.1	27.7	28.4
Kazakhstan-China Gas Pipeline (AGP).....	Uzbek gas	1.5	4.1	2.9	0.9
Total gas transportation by Joint Ventures		19.6	34.2	30.6	29.3
Total		54.4	100.8	111.6	115.4

For the six months ended 30 June 2017 and the years ended 31 December 2016, 2015 and 2014, international natural gas transportation volumes represented 73.9%, 74.7%, 80.9% and 80.8% of the Guarantor's international transportation volume for the same periods, respectively.

The Company's principal international transportation customer is Gazprom, which accounted for 26.7%, 43.9%, 57.2% and 69.0% of the gas transportation revenues of the Company for the six months ended 30 June 2017 and the years ended 31 December 2016, 2015 and 2014, respectively. The decline in the first six months of 2017 was driven by the termination of Gazprom orders for gas in Turkmenistan and a decrease in transportation volumes of Uzbek gas.

The Guarantor's Pipeline Network

The Company uses the Guarantor's main natural gas pipelines for: (i) the transit of third parties' natural gas principally from Turkmenistan and Uzbekistan to Russia; (ii) the export of Kazakhstan's natural gas, specifically from the Tengiz and Karachaganak condensate and natural gas fields, to Russia; (iii) the transportation of natural gas from one part of Russia to another through Kazakhstan

territory; and (iv) the distribution of natural gas produced by the Company and others, including joint ventures and associates of the Company.

As at 30 June 2017, the Guarantor operated 12,723 km of natural gas pipelines and 122 natural gas distribution stations, utilised 24 compressor stations equipped with 298 gas compressor units, having a total capacity of 1,982 mW and had a total active natural gas storage capacity of 4.2 bcm. The majority of the natural gas transportation system operated by the Guarantor is above-ground with diameters of 1,000 mm, 1,200 mm or 1,400 mm.

The pipeline system operated by the Guarantor was mostly constructed during the 1960s and 1970s with an initial certificated lifetime of 30 to 50 years, which has been extended as the Guarantor has undertaken its capital expenditure programme to upgrade and modernise its pipeline system. The Guarantor performed major renovation work on its pipeline system in 2007-2008, including the construction of a new compressor at Opornaya station; and the construction of a new by-pass pipeline. The Company allocated KZT 73.7 billion on this project.

In October 2013, a new pipeline compressor at the Makat compressor station was put into operation. The construction cost of KZT 33.2 billion was financed from the Guarantor's internal cash flows. The aim was to modernise the Guarantor's existing facilities and reduce its costs. The Guarantor is currently implementing an investment project aimed at increasing throughput capacity at the BGR-TBA Pipeline and constructing a booster compressor station for gas transmission between Kazakhstan and China. The project is expected to increase gas exports to China by up to 2 bcm per annum. The cost of this project is KZT 27.3 billion, which is to be financed from the Guarantor's internal cash flows. In addition, the Guarantor is currently constructing a compressor station at Karaozek, which was previously part of phase 2 of the Beineu-Shymkent Gas Pipeline project.

As at the date of this Listing Particulars, the Company intends to use the Guarantor's pipeline system to transport gas produced at the Kashagan field. The Company is the sole purchaser of gas produced at the Kashagan field. See "*—Strengths—The Company operates strategically located gas pipeline infrastructure*" and "*—Strengths—Strong relationships with key customers*".

The following table sets forth certain information with respect to the pipelines operated by the Guarantor:

<u>Pipeline Network</u>	<u>Pipeline System</u>	<u>Pipeline</u>	<u>Year(s) of Construction</u>	<u>Length</u>	<u>Current Throughput Capacity</u>
Western Pipeline Network	Central Asian System	CAC Pipeline	1967 – 1987	5 parallel pipelines, each 886 km in length ⁽¹⁾	54 bcm per year
		Makat-Northern Caucasus Pipeline	1985 – 1987	370 km	12 bcm per year
		Okarem-Beineu Pipeline	1973 – 1975	470 km	5 bcm per year
	Uralsk System	Soyuz Pipeline	1976	424 km	31 bcm per year
		Orenburg-Novopskov Pipeline	1975	382 km	14 bcm per year
	Aktobe System	Bukhara-Ural Pipeline	1963 – 1964	2 parallel pipelines, each 1,175 km in length	26 bcm per year
		Zhanazhol-Oktyabrsk Aktobe Pipeline	1988	270 km	2.8 bcm per year
		Kartaly-Rudnyi-Kustanai Pipeline	1965 – 1977	278 km	2.2 bcm per year
		Bukhara Gas-Tashkent - Bishkek-Almaty Pipeline	1975 – 1999	2 parallel pipelines, each 1,585 km in length	12 bcm per year
		Gazli-Shymkent Pipeline	1988	314 km	11.5 bcm per year
Southern Pipeline Network	Asian Gas Pipeline	2007 – 2013	3 parallel pipelines, each 1,310 km in length	12.3 bcm per year	
	Beineu-Shymkent Gas Pipeline	2012 – 2017	1,454 km	5.0 bcm per year	

(1) The oldest of the five pipelines comprising the CAC Pipeline, CAC-I, has been decommissioned and is non-operational.

The Western Pipeline Network

The Western Pipeline Network is comprised of the Central Asian System, which includes the CAC Pipeline, the Makat-Northern Caucasus Pipeline and the Okarem-Beineu Pipeline; the Uralsk System, which includes the Soyuz Pipeline and the Orenburg-Novopskov Pipeline; and the Aktobe System, which includes the Bukhara-Ural Pipeline, the Zhanazhol-Oktyabrsk Aktobe Pipeline and the Kartaly-Rudnyi-Kustanai Pipeline.

The Central Asian System

The Central Asian System runs from the southern Kazakhstan border with Uzbekistan and Turkmenistan to the northern Kazakhstan border with Russia, and branches off northwest and southwest. It consists of three separate main pipelines, as follows:

The CAC Pipeline: The CAC Pipeline runs from the Kazakhstan/Uzbekistan border in the south to the Kazakhstan/Russia border in the north. The CAC Pipeline is the shortest route from the gas-producing regions of Central Asia, principally Turkmenistan and Uzbekistan, through Russia to Europe. Accordingly, the CAC Pipeline is used mainly for the transportation of Uzbek and Turkmen natural gas through Kazakhstan to Gazprom's pipeline networks in Russia, through which natural gas is delivered to Ukraine and Europe.

The CAC Pipeline consists of five parallel gas pipelines, each of which is 886 km in length and 1,000 mm or 1,400 mm in diameter. The five pipelines, which are operated at a maximum working pressure of 5.5-7.5 mPa, have a total existing throughput capacity of 54 bcm per year. The Guarantor is currently in the process of implementing capital investment projects in order to increase its existing capacity from 54 bcm to 60 bcm, with a view to increasing the volume of gas transported from

Turkmenistan on behalf of Gazprom and increase volumes of natural gas produced in Kazakhstan. See "*—Strategy*" and "*—Investment Projects*".

The system of five parallel pipelines allows repair and maintenance operations to be performed on one segment without interruption of the gas transmission through the other segments. The CAC Pipeline was constructed between 1967 and 1987. The oldest pipeline, CAC-I, has been decommissioned and is currently non-operational.

The CAC-II and CAC-IV pipelines have looping facilities along a significant portion of their length, providing better reliability, increased capacity and flexibility for repair.

The CAC Pipeline is equipped with six compressor stations located at Beineu, Oporная, Kulsary, Makat, Inder and Zhangala.

Makat-Northern Caucasus Pipeline: The Makat-Northern Caucasus Pipeline branches off from the CAC Pipeline at Makat and runs 370 kilometres west across the territory of Kazakhstan. This pipeline is used principally to transport Turkmen natural gas to customers in the Caucasus and Ukraine. The Makat-Northern Caucasus Pipeline consists of one line, which is 1,400 mm in diameter, operates at a working pressure of 7.5 mPa and has a total throughput capacity of 12 bcm per year. The Makat-Northern Caucasus Pipeline was constructed between 1985 and 1987.

The Makat-Northern Caucasus Pipeline is equipped with three compressor stations located at Akkol, Taiman and Redut.

Okarem-Beineu Pipeline: The Okarem-Beineu Pipeline runs 470 kilometres from Turkmenistan across southwestern Kazakhstan and connects to the CAC Pipeline at Beineu. The Okarem-Beineu Pipeline, segments of which have diameters of either 1,000 mm or 1,200 mm, operates at a working pressure of 5.5 mPa and has a throughput capacity of 5 bcm per year. This pipeline is equipped with looping facilities with a total length of 73 kilometres and one compressor station located at Zhana Ozen. The Okarem-Beineu Pipeline was constructed between 1973 and 1975.

For the six months ended 30 June 2017, revenue generated by the natural gas transportation through the Central Asian System accounted for 57% of Company's total transportation revenue.

The Uralsk System

The Uralsk System comprises the portion of the Western Pipeline Network, which runs through the north-western part of Kazakhstan. It links two segments of the Russian pipeline that are separated by the territory of Kazakhstan and is used to transport Russian natural gas from eastern to western Russia. It consists of two parallel pipelines, as follows:

Soyuz Pipeline: The Soyuz Pipeline runs 424 km pipeline from east to west across north-western Kazakhstan. This pipeline has a diameter of 1,400 mm, operates at a working pressure of 7.5 mPa and has a throughput capacity of 31 bcm per year. The Soyuz Pipeline is equipped with looping facilities with a total length of 85 km and two compressor stations at Uralsk and Chizha. The Soyuz Pipeline is connected to the CAC Pipeline at the Alexandor Gai compressor station in Russia. The Soyuz Pipeline was constructed in 1976.

Orenburg-Novopskov Pipeline: The Orenburg-Novopskov Pipeline, which runs 382 km, closely tracks the route of the Soyuz Pipeline, also connecting to the CAC Pipeline at the Alexandrov Gai compressor station. This pipeline has a diameter of 1,200 mm, operates at a working pressure of 5.5 mPa and has a throughput capacity of 14 bcm per year. The Orenburg-Novopskov Pipeline shares the Soyuz Pipeline compressor stations. The Orenburg-Novopskov Pipeline was constructed in 1975.

For the six months ended 30 June 2017, revenue generated by the natural gas transportation through the Uralsk System accounted for 25% of the Company's total transportation revenue.

The Aktobe System

The Aktobe System runs from the Uzbekistan/Kazakhstan border in the south to the Russia/Kazakhstan border in the north. It consists of three separate main pipelines, as follows:

Bukhara-Ural Pipeline: The Bukhara-Ural Pipeline itself consists of two parallel pipelines, each of which runs 1,175 km across central Kazakhstan from the Uzbekistan/Kazakhstan border in the south to the Russia/Kazakhstan border in the north. This pipeline was constructed to transport natural gas from Uzbekistan to the industrial regions of Russia, but is currently utilised to transport natural gas only as far as central Kazakhstan. This pipeline has a diameter of 1,000 mm, operates at a working pressure of 5.5 mPa and has a total throughput capacity of 26 bcm per year. Because the Bukhara-Ural Pipeline is currently operated at minimum capacity levels, however, it may be utilised to supplement the CAC Pipeline capacity for the transportation of Turkmen and Uzbek natural gas without major capital expenditure. The Bukhara-Ural Pipeline is equipped with five compressor stations located at Krasniy-Octyabr, Taldik, Shelkar, Northern Usturt and Bozoy. The Bukhara-Ural Pipeline was constructed between 1963 and 1964. In 2014, the Company carried out an investment project in the amount of KZT 14.9 billion for reverse transportation of gas through the Bukhara-Ural Pipeline and the CAC Pipeline which enabled gas to be transported in both directions, creating flexibility for the Company's marketing operations.

Zhanazhol-Oktyabrsk-Aktobe Pipeline: The Zhanazhol-Oktyabrsk-Aktobe Pipeline runs 270 km to connect natural gas production facilities at natural gas fields in Zhanazhol to the Bukhara-Ural Pipeline. The Zhanazhol-Oktyabrsk-Aktobe Pipeline has a diameter of 500 mm, operates at a working pressure of 7.5 mPa and has a throughput capacity of 2.8 bcm per year. The Zhanazhol-Aktobe pipeline was constructed in 1988.

Kartaly-Rudnyi-Kustanai Pipeline: The Kartaly-Rudnyi-Kustanai Pipeline runs 278 km east to west from Kustanai in Kazakhstan to the Bukhara-Ural Pipeline in Russia. The Kartaly-Rudnyi-Kustanai Pipeline is used for the distribution of natural gas to domestic customers. This pipeline, segments of which have diameters of either 500 mm or 800 mm, operates at a working pressure of 5.5 mPa and has a throughput capacity of 2.2 bcm per year. The Kartaly-Rudnyi-Kustanai Pipeline was constructed between 1965 and 1977.

For the six months ended 30 June 2017, revenue generated by the natural gas transportation through Aktobe System accounted for 9% of the Company's total transportation revenue.

The Southern Pipeline Network

The Southern Pipeline Network runs west to east from the Uzbekistan/Kazakhstan border to Almaty in Kazakhstan.

Bukhara-Tashkent-Bishkek-Almaty Pipeline: The Bukhara-Tashkent-Bishkek-Almaty Pipeline which itself consists of two parallel pipelines, runs 1,585 km from Uzbekistan to Almaty. This pipeline is used to transport Turkmen and Uzbek natural gas to the northern regions of Kyrgyzstan and the southern regions of Kazakhstan. This pipeline, segments of which have diameters of either 500 mm, 700 mm or 1,000 mm, operates at a working pressure of 5 mPa and has total throughput capacity of 12 bcm per year. The Bukhara-Tashkent-Bishkek-Almaty Pipeline is equipped with two compressor stations. The Bukhara-Tashkent-Bishkek-Almaty Pipeline was constructed in segments between 1975 and 1999.

Gazli-Shymkent Pipeline: The Gazli-Shymkent Pipeline runs 314 km from west to east across the southern regions of Kazakhstan, connecting the Bukhara-Ural Pipeline at Gazli, Uzbekistan to the Bukhara-Tashkent-Bishkek-Almaty Pipeline at Shymkent in Kazakhstan. This pipeline has a diameter of 1,200 mm, operates at a working pressure of 7.5 mPa and has a throughput capacity of 4.3 bcm per year. The pipeline was constructed in 1988.

For the six months ended 30 June 2017, gross revenue generated by the natural gas transportation through the Southern Pipeline Network accounted for 8.8% of the Guarantor's total gross revenue from transportation.

Other Pipeline Networks

Asian Gas Pipeline: Kazakhstan's geographic location between Turkmenistan and Uzbekistan and China provides significant potential opportunities for playing a significant role in the supply of natural gas from these countries to the high demand growth market of China. The transit of gas from Uzbekistan and Turkmenistan to China is carried out along the "Kazakhstan-China" pipeline. The Company carries out the transportation of Uzbek and Turkmen gas through the territory of Kazakhstan to China on the basis of an agreement between Kazakhstan and China. The Asian Gas Pipeline forms part of the "Kazakhstan-China" pipeline, the design, construction and operation of which is the responsibility of AGP, a joint venture of the Company and CNPC. The Asian Gas Pipeline is intended to expand transit and sales capacity to China and serve the market in southern Kazakhstan, which is otherwise dependent on imported gas from Uzbekistan. The first three phases of this project cost U.S.\$12.0 billion in total. The first two phases and the third phase were funded by a U.S.\$6.4 billion loan facility and a U.S.\$3.0 billion loan facility, respectively, granted by China Development Bank. See "*Management's Discussion and Analysis of Results of Operations and Financial Performance—Indebtedness—Principal debt obligations of joint ventures*".

The first phase of this project (a pipeline with a throughput capacity of 10 bcm per year) was completed in 2010. The second phase (a pipeline with a diameter of 1,067mm and a throughput capacity of 30 bcm per year and five compressor stations) was completed in December 2012. Construction of line "C", the third phase of the Asian Gas pipeline, began in January 2013 and the pipeline four additional compressor stations were put into operation in August 2016. As at 30 June 2017, the Asian Gas Pipeline had a throughput capacity of 50 bcm per year.

Transit of gas to China is carried out at the tariff of U.S.\$3.58 for the transportation of 1,000 cubic metres of gas per 100 kilometres. In 2014, 2015 and 2016, as well as in the first six months of 2017, the Company carried out the transit of gas to China in the volumes of 29.3, 30.6, 34.2 and 19.6 bcm of gas. In 2014, 2015 and 2016, as well as in the first six months of 2017, the Company's gross income from the transit of gas to China was KZT 163.1 billion or 99.6%, KZT 245.3 billion or 99.8%, KZT 434.4 billion or 99.6%, and KZT 232.2 billion or 99.8%, respectively, of the Company's total gross income for these periods.

The Company does not expect to receive dividends from AGP until after 2022.

Beineu-Shymkent Gas Pipeline: The Beineu-Shymkent Gas Pipeline also forms part of the "Kazakhstan-China" pipeline. The Beineu-Shymkent Gas Pipeline is intended to increase the Company's flexibility in the transportation of gas and connect the Company's existing major gas pipelines in the western and southern regions of Kazakhstan. The total cost for the project was U.S.\$3.0 billion.

The first linear section of the pipeline between Bozoy and Shymkent with a length of 1,143 km was completed in 2015, resulting in a throughput capacity of up to 2.5 bcm per year. This section of the pipeline is comprised of a 1,067mm diameter gas pipeline that runs for approximately 1,130.5 km from Bozoy to Shymkent with a 33.5km branch to Akbulak and ancillary facilities, including the Bozoy Compressor Station, Bozoy Gas Measuring Station, Field Camps and Maintenance and Repair Departments, as well as an accompanying service road. The second linear section of the pipeline between Beineu and Bozoy with a length of 311 km is expected to be completed on 31 December 2017, resulting in a throughput capacity of up to 10 bcm per year. This section of the pipeline comprises the 311 km extension of the 1,067mm diameter gas pipeline from Beineu (Mangystau region) to Bozoy and ancillary facilities, including the Beineu Gas Metering Station and an accompanying service road. As at 30 June 2017, the Beineu-Shymkent Gas Pipeline had a throughput capacity of 5.0 bcm per year.

In December 2012, BSGP entered into a U.S.\$1.8 billion syndicated loan facility with, inter alia, China Development Bank Corporation for the purpose of financing the development, construction and operation of the portion of the Beineu-Shymkent Gas Pipeline between Bozoy and Shymkent. In February 2014, updated credit agreements were entered into. See "*Management's Discussion and Analysis of Results of Operations and Financial Performance—Indebtedness—Principal debt obligations of joint ventures*".

Kyzylorda Pipeline Network: The Kyzylorda Pipeline Network is comprised of the Akshabulak-Kyzylorda gas pipeline running from Akshabulak Field to one of the Guarantor's gas compressor units in Kyzylorda, which is used for transportation of gas from the Akshabulak Field.

Compressor Stations

Natural gas is highly pressurised as it travels through the pipelines. To ensure that the natural gas flowing through any one pipeline remains pressurised, compression of this natural gas is required periodically along the pipe. This is accomplished by compressor stations. As at 30 June 2017, the Company's natural gas transportation system had a total of 22 compressor stations. The average distance between Company's compressor stations is between 200 km and 250 km. The natural gas enters the compressor stations, where it is compressed by gas turbines and gas pumps. The turbines and other compressor equipment are regularly tested. If necessary, in some pipelines, the gas flow direction in a pipeline can be reversed by switching the input and output at the compressor stations.

Gas Distribution Stations

As at 30 June 2017, the Company operated 122 natural gas distribution stations, which are used to reduce pressure, deliver natural gas to consumer pipelines, purify gas, inject odorant and metre natural gas. The majority of these stations were constructed 30 to 35 years ago. The Company has installed additional natural gas metres manufactured in accordance with international specifications in order to improve its collection of revenue, in addition to performing regular maintenance and general repairs on the stations.

Gas sales

The Company sells gas to enterprises and to the public in ten of the 14 regions of Kazakhstan.

As of 30 June 2017, the Company delivered 86% of the total volume of gas sold in the domestic market and exported 23% of the total volume of gas exported from Kazakhstan. As of 30 June 2017, the Company was the sole importer of gas into Kazakhstan. For the first six months ended 30 June 2017 and the years ended 31 December 2016, 2015 and 2014, the Company sold 8.7, 16.1, 14.1 and 12.9 bcm of gas to wholesale customers, respectively. For the six months ended 30 June 2017 and the years ended 31 December 2016, 2015 and 2014, the Company's revenues from the sale of gas represented 64.2%, 64.3%, 65.0% and 64.3%, respectively, of the Company's total revenues.

Retail gas sales

The Company carries out the retail sale of gas in Kazakhstan through KTG-Aimak, its wholly-owned subsidiary. As of 30 June 2017, the Company serviced 1,759,870 individuals and 36,120 legal entities throughout Kazakhstan.

For the six months ended 30 June 2017 and the years ended 31 December 2016, 2015 and 2014, the Company's gross income from the retail trading of gas was 24%, 14%, 11% and 10%, respectively, of the Company's total gross income.

Wholesale gas sales

The Company sells gas wholesale to state and private utilities companies, which then act as small wholesale and retail suppliers themselves. The Company's main wholesale client is Gazprom, which

accounted for 22.8% of the total volume of gas the Company sold to wholesale customers in the six months ended 30 June 2017 and 26.9% the year ended 31 December 2016, respectively.

For the six months ended 30 June 2017 and the years ended 31 December 2016, 2015 and 2014, the Company sold 8.7, 16.1, 14.1 and 12.9 bcm respectively, of gas to wholesale consumers, of which 2.0, 4.3, 2.6 and 1.8 bcm, respectively, was sold for export.

For the six months ended 30 June 2017 and the years ended 31 December 2016, 2015 and 2014, the Company's gross income from the wholesale trading of gas was 48%, 44%, 35% and 19%, respectively, of the Company's total gross income.

Gas Exploration, Production and Storage

Gas Exploration

As the national operator in the sphere of gas and gas supply, the Company commenced methane exploration in 2015 in the Karaganda coal basin pursuant to an order of the President of Kazakhstan. Possible methane resources in Kazakhstan's coal deposits are estimated at 8 trillion m³, and methane resources of Karaganda coal basin just to the depth of 1500 m amount to 490.5 billion m³. The methane content of the gas in the Karaganda basin ranges from 80% to 98%, and it can be used as a complete alternative to traditional natural gas. See "*Investment Projects—Exploration in Coal Beds*".

Gas Production

Based on a contract for the combined exploration and production of hydrocarbon materials dated 12 December 2000, Amangeldy Gas is developing the Amangeldy group of gas fields in the Zhambyl Region (the "**Amangeldy Field**"), the extractable reserves of which amount to 20.9 bcm of natural gas.

Industrial production at the Amangeldy Field and the development of other fields in the Amangeldy group are carried out after completion of the realisation steps for the project, including geological-exploration and seismic work, calculation of reserves, development of designs for pilot production, construction of production wells and support facilities for the field.

The Amangeldy Field entered the industrial development stage at the start of 2008. As of 30 June 2017, 4.2 bcm of natural gas and 0.3 million tonnes of gas condensate have been produced at the Amangeldy Field since the start of production. In the six months ended 30 June 2017 and the years ended 31 December 2016, 2015 and 2014, 170.1, 327.2, 300.6 and 327.8 million cubic metres of gas, and 10.6, 20.7, 18.5 and 20.6 thousand tonnes of gas condensate, respectively, were produced at the Amangeldy Field.

Storage of Gas

The Guarantor operates the following three underground gas storage facilities:

- the Bozoy gas storage facility, located in the Aktobe Region next to the Uzbek-Kazakhstan border (in the area of the Aral Sea), with an active storage volume of approximately 4.00 bcm and a buffer storage volume of approximately 15.60 bcm of gas, which is supplied along the Bukhara-Tashkent-Bishkek-Almaty Pipeline and stored in two reservoirs, one of which was built in 1974 and the second in 1982;
- the Poltoratsky gas storage facility, located in southern Kazakhstan next to Tashkent, Uzbekistan, with an active storage volume of approximately 0.35 bcm and a buffer storage volume of approximately 0.37 bcm of gas, which is supplied on the Bukhara-Tashkent-Bishkek-Almaty Pipeline and is stored in a reservoir which was built in 1965; and
- the Akyrtobe gas storage facility, located in southwestern Kazakhstan, with an active storage volume of approximately 0.30 bcm and a buffer storage volume of approximately 0.40 bcm of

gas, which is supplied on the gas pipeline Bukhara-Tashkent-Bishkek-Almaty Pipeline and is stored in a reservoir which was built in 1986.

The Guarantor provides storage space to gas supply and distribution companies, as well as to other third parties participating in the distribution of gas in Kazakhstan. These entities use the Guarantor's gas storage facility (i) to satisfy the growing demand during the winter months, (ii) to create reservoirs in case of a disruption to gas supply, and (iii) to hold strategic reserves. The stored gas is the property of those who lease the gas storage facilities and does not belong to the Company. In the years ended 31 December 2016, 2015 and 2014 the gas storage facilities were used for 78%, 51% and 53%, respectively, of their total volume.

Other types of activity

Gasification of Kazakhstan

In 2014, the Company completed a project to increase the gasification of Almaty and its suburban area. The project entailed the design and construction of street and block gas pipelines of low and medium pressure with installed gas distribution plants to bring the level of gasification in residential sector of Almaty up to 100%.

The Company is also engaged in the modernisation and renovation and construction of gas networks in the Mungistau region in order to improve the reliability and quality of services and eliminate the shortage of gas for consumers due to lack of capacity and poor technical condition of gas networks. The project provides for replacement of gas networks and equipment for high-quality, high-performance equipment that will ensure effectiveness and safety of operations.

The Company has facilitated the gasification of Kyzylorda region, Aktobe region, Kostanay region, Eastern Kazakhstan region, Southern Kazakhstan region and Zhambyl region and to create the infrastructure for gasification of adjacent villages of these regions. This is intended to increase the investment attractiveness and the quality of life of the residents of gasified towns and villages; and create additional work places for workers living in the areas of the main gas pipeline passage routes.

Management believes that the gasification projects will lead to an increase in the overall number of subscribers by approximately 114,000 and increase the growth in the consumption of gas on the territory of Kazakhstan by approximately 368 million cubic metres of natural gas. The overall cost of these projects is KZT 55.0 billion.

The Company also plans to carry out the gasification of other populated areas in the Almaty region, which will lead to further increases in the Company's subscribers by 13,000 and in the Company's sales by 62 million cubic metres of natural gas. The total investments required for this project are estimated at KZT 11 billion.

The Company is actively supported by the State supporting construction of regional pipelines from municipal budgets and transferring completed pipelines to the Group as equity contributions.

Tariffs

Gas Transportation Tariffs

Under the Law on Natural Monopolies, the Guarantor's tariffs for domestic natural gas transportation are subject to regulation by the Natural Monopolies Committee. In accordance with applicable legislation and agreements, the Guarantor has the right to freely negotiate international tariffs for the transit and export of gas.

Domestic Tariffs

The Natural Monopolies Committee sets the so-called "capped tariffs" for domestic gas transportation for particular gas transportation companies (for example, separate tariffs for the Guarantor, for KTG Aimak and others) for a number of years (broken down by years), subject to possible annual

adjustments. It is presumed that the capped tariff should cover the transportation cost and provide a certain fixed amount of profits to the gas transportation company. The transportation tariffs are fixed in KZT for the transportation of 1,000 cubic metres of natural gas, without regard to distance.

The Natural Monopolies Committee approved capped tariffs for domestic transportation of gas by the Guarantor through its trunk pipelines for 2016 to 2021 at KZT 2,212.7 per 1,000 cubic metres. The tariffs came into effect from 1 January 2017 and represent a significant increase from the KZT 1,380 tariff in effect before 1 January 2017.

International Tariffs

Under the Law on Natural Monopolies, international transit and transportation of natural gas for purposes of export are not considered "natural monopolies" and tariffs for the international transportation of natural gas are not subject to Government regulation; international tariffs are instead fixed annually on a case-by-case basis pursuant to contracts with customers. Negotiations with counterparties for international gas transit take place throughout the year and the tariffs for the following year are set in December. The international tariffs for each year are fixed in U.S. Dollars for the transportation of 1,000 cubic metres of natural gas for a distance of 100 km and are expressed exclusive of value-added tax. Once fixed, annual tariffs do not fluctuate within a year to reflect actual volumes of natural gas transported or otherwise. In July 2001, pursuant to the Intergovernmental Agreement concluded between Russia and Kazakhstan, the VAT rate applicable to international transit to Russia was reduced from 20% to zero.

The methodology followed by the Guarantor to set tariffs for international transit is a widely accepted model, which provides that tariffs are generally a function of transportation costs plus the average rate of return on fixed assets and expressed as a rate based on the volume of transported gas and the distance the natural gas is transported. When considering a return on fixed assets and investments, the Guarantor takes into account its ongoing capital expenditures, negotiations necessary to ensure the maintenance of stable transit of all contracted international volumes of natural gas and the satisfaction of future requirements. The Guarantor's policy is to strictly control expenses and all major purchases are by open tender according to the S-K Rules. See "*Regulation in Kazakhstan—S-K Rules*".

On 1 January 2017, the Guarantor's average export tariff increased by 56% (from U.S.\$3.20 to U.S.\$5.00).

Gas Storage Tariffs

Tariffs for the storage of natural gas for distribution in the domestic market are also subject to regulation by the Natural Monopolies Committee as this service is deemed to be a domestic activity of a natural monopoly. Pursuant to applicable regulations of the Natural Monopolies Committee, storage tariffs are fixed in Tenge for the storage of 1,000 cubic metres of natural gas for one month, excluding VAT. Under the Law on Natural Monopolies, storing of gas for purposes of international transit and exporting outside Kazakhstan is not a regulated activity and the tariffs for such services are not regulated.

The Natural Monopolies Committee approved capped tariffs for storage of gas by the Guarantor for 2016 to 2021 at KZT 280.92 per 1,000 cubic metres per month (with tariff comes into effect from 1 January 2017), representing a 41% increase compared to tariffs of 2014-2016.

Investment Projects

The Company is undertaking a number of investment projects to complement its strategic development plans and to improve its operating capabilities.

The following table sets forth capital expenditures as at 31 December 2016, 2015 and 2014 and as at 30 June 2017, respectively:

	As of and for the twelve months ending on 30 June	For the year ended and as of 31 December		
	2017	2016	2015	2014
	<i>(KZT thousands, unless indicated otherwise)</i>			
Investment capital expenditure	18,608,658	54,717,731	40,572,442	16,375,378
Maintenance capital expenditure	35,383,096	26,256,608	40,346,671	39,724,455
Other capital expenditure	147,292	2,779,748	2,619,399	1,725,875
Total capital expenditure	54,139,045	83,754,087	83,538,512	57,825,709

The most important of these projects include the following:

Development of the Amangeldy group of fields

Based on the Contract for the Combined Exploration and Production of Hydrocarbon Materials of 12 December 2000, Amangeldy Gas, a subsidiary of the Company, is developing the Amangeldy group of gas fields in the Zhambyl Region, the extractable reserves of which amount to 20.9 bcm of natural gas.

The industrial production of gas at the Amangeldy Field and the development of other fields within the Amangeldy group are being carried out as part of a project, which includes geological exploration and seismic studies, calculation of reserves, and the development of designs for pilot production and the construction of production wells and support facilities for the field.

The Amangeldy Field entered the industrial development stage at the start of 2008; since the start of production, 4.2 bcm of natural gas and 0.3 million tonnes of gas condensate have been produced. In 2016, 2015 and 2014, as well as in the first six months of 2017, 327.2, 300.6, 327.8 and 170.1 million cubic meters of gas were produced at the Amangeldy Field, as well as 20.7, 18.5, 20.6 and 10.6 thousand tonnes of gas condensate, respectively. The project has a total investment value of KZT 39.0 billion and is expected to be concluded in 2017.

Methane exploration in coal beds

As national operator in the sphere of gas and gas supply, the Company commenced coal bed methane exploration in 2015 in the Karaganda coal basin pursuant to an order of the President of Kazakhstan. The exploration work is being conducted pursuant to a cooperation agreement with a subsoil user.

Kazakhstan has significant potential resources of methane in its coal beds. According to the Government, total possible methane resources in Kazakhstan's coal deposits are estimated at 7 trillion cubic meters, and the methane resources of the Karaganda coal basin at a depth of 1,500 metres amount to approximately 490.5 bcm. The methane content of the gas in the Karaganda basin ranges from 80% to 98%, and it can be used as a complete alternative to the more traditional natural gas. Upon completion of exploration work, the results on the prospects of the gas bearing capacity of the Karaganda coal basin will be prepared along with recommendations prior to the phased transition to production mining operations, which are expected to begin in 2018-2019.

Development of the compressed and liquefied gas market

Development of the gas engine fuel market is carried out as part of the initiative to transition Kazakhstan into a "green economy".

The Company has constructed five natural gas vehicle refuelling compressor stations in Almaty, and has sold 67.0 million cubic meters of compressed natural gas, equivalent to 55,000 tonnes of diesel fuel or 52,700 tons of gasoline since 2014. The Company has signed cooperation agreements with the Akimats of Almaty, Aktobe, Kostanai and South Kazakhstan regions in connection with the transfer of passenger and other public transport to compressed natural gas.

Furthermore, the Company is planning to participate in the construction of a plant for liquefied natural gas in the Zhambyl region, which will assist in providing remote areas of the region with natural gas, and significantly reduce the environmental burden. The Company plans to connect the plant to the Company's gas pipelines in order to supply the volumes of the gas necessary for the uninterrupted operation of the plant.

Associated petroleum gas utilisation

In April 2015, the Company signed a Memorandum of Cooperation with the Akimat of Aktobe region to process associated petroleum gas produced by three subsoil users in the region. This is expected to result in an additional 250-300 million cubic meters of gas that was previously flared gas in the "Kozhasai" field becoming available to consumers. The Company will construct a pipeline from a facility that is currently being constructed by a private investor to deliver this gas to the "Bukhara-Ural" main gas pipeline.

Gasification of residential areas of Kyzylorda region

The Company is carrying out the gasification of residential areas of the Kyzylorda region – Aralsk town, Aiteke-bi village, Baikonur town, Zhanakorgan village, Shiyeli village – and building the infrastructure for the gasification of adjacent villages in the Kyzylorda region. This is expected to increase both the investment attractiveness of the region and the quality of life of the residents of the gasified towns and villages and create approximately 500 jobs for workers living in the areas through which the main gas pipeline runs.

Modernisation of gas distribution networks

Taraz

Modernisation of the gas distribution network in Taraz is necessary to implement the complex series of measures that are necessary to rebuild the gas distribution networks, improve operational reliability and safety, reduce excessive technical losses, recover the designed capacity of gas pipelines and switch to a two-stage gas supply system in this low-rise sector, allowing for improvement in the accounting and control of gas consumption.

Management expects that the project will increase flow capacity by 49,000 thousand m³/hr, from 101,500 m³/hr to 150,500 m³/hr; reduce the technical and technological gas losses due to the leakage through gas pipelines; reduce operational expenses for major repairs by 70% over the next 40-50 years; extend the Taraz gas distribution system's service life by 50 years (which is the warranty period for the plastic gas pipelines); and eliminate the possibility of unauthorised illegal tapping and siphoning off gas.

The project is being implemented in two stages: the first stage was completed during 2011-2016, and the second stage will be carried out during 2017-2019.

Mangistau

On 5 February 2015, the Akimat of Mangistau region, the Parent and the Company signed a cooperation memorandum on the implementation of construction projects, modernisation and renovation of gasification assets in the Mangistau region. This project is aimed at the modernisation, renovation and construction of gas networks in the Mangistau region in order to improve the reliability and quality of services and eliminate the shortage of gas for consumers due to lack of capacity and poor technical condition of the gas networks. The project entails the replacement of existing gas networks and equipment with high-quality, high-performance equipment that will ensure the effectiveness and safety of operations. Switching to PE pipes will increase the service life of gas pipelines up to 50 years, instead of the former 30 years.

Maintenance and Technology

One of the Company's priorities is the automation and management of technological processes, as well as the modernisation and development of information technologies and business and technological communications. The Company seeks to ensure the reliability, safety, high quality and operational effectiveness of its information technologies and business and technological communications. The main goal of the Company's strategy in the sphere of information technology and telecommunications is unification, centralisation and modernisation of technology, information security, increased effectiveness and the reduction of operational costs. The Company plans to continue to invest in information technology in order to ensure effective operations and increase the safety of the infrastructure being operated.

Telecommunication and information systems

The Company's modern telecommunications network was built using advanced technologies and the Company's own fiber-optic communication lines alongside all trunk gas pipelines, primarily to provide for the safe operation and management of pipeline facilities, infrastructure for the introduction of different applications (SCADA, SAP, 1C, data loss protection, mail, private cloud, virtualization, electronic document management, videoconferencing) and for the security of business and technological communications by means of centralised and continuous monitoring of the network. Currently the Company's main information systems are SAP, SCADA, a corporate geographic information system, a system of automatic control and management of technical condition and repairs, an automated system of control and accounting of electric energy, an electronic document management system, an electronic archival system and other office software. Financial accounting system based on 1C Accounting was implemented by the Company in 2003. It was further developed to include new functional modules for treasury and warehouse management.

Process control

The SCADA system enhances reliability and minimises the risk of breakdowns in the operation of the overall gas pipeline network, ensures the continual control over the condition and management of pipeline technological equipment, reduces the cost of gas pumping and improves the efficiency of the Company's operations generally. SCADA's information security is ensured by the customer and network resources management systems, automatic updating of operating systems, anti-virus software, and complete separation of operational and office information space networks. The SCADA system also integrates the linear telecontrol system and the tank farm level measurement system, receives data from the Company's gas metering stations and from the gas metering stations of gas suppliers and also integrates variable speed drive, pressure regulators and other existing local systems. To monitor status of key infrastructure objects and transfer of data to SCADA, the Company uses a single control centre.

International security and data recovery systems

As part of the ISO 9001:2008 standard adopted by the Company, the Company has a stable IT security system and a plan for post-default recovery. System redundancy and IT system security are analysed on a regular basis and corrective and preventive actions are performed.

The Company's data loss prevention software products use business rules to classify and protect confidential and critical information so that unauthorised end users cannot accidentally or maliciously share data whose disclosure could put the organisation at risk. Adoption of data loss prevention has been driven by insider threats and more rigorous state privacy laws, many of which have stringent data protection or access components. In addition to being able to monitor and control endpoint activities, some data loss prevention tools can also be used to filter data streams on the corporate network and protect data in motion. Data loss prevention products may also be referred to as data leak prevention, information loss prevention or extrusion prevention products.

The company uses Intrusion Prevention System, a software or hardware network and computer security system that detects intrusions or security breaches and automatically protects against them.

Material Contracts

Trust Management Agreement

On 23 July 1997, the Belgian company, Tractebel (which previously operated the Kazakhstan natural gas transportation system) assigned all its rights and obligations under the Concession Agreement (as defined above) to the Guarantor. During the period from 23 July 1997 until 5 December 2014, the Guarantor operated the gas transportation system under the Concession Agreement.

On 5 December 2014, the State Property and Privatisation Committee of the Ministry of Finance of the Republic of Kazakhstan and Samruk-Kazyna (the "**Trust Settlers**") and the Guarantor entered into the Trust Management Agreement, and the Concession Agreement terminated on the same day.

Pursuant to the Trust Management Agreement, the Guarantor undertook to manage the assets entrusted to it thereunder (the "**Assets**") on behalf of the Trust Settlers. All income received by the Guarantor from the management of the Assets remains with the Guarantor as payment for its services managing the Assets. The Trust Settlers agreed not to interfere with the Guarantor's management of the Assets.

The Trust Management Agreement provides that domestic tariffs charged by the Guarantor shall be determined in accordance with applicable Kazakhstan legislation and the Guarantor's internal rules and procedures. The Guarantor is entitled to freely negotiate, determine and set international transportation tariffs, tariffs for the storage of gas for the purposes of its export, and tariffs for the transportation of gas for export, subject to limitations (if any) imposed by Kazakhstan law.

The Trust Management Agreement provides that the Assets will eventually be transferred by the Trust Settlers to the Guarantor, and that the Trust Management Agreement remains in effect until the title to all the Assets is transferred to the Guarantor. As of the date of this Listing Particulars, title to the Assets has not been transferred to the Guarantor, and Management believes that the Guarantor will receive title to all of the Assets by 2019.

The Trust Management Agreement prohibits the Trust Settlers from unilaterally suspending or terminating the Trust Management Agreement. The Trust Management Agreement is governed by Kazakhstan law, and any disputes that arise between the parties thereto shall be referred to the Kazakhstan courts.

Memorandum of Understanding between the Parent and CNPC

In June 2017, the Parent and CNPC signed a memorandum of understanding in relation to the export of Kazakh gas from the Republic of Kazakhstan to China (the "**CNPC Memorandum**"), pursuant to which the Parent has committed to transport up to 5 bcm of Kazakh gas between 15 October 2017 and 14 October 2018.

The export price is equivalent to the price of Uzbek gas on the border between Uzbekistan and the Republic of Kazakhstan plus the price of transportation of gas through the "Kazakhstan-China" pipelines from the border between the Republic of Kazakhstan and Uzbekistan to the border between the Republic of Kazakhstan and China.

Under the CNPC Memorandum, the quality of gas will meet Kazakh standards provided that the safety of operation of the "Kazakhstan-China" pipelines is maintained. The Parent and CNPC are currently negotiating the commercial terms.

Gas Transportation Contracts

Gazprom Transportation Contract

The Guarantor and Gazprom are parties to a gas transportation contract dated 26 January 2011 (as amended) (the "**Gazprom Transportation Contract**") pursuant to which the Guarantor undertook to transport Gazprom's gas through its gas transportation system between 2011 and 2020. Pursuant to this contract, the Guarantor transports annually around 40 bcm of Gazprom's gas (the volume of gas agreed to be transported in each of 2015 and 2016 was 41.8 bcm). The gas is transported primarily from one location in Russia to another location in Russia through the territory of Kazakhstan (via several of the Guarantor's pipelines). The Guarantor takes Gazprom's gas and delivers it back to Gazprom at delivery points located at various locations on the border between Russia and Kazakhstan.

The transportation fee is U.S.\$2 per 1,000 cubic metres of gas per 100 km. The fees are payable in U.S. Dollars in arrears on a monthly basis. For the six months ended 30 June 2017, the Gazprom Transportation Contract accounted for approximately 12.7% of the Guarantor's revenue from the transportation of gas and 11.3% of its total revenue.

Each party is liable to the other party for 100 per cent. of proven direct damages to the extent that such damage is caused by the other party's fault. In the event of delay in payment of fees for services by Gazprom, Gazprom is subject to a fixed penalty (liquidated damages) in the amount of 0.05 per cent. of the outstanding payment for each day of delay, but subject to a limit of not more than five per cent. of the outstanding amount.

The Gazprom Transportation Contract will remain in effect until 31 December 2020, but may be extended by the parties. It is governed by Russian law, and any disputes thereunder are to be settled by the International Commercial Arbitration Court under the Chambers of Commerce of the Russian Federation in accordance with its rules.

KazRosGas Transportation Contract

The Guarantor and KazRosGas are parties to a gas transportation contract dated 1 January 2008 pursuant to which the Guarantor undertook to transport natural gas through parts of the Soyuz Pipeline, Orenburg-Novopskov Pipeline and CAC Pipeline in the years 2008-2022. The gas is transported by the Guarantor primarily from one location in Russia to another location in Russia through the territory of Kazakhstan. The volume of gas to be transported is agreed on an annual basis (for example, in 2008, the contracted volume was 5.7 bcm).

The transportation fee is U.S.\$2 for the transportation of 1,000 cubic metres of gas per 100 km. The price is to be adjusted to reflect the U.S.\$/KZT exchange rate according to a specific formula (the base exchange rate for purposes of the formula is KZT 300.0 per 1 U.S.\$). The fees are payable in U.S. Dollars in arrears on a monthly basis. For the six months ended 30 June 2017, the KazRosGas Contract accounted for three per cent. of its total revenue.

Each party is liable to the other party for 100 per cent. of proven direct damages to the extent that such damage is caused by the other party's fault. In the event of delay in payment of a services fee by KazRosGas, KazRosGas will be liable to pay a fixed penalty (liquidated damages) in the amount equal to the refinancing rate of the NBK on the outstanding payment for each day of delay, subject to a limit of not more than five per cent. of the outstanding amount.

The KazRosGas Contract will remain in effect until 31 December 2022. It is governed by Kazakhstan law, and any disputes thereunder are to be settled by the Astana city courts.

Tengizchevroil Transportation Contract

The Guarantor and Tengizchevroil are parties to a gas transportation contract dated 25 December 2001, as amended (the "**Tengizchevroil Contract**"), pursuant to which the Guarantor undertook to

transport Tengizchevroil's dry gas from the Tengiz field in Kazakhstan (from Kulsary gas compression station) through the CAC Pipeline to the Alexandrov Guy and Akkol gas-measuring stations at the Russian-Kazakh border. For the six months ended 30 June 2017, the Tengizchevroil Contract accounted for approximately 8 per cent. of its total revenue.

The volume of gas to be transported under the Tengizchevroil Contract and the applicable transportation tariff are agreed on an annual basis. For the year 2017, the total contracted volume is 4.25 bcm, and the transportation tariff is U.S.\$5 for the transportation of 1,000 cubic metres of gas per 100 km, plus VAT.

The Guarantor must invoice Tengizchevroil ten days before the start of the month for a 100% prepayment for transportation services, with the final settlement for the actual services at the end of the month. The invoice is stated in KZT, at the exchange rate quoted by the NBK on the date of invoicing. In the event of a late payment, Tengizchevroil is liable to pay a default interest at the NBK's refinancing rate on the overdue amount on a daily basis, but not more than the original amount due.

The Tengizchevroil Contract will remain in effect until 31 December 2017, subject to automatic extension for consecutive 12 month periods until either party gives written notice of its intent to terminate the Tengizchevroil Contract to the other party at least 30 days prior to the end of the then current term. The Tengizchevroil Contract is governed by Kazakhstani law, and any disputes thereunder are to be settled by the Almaty city courts.

Gas Sale and Purchase Contracts

In the ordinary course of business, the Company enters into gas sale and purchase contracts for the sale and purchase of gas for further sales of this gas domestically and on international markets.

Gazprom Gas Sale Contracts

Overview

The Company and the Guarantor are parties to various gas sale contracts with Gazprom, which account for a considerable part of their revenue from the transportation of gas and their total revenue. Under the Short Term Kazakh Gas Contract, the Long Term Kazakh Gas Contract and the Uzbek Gas Contract (each as defined below and, together, the "**Gazprom Gas Sales Contracts**", and together with Gazprom Transportation Contract, "**Gazprom Contracts**") each party is liable to the other party for 100 per cent. of proven direct damages to the extent that such damage is caused by the other party's fault.

In the event of delay in payment of a services fee by Gazprom, Gazprom is subject to a fixed penalty (liquidated damages) in the amount of 0.01 per cent. of the outstanding payment for each day of delay.

In addition, under each of the Gazprom Gas Sales Contracts the Company has an obligation to deliver gas in the amounts specified in monthly gas requests from Gazprom. The gas should be delivered evenly and daily supplies may not differ by more than ten per cent. from the average daily supplies in a given month. They are also governed by Swedish law and any disputes must be settled by the Arbitration Institute of Stockholm Chamber of Commerce in accordance with its rules.

Short Term Kazakh Gas Contract

The Company and Gazprom are parties to a gas sale dated 30 December 2016 (the "**Short Term Kazakh Gas Contract**"), pursuant to which the Company has committed to deliver up to 2.0 bcm of Kazakh gas to Alexandrov Guy, Akkol and Dombarovka gas-measuring stations on the Russian-Kazakh border in 2017. The price of gas is based on a formula, which uses a base price of U.S.\$160 per 1,000 cubic metres of gas with 0.84375 coefficient application that accounts U.S.\$135. The

estimated total price of gas under this contract is U.S.\$303.8 million. For the six months ended 30 June 2017, the Short Term Kazakh Gas Contract accounted for approximately 21 per cent. of the Company's revenue from the sale of gas and 18 per cent. of its total revenue.

Payment for transportation services is to be made in U.S. Dollars. The Company invoices Gazprom on a monthly basis following the month of delivery and is entitled to demand a guarantee of payment for future deliveries in case the payment is not received within 25 days of the delivery date.

Long Term Kazakh Gas Contract

The Company and Gazprom Export are parties to a gas sale dated 30 December 2016 (the "**Long Term Kazakh Gas Contract**"), pursuant to which the Company has committed to deliver up to 0.9 bcm of Kazakh gas to Kazakh-Kyrgyz border in 2017-2019. The Long Term Kazakh Gas Contract is automatically extended for 2021-2022 if neither of the parties notifies the other of its intention to terminate the contract two months before its expiration. Should the contract be extended for 2021-2022, the Company will be obliged to deliver an additional 0.8 bcm of gas.

These volumes are further broken down into monthly requirements, and such requirements incorporate a "take-or-pay" mechanism, which requires Gazprom Export to pay for at least 0.25 bcm every year. For the six months ended 30 June 2017, the Long Term Kazakh Gas Contract accounted for approximately 3.4 per cent. of the Company's revenue from the sale of gas and 2.8 per cent. of its total revenue.

The price of gas is U.S.\$149 per 1,000 cubic metres of gas. The estimated total price of gas under this contract is U.S.\$138.9 million, including U.S.\$111.8 million payable on "take-or-pay" conditions. Payment for transportation services is to be made in U.S. Dollars.

Uzbek Gas Contract

The Company and Gazprom are parties to a gas sale contract dated 30 December 2016 (the "**Uzbek Gas Contract**"), pursuant to which the Company has committed to purchase up to 2.5 bcm of Uzbek gas in 2017. The gas is delivered at the "287 km" delivery point of the Gazli-Shymkent Pipeline, the "368 km" delivery point of the BGR-TBA Pipeline and the Baimurat gas-measuring station of AGP on the Russian-Kazakh border in 2017. The price of gas is RUR 3,660 per 1,000 cubic metres of gas. The estimated total price of gas under this contract is RUR 9,150 million.

Payment for transportation services is to be made in Russian Roubles. Gazprom invoices the Company on a monthly basis following the month of delivery and is entitled to demand a guarantee of payment for future deliveries in case the payment is not received within 25 days of the delivery date.

Kashagan Gas Purchase Contract

The Company, as the buyer, and PSA LLP, AGIP Caspian Sea B.V., CNPC Kazakhstan B.V., Exxonmobil Kazakhstan Inc., Inpex North Caspian Sea, Ltd., KMG Kashagan B.V., Shell Kazakhstan Development B.V., and Total E&P Kazakhstan, as the sellers (the "**Sellers**"), are parties to a gas sale and purchase agreement in respect of Kashagan gas dated 19 August 2013, as amended (the "**Kashagan Gas Purchase Contract**"). Pursuant to the Kashagan Gas Purchase Contract, the Company undertook to purchase the entire output of gas produced at the Kashagan field during the term of the Kashagan Gas Purchase Contract.

Unless terminated earlier in accordance with the terms thereof, the Kashagan Gas Contract remains in effect until the earlier of (a) termination of the Production Sharing Agreement in Respect of the North Caspian Sea dated 18 November 1997, (b) final cessation of gas production at the Kashagan field, or (c) 31 December 2041.

The price of gas during the period ending on 31 December 2015 was U.S.\$80 per 1,000 cubic metres of gas (exclusive of VAT). For the remainder of the term of the Kashagan Gas Purchase Contract, the

price is determined in accordance with a formula that takes into account netback price of gas sold to industrial consumers in Kazakhstan and netback price of gas exported to China (on the Kazakh-China border). Payments for the gas are made monthly in arrears in U.S. Dollars.

The Kashagan Gas Purchase Contract incorporates a "take-or-pay" mechanism, which requires the Company to pay for gas that it failed to accept in any particular day. Generally, the "take-or-pay" price for the gas in different contract periods is determined in accordance with a formula that takes into account netback price of gas sold to industrial consumers in Kazakhstan and netback price of gas exported to China on the Kazakh-China border (less transportation cost and the Company's margin).

In the event of delay in payment by the Company, the Company will be subject to a penalty in the amount equal to one month U.S. Dollar LIBOR increased by four per cent. per annum. The Kashagan Gas Purchase Contract is governed by Kazakhstan law. Any disputes thereunder are to be settled by the LCIA in accordance with the LCIA Arbitration Rules.

The Guarantor provides various services relating to the implementation of the Kashagan Gas Purchase Contract under a technical agreement between the Guarantor and Agip Kazakhstan North Caspian Operating Company N.V. dated 19 August 2013.

KazRosGas Gas Purchase Contracts

The Company and KazRosGas are parties to three gas sale and purchase contracts, each dated 4 January 2017 ("**KazRosGas Gas Sale Contracts**"), pursuant to which the Company undertook to purchase 3.5 bcm of natural gas from KazRosGas in 2017. The price of gas under KazRosGas Gas Sale Contracts varies from KZT 9,770 to KZT 15,725 per 1,000 cubic metres of gas (in all cases exclusive of VAT). All payments under the KazRosGas Gas Purchase Contracts are to be made in arrears in KZT on a monthly basis.

Each party is liable to the other party for 100 per cent. of proven direct damages to the extent that such damage is caused by the other party's fault. In the event of delay in payment of a services fee by the Company, the Company is subject to a fixed penalty in the amount of 0.05% of the outstanding payment for each day of delay, but not more than five per cent. of the outstanding payment.

All KazRosGas Gas Purchase Contracts are in effect from 1 January 2017 through 31 December 2017 and are governed by Kazakhstan law. Any disputes thereunder are to be settled by Kazakhstan courts at the location of KazRosGas.

Tengizchevroil Gas Sale Contracts

The Company and Tengizchevroil are parties to the Tengizchevroil Gas Purchase Contract 1 and Tengizchevroil Gas Purchase Contract 2 (each as defined below and, together, the "**Tengizchevroil Gas Purchase Contracts**").

Under the Tengizchevroil Gas Purchase Contracts, in the event of delay in payments, the Company will be subject to a penalty in the amount equal to one month LIBOR increased by three per cent. accrued on overdue payments in U.S. Dollars, or three month Kazprime rate plus ten per cent. per annum on overdue amounts in KZT. The Tengizchevroil Gas Purchase Contracts are in effect until 31 December 2017, unless terminated earlier in accordance with the terms thereof. These contracts are governed by Kazakhstan law, and any disputes thereunder are to be settled by courts of the Astana city.

Tengizchevroil Gas Purchase Contract 1

The Company and Tengizchevroil are parties to a product sales and purchase contract dated 1 June 2017 (the "**Tengizchevroil Gas Purchase Contract 1**"), pursuant to which the Company undertook to purchase from Tengizchevroil 1.3 bcm of combustible natural gas in 2017 at Kulsary gas compression station. For the period from 1 June 2017 through 31 December 2017, the price of the gas (exclusive of VAT) is KZT 7,782 per 1,000 cubic metres of gas. Payments for the gas are made

monthly in arrears within 30 days after the date of delivery, in KZT or in U.S. Dollars at the discretion of the seller.

Tengizchevroil Gas Purchase Contract 2

The Company and Tengizchevroil are parties to a product sales and purchase contract dated 1 January 2017 (the "**Tengizchevroil Gas Purchase Contract 2**"), pursuant to which the Company undertook to purchase from Tengizchevroil 730,604,000 cubic metres of combustible natural gas in 2017 at Kulsary gas compression station. For the period from 1 January 2017 through 31 December 2017, the price of the gas (exclusive of VAT) is KZT 4,371 per 1,000 cubic metres of gas. Price for the population and domestic municipal needs in Atyrau Oblast is determined in accordance with a specific formula.

Unless otherwise agreed by the parties, all invoices under the Tengizchevroil Gas Purchase Contract 2 are stated in U.S. Dollars. All payments are to be made in KZT at the exchange rate of the NBK in effect on the date of payment, unless the seller elects to receive the payment in U.S. Dollars. Payments for the gas are made monthly in arrears within 30 days after the date of delivery.

Zhaikmunai Gas Purchase Contract

The Company and Zhaikmunai LLP are parties to a natural gas sale and purchase contract dated 2 March 2017 (the "**Zhaikmunai Gas Purchase Contract**"), pursuant to which the Company undertook to purchase from Zhaikmunai LLP 1.2 bcm of natural gas during the period from 1 January 2017 through 31 December 2017. The delivery point for the purchased gas is at the tie-in point at the 181st km of the Orenburg-Novoposkov Pipeline.

The price of gas is determined on a quarterly basis in accordance with a formula which uses a base price of KZT 54,401.60 per 1,000 cubic metres of gas to be adjusted to reflect various factors, including U.S. Dollar - KZT exchange rate fluctuations and transportation costs. All payments Zhaikmunai Gas Purchase Contract are to be made in arrears in KZT on a monthly basis.

In the event of delay in payment by the Company, the Company will be subject to a penalty in the amount equal to 1.5 times the NBK refinancing rate for each day of delay, but not more than 10 per cent. of the unpaid amount. The Zhaikmunai Gas Purchase Contract is in effect from 1 January 2017 through 31 December 2017. It is governed by Kazakhstan law, and any disputes thereunder are to be settled by Kazakhstan courts.

Crudex Gas Sale Contract

The Company and Crudex Energy International Ltd. ("**Crudex**") are parties to a natural gas sale and purchase contract dated 11 November 2016, as amended (the "**Crudex Gas Sale Contract**"), pursuant to which the Company undertook to sell 1.9 bcm of Kazakh natural gas to Crudex during the period from November 2017 through 31 December 2017. The purchased gas must be delivered to Crudex to the gas-measuring station KS7 of the Bukhara Urals pipeline on the Uzbekistan-Kazakh border.

The price of gas is U.S.\$78.29 per 1,000 cubic metres. The estimated total price of gas under the Crudex Gas Purchase Contract is U.S.\$145,383,086. The purchase price under the Crudex Gas Sale Contract is payable in U.S. Dollars. The Company invoices Crudex on a monthly basis following the month of delivery and the payment must be made within 35 days after the end of the relevant month.

In the event of delay in payment of a purchase price by Crudex, Crudex will be subject to a fixed penalty in the amount of the then current LIBOR rate plus five per cent. per annum on the outstanding payment amount. The Crudex Gas Purchase Contract is in effect from 11 November 2016 through 31 December 2017 and is governed by Swiss law. Any disputes thereunder are to be settled by the Arbitration Institute of Zurich Chamber of Commerce in accordance with the Swiss Rules of International Arbitration.

Other Material Gas Sale and Purchase Contracts

The Company is also a party to a number of other material gas sale and purchase contracts with various counterparties on similar terms. In particular, under the KGRP Gas Purchase Contract, the Region Gas Purchase Contract, the CNPC-A Gas Purchase Contract, the KazAzot Gas Purchase Contract and the Amangeldy Gas Purchase Contract (each as defined below), all payments are to be made in arrears in KZT on a monthly basis.

In addition, under the Kazakh Gas Refining Plant Gas Purchase Contract, the CNPC-Aktobemunaigas Gas Purchase Contract, the KazAzot Gas Purchase Contract and the Amangeldy Gas Purchase Contract, in the event of delay in payment by the Company, the Company will be subject to a penalty in the amount equal to 0.1 per cent. of the unpaid amount for each day of delay, but not more than 10 per cent. of the unpaid amount. Moreover, under the KGRP Gas Purchase Contract and the KazAzot Gas Purchase Contract, in the event KGRP or KazAzot (as applicable and as defined below) in each particular month delivers to the Company less than 80 per cent. of the gas scheduled for delivery in that month, KGRP or KazAzot (as applicable) will be liable to pay the Company a penalty equal to 25 per cent. or 50 per cent. of the price of the undelivered gas, respectively.

The KGRK Gas Purchase Contract, Region Gas Purchase Contract, KazAzot Gas Purchase Contract and Amangeldy Gas Purchase Contract are in effect until 31 December 2017, whereas CNPC-A Gas Purchase Contract is in effect until 30 September 2017, and all are governed by Kazakhstan law. Any disputes thereunder are to be settled by Kazakhstan courts.

Kazakh Gas Refining Plant Gas Purchase Contract

The Company and Kazakh Gas Refining Plant LLP ("**KGRP**") are parties to a natural gas purchase and sales contract dated 16 March 2017 (the "**KGRP Gas Purchase Contract**"), pursuant to which the Company undertook to purchase from KGRP 340,659,000 cubic metres of natural gas during the period from 1 January 2017 through 31 December 2017. The price of gas for the period from 1 January 2017 through 31 December 2017 is KZT 6,552 per 1,000 cubic metres of gas (exclusive of VAT), and the estimated value of the contract is KZT 2,499,837,500.

Region Gas Purchase Contract

The Company and PGS Region LLP ("**Region**") are parties to a natural gas purchase and sales contract dated 5 May 2017 (the "**Region Gas Purchase Contract**"), pursuant to which the Company undertook to purchase from Region 130,000,000 cubic metres of natural gas during the period from 1 January 2017 through 31 December 2017. The price of gas is KZT 24,000 per 1,000 cubic metres of gas (exclusive of VAT), and the estimated value of the contract is KZT 3,494,400,000. In the event of delay in payment by the Company, the Company will be subject to a penalty in the amount equal to 0.5 per cent. of the unpaid amount for each day of delay, but not more than 10 per cent. of the unpaid amount. In the event the Region, in each particular month, delivers to the Company less than 80 per cent. of the gas scheduled for delivery in that month, Region will be liable to pay the Company a penalty equal to 30 per cent. of the price of the undelivered gas.

CNPC-Aktobemunaigas Gas Purchase Contract

The Company and CNPC-Aktobemunaigas JSC ("**CNPC-A**") are parties to a natural gas purchase and sales contract dated 1 February 2017, as amended (the "**CNPC-A Gas Purchase Contract**"), pursuant to which the Company undertook to purchase from CNPC-A 3,657,444,000 cubic meters of natural gas during the period from 1 January 2017 through 30 September 2017. The price of gas is KZT 9,659 per 1,000 cubic metres of gas (exclusive of VAT), and the estimated value of the contract is KZT 39,566,521,787.52.

KazAzot Gas Purchase Contract

The Company and KazAzot JSC ("**KazAzot**") are parties to a natural gas purchase and sales contract dated 20 January 2017 (the "**KazAzot Gas Purchase Contract**"), pursuant to which the Company

undertook to purchase from KazAzot 662,718,000 cubic metres of natural gas during the period from 1 January 2017 through 31 December 2017. The price of gas is KZT 28,000 per 1,000 cubic metres of gas (exclusive of VAT), and the estimated value of the contract is KZT 20,782,836,480.

Amangeldy Gas Purchase Contract

The Company and Amangeldy Gas LLP ("**Amangeldy**") are parties to a natural gas purchase and sales contract dated 4 January 2017, as amended (the "**Amangeldy Gas Purchase Contract**"), pursuant to which the Company undertook to purchase from Amangeldy 250,000,000 cubic metres of natural gas during the period from 1 January 2017 through 31 December 2017. The price of gas is KZT 35,000 per 1,000 cubic metres of gas (exclusive of VAT), and the estimated value of the contract is KZT 9.8 billion.

Employees

As at 30 June 2017, the Company had 11,551 full-time employees, as compared to 11,534 full-time employees as at 31 December 2016. The following table sets forth the number of the Company's full-time employees as at 31 December 2016, 2015 and 2014 and as at 30 June 2017, respectively:

	As at 30 June	As at 31 December		
	2017	2016	2015	2014
Number of production staff	9,830	9,830	9,449	11,624
Number of office and management staff	1,704	1,687	2,285	2,639
Total	11,551	11,534	11,745	14,283

In 2015, the Company implemented a significant workforce reduction programme and made approximately 2,500 job cuts.

In determining its salary policy, the Company continuously monitors market salaries. As at 30 June 2017 and as at 31 December 2016, 2015 and 2014, the Company's payroll and related contributions were KZT 19,194 million, KZT 39,569 million, KZT 39,025 million, KZT 42,225 million, respectively. The Company's system for the payment of labour complies with the labour legislation of Kazakhstan and is regulated by the Rules for the Payment of Work and Social Support of Employees and Collective-Bargaining Agreements between the Employer and the Labour Collective.

The wages of production personnel consist of a tariff-based portion consisting of pay under tariff rates and job work rates, supplemental pay and compensating and incentive payments and bonuses based on work results. For administrative personnel, a time-based bonus system for the payment of work is used.

The Company's Human Resources Policy promotes the hiring, development and retaining of highly qualified professionals, the introduction of advanced methods for managing the Company's personnel, management of the pool of highly qualified Company employees, the creation and development of common values, social norms, and guidelines governing the business behaviour of a Company employee. The key principles of the Human Resources Policy are the long-term character of the employment relationships, the matching of employees' qualifications with job requirements, the correlation of the Company's interests and objectives with those of the employees, continuity of knowledge and experience, and an accent on the development and training of employees, rewarding and promotion based on merit and results achieved. The main focus of the Human Resources Policy is the improvement of the Company's organisational structure, the planning, selection and deployment of staff, the training and development of personnel, the formation of a reserve force of qualified employees, the development and implementation of a system of managing employee effectiveness and motivation as well as the formation of a corporate culture.

The Company considers its relationship with its employees to be generally good. Although there are trade unions in six of the Company's subsidiaries, each of which have collective bargaining agreements in place until 2017-2021, the Group has not experienced any material labour disputes,

strikes or legal actions in its history. The social allowances and benefits are the same for all employees irrespective of the region of residence of the employee, and are provided for retired employees of the Company.

The Company has also developed a strategic social support system for its employees, which includes such benefits as a special system of providing financial aid and other types of social benefits to employees, as well as a special health care system, including financing activities aimed at the protection of employees' health and implementation of multilevel corporate programmes of voluntary medical insurance for different categories of personnel.

The Company prioritises professional training and development. The existing system of personnel training is based on offering opportunities and support in professional growth to each employee of the Company by way of regular training and development courses that enable employees to acquire and develop necessary skills and expertise. The Company regards staff training expenses as long-term investments in the development of its human resources.

KTG Tbilisi

The Company acquired a monopoly gas distributor, KTG-Tbilisi, in Georgia's capital city, Tbilisi, for U.S.\$12.5 million in 2006, and invested approximately U.S.\$130 million into Georgia's gas distribution system in 2006-2009. In 2009, Georgian Oil and Gas Corporation, acting through its pipeline subsidiary, suspended the supply of gas to KTG-Tbilisi due to U.S.\$40 million of overdue debt. Due to the suspension of the gas supplies the Georgian National Energy and Water Supply Commission dismissed the general manager of KTG-Tbilisi and replaced him with its own appointee. This decision was upheld by the local court. Since that time, the Company has had no operational control over KTG-Tbilisi and has written down its investments in KTG-Tbilisi in full. The Company has filed a claim with the International Arbitration under the 1976 Uncitral Arbitration Rules in Geneva, claiming approximately U.S.\$187 million in damages from the Government of Georgia, and expects the first hearing in September 2017.

Research and Development

One of the Company's goals is to use the results of advanced scientific research and high-end technologies in the area of pipeline transportation of gas, with the aim of reducing the Company's operational costs and increasing the reliability of the Company's equipment. The Company conducts research and development and design and experimental works, which target research into the gas content of the territory to be covered under relevant contracts, and is developing optimal methane production technologies in the coal seams of the Karaganda coal basin.

The Company has developed and approved an innovation and technology programme which determines the main priorities of scientific and engineering and innovative development of the Company for 2012-2020. The main goals of the programme are cost reduction, increase of labour efficiency and economic efficiency in the transportation of gas.

The Company allocated approximately U.S.\$10 million for 2016-2017 on research and development.

Competition

As the national operator of Kazakhstan in the area of gas and gas supply, the Company considers its main competitors in the sector to be limited:

- *in the local market:* there are no competitors as the Company is a monopolist in supplying natural gas to the domestic market. According to Resolution of the Government No. 914 dated 5 July 2012 the Company is the national operator in the field of gas and gas supply. The Company as the national operator has the priority right to purchase gas at purchase prices from subsoil users with a view to further selling it at wholesale prices.

- *in gas export*: the Company's gas export competitors in Kazakhstan include Tengizchevroil LLP, a partnership operating under a joint operating agreement among Chevron (50%), ExxonMobil (25%), the Parent (20.00%) and LukArco Lukoil (5%) ("**Tengizchevroil**"), Karachaganak Petroleum, a joint venture among Eni (29.25%), Shell (29.25%), Chevron (18.00%), Lukoil (13.50%) and the Parent (10.00%).

Property

As of 30 June 2017, the Company had the following types of property, plant and equipment: (i) land, (ii) gas assets, (iii) buildings, (iv) gas transportation system, (v) equipment, (vi) vehicles, (vii) construction in-progress mainly related to construction, modernisation and renovation of gas pipelines and construction of gas stations and (viii) other property.

As of 30 June 2017, the net book value of Group's property, plant and equipment was KZT 809.3 billion as compared to KZT 763.7 billion as of 31 December 2016.

Insurance

The Company participates in various programmes of mandatory and voluntary insurance. In particular, in accordance with the requirements of the laws of Kazakhstan, the Company maintains the following types of mandatory insurance: insurance for employee accidents, insurance of civil liability as a vehicle owner, insurance of civil liability as an owner of objects which are associated with the danger of causing harm to third parties and environmental insurance. Voluntary insurance includes property damage insurance, vehicle insurance and employees' health insurance. As at the date of this Listing Particulars, the Company has no coverage for business interruption and does not currently maintain any key-person life insurance.

The Company generally enters into insurance contracts with its insurers on an annual basis. As at the date of this Listing Particulars, the Company's mandatory and voluntary insurance provider was Kazkom Polis in the area of mandatory civil liability insurance and voluntary insurance coverage to the Company.

The Company believes that its relations with the insurers are generally positive and its insurance coverage satisfies its current operational needs. In the last three years the Company was not involved in any major disputes or proceedings with its insurers.

Anti-Monopoly Regulation

The Guarantor is regulated by the Natural Monopolies Committee as a "natural monopoly" under the Law on Natural Monopolies. The Natural Monopolies Committee is responsible for setting caps on the Guarantor's domestic gas transportation and gas storage tariffs. See "*—Tariffs*" above. The Natural Monopolies Committee also approves (i) transactions with the property of natural monopolies used to provide regulated services, (ii) leasing of property by natural monopolies required to provide regulated services, and (iii) reorganization or liquidation of natural monopolies. Natural monopolies are required to purchase goods and services in accordance with certain procurement rules in accordance with the Law on Natural Monopolies.

Environmental Regulation

The Company is subject to environmental legislation, regulations and other requirements of Kazakhstan law applicable to gas companies, including limitations on air emissions, water use and disposal, waste management, impact on wildlife and regulations regarding land use and reclamation. State authorities conduct inspections on a regular basis and the Company is required to remedy violations of environmental laws of Kazakhstan resulting from such inspections. See "*—Regulation in Kazakhstan*".

The environmental protection policies of the Company aim to minimise impact on the environment using the best available technology, to develop technologies to deal with waste products, to remediate

or reclaim areas impacted by gas and gas products and to monitor the impact of the operations of the Company on the environment. The Company's total expenses for protecting the environment in the years ended 31 December 2016, 2015 and 2014 were KZT 101.9 million, KZT 173.9 million and KZT 276.9 million, respectively.

The Company also uses systems based upon the best practices of environmental protection and certified under the requirements of environmental international standards and the occupational health and safety management systems.

There have been no material violations of environmental regulations by the Company in the three years prior to the date of this Listing Particulars. However, see "*Risk Factors— Risk Factors Relating to the Company's Business—The Company's operations in the ordinary course of business subject it to developing and uncertain environmental and operational health and safety regulations and requirements to comply with ecological standards, non-compliance with which could result in severe fines and the suspension or permanent shut down of activities*".

Recent Developments

In June 2017, the Company entered into U.S.\$750 million bridge loan agreement with ING Bank, Citibank N.A., London Branch, and VTB Bank Public Joint-Stock Company. This loan was provided for the Company's general corporate purposes and is guaranteed by the Guarantor. The loan bears interest at a rate of three months LIBOR (as selected by the Company in the utilization request) increased by 0.875 per cent. per annum. The loan matures in December 2017 and if extended beyond December 2017, the applicable interest rate will be three months LIBOR increased by 1.325 per cent. per annum. As of the date of this Listing Particulars, the outstanding indebtedness of the Company under the agreement was U.S.\$750 million. The Company will use proceeds of the Notes to repay amounts outstanding under this Bridge Loan.

In August 2017, the Guarantor provided a guarantee of obligations of Gas Processing Company LLP under a EUR 37 million and KZT 4.5 billion facility agreement with JSC VTB Bank (Kazakhstan) and VTB Bank (Deutschland) AG entered into for the purposes of financing the construction of a gas processing plant in Kzyl bulak village in Aktobe region.

In September 2017, the Company entered into a set of amendment agreements in respect of the U.S.1.8 billion syndicated loan provided to BSGP. See "*Management's Discussion and Analysis of Results of Operations and Financial Condition—Indebtedness—Principal debt obligations of joint ventures*".

SHARE CAPITAL, SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Share capital and shareholders

As at 30 June 2017, the Company's authorised share capital consisted of 352,547,508 common voting shares of which 351,540,791 were issued and paid up. All shares are in registered form in the share register of the Company maintained by The Integrated Securities Registrar JSC. Dividends on the common shares are paid at the discretion of the Company's sole shareholder. The Company did not pay any dividends on its common shares in respect of the years 2014, 2015 and 2016.

As of the date of this Listing Particulars, the Company's share capital is 100 per cent. owned by the Parent, which is, in turn, 90.09 per cent. owned by Samruk-Kazyna and 9.91 per cent. owned by the NBK. The Parent is the national company responsible for all state-owned oil and gas activities in Kazakhstan, and acts as the representative of the Government for the purposes of developing and promoting the state's commercial interests in international and gas projects. The Parent is wholly owned by the Government of Kazakhstan as represented by Samruk-Kazyna and the NBK.

The Company's total charter capital of KZT 192,623,055,000 was fully subscribed and paid as of 30 June 2017.

Terms and conditions of transactions with related parties

Related party transactions are made on terms agreed to between the parties that may not necessarily be at market rates, except for gas transportation services, which are provided based on tariffs available to third parties. There are guarantees issued to a related party. Outstanding balances at the year-end are unsecured, non-interest bearing and settlement occurs in cash, except as indicated below. For the six months ended 30 June 2017 and the years ended 31 December 2016, 2015 and 2014, the Company did not recognise any impairment of receivables relating to amounts owed by related parties.

Material transactions with related parties for the six months ended 30 June 2017 and the years ended 31 December 2016, 2015 and 2014 were as follows:

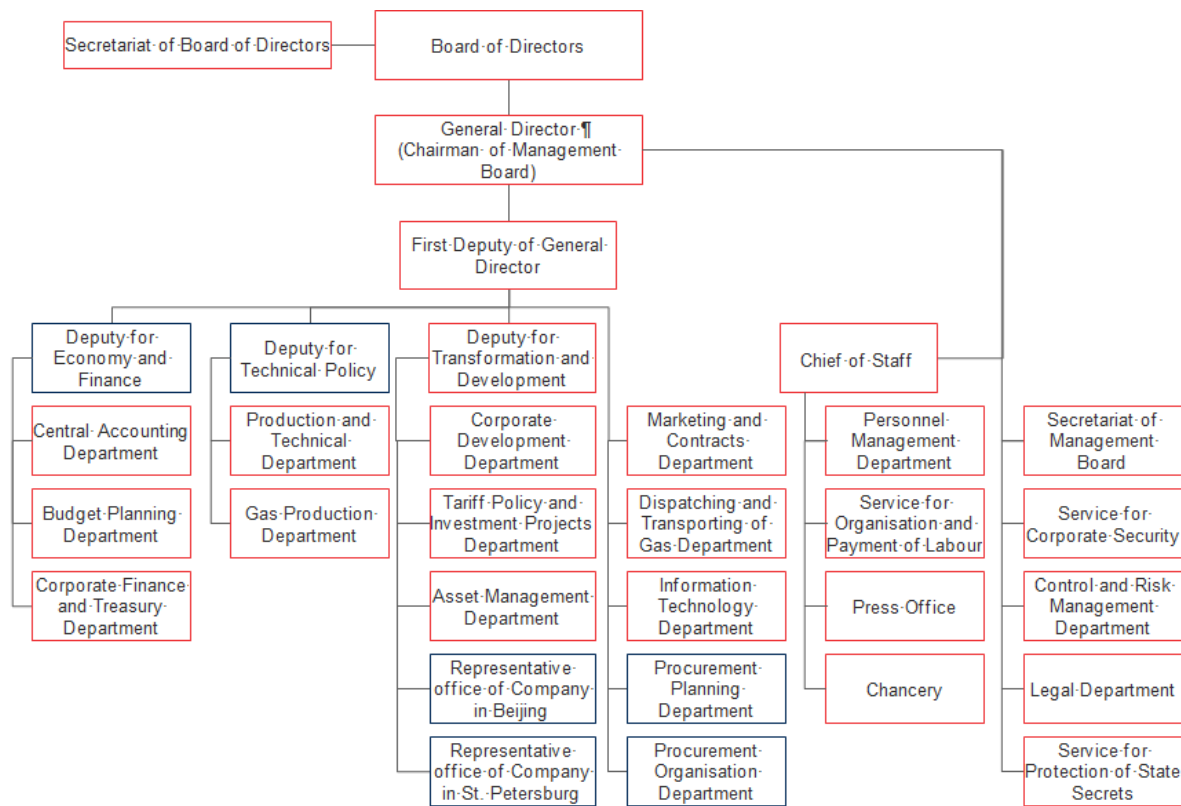
	<u>As of 30 June</u>	<u>As of 31 December</u>	
	<u>2017</u>	<u>2016</u>	<u>2015</u>
	<i>(unaudited)</i>	<i>(KZT thousands)</i>	
		<i>(audited)</i>	
Sales of goods and services			
Entities under common control of the Parent.....	10,470,324	45,919,439	1,358,077
Joint ventures in which the Group is a venturer.....	3,728,067	11,896,333	9,848,050
Joint ventures in which the Parent is a venturer.....	29,700,766	106,161,730	30,155,562
Entities under common control of Samruk-Kazyna and the Government.....	23,006,550	51,246,687	39,903,356
Joint ventures in which Samruk-Kazyna and the Government are venturers.....	6,733,067	11,297,105	13,258,406
Total.....	73,638,774	226,521,294	94,523,451
Purchases of goods and services			
Entities under common control of the Parent.....	11,621,982	38,221,633	5,087,182
Joint ventures in which the Group is a venturer.....	33,829,981	37,351,761	16,082,600
Joint ventures in which the Parent is a venturer.....	19,435,444	74,203,869	65,661,185
Entities under common control of Samruk-Kazyna and the Government.....	151,275	2,514,914	396,611
Total.....	65,038,682	152,292,177	87,227,578

MANAGEMENT AND CORPORATE GOVERNANCE

The Company

The Parent is the sole shareholder of the Company and its highest corporate governance body. The Company's charter provides for a two tier corporate governance structure that includes a board of directors (the "**Board of Directors**") and a management board (the "**Management Board**"). The JSC Law vests the final approval of the majority of corporate decisions with the Board of Directors and the Parent is responsible for final approvals of certain major corporate decisions only. In accordance with Kazakhstan legislation, members of the Board of Directors are appointed and may be dismissed by the Parent at any time. The members of the Management Board (other than the General Director (Chairman of the Management Board)) are elected and their appointments are terminated by the Board of Directors. The General Director (Chairman of the Management Board) is appointed by the Parent pursuant to the Company's charter.

The following chart represents the current organisational structure of the Company:



Sole Shareholder of the Company

The Parent, acting as the sole shareholder, is responsible for performing the functions of the general shareholders' meeting as set forth in the JSC Law, Law On the National Welfare Fund dated 1 February 2012 No. 550-IV (the "**Samruk-Kazyna Law**") and the Company's charter.

Such functions of the Parent include (among others):

- approving any amendments to the Company's charter;
- appointing the Company's auditors;
- approving the Company's annual financial statements;
- approving the payment of dividends by the Company;

- approving any increase in the Company's share capital;
- approving the issuance of securities convertible into the common shares of the Company;
- voluntary de-listing of the Company's shares;
- appointing the members of the Board of Directors;
- appointing the General Director (the Chairman of the Management Board); and
- approving the purchases or disposals by the Company of shares in other legal entities where the amount of consideration paid or received by the Company in cash or in kind for such acquisition or disposal is equal to or greater than 25% of the Company's total assets.

Board of Directors of the Company

The Board of Directors is a permanently functioning body managing Company's activities except for the matters within the exclusive competence of the Parent.

The powers of the Board of Directors (subject to the overview by the Parent) include (among others):

- setting the Company's priorities and approving the Company's strategy;
- approving the terms for issuance of bonds and derivative securities by the Company;
- electing the members of the Management Board (except the General Director (Chairman of the Management Board));
- approving major transactions (defined to include any acquisition or disposal by the Company of assets with a value equal to or greater than 25% of the balance sheet value of the Company's assets);
- approving the purchases or disposal by the Company of 10% or more of the shares in other legal entities;
- approving the increase of the Company's liabilities to an amount representing at least 10% of the Company's own capital; and
- resolving any issues within the competence of the general shareholders' meeting/general meeting of participants for any legal entity in which the Company owns at least 10% of shares (participatory interest).

Members of the Board of Directors are appointed by the Parent for a term of three years subject to re-election for an unlimited number of times, provided that any re-election of a director who has served two consecutive three-year terms is subject to a separate review.

An individual who is neither a shareholder nor appointed (recommended) as a representative of the Parent is eligible for election as a member of the Board of Directors. The number of such directors cannot exceed 50% of the members of the Board of Directors. The Board of Directors must have at least three members of which at least 30% must be independent directors.

As at the date of this Listing Particulars, the Company's Board of Directors consists of the following members:

<u>Name</u>	<u>Position</u>
Kairat K. Sharipbayev	Chairman of the Board, Representative of the Parent
Rustam E. Suleimanov	Member of the board, General Director
Ardak Zh. Mukushov	Member of the Board, Representative of the Parent
Airat A. Nurgaziev	Member of the Board, Independent Director

Kairat K Sharipbayev. Mr Sharipbayev was born in 1963 and graduated from the Kazakh Agricultural Institute in 1985. In 1999 he graduated from the Almaty State University with a PhD in Political Science. Mr Sharipbayev began his career working in industry in Almaty before rising to the position of Deputy Mayor of the city of Taraz in 1999. From 2000-2001 he served as Chairman of the Board of Directors of JSC Daur. In 2001, Mr Sharipbayev took up his first post at the Company, serving as Deputy General Director of Marketing from 2001-2004. From 2005-2006 he was an adviser to JSC NC Kazakhstan Temir Zholy and between 2006-2009 he acted as Chairman of the Board of Directors of JSC Danko. Mr Sharipbayev took up the position of CEO of KTG Aimak in 2009, occupying that role until 2014. He currently occupies two positions, serving as Deputy Chairman of the Board of the Parent alongside his position as Chairman of the Board of the Company. He was appointed Chairman in December 2015.

Rustam E. Suleimanov. Mr Suleimanov was born in 1973 and graduated from the Kazakh State Academy of Management in 1994. He started his career in 1994 as the Sales Manager and Head of the Financial Inspection Department at Butya LLC. From 1994-1997, Mr Suleimanov worked as an economist and financial inspector of commercial structures before moving to OJSC Alautransgaz. From 1997-1998, he served as the Financial Director at Akmola Department of Gas Facilities LLP of Alautransgas JSC. In 1998, Mr Suleimanov became the Head of Control and Audit Department of Alautransgas JSC, and in 2001 he was appointed as the Head of Marketing, Regional Manager at KTG Distribution JSC. Between 2005-2006, he served as the Financial Director at IR Group LLP. From 2006-2014, he worked at KTG Aimak, holding various management positions, including Managing Director between 2013-2014. Mr Suleimanov joined the Company in November 2014 as the Deputy General Director for Development and subsequently served as the Deputy General Director for Marketing and Commerce and Deputy to the Chairman of the Management Board for Gas Transportation and Marketing. In December 2015, he was appointed to his current post of General Director. Mr Suleimanov has also been awarded the prestigious 25th Anniversary of the Republic of Kazakhstan medal.

Ardak Zh Mukushov. Mr Mukushov was born in 1978 and graduated from the Eurasian University, specialising in Law and Legal Education Methodology in 1998. Having qualified as a lawyer, Mr Mukushov attended the Kazakh Economic University and qualified as an economist in 2007. From 2000-2003, Mr Mukushov worked in the Agency of Internal Affairs of the city of Astana before taking up a post as Chief Specialist in the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan from 2003-2010. During these years, he also served as Director of the Department of the Legal Service at the Ministry of Oil and Gas. In 2014, Mr Mukushov was a Counsellor of the Chairman of the Management Board of the Parent. From August 2014 until December 2016 he was the Director of the Department of International Contracts at the Parent before obtaining the post of Vice President of Legal Support in January 2017. Mr Mukushov has twice been awarded with the Jubilee Medal by the Republic of Kazakhstan.

Airat A. Nurgaziev. Mr Nurgaziev was born in 1958 and graduated as an engineer in 1981 from the Moscow Power Engineering Institute, before completing post-graduate studies at the Almaty Energy Institute. Between 1991-1993, he taught at the Almaty Institute of Continuous Education Energy before serving as a Senior Specialist of the fuel and energy complex at the National Agency for Foreign Investments of the Ministry of Economy of the Republic of Kazakhstan from 1993-1994. From 1994-1997, he worked in the Financial Management department of Eximbank Kazakhstan. Between 1998-2005, he occupied the post of Director of the Department of Budget Planning, Project Analysis and Corporate Finance at the Parent. From 2005-2006, he was Deputy General Director of Economy and Finance at JSC Kazakhstan-Caspi Shelf before serving as Executive Director for Oil and Gas Projects at the investment company Visor Holding between 2006-2008. From 2008-2009, Mr Nurgaziev served as Director of the Directorate of Electricity Assets at NWF Samruk-Kazyna. His current occupation is that of coach/educator at the KDYUSSH-3 school-lyceum 131 in Almaty.

Serik Zh. Zhamanbalin. Mr Zhamanbalin was born in 1983 and graduated Kazakh Humanitarian Law University, Faculty of International Law specialising in Foreign Economic Activity. He is a qualified lawyer. Mr Zhamanbalin is also a qualified financier having studied also at the Astana branch of the Karaganda Economic University of Kazpotrebsoyuz in 2006, specialising in Finance and Credit and Tax. He has occupied numerous directorship posts, serving on the board of directors at JSC RN Kazakhstanskaya Pravda from 2009-2011 and at JSC Reserve Center of the National Bank of RK Q-Bro from 2011-2013. Between 2012-2015, Mr Zhamanbalin served as independent director on the Board of JSC KazMedTech, occupying the position of chairman of the Strategy Committee. From 2010-2016, he served as an independent director of JSC KTG Aimak before taking up his current post at the Company in 2016.

Committees of the Board of Directors

The following is a description of the committees of the Board of Directors.

Audit Committee

The Audit Committee advises and consults the Board of Directors in order to improve the Company's internal control and risk management systems. The Committee (among other things): (a) analyses the functioning and assesses the efficiency of internal control systems, (b) issues recommendations to the Board of Directors on identifying, appointing and re-appointing the external auditor, (c) coordinates the work of the external auditor, (d) considers audit results, (e) assesses the external auditor's qualifications, competence and independence, (f) assesses the efficiency of internal control systems and observation of laws by the Company, and (g) issues recommendations to the Board of Directors on preliminary approval of the Company's annual financial statements.

The Audit Committee is comprised of at least two members of whom at least two members must be independent directors. The committee is headed by the Chairman and each member of the committee must be a member of the Board of Directors of the Company. The Audit Committee meets as necessary, but at least once every two months.

As at the date of this Listing Particulars, the Audit Committee consists of the following members:

Name	Position
Serik Zh. Zhamanbalin	Chairman
Airat A. Nurgaziyev	Member

Strategy Committee

The Strategy Committee (among other things): (a) makes recommendations to the Board of Directors on strategy and priority activities of the Company, (b) analyses internal programmes and plans for the Company's strategic development, (c) makes recommendations to the Board of Directors in respect of dividends to be paid on the Company's shares, and (d) recommends opening branches and representative offices of the Company.

The chairman of the Strategy Committee is a member of the Board of Directors who is approved by the Board of Directors. The committee consists of a minimum of two members of the Board of Directors. The chairman of the committee must be independent.

As at the date of this Listing Particulars, the members of the Strategy Committee are:

Name	Position
Serik Zh. Zhamanbalin	Chairman
Kairat K. Sharipbayev	Member

Airat A. Nurgaziyev

Member

Committee on Appointments and Remuneration

The Committee on Appointments and Remuneration advises and consults the Board of Directors in order to improve Management by providing recommendations as to human resources policy and motivation policy.

The committee (among other things): (a) recommends qualification requirements to the Board of Directors in respect of the Company's executives, corporate secretary and members of the Internal Audit Committee, (b) considers applicants for the aforementioned positions, (c) provides recommendations on the appointment and termination of members of the committees under the Board of Directors, (d) provides recommendations to the Board of Directors in respect of nominations to the corporate governing bodies of subsidiaries of the Company and (e) recommends to the Board of Directors in respect of remuneration to the Company's executives and other employees appointed or approved by the Board of Directors.

The Committee on Appointments and Remuneration is composed of three members, including two independent directors. As at the date of this Listing Particulars, the members of the committee are:

Name	Position
Airat A. Nurgaziyev	Chairman
Kairat K. Sharipbayev	Member
Serik Zh. Zhamanbalin	Member

Internal Audit Service

The Internal Audit Service of the Parent monitors and supervises the internal audit services of the Company, its subsidiaries, joint ventures and associates and provides such internal audit services with guidance on the organisation of internal control and internal audit systems. The Internal Audit Service may, upon instructions of the Board of Directors of the Parent, perform an audit of any subsidiary, joint venture or associate of the Company. Members of the Internal Audit Service are appointed by the Board of Directors of the Parent for a term determined by the Board of Directors of the Parent. Members of the Internal Audit Service report to the Board of Directors of the Parent and can be removed at any time.

Management Board of the Company

The Management Board is responsible for day-to-day management and administration of the Company's activities. The Management Board's responsibilities include making executive business decisions, approving interested party transactions, developing and implementing business and development strategy of the Company and all other matters not reserved to the Board of Directors or the Parent.

As at the date of this Listing Particulars, the Company's Management Board consists of seven members elected until 1 September 2019. The Board of Directors elects the members of the Management Board other than the General Director (Chairman of the Management Board) who is appointed by the Parent (acting as the sole shareholder). The members of the Management Board, other than Mr. Kurmanaliyev, were approved by the Board of Directors on 31 March 2016. Mr. Kurmanaliyev was approved by the Board of Directors on 27 March 2017.

The Company's Management Board consists of the following members:

Name	Position
Rustam E. Suleimanov	General Director (Chairman of the Management

Kanat R. Kurmanaliyev	Board) First Deputy General Director, Member of the Management Board
Dair A. Kuserov	Deputy General Director of Economy and Finance, Member of the Management Board
Yerkanat U. Temirkhanov	Deputy General Director for Transformation and Development, Member of the Management Board
Nurzhan N. Nurlanov	Deputy General Director for Technical Policy, Member of the Management Board
Nailya U. Abdygulova	Secretary General, Member of the Management Board
Nurlan K. Abdrasulov	Advisor to the General Director, Member of the Management Board

Rustam E. Suleimanov. See "*—Board of Directors*".

Kanat R Kurmanaliyev. Mr Kurmanaliyev was born in 1967 and graduated originally as veterinary surgeon from the Tselinograd Agricultural Institute, before later qualifying as an engineer from M.Kh.Dulati Taraz State University. In 1997 he served as Deputy Director of Alau Trans Gas before taking up a Deputy Director role at AUGKH from 1997-1999. Between 2001-2004, Mr Kurmanaliyev served as General Director of KTG Distribution before occupying the role of CEO at Hydroinsulation from 2004-2010. From 2006-2010 he was the Chairman of the Board of Directors of the Sary-Arka Airport. From September 2014- June 2015 he served as Deputy General Director for Business Support and Deputy Operation General Director of Beineu-Shymkent Gas Pipeline. From June 2015-February 2017 Mr Kurmanaliyev served as General Director of Amangeldy Gas. Since March 2017, he has occupied the roles of adviser to the General Director and the First Deputy General Director of the Company.

Dair A. Kuserov. Mr. Kuserov was born in 1977 and graduated from the Indiana University in the USA with a degree in Finance in 1998. He subsequently studied at the Kazakh State Academy of Management, specialising in Oil Business and graduated in 2001. From 1998-2000, Mr. Kuserov served as the Head of the Internal Audit Department and Deputy Chief Accountant at the pension assets management company Ak Niet. Between 2000-2005, he held a number of positions at ABN AMRO Asset Management, including Head of Department, Chief Portfolio Manager and Risk Manager. From 2005-2006, Mr. Kuserov served as Deputy Director and then Head of the Corporate Finance Department at the Guarantor, before being appointed as Head of the Corporate Finance Department at the Company between 2006-2008. From March 2008-September 2008, he served as Finance Director of JSC KazTransOil and from September 2008-June 2012 as Executive Director of Economic and Financial Affairs at the Company. From 2012 until the present day, he has occupied the role of Deputy General Director of Economic and Finance at the Company. In addition, Mr Kuserov currently serves as member of the Guarantor's Board, member of the supervisory committees at AGP and BSGP, and the Chairman of the supervisory committees at KMG-Kansu-Operating LLP.

Yerkanat U. Temirkhanov. Mr Temirkhanov was born in 1958 and obtained a doctorate of Economic Science from the St Petersburg State University of Economics and Finance. He began work in 1975 at the Yamyshevski 'sovkhoz'. He qualified as an engineer from the Pavlodar Industrial Institute in 1981, specialising in thermal power engineering. Mr Temirkhanov worked as a power engineer in the Pavlodar plant from 1981-1983, before serving as commissioner of the regional headquarters of SCD. From 1985-1987 he served as Chief Engineer of Pavlodaroblmezhkolhozstroi road-building materials plant, gaining significant experience in the fields of production, Soviet party bodies, banking and scientific research. From 2005-2006, he occupied the role of Deputy Director of ARNM RK. From 2009 until the present day, he has served as General Director adviser, Director of the representative office in Astana, Managing Director for Tariff Policy and Managing Director of the Board of the Company.

Nurzhan N. Nurlanov. Mr Nurlanov was born in 1988 and graduated from the L.N.Gumilyov Eurasian National University in 2009, before completed a bachelor's degree in business administration from the American InterContinental University of London in 2010. He subsequently obtained master's degrees in Marketing and Business Administration from the London Business School (2013) and in Marketing from the University of Wales (2014). He began his career in the JSC National Agency for Export and Investment, where he rose to the position of Managing Director of the Service of Regional Cooperation. From 2012-2013 he worked as an expert in the in the department of regional development in the Office of the Prime Minister of the Republic of Kazakhstan. From 2013-2014 he served as Managing Director of Finance at JSC KTG Aimak before occupying the role of Managing Director of Gas Marketing at the Company from December 2014-February 2015. As well as serving as a Board Member of KazRosGas, he served as Managing Director of Marketing and Commerce at the Company from 2015-2016. Mr Nurlanov has occupied his current post, Deputy General Director for Technical Policy, since March 2016.

Nailya U. Abdygulova. Mrs Abdygulova was born in 1958 and graduated from the Kazakh Agricultural Institute with a degree in Accounting in Agriculture in 1979. From 1979 to 1980 she worked as an accountant at the Zhambyl Region Plant Protection Station. From 1980-1992 Mrs Abdygulova occupied several governmental posts, including First Secretary of Kurtinsk District Committee of Kazakhstan, Head of Political Enlightenment Office and Head of the Ideological Unit of the Party's District Committee. From 1992-1995 she served as Chief of Akim's Staff of the Kurtinsk District. Between 1995-1998 she served as an assistant advisor of Akim of the Almaty Region before occupying the post of consultant in the Ideological Affairs Unit of Otan from 1999-2000. From 2000-2002 Mrs Abdygulova held the positions of Director of Administrative Department at Daur Limited and Administrative Director Kitap Publishing House. From 2002-2004 she served as Director of Administrative Department and Head of HR Department at the Regional Gas Transportation System. From 2004-2014 Mrs Abdygulova held the positions of Head of the HR Department and Director of the HR Management Department at KTG Aimak. From 2014-2015 she was Director of HR Management and Remuneration at the Company. Since February 2015 she has held the position of Chief of Staff of the Company.

Nurlan K. Abdrasulov. Mr Abdrasulov was born in 1963 and graduated as a Candidate of Economic Sciences from the I.M. Gubkin Russian State Oil and Gas University. From 1987-1989 he worked at the S.M.Kirov Engineering Plant, occupying the post of Senior Master. He served as Secretary of the Komsomol Committee of the plant from 1989-1990. Between 1990-1991, Mr Abdrasulov served as Director of Regional Association of Small Business Enterprises of the Alma Soviet District before serving as President of the Almaty Commodity Exchange from 1991-1995. Mr Abdrasulov was the President of the CJSC Grain Product from 1995-1998, before taking up the post of Deputy General Director for Commercial Affairs at the Ministry of Defence of the Republic of Kazakhstan from 1998-1999. In 2000, the served as Director of the Department of Depositor Relations of the State Pension Saving Fund. From 2000-2002, he occupied the posts of Director of the Contract and Clearing Department, Head of the Contract and Clearing Administration and Head of the Logistic Administration at JSC Intergas Asia. In 2002, he served as Deputy Head of the External Economic Relations Unit of CJSC KTG before working as Head of the Marketing and Logistic Unit at CJSC KazRosGas from 2002-2004. From 2004-5 he served as Director of the Production and Commercial Department of JSC KazRosGas before moving to the position of Director of the Gas Marketing Department at SpetsTkhServis from 2005-6. In 2006 he returned to CJSC KazRosGas, where he served as both Director of the Gas Marketing Department (2006) and Deputy Marketing General Director from 2006-2015. Since February 2015, he has occupied the post of advisor to the General Director of the Company.

The business address of the members of the Management Board of the Company is 11, 36 Street, Esil District, Astana, 010000, the Republic of Kazakhstan.

Executive Compensation

Pursuant to the Company's charter, the remuneration of the General Director and Deputy General Directors is fixed by the Parent. For the six months ended 30 June 2017, the Company paid cash compensation (including salaries, cash bonuses, car allowances and other benefits) to its General Director and Deputy General Directors of KZT 313 million in the aggregate, as compared to KZT 360 million for the same period in 2016.

The Guarantor

Board of Directors of the Guarantor

The board of directors of the Guarantor (the "**Guarantor's Board**") is a permanently functioning body managing the Guarantor's activities except for the matters within the exclusive competence of the Parent.

Members of the Guarantor's Board are appointed by the Company for a term of up to three years subject to re-election for an unlimited number of times, provided that any re-election of a director that has served two consecutive three-year terms is subject to a separate review.

An individual who is neither a shareholder nor appointed (recommended) as a representative of the Company is eligible for election as a member of the Guarantor's Board. The number of such directors cannot exceed 50% of the members of the Guarantor's Board. The Guarantor's Board must have at least three members of which at least 30% must be independent directors.

As at the date of this Listing Particulars, the Guarantor's Board consists of the following members:

Name	Position
Ibulla D. Serdiev	Chairman of the Board, Representative of the Parent
Valentin B. Hvan	Member of the Board, General Director
Dair A. Kusherov	Member of the Board, Representative of the Parent
Aitmuhammed T. Aldazharov	Member of the Board, Independent Director
Marat A. Saidnasimov	Member of the Board, Independent Director

Ibulla D. Serdiev. Mr. Serdiev was born in 1976 and graduated from the Kazakh Academy of Transport and Communications with a degree in Engineering and Economics. He also holds a degree in Oil and Gas business from the Kazakh National University of Technology. Mr. Serdiev has over 14 years of experience in the oil and gas sector. He was Deputy Head of the Procurement Department at JSC Kazakhstan Temir Zholi from 2006-2009, before holding a number of senior positions at KTG Aimak, including Chief Specialist and Manager from 2009-October 2009, Director of an affiliate of KTG Aimak in the Mangistau region between October 2009-September 2011, Director of Contracts and Negotiation of Prices from September 2011-September 2013 and Deputy CEO between September 2013-October 2014. Mr. Serdiev then held positions of CEO and Chairman of the Management Board at KTG Aimak between July 2015-September 2015, before becoming an Advisor to the General Director of the Company from July 2015-September 2015. In September 2015, he was appointed to the Guarantor's Board as the Chairman and held this position until December 2015. Mr. Serdiev was Deputy Director of Marketing and Commerce at the Company from December 2015-February 2016, before being re-appointed as Chairman of the Guarantor's Board in March 2016. In addition to this position, in March 2016, he became First Deputy to the General Director of the Company and Senior Vice-President of Transportation and Marketing of Gas at the Parent. Mr. Serdiev also currently holds positions of the Chairman of the board of directors of JSC Astana Gas KMG and member of the supervisory committees of AGP and KazRosGas LLP. He has received a number of awards, including an Order of Honour "Kurmet" in 2015 for his contributions in the field of economy of Kazakhstan, Certificate of Honour from the Minister for Oil and Gas of Kazakhstan, and gratitude for his contributions from the ruling party "Nur Otan".

Valentin B. Hvan. Mr. Hvan was born in 1980 and graduated from the Kazakh Academy of Architecture and Construction with a degree in Economics and Management. Between 2002-2011, he worked as Deputy Director of Production at Amanat-2 LLP and Chief Engineer at Akku, before becoming Director of Capital Construction at KTG Aimak from August 2011-December 2012. Mr. Hvan was then Director of Technology at KTG Aimak between January 2013-October 2014, before being appointed as First Deputy of General Director and member of the Management Board of KTG Aimak between November 2014-February 2015. He was appointed to the Guarantor's Board in March 2015 and held position of First Deputy of General Director and member of the Guarantor's Management Board from March 2015-February 2017. In March 2017, Mr. Hvan became the General Director of the Guarantor and Chairman of the Guarantor's Management Board. In addition, he currently serves as a member of the board of directors of JSC Astana Gas KMG. For his contributions to the economy of Kazakhstan, Mr. Hvan received an Order of Honour "Kurmet" in 2016.

Dair A. Kusherov. See "*—Management Board of the Company*".

Aitmuhammed T. Aldazharov. Mr. Aldazharov was born in 1972 and graduated from the Kazakh State Academy of Management with a degree in Engineering. He holds an MBA from the International Academy of Business and a certificate of Directorship in Corporate Management from the Kazakh Association of Independent Directors. Between 2005-2010, Mr. Aldazharov was Deputy General Director of KMG EP Catering LLP. From December 2010-March 2012, he was Head of a Sector at the Parent. In November 2014, Mr. Aldazharov was appointed to the Guarantor's Board as an Independent Director, a position which he holds to the present day, and he was a member of the board of directors of the Parent from 2015-2016. In addition, he is currently holding positions of Director at Staier Group LLP and the Chairman of the management board of JSC SPK Shymkent, positions which Mr. Aldazharov has held since March 2012 and February 2017 respectively.

Marat A. Saidnasimov. Mr. Saidnasimov was born in 1968 and graduated from the Almaty Institute of Power Engineering with a degree in electricity supply of industrial enterprises and cities reliant on the agriculture. He holds an MBA from the Kazakh Institute of Management, Economics and Forecasting and a degree in public service and personnel policy from the Russian Academy of Economy and Public Service. Mr. Saidnasimov was Head of Industrial Equipment Department at Crown Investment Group LLC from 1992-1997. Between 2000-2001, he was a Sales Manager at a multinational manufacturer of scales and analytical instruments, Mettler Toledo GmbH, before being appointed as the Chairman of the management board at Legrand SNC, a global specialist in electrical and digital building infrastructure, for a period from 2001-2008. Subsequently, Mr. Saidnasimov held the position of General Director at Legrand Kazakhstan between 2008-2010. From 2010-2011, he was the Head of Department responsible for Kazakhstan, Central Asian Countries and Mongolia at Legrand Kazakhstan. Mr Saidnasimov was General Director at Alageum Electric Holding from 2013-2014. In November 2014, he was appointed to the Guarantor's Board as an Independent Director. In addition, he is Deputy Chairman of the management board at Euroelectric, a position which he has held since November 2014.

Management Board of the Guarantor

The management board of the Guarantor (the "**Guarantor's Management Board**") is responsible for day-to-day management and administration of the Guarantor's activities. The Guarantor's Management Board's responsibilities include making executive business decisions, approving certain interested party transactions, developing and implementing business and development strategy of the Guarantor and all other matters not reserved to the Guarantor's Board.

As at the date of this Listing Particulars, the Guarantor's Management Board consists of seven members elected for a term of three years. The Board of Directors elects the members of the Management Board other than the General Director (Chairman of the Management Board) who is appointed by the Company (acting as the sole shareholder). The members of the Management Board were elected on 28 February 2017.

The Guarantor's Management Board consists of the following members:

Name	Position
Valentin B. Hvan	General Director (Chairman of the Management Board)
Muhatai M. Shanbatirov	First Deputy General Director, Member of the Management Board
Nikolai V. Rubanov	Deputy General Director, Member of the Management Board
Abzal Zh. Kismetov	Deputy General Director, Member of the Management Board
Aigolek E. Mamutova	Deputy General Director, Member of the Management Board
Aida G. Askarova	Advisor to the General Director, Member of the Management Board
Ruslan S. Abdullin	Managing Director of the Legal Department, Member of the Management Board

The business address of the members of the Guarantor's Management Board is 11, 36 Street, Esil District, Astana, 010000, the Republic of Kazakhstan.

Valentin B. Hvan. See "*Board of Directors of the Guarantor*".

Muhatai M. Shanbatirov. Mr. Shanbatirov was born in 1957. He graduated from the Moscow Institute of Petrochemical and Gas Industry. Mr. Shanbatirov has over 30 years of experience in the oil and gas sector. Between 1997-2002, he held a number of senior positions, including Head of Linear Production Management Centre at Aral region at AktobetransGaz, and Head of Technical Support Base and Managing Director of Compressor Station of Underground Gas at Bazoi. In 2002, Mr. Shanbatirov was appointed as Chief Engineer of gas pipeline "Aktobe" at the Guarantor and he continued in this role until 2004, whereupon he was moved to the same position for the "Uralsk" gas pipelines. From 2008-2009, Mr. Shanbatirov was a Deputy General Manager of Asian Gas Pipeline, before being appointed as Managing Director of the Gas Transmission System Department at the Company between 2009-2012. He was Deputy General Manager of the Gas Transmission System at the Company from June 2012-July 2015. In August 2015, Mr. Shanbatirov was appointed to the Guarantor's Management Board as Deputy General Manager, a position he held until February 2017. He was appointed as First Deputy of the General Manager of the Guarantor in March 2017.

Nikolai V. Rubanov. Mr. Rubanov was born in 1980. He graduated with a degree in Law from the Moscow Modern Humanitarian Institute. Between 2000-2008, Mr. Rubanov held a number of positions as legal consultant, including categories 1 and 2 legal specialist at Taraz Gas Administration LLP. In January 2008, he was appointed as Deputy Managing Director of the Legal Department at KTG Aimak and, between June 2009-October 2013, Mr. Rubanov held a position of Managing Director of the Materials and Technical Supply Department. From November 2013-September 2015, he was Managing Director of the Legal Department at KTG Aimak, before being appointed to the Management Director of the Legal Department between October 2015-May 2016. In April 2016, Mr. Rubanov was appointed to the Guarantor's Management Board as Deputy General Manager.

Abzal Zh. Kismetov. Mr. Kismetov was born in 1977. He holds two (2) degrees from Aтираusk Institute of Oil and Gas with specialism in machinery and equipment for oil and gas fields. Mr. Kismetov has over 15 years of experience in the oil and gas sector. Between November 2004-July 2005, he was Head of Technological Group "Makatenergoremont" at the Guarantor. From August 2005-February 2007, Mr. Kismetov was Chief Engineer for repairs of the Compressor Station for the control of gas mains at the Guarantor. He then held a number of managerial position at the Company between March 2007-June 2012, including Chief Manager of the Department responsible for Operation of Gas Pipelines and Compressor Stations of the Company. Between July 2012-August 2015, Mr. Kismetov was Deputy Managing Director for Operation of Gas Mains and Compressor

Stations at the Guarantor, before he was appointed as the Managing Director of this Department and he held this position between September 2015-February 2017. In March 2017, Mr. Kismetov was appointed to the Guarantor's Management Board as Deputy General Director. He has also received a number of awards, including a medal from the Ministry of Energy of Kazakhstan and Certificates of Honour from the Company and the Guarantor.

Aigolek E. Mamutova. Mrs. Mamutova was born in 1987. She graduated with a degree in economics from the Kazakh Institute of Management, Economics and Strategic Planning. Between 2010-2013, Mrs. Mamutova held managerial positions in a number of organisations, before she was appointed Chief Manager of the Materials and Technical Supply Department in June 2013 at KTG Aimak. Between November 2013-September 2014, Mrs. Mamutova was Director of the Materials and Technical Supply Department at KTG Aimak. From October 2014-March 2016, she held position of Director of the Investment Policy and Tariffs Department at KTG Aimak. She was then Director of the Gas Marketing and Contracts Department between April 2016 and July 2016. In August 2016, Mrs. Mamutova was appointed to the Management Board of the Guarantor as Deputy General Manager.

Aida G. Askarova. Ms. Askarova was born in 1969. She graduated with a degree in economics from Alma-Ata Institute of National Economy. Between 1996-1998, Ms. Askarova held a number of position at the Ministry of Economy of the Republic of Kazakhstan, including Head of the Market Relations and Economic Sectors Department and Chief Specialist of the Department regulating prices. From 1998-2014, she was Director for Regulation of Pipeline Systems within the Department for Regulation of Natural Monopolies of the Republic of Kazakhstan and Chief Specialist of the Strategic Planning and Reforms Department of the Republic of Kazakhstan. In October 2014, Ms. Askarova was appointed as Managing Director of the Marketing and Contracts Department at KTG Aimak, before she held position of Advisor to the General Director of the Company from November 2014-January 2015. Ms. Askarova was Managing Director at the Company between February 2015-September 2016. She was then appointed Advisor of General Director of KTG Aimak from October 2016-March 2017. In April 2017, Ms. Askarova was appointed to the Management Board of the Guarantor as Advisor to General Director.

Ruslan S. Abdullin. Mr. Abdullin was born in 1977. He graduated with a degree in jurisprudence from A. Baitursynov Government University. Between November 1998-June 2004, Mr. Abdullin held a number of senior positions with the Ministry of Justice of the Republic of Kazakhstan and Administrative Courts, including Deputy of Administrative Courts of the Kostanay Region under the jurisdiction of the Supreme Court of the Republic of Kazakhstan. He was Head of the Legal Department of JSC B-Logistic under the jurisdiction of the Supreme Court of the Republic of Kazakhstan from May 2017 until September 2007. Between October 2007-May 2009, Mr. Abdullin was legal consultant at, among others, LokoDiesel LLP and JSC Nurbank. He was Director of a law firm Lex Company LLP from June 2009-March 2016. In April 2016, Mr. Abdullin was appointed to the Guarantor's Management Board as Managing Director of the Legal Department and Chief Manager of the Legal Department of KTG Aimak.

REGULATION IN KAZAKHSTAN

Gas and Gas Supply

The Law "On Gas and Gas Supply" No. 532-IV dated 9 January 2012 (as amended from time to time) (the "**Gas Law**") is the primary law regulating the area of gas supply, transportation, storage and sales, the status of the national gas operator, the state's priority right, and other matters pertaining to gas market.

Pursuant to the Gas Law, the State is the owner of associated gas extracted by subsoil users and belonging to the State in accordance with subsoil legislation of Kazakhstan. This is the case for both new and existing subsoil use contracts (including those entered into before the Gas Law came into force), unless a given contract expressly specifies that the subsurface user is the owner of the associated gas. The subsoil users are obliged to transfer all such associated gas owned by the State to the Company, in its capacity as the national gas operator.

The Civil Code (General Part, dated 27 December 1994), the Gas Law and the Law "On State Property" (No. 413-IV dated 1 March 2011 as amended from time to time) (the "**State Property Law**") establish the State's pre-emptive right (*приоритетное право*) to purchase (through, among others, the national operator):

- any facility within an integrated sales gas supply system (i.e., connecting pipelines, trunk pipelines, sales gas storage facilities and other facilities for production, transport, storage, sale and consumption of gas, including those owned by oil and gas producers);
- a share in the right of common ownership over such facilities; and
- shares, or a participatory interest, in an entity which owns such facilities (collectively, the "**objects**").

Such pre-emptive right (*приоритетное право*) of the State does not extend to:

- transfers (sales) of gas-filling compressor stations and gas-consuming systems of industrial consumers;
- transactions on alienation of shares which are traded on an organised securities market;
- the transfer of an object:
 - to a subsidiary in which at least 99% participatory interest (shareholding) is held directly or indirectly by the owner of the facility within the integrated sales gas supply system; or
 - between legal entities in which at least 99% participatory interest (shareholding) is held directly or indirectly by one and the same person;
- the transfer of shares (participatory interest) in the owner of the facilities if, as a result of such transfer, an entity acquires the right to directly or indirectly control less than 0.1% participatory interest (shareholding) in the charter capital of such owner of the facilities.

The State may exercise its pre-emptive right (*приоритетное право*) on terms no less favourable than those offered by a third party in the manner and according to procedures provided by the Gas Law and the State Property Law.

In addition, the Gas Law provides for the State's priority right (*преимущественное право*) over other parties to acquire (through the national operator) natural and purified gas at a price approved by the Competent Authority and determined pursuant to formulas provided in the Order of the Minister of Energy of the Republic of Kazakhstan No. 121, dated 13 November 2014 (as amended). The price of natural and purified gas includes production costs, processing costs, transportation costs and a

maximum profit margin. If the State waives its priority right (*преимущественное право*) to buy gas, the seller may sell the gas to a third party. The State's priority right (*преимущественное право*) does not apply in case of transfer of:

- natural gas extracted from gas and gas condensate deposits;
- purified gas produced from natural gas which is extracted from gas and gas condensate deposits;
- liquid natural gas and purified gas received in the process of regasification;
- natural gas realised/transferred pursuant to international treaties of Kazakhstan;
- purified gas which is produced outside of Kazakhstan and imported into Kazakhstan for consumption purposes;
- purified gas produced outside of Kazakhstan from natural gas extracted within the territory of Kazakhstan pursuant to international treaties of Kazakhstan;
- purified gas produced based upon a partnership agreement under the Gas Law; and
- natural and purified gas extracted (or produced, as applicable) under PSAs which contain tax stabilisation clauses pursuant to tax laws of Kazakhstan and which provide for the State's preemptive right to purchase the transferred natural and/or purified gas.

As a result of Resolution of the Government No. 914 dated 5 July 2012, the Company has been appointed the national operator in the sphere of gas and gas supply. Accordingly, the Company has been given a priority right over any other party to purchase (on behalf of the State) all natural and purified gas produced by subsoil users in Kazakhstan, at a regulated price. The Company then sells the gas on the domestic market. The Company, as the national operator, exercises its other rights and functions stipulated by the Gas Law.

In addition to the matters described above, the Gas Law regulates the general terms and conditions of the sale of commercial and liquefied petroleum and liquefied natural gas (based on the approved model contracts), matters related to wholesale and retail sales of gas in the domestic market, as well as matters related to transportation and storage of gas.

Trunk Pipeline

The Law "On Trunk Pipeline" (No. 20-V dated 22 June 2012, as amended from time to time) (the "**Trunk Pipeline Law**") sets out a unified legislative basis for the construction, ownership, and operation of trunk pipelines, as well as the State's control over trunk pipelines. In particular, the Trunk Pipeline Law provides that (i) a trunk pipeline, (ii) shares in an entity that owns a trunk pipeline, and (iii) shares in an entity that may directly and/or indirectly determine and/or influence decisions adopted by an owner of a trunk pipeline constitute "strategic assets".

Pursuant to the Trunk Pipeline Law and the State Property Law, the State has a priority right to (i) acquire "strategic assets" that are being alienated and (ii) participate in any new trunk pipeline project where the share owned by the State would normally be not less than 51% (although the State can take a decision to participate with a smaller interest). The State may waive its right to exercise either of these priorities. However, the Trunk Pipeline Law does not provide the State with a priority right in respect of an expansion of an existing trunk pipeline.

The Trunk Pipeline Law also states that operator services must be provided by the national operator for any trunk pipeline in which the State, a national management holding company or a national company directly or indirectly owns more than a 50% interest, unless otherwise agreed by the Government. Pursuant to Resolution of the Government No. 1273 dated 8 October 2012, KazTransOil JSC has been designated as the trunk pipeline national operator and thus performs all functions and

exercises all rights of the national operator, as provided by the Trunk Pipeline Law and its constitutive documents.

The Trunk Pipeline Law (as well as legislation regulating natural monopolies) provides for equal rights of access to trunk pipeline services for all shippers, subject to certain statutory limitations, should there be free throughput capacity. If there is limited throughput pipeline capacity, oil and oil product transportation services must be made available in the priority established by the Trunk Pipeline Law, which allocates first priority to shippers supplying oil to domestic refineries. The Trunk Pipeline Law also provides for the possibility of swap operations (i.e., swaps of products by one shipper for the products of another shipper), for the purposes of supplying oil to domestic refineries and gas to the domestic market or outside Kazakhstan. This is exercised by obtaining the written consent of the pipeline owner (or other person legally holding rights to the pipeline), the Competent Authority and the relevant swapping entities.

The Trunk Pipeline Law defines a trunk pipeline as an integrated production and technological facilities complex and includes an obligation to ensure the safe transportation of products. Pursuant to the Trunk Pipeline Law, the owner of a trunk pipeline must perform environmental rehabilitation procedures upon the removal of a trunk pipeline from operation. The costs of complying with such a requirement are, at present, unknown.

Regulation of Mineral Rights in Kazakhstan

General

The Company's subsidiary, Amangeldy Gas, is developing the Amangeldinsk field in the Zhambylsk Region and is subject to regulation by Kazakhstan subsoil use legislation as outlined below.

The Law "On Subsoil and Subsoil Use", dated 24 June 2010, as amended (the "**2010 Subsoil Law**") is the primary law regulating the area of subsoil use.

In Kazakhstan, the subsoil and minerals contained therein are owned by the State, in accordance with the Constitution of Kazakhstan. The State shall ensure access to the subsoil on the terms, conditions and within the limits provided for by the 2010 Subsoil Law. Unless otherwise stipulated by Kazakhstan law and Subsoil Use Agreements, mineral raw materials shall be owned by the subsoil user under a right of ownership. The Government develops and implements Kazakhstan's subsoil use policy. The Competent Authority grants the exploration and production rights.

Historically, the Competent Authority for oil and gas sector and the hard minerals sector was the Ministry of Energy and Mineral Resources (the "**MEMR**"). The functions of the MEMR were split between to the Ministry of Oil and Gas (the "**MOG**") (in respect of the oil and gas sector) and the Ministry of Industry and New Technologies (the "**MINT**") (in respect of subsoil use in relation to hard minerals) from 12 March 2010.

Further, in August 2014, both ministries were reorganised pursuant to a decision of the President. The functions and authorities of the MOG were transferred to the Ministry of Energy and the functions and authorities of MINT were subdivided between the Ministry of Energy and the Ministry for Investments and Development (the "**MID**") (the Ministry of Energy and the MID being jointly referred to as the "**Competent Authority**"). See "*The 2014 Government Reorganisation*".

Subsoil use rights for hydrocarbons are granted on a competitive basis in the form of tenders and auctions or, in exceptional cases, by direct negotiations. Oil and gas exploration and production rights are then secured by executing a contract with the Competent Authority. Subsoil use rights are granted for a determinable period, but may be extended before the expiration of the relevant contract and licence (if applicable, agreed and permitted), subject to certain conditions and limitations.

A Subsoil Use Agreement may be terminated upon expiration of its term (unless extended for a new term by agreement of the parties, subject to certain limitations) or prior to expiration of its term on certain grounds provided in the law. Such grounds include, among other things, a breach of a

contractual obligation by a subsoil user (unless eliminated within the time period notified by the Competent Authority in the manner provided by law). Contractual obligations include failure to pay taxes and failure to comply with mining, environmental and health and safety requirements. In addition, the State has the right to unilaterally terminate, or demand amendments to terms and conditions of, the Subsoil Use Agreement relating to strategic deposits when the subsoil user's operations result in a change of initial balance economic interests of the State in a Subsoil Use Agreement leading to a national security threat.

Prior to August 1999, subsoil use rights for hydrocarbons and mining sector operations were established by the grant of a licence and the execution of a Subsoil Use Agreement. In August 1999, the Government, in an attempt to simplify the procedure, abolished this two tier process. Subsoil use rights are now established only by means of a Subsoil Use Agreement, and no licence is required. Previously issued and unexpired licences and PSAs continue to have legal effect. The current regime for granting subsoil use rights is as follows:

- **Exploration Contracts:** exploration contracts may be agreed for up to six years, subject to a general right of extension for the purposes of appraisal of a commercial discovery or in the event of a force majeure (if proved by the subsoil user). In contrast to the Old Subsoil Law (as defined below), two-year extensions of the exploration period are no longer permitted, except in respect of the offshore petroleum contracts where the exploration period may be extended for two years.
- **Production Contracts:** production contracts may be agreed for up to twenty five years and for fields with large and unique reserves, up to forty five years. The term of a production contract may not exceed the term required to fully process the reserves and may be extended in the event of the implementation of an industrially innovative project which provides for high value added products.
- **Combined Exploration and Production Contracts:** combined exploration and production contracts are now only granted for sites considered to be of strategic importance and/or with complex geological structures, and require approval through a decision of the Government.

2010 Subsoil Law

The 2010 Subsoil Law replaced two major laws governing relations between the State and subsoil users in the oil and gas sector: (i) the Law No. 2828 "On Subsoil and Subsoil Use" (dated 27 January 1996) (the "**Old Subsoil Law**") and (ii) the Law "On Petroleum" (No. 2350, dated 28 June 1995, as amended) (the "**Petroleum Law**").

The State implements the 2010 Subsoil Law and exercises its rights thereunder primarily through the Government, the Competent Authority and the Parent. The Ministry of Energy currently acts in the capacity of the Competent Authority of the oil and gas industry and the Parent acts in the capacity of the national oil and gas company.

Under the 2010 Subsoil Law, the subsoil use rights may be permanent or temporary, alienable or inalienable, payable or free of charge. Most subsoil operations shall be carried out on the basis of temporary and payable subsoil use (except for production of commonly occurring minerals for the subsoil user's own needs in the land plots which are held under the right of ownership or use, which shall be carried out under the right of permanent and free of charge subsoil use). Subsoil use rights for hydrocarbons shall be granted following a tender process with a number of exceptions.

Subsoil use rights may be held by Kazakhstan nationals, foreign nationals and legal entities. A subsoil user shall be guaranteed protection of its rights in accordance with Kazakhstan legislation. However, the Subsoil Law states that any amendments to legislation which adversely affect the results of a subsoil user's business carried out pursuant to a Subsoil Use Agreement will not apply, provided the Subsoil Use Agreement was entered into prior to the amendment. This exception will not apply to

legislative amendments in the field of national security, defence capabilities, environmental protection, healthcare, taxation and customs regulation.

The State has the following rights under the 2010 Subsoil Law:

Priority Right to Acquire Minerals

The State has a priority right over other parties to acquire minerals from a subsoil user. This price of this acquisition shall not exceed what is paid to a subsoil user for the given material on the date of the transaction (excluding transportation and selling costs).

The rules governing the exercise of the State's priority right to acquire minerals were approved by Resolution of the Government No. 38 dated 28 January 2011 (as amended). Pursuant to this Resolution, the Government may exercise its priority right to acquire minerals if required to meet the needs of the local market, or in an emergency situation. The Ministry of Energy represents the State in acquisition of hydrocarbons, coal and uranium, and the MID represents the State in respect of any other minerals (except commonly occurring natural resources). Under the law, the maximum amount of minerals in respect of which the State may exercise its priority right to acquire must be determined in the Subsoil Use Agreements. If a Subsoil Use Agreement does not provide for the maximum amount, such amount shall be established by means of a negotiation between the parties.

Right to Requisition Minerals

In a state of emergency, the Government may requisition some or all of the minerals owned by a subsoil user. Requisition may be in any amount necessary to cover the needs of the State during the entire state of emergency period. Minerals may be requisitioned from any subsoil user, regardless of the form of ownership. The State must provide compensation for requisitioned minerals either by payment in kind or by paying their monetary value in a freely convertible currency (in the case of a foreign subsoil user) or in the national currency (in the case of a domestic subsoil user). The price paid to the subsoil user shall not exceed that typically paid for the given material at that particular time, excluding transportation and selling costs.

The State's Pre-Emptive Right

The 2010 Subsoil Law differentiates between subsoil use rights and "the objects related to the subsoil use rights" (the "**Objects**"). The latter are participatory interests (or shares, securities confirming title to shares, securities convertible into shares) in a legal entity holding the subsoil use right, as well as a legal entity which may directly and/or indirectly determine and/or influence decisions adopted by a subsoil user (the "**Controlling Legal Entity**"), if the principal activity of such Controlling Legal Entity is related to the subsoil use in Kazakhstan.

The 2010 Subsoil Law provides the State with a pre-emptive right to acquire subsoil use rights and the Objects when such subsoil use rights and Objects are being offered for transfer. This pre-emptive right of the State applies only in respect of strategic deposits. The current list of "strategic deposits" was adopted in 2011 and includes 361 deposits of oil, gas, condensate, coal, and metals, including all of the major oil and gas fields. The State's pre-emptive right applies retroactively to all existing contracts, as well as prospectively to future contracts.

The State's pre-emptive right is also triggered when a subsoil user holding the subsoil use right in respect of a "strategic deposit" or a Controlling Legal Entity of such subsoil user offers its shares, or securities confirming title to its shares, or other securities convertible into its shares on an organised securities market (i.e., on a stock exchange). In addition, except for certain circumstances which are described below, such offerings require the consent of the Competent Authority which shall be granted in accordance with the provisions of the 2010 Subsoil Law.

According to the 2010 Subsoil Law, Resolution of the Government No. 189 dated 3 April 2015, (regarding the delineation of activities (functions) of the national companies in the sphere of subsurface use) and Resolution of the Government No. 333 dated 27 April 2015 (approving the rules of exercise of the State's pre-emptive right by the national holding (i.e., Samruk-Kazyna) and the

national company), the State exercises its pre-emptive right related to the "strategic deposits" in oil and gas through the national management holding (Samruk-Kazyna) or a national company. Although the 2010 Subsoil Law and other applicable regulations provide that the State may also exercise its pre-emptive right through Samruk-Kazyna, it appears that in practice the State tends to act through the Parent. The Competent Authority should, subject to the Parent's intention to acquire such subsurface use rights or the Objects and recommendations of the special interdepartmental commission for the exercise of the State's pre-emptive right (the "**Interdepartmental Commission**"), adopt a decision on behalf of the Government on the acquisition of the alienated subsoil use right or the Object by the Parent.

According to the 2010 Subsoil Law, the Parent would acquire the alienated subsoil use right or the Object on terms no worse than those offered by other proposed acquirers. If the State makes a decision to exercise its pre-emptive right to acquire the subsoil use right or the Objects, then such subsoil use right or the Objects should be acquired by the Parent within no more than six months from the date of such decision.

Under the law, it may take up to 75 business days (and more, in practice) from the date when an application for the State's waiver of its pre-emptive right is filed with the Competent Authority to the date when the Parent enters into direct negotiations with the seller (or transferor) in respect of the transaction.

In addition, the State has the right to unilaterally terminate, or demand amendments to the terms and conditions of, a contract relating to strategic deposits when the subsoil user's operations result in a change of initial balance economic interests of the State in a subsoil use contract leading to a national security threat.

Stabilisation and taxation of the Subsoil Use Agreements

According to the 2010 Subsoil Law, a subsoil user is guaranteed protection of its rights in accordance with Kazakhstan legislation. Any amendments and additions to legislation that worsen the results of a subsoil user's business activities under a Subsoil Use Agreement should not apply to contracts concluded prior to such amendment and additions, except for changes to Kazakhstan law in respect of national security, defence capabilities, environmental protection, health, taxation and customs regulation.

The 2010 Subsoil Law was adopted, *inter alia*, with the purpose of referring subsoil users to the provisions of the 2009 Tax Code. In light of the 2010 Subsoil Law, subsoil users should be subject to taxes and customs duties (such as crude oil export duties) which may fluctuate based on changes in Kazakhstan legislation.

Oil export duties

Although under the 2009 Tax Code the export duty for crude oil imports was effectively replaced with a rent tax, the Government, in 2010 re-introduced an export customs duty for crude oil exports, just as in 2008.

On 15 October 2005, the Government adopted a Resolution (No. 1036), which approved a list of certain oil products on which export customs duty was levied (the "**ED Resolution**"). Initially, one of the purposes of the ED Resolution was to stimulate development of internal refinery and processing industries. By amendments to the ED Resolution, dated 8 April 2008, "crude oil" was added to the list of oil products covered by the ED Resolution. The April 2008 amendments imposed a customs duty rate of U.S.\$109.91 per tonne of exported crude oil. Pursuant to amendments to the ED Resolution, dated 29 August 2008, the rate was increased to U.S.\$203.8 per tonne of the exported crude oil, with a subsequent decrease in the rate to U.S.\$139.79 per tonne of exported crude oil from 20 January 2009.

On 27 January 2009, the Government revised and established zero rate export duties, but re-imposed a U.S.\$20 per tonne duty in August 2010. The ED Resolution provided certain exceptions from the requirement to pay export duties, in particular, the following entities were exempt from this

requirement: (i) export by subsoil users of crude oil, produced under their PSAs, if such contracts had been signed with the Government or the Competent Authority before 1 January 2009, where such contract went through a mandatory tax appraisal, and contained a specific exemption from paying export customs duties for crude oil; and (ii) export by subsoil users of crude oil, produced under their Subsoil Use Agreements, which are not PSAs and which provide for an exemption from paying export customs duties for crude oil, except for crude oil that is exported by subsoil users paying royalties.

With effect from 1 January 2011, the Government raised the rate of export customs duty for crude oil exports from U.S.\$20 to U.S.\$40 per tonne. The rate of the duty was subject to further changes since then.

In February 2016, the Minister of National Economy of Kazakhstan introduced a progressive scale of export customs duty rates on crude oil. Under the new regime, export duty rates are calculated on the basis of the mean market prices of Brent Crude and Urals oil trading classifications. See "*The Oil and Gas Industry in Kazakhstan—Fiscal Regime*".

Licensing of Production, Refining, Pipeline Transportation, Storage and Subsoil Services

In May 2014, Kazakhstan adopted the Law "On Permits and Notifications" (No. 202-V, dated 16 May 2014, as amended) (the "**Permits and Notifications Law**"), which consolidates and streamlines various regulations in relation to state licenses, permits, consents, and other state approvals.

The Permits and Notifications Law provides that production of oil and gas, operation of oil refining, oil and gas pipelines and subsoil services (such as drilling of oil and gas wells and other related services) are licenced activities and such licences are not transferable from one person (licensee) (in respect of certain facilities) to another.

These licences are granted for an unlimited period of time by the relevant Competent Authority after submission of the required documentation and payment of a fee. A licence can be suspended or terminated in case a licensee fails to comply with qualification requirements, including but not limited to lack of qualified personnel or proper equipment. If a legal entity conducts activities without the relevant licence, as required by the Permits and Notification Law, such entity and its managers are subject to administrative and criminal liability.

The Competent Authority and Other Regulatory Authorities

General

The State plays a role in four areas of subsoil management. Firstly, the Government is responsible, among other things, for organising and managing state-owned reserves, outlining deposits available for a tender, imposing restrictions on subsoil use for the purposes of national security, environmental security and the protection of life and health of the population, defining the procedures for the conclusion of contracts, approving model contracts, appointing the Competent Authority and other bodies, regulating oil and gas export by imposing customs, protection, antidumping and compensation duties and quotes, establishing quotes for transportation of oil by various transport, appointing the Interdepartmental Commission members to exercise the State's Pre-Emptive Right and approving a number of normative legal acts in the sphere of oil and gas. Secondly, the State executes, implements and monitors Subsoil Use Agreements through the Competent Authority, which has the power to execute and implement oil and gas contracts, and through a number of other State's agencies. Thirdly, the State's Pre-Emptive Right are exercised through Samruk-Kazyna, the Parent, and, if needed, through authorised state agencies. Finally, local executive authorities (known as *akimats*) have responsibility for, among other things, granting land to subsoil users, supervising the protection of the land and participating in negotiations with subsoil users for environmental and social protection.

In addition to regulation relating to subsoil management, there are a number of regulatory authorities that regulate other aspects of hydrocarbon extraction, transportation and refining.

Under the Old Subsoil Law, the Parent, in its status as a "national company", worked with the Competent Authority, among other things, to develop State policies in the oil and gas industry and in the provision of efficient and rational development of oil and gas resources of Kazakhstan. The former regulatory functions of the Parent in the oil and gas sector have been fully transferred to the Competent Authority and other state bodies.

According to the 2010 Subsoil Law, the Parent should:

- participate in the implementation of the unified State's policy in the area of subsoil use;
- represent the State in Subsoil Use Agreements providing for the Parent to have a participatory interest in such Subsoil Use Agreements in accordance with the procedure established by the Competent Authority in the field of industrial innovation, together with the Competent Authority in the oil and gas field, and within the authority set forth in such Subsoil Use Agreements;
- conduct subsoil operations together with tender winners by means of a participatory interest in Subsoil Use Agreements, pursuant to a decision of the Competent Authority;
- conduct subsoil operations in subsoil areas allocated to it on the basis of direct negotiations;
- participate in international and domestic subsoil operations and hydrocarbons transportation projects of Kazakhstan;
- participate in the preparation of annual reports on Subsoil Use Agreement implementation to the President of the Republic of Kazakhstan and the Government;
- conduct corporate management and monitoring of exploration, development, production, processing, and marketing of minerals as well as transportation of hydrocarbons and design, construction and operation of oil and gas pipelines and oil and gas field infrastructure; and
- in instances when the State makes a decision to exercise its Pre-Emptive Right, conduct negotiations and enter into contracts with the seller (or transferor) for acquisition of the alienated subsoil use right or the Object.

The 2014 Government Reorganisation

On 6 August 2014, President Nazarbayev, in an attempt to optimise the structure of ministries and make the Government more compact and more effective, declared his decision to reorganise the Government. The 17 ministries and 9 state agencies functioning previously have been reduced to 12.

Pursuant to Presidential Decree No. 875 dated 6 August 2014 "On the Reform of the Public Administration System in the Republic of Kazakhstan", the MOG was transformed into the Ministry of Energy, taking up some of the functions of the MINT (which became the MID).

Thus, the Ministry of Energy is now responsible not only for the oil and gas sector, but also for the electric and nuclear power spheres, the use of renewable energy sources, domestic solid waste utilisation, environmental protection and supervision, control and preservation of natural resources.

The Ministry of Energy

Following the reorganisation of the Government, the Ministry of Energy succeeded the MOG as the Competent Authority for the oil and gas sphere and the MEWR for the environmental control sphere. The Ministry of Energy acts in the capacity of the oil and gas Competent Authority, in respect of, among other things, oil and gas refineries, hydrocarbons transportation and operation of trunk pipelines.

According to the 2010 Subsoil Law and other effective legislation, the Ministry of Energy, as a successor of the MOG, is responsible for, among other things:

- implementing the State's policy in oil and gas, uranium and coal, petrochemical and hydrocarbons transportation industries;
- representing the State's interests in PSAs;
- organising tenders for grants of subsoil use rights for oil and gas, uranium, coal exploration and production and preparing lists of blocks for tenders for consideration and approval by the Government;
- executing and registering oil and gas contracts;
- approving working programmes related to oil and gas contracts;
- monitoring compliance with the terms of oil and gas contracts;
- issuing permits for the transfer of subsoil use rights and registration of transactions involving pledges of subsoil use rights, as applicable to oil and gas projects;
- suspending and terminating Subsoil Use Agreements in oil and gas in accordance with the procedures set forth in the 2010 Subsoil Law;
- jointly with the Natural Monopolies Committee, approving investment programmes and investment projects;
- determining the amounts of oil and gas to be supplied by subsoil users to the domestic market;
- undertaking actions for equal access by subsoil users to the main pipelines;
- monitoring compliance of oil and gas subsoil users with requirements to purchase certain amounts of goods and services from local providers;
- approving gas utilisation programmes; and
- issuing permits for using money in the liquidation fund.

Other Regulatory Authorities

Other major governmental ministries and authorities which regulate aspects of hydrocarbon extraction, operations in oil and gas transportation, refining and sales in Kazakhstan include:

- the Committee for Geology and Subsoil Use of the MID which, among other functions and authorities, grants geological information, issues geological and mining allotments, records reserves and puts them on the State balance, conducts expertise of subsurface use contracts and the related project documentation, and grants permits for water use;
- the Committee for Technical Regulation and Metrology which supervises compliance of oil and gas equipment with Kazakhstan quality and safety standards and exercises state control over the quality of construction and construction materials;
- the Committee for Industrial Development and Industrial Safety of the MID, which among other things supervises health and safety matters in mining operations (while the Ministry of Emergency Situations has been dissolved) and is involved in granting permits for export of geological information;
- various governmental authorities responsible for the approval of construction projects and the use of water and land resources, including the local executive authorities;

- the Ministry of Labour and Social Protection is responsible for investigating labour disputes and complaints from individual employees and monitors compliance with the obligations of subsoil users to give preference in hiring, including to employ a certain minimum percentage of Kazakhstan nationals, and issues work permits for foreign workers;
- the Natural Monopolies Committee, which is responsible for the regulation of tariffs for oil and gas transportation and prices related to sales of gas;
- the Ministry of Finance, the committees of which are responsible, among other things, for tax matters and compliance with customs regulations (including the regulation of export from, import to and transportation on the territories of the Eurasian Customs Union); and
- territorial departments of the Ministry of Justice and other regional and municipal regulatory authorities, which are responsible, among other things, for registering legal entities and non-commercial associations, as well as properties, pledges and mortgages.

The Company and its subsidiaries' shareholder registers are maintained by Integrated Securities Registrar JSC which is a quasi-sovereign institution owned and controlled by the National Bank of Kazakhstan and which has an exclusive right to maintain securities registrars of Kazakhstan joint stock companies and certain limited liability partnerships (upon a voluntary decision of their participants).

Environmental Compliance

The Company is subject to a variety of Kazakhstan's environmental laws, regulations and requirements that govern air emissions, water use and disposal, waste management, impacts on wildlife, as well as land use and reclamation. The Environmental Code (the Code of the Republic of Kazakhstan No. 212-III, dated 9 January 2007, as amended from time to time) (the "**Environmental Code**") governs the activities of Kazakhstan entities, including gas transportation companies and subsoil users. Among other things, the Environmental Code sets forth requirements in relation to construction and use of trunk pipelines.

Under Kazakhstan law, companies are obligated to obtain permits (as described below) for the contamination of the environment and must observe all requirements set out in such permits.

Environmental permits

The concept of an environmental permit (the "**EP**") was developed as a means for the Government to regulate pollution. An EP is a special permit that grants a subsoil user a temporary right to emit or disperse emissions into the atmosphere and the discharge of waste substances into surface and underground waters. EPs contain the conditions governing the user's impact on the environment. The obligation to obtain an EP arises not only as a matter of law, but also under Subsoil Use Agreements. Companies whose operations impact the environment are required to obtain an EP. Depending on the quantity of pollutants emitted into the environment, an EP is to be issued for up to ten years either by regional executive authorities or by the Competent Authority for environmental protection, which, following the reorganisation of the Government, is the Ministry of Energy. Fees for pollution of the environment are established by the Tax Code of Kazakhstan and may be increased (within certain limits) by local representative bodies (Maslikhat). An EP shall not exempt a subsoil user from liability to pay compensation for damage to the environment caused by its activities, or exempt the subsoil user from administrative or criminal liability.

In March 2009, the President of Kazakhstan signed the law on the ratification of the Kyoto Protocol. Ratification of the Kyoto Protocol, which is intended to limit or discourage emissions of greenhouse gases such as carbon dioxide, had an impact on environmental regulation in Kazakhstan. Further, on 2 August 2016, Kazakhstan signed the Paris Agreement within the framework of the United Nations Convention on Climate Change (which was ratified by Kazakhstan on 4 November 2016).

The Environmental Code sets out the framework of climate change control in Kazakhstan. As of 1 January 2013, no person may carry on a specified activity (this includes energy activities) without quotas set out in the relevant greenhouse gas emissions permit to be issued annually by the Environmental Control Committee, although legal entities not emitting more than 20,000 tonnes of carbon dioxide in a year are exempted from this prohibition. Provisions have been made in relation to applications for a greenhouse gas emission permit, including the required information relating to the installation in respect of which the permit is sought, the programme for the reduction of emissions and the planned arrangements for the implementation of the programme, including the grounds on which an application may be refused.

Emissions quotas are allocated pursuant to a national allocation plan. The quotas in a national allocation plan for existing installations are established at the level of emissions made in the years of 2013-2015 pursuant to Resolution of the Government No. 370 dated 15 June 2017.

Kazakhstan has, however, suspended certain statutory norms on greenhouse gases, including quota allocations and trades, until 1 January 2018 following the adoption of Law No. 491-V dated 8 April 2016. It is anticipated that Kazakhstan will restart greenhouse gas regulation through the implementation of a new system in 2018. The effect of ratification of the Kyoto Protocol in other countries is still unclear; accordingly, potential compliance costs associated with the Kyoto Protocol are unknown and may be significant.

Enforcement

Article 116 of the Environmental Code specifies which authorised bodies are responsible for monitoring environmental compliance and enforcing environmental requirements. These officials include the Chief State Ecological Inspector, the Deputy State Ecological Inspector and other regional officials who have the authority to supervise environmental compliance and initiate judicial proceedings.

Article 117 of the Environmental Code authorises the relevant Government officials, in their enforcement of environmental protection measures, to, *inter alia*:

- inspect facilities and take measurements and samples for analysis;
- request and receive documentation, results of analysis and other materials;
- initiate procedures relating to the (i) suspension of licences; (ii) termination of contracts for the use and taking of natural resources; and (iii) suspension and annulment of environmental and other permits in the event of violation of the terms of such permits;
- issue orders for individuals and legal entities to eliminate violations of Kazakhstan's environmental laws;
- file claims with courts with respect to violations of Kazakhstan law; and
- file requests to terminate Subsoil Use Agreements for reported violations.

Environmental and Other Mandatory Insurance

Kazakhstan law establishes a number of mandatory insurances to be obtained by any entity conducting certain types of activities.

Environmental Insurance

Environmental insurance is a mandatory type of insurance and is regulated by the Law "On Mandatory Environmental Insurance" dated 13 December 2005 No. 93-III. Pursuant to this law, any entity carrying out environmentally hazardous activities should insure against the risks associated with such respective activities. An agreement of mandatory environmental insurance should cover damages to life, health, property of third parties and the environment caused as a result of an

environmentally hazardous activity and other activities (except for payments for moral damage, loss of profit and payment of penalty interest).

According to Clause 3 of the List of Environmentally Hazardous Businesses and Other Activities, approved by Order No. 27 of the Minister of Energy, dated 21 January 2015, environmentally hazardous type of activities include the operation of oil and gas pipelines as well as commercial production of gas.

A gas transportation company and subsoil users cannot carry out their activities without obtaining environmental insurance. Other lines of mandatory insurance, which are required by Kazakhstan law and applicable to the Company's activities, are as follows:

Insurance of Civil Liability of Danger Units Owners

According to the Law "On Civil Protection" (No. 188-VI, dated 11 April 2014, as amended) (the "**Civil Protection Law**") and the Law "On Mandatory Insurance of Civil Liability of Owners of Units Associated with Danger of Damage to Third Parties" (No. 580-II, dated 7 July 2004, as amended), companies must insure against risks associated with the functioning of their hazardous manufacturing units. A hazardous manufacturing unit is a unit that produces, uses, processes, generates, stores, transposes or destroys at least one of the following substances: inflammable substances, explosives, fuels, oxidizing agents, toxic agents, high-toxic substances and other hazardous substances according to the laws.

Insurance of the Employees against Accidents at Work

According to the Law "On Mandatory Insurance of an Employee against Accidents when Carrying Out Employee's Labour Duties" (No. 30-III, dated 7 February 2005, as amended), since 1 July 2005 all employers are obliged to insure employees against accidents when carrying out their employment duties.

Insurance of the Civil Liability of Transport Vehicles Owners

According to the Law "On Mandatory Insurance of the Civil Liability of Transport Vehicle Owners" (No. 446-II, dated 1 July 2003, as amended), civil liability of owners of, *inter alia*, cars, trucks, buses, minibuses, and transport vehicles, motor-transport and trailers (semi-trailers) are subject to mandatory insurance, and the use of vehicles without insurance is prohibited.

Statute of Limitations on Proceedings

The statute of limitations for bringing civil proceedings for breach of environmental requirements is governed by the general statute of limitation provisions under Article 178 of the Civil Code which provides for a three year limitation period. This limitation does not apply to regulatory proceedings, criminal or administrative prosecutions in connection with breaches of environmental requirements.

Health and Safety Compliance

The Company's activities are subject to laws and regulations of Kazakhstan relating to safety and health matters, including industry specific health and safety requirements, and are regulated by various State bodies, including the Ministry of Labour and Social Protection. Such laws and regulations include the Environmental Code, the 2010 Subsoil Law, the Labour Code (No. 414-V, dated 23 November 2015, as amended) and the Civil Protection Law. The laws and regulations require an employer to provide its employees with properly functioning and safe equipment, to train its employees on health and safety requirements, to adopt corporate health and safety regulations, to provide special uniform and shoe wear, special nutrition, to perform periodic medical examinations of its employees, to obtain periodic third party attestation for equipment and worksites, to provide adequate insurance to its employees, to maintain third party liability insurance and to comply with fire safety, sanitary and hygienic regulations.

Price Regulation

The Government, acting through the Natural Monopolies Committee, regulates prices of Kazakhstan companies which have the status of a natural monopoly. Certain companies within the Group have the status of a natural monopoly (with respect to transportation and storage of natural gas), and their transportation and storage tariffs are subject to such regulation. Such price regulation applies to domestic market only and does not apply to gas transit and/or export transportation tariffs (set out in accordance with respective international treaties and/or transportation agreements).

The Law "On State Regulation of Production and Circulation of Certain Types of Oil Products" (No. 463-IV, dated 20 July 2011) empowers the State, for the purpose of economic security, to regulate the retail prices for oil products which have a particular social importance and impact the national economy. The Ministry of Energy is the government body authorized to determine the types of regulated oil products and their respective marginal retail prices. The applicable laws do not provide for government regulation of oil products' wholesale prices.

Kazakhstan-based Goods and Services

The Government is promoting the development of related domestic industries and has adopted policies in the oil and gas sector to accomplish this goal.

An example of these policies is the greater emphasis on the use of Kazakhstan based goods and services providers. Pursuant to this policy, subsoil users are required to use equipment, materials and products manufactured in Kazakhstan and to retain Kazakhstan producers for the provisions of works and services, provided they meet the necessary standards and requirements. Furthermore, subsoil users are required to give preference to Kazakhstan personnel while conducting subsurface use operations. Investors are also frequently required to contribute certain amounts of funds to social projects and benefits.

In connection with Kazakhstan's accession to the WTO, legislative changes have been introduced in Kazakhstan with a view to removing certain preferences granted to local manufacturers. Among other things, the law states that subsoil use contracts concluded after 1 January 2015 may not contain any obligations of the subsoil user to purchase goods from local manufacturers. With respect to subsoil contracts concluded prior to 1 January 2015, local content requirements contained in such contracts will be effective until the earlier of expiration of the term of such contracts or 1 January 2021.

S-K Rules

Pursuant to the Samruk-Kazyna Law, the Company is not subject to the general state procurement rules (established by the Law "On State Procurements" dated 4 December 2015, No. 434-V) and conducts its procurements in accordance with the Rules for Procurement of Goods, Works and Services by Joint Stock Company "National Welfare Fund "Samruk-Kazyna" and Organizations in Which Fifty Per Cent. and More of the Voting Shares (Participatory Interest) Directly or Indirectly are Owned by JSC "Samruk-Kazyna" on the Ownership Right or Trust Management approved by the Board of Directors of Samruk-Kazyna on 28 January 2016 (the "**S-K Rules**").

The S-K Rules are generally similar to the state procurement rules and provide for mandatory procedures for the procurement of goods and services by Samruk-Kazyna and companies in which Samruk-Kazyna has a 50% or more direct or indirect ownership. The S-K Rules require such companies to conduct formal public tenders in order to procure most types of goods and services, subject to certain limited exceptions. The procurement of certain limited categories of goods and services are conducted by way of direct trades without involving the tendering procedures. Samruk-Kazyna exercises overall supervision over compliance with the S-K Rules.

New Arbitration Law

The Arbitration Law dated 8 April 2016 consolidated and replaced the Law "On Arbitration Courts" (No. 22, dated 28 December 2004, as amended) and the Law "On International Arbitration" (No. 23,

dated 28 December 2004, as amended) for the purposes of outlining a unified approach for out of court dispute resolution mechanisms.

The introductory language to the Arbitration Law, as well as other provisions of this law, imply that the Arbitration Law should only apply where the matter involves dispute resolution in Kazakhstan (i.e., in respect of arbitration bodies with a seat in Kazakhstan). In particular, the preamble to the Arbitration Law states that: "*This [l]aw regulates social relations arisen in the process of arbitration activity on the territory of the Republic of Kazakhstan as well as the procedure and terms of recognition and enforcement of arbitral awards in Kazakhstan...*" There are, however, certain novelties in the Arbitration Law which may have implications in respect of the arbitration provisions contained in the Notes and the Trust Deed. In particular, because the Arbitration Law does not clearly differentiate between domestic and foreign arbitration, certain restrictions contained in the Arbitration Law may be deemed to extend to foreign arbitration (notwithstanding that the Arbitration Law does not appear to have an extraterritorial effect). See "*Enforcement of Civil Liabilities*" for a description of the Arbitration Law. Given that the Arbitration Law has not been tested in practice, there can be no assurance that Kazakhstan courts would support the interpretation of the Arbitration Law set out in "*Enforcement of Civil Liabilities*" and that an award against the Company and/or the Guarantor in arbitral proceedings in London under English law would be enforced in Kazakhstan.

See "*Risk Factors—Risk Factors Relating to the Notes and the Trading Market—It may be difficult to effect service of legal process and enforce judgments obtained outside of Kazakhstan against the Issuer and its management*".

Draft of New Subsoil Code

The Parliament is considering the adoption of the Subsoil Code, which is expected to supersede the 2010 Subsoil Law. While a number of drafts of this code have been released to date, the code is neither in final form nor has it been adopted. See "*Risk Factors—Risk Factors Relating to the Company's Business—The Company has been subject to, and may continue to be subject to, adverse regulatory developments*."

FORM OF THE NOTES AND TRANSFER RESTRICTIONS

The following information relates to the form, transfer and delivery of the Notes.

1. Form of the Notes

All Notes will be in definitive fully registered form, without interest coupons attached. Notes offered and sold outside the United States in reliance on Regulation S will be represented by interests in the Unrestricted Global Note, in definitive fully registered form, without interest coupons attached, which will be deposited on or about the Closing Date with a common depositary for Euroclear and Clearstream, Luxembourg, and registered in the name of Citivic Nominees Limited as nominee for such common depositary in respect of interests held through Euroclear and Clearstream, Luxembourg.

Notes offered and sold in reliance on Rule 144A will be represented by interests in one or more Restricted Global Notes, in definitive fully registered form, without interest coupons attached, which will be registered in the name of Cede & Co., as nominee for, and which will be deposited on or about the Closing Date with a custodian (the "**Custodian**") for, DTC. The Restricted Global Notes (and any Note Certificates (as defined below) issued in exchange therefor) will be subject to certain restrictions on transfer contained in a legend appearing on the face of such Note as set forth under paragraph 3 below.

The Unrestricted Global Note will have an ISIN number and a Common Code and the Restricted Global Notes will have a separate CUSIP number.

For the purposes of the Restricted Global Notes and the Unrestricted Global Note, any reference in the Conditions to "**Note Certificate**" or "**Note Certificates**" shall, except where the context otherwise requires, be construed so as to include the Restricted Global Notes or, as the case may be, the Unrestricted Global Note and interests therein.

2. Notices

So long as the Notes are represented by a Global Note and the Global Note is held on behalf of a clearing system, notices to Noteholders required to be published in the Irish Times may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders except that so long as the Notes are listed on the Irish Stock Exchange and the rules of that Exchange so require, notices shall also be published in a leading newspaper having general circulation in the Republic of Ireland (which is expected to be the Irish Times).

3. Transfer Restrictions

On or prior to the 40th day after the Closing Date, a beneficial interest in the Unrestricted Global Note may be transferred to a person who wishes to take delivery of such beneficial interest through the Restricted Global Notes only upon receipt by the Registrar of a written certification from the transferor (in the form set out in the schedule to the Agency Agreement), to the effect that such transfer is being made to a person whom the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. After such 40th day, such certification requirements will no longer apply to such transfers, but such transfers will continue to be subject to the transfer restrictions contained in the legend appearing on the face of such Note, as set out below.

A beneficial interest in the Restricted Global Notes may also be transferred to a person who wishes to take delivery of such beneficial interest through the Unrestricted Global Note only upon receipt by the Registrar of a written certification from the transferor (in the form set out

in the schedule to the Agency Agreement) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 (if available) under the U.S. Securities Act.

Any beneficial interest in either the Restricted Global Notes or the Unrestricted Global Note that is transferred to a person who takes delivery in the form of a beneficial interest in the other Global Note will, upon transfer, cease to be a beneficial interest in such Global Note and become a beneficial interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such other Global Note for so long as such person retains such an interest.

The Notes are being offered and sold in the United States only to qualified institutional buyers within the meaning of and in reliance on Rule 144A. Because of the following restrictions, purchasers of Notes offered in the United States in reliance on Rule 144A are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such Notes.

Each purchaser of Notes offered hereby pursuant to Rule 144A will be deemed to have represented and agreed as follows (terms used herein that are defined in Rule 144A are used herein as defined therein):

- (i) the purchaser (a) is a qualified institutional buyer within the meaning of Rule 144A, (b) is acquiring the Notes for its own account or for the account of such a qualified institutional buyer and (c) such person is aware that the sale of the Notes to it is being made in reliance on Rule 144A;
- (ii) the Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act, and the Notes offered hereby have not been and will not be registered under the U.S. Securities Act and may not be reoffered, resold, pledged, or otherwise transferred except in accordance with the legend set out below; and
- (iii) the Restricted Global Notes and any Restricted Note Certificates (as defined below) issued in exchange for an interest in the Restricted Global Notes will bear a legend to the following effect, unless the Issuer and the Guarantor determine otherwise in accordance with applicable law:

"NEITHER THIS NOTE NOR THE GUARANTEE HAS BEEN AND WILL NOT BE REGISTERED UNDER, AND EACH WAS ORIGINALLY ISSUED OR MADE IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER, THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**U.S. SECURITIES ACT**"), AND THE NOTES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF REPRESENTS AND AGREES, FOR THE BENEFIT OF THE ISSUER AND THE GUARANTOR, THAT (A) THIS NOTE (AND ANY INTEREST HEREIN) MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) TO THE ISSUER OR THE GUARANTOR, (2) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) IN AN OFFSHORE TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OR RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT OR (4) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, AND IN EACH OF SUCH CASES IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND THAT (B) THE HOLDER WILL, AND

EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE (OR INTEREST HEREIN) FROM IT OF THE TRANSFER RESTRICTIONS REFERRED TO IN (A) ABOVE.

THIS NOTE AND ALL RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS NOTE TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO THE RESALE OR TRANSFERS OF RESTRICTED SECURITIES GENERALLY. BY THE ACCEPTANCE OF THIS NOTE, THE HOLDER HEREOF SHALL BE DEEMED TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT."

Each purchaser of Notes outside the United States pursuant to Regulation S, and each subsequent purchase of such Notes in re-sales during the period which expires on and includes the 40th day after the later of the commencement of the offering of the Notes and the Closing Date (the "**distribution compliance period**"), will be deemed to have represented, agreed and acknowledged as follows:

- (i) it is, or at the time Notes are purchased will be, the beneficial owner of such Notes and it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S);
- (ii) it understands that such Notes have not been and will not be registered under the U.S. Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell pledge or otherwise transfer such Notes except in an offshore transactions in accordance with Rule 903 or Rule 904 of Regulation S, and in accordance with any applicable securities laws of any State of the United States; and
- (iii) the Issuer, the Guarantor, the Registrar, the Managers and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

4. Exchange of Interests in Global Notes for Note Certificates

The Restricted Global Notes will become exchangeable, free of charge to the holder, in whole but not in part, for Note certificates in definitive form ("**Restricted Note Certificates**") if DTC (a) notifies the Issuer or the Guarantor that it is no longer willing or able to discharge properly its responsibilities as depository with respect to the Restricted Global Notes or ceases to be a "**clearing agency**" registered under the Exchange Act, or is at any time no longer eligible to act as such, and the Issuer or the Guarantor are unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC or (b) an Event of Default (as defined and set out in Condition 12 (*Events of Default*) of the Notes) occurs. In such circumstances, such Restricted Note Certificates shall be registered in such names as DTC shall direct in writing and the Issuer or the Guarantor will procure that the Registrar notify the holders as soon as practicable after the occurrence of the events specified in (a) and (b).

The Unrestricted Global Note will become exchangeable, free of charge to the holder, in whole but not in part, for Note certificates in definitive form ("**Unrestricted Note Certificates**") if (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or does in fact do so or (b) an Event of Default (as defined and set out in Condition 12 (*Events of Default*) of the Notes) occurs. In such circumstances, such Unrestricted Note Certificates will be registered in such names as Euroclear and Clearstream, Luxembourg shall direct in writing and the Issuer or the

Guarantor will procure that the Registrar notify the holders as soon as practicable after the occurrence of the events specified in (a) and (b).

In the event that the Restricted Global Notes are to be exchanged for Restricted Note Certificates or the Unrestricted Global Note is to be exchanged for Unrestricted Note Certificates (together "**Note Certificates**") the relevant Global Note shall be exchanged in full for the relevant Note Certificates and the Issuer or the Guarantor will, without charge to the holder or holders thereof, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange, cause sufficient Note Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholders.

On exchange, a person having an interest in a Global Note must provide the Registrar with (i) a written order containing instructions and such other information as the Issuer, the Guarantor and the Registrar may require to complete, execute and deliver such Note Certificates and (ii) in the case of the Restricted Global Notes only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Note Certificates issued in exchange for a beneficial interest in the Restricted Global Notes shall bear the legends applicable to transfers pursuant to Rule 144A, as set out under "Transfer Restrictions" above. Restricted Note Certificates issued as described above will not be exchangeable for beneficial interests in the Unrestricted Global Note and Unrestricted Note Certificates issued as described above will not be exchangeable for beneficial interests in the Restricted Global Notes.

In addition to the requirements described under "Transfer Restrictions" above, the holder of a Note may transfer such Note only in accordance with the provisions of Condition 3 (*Transfer of Notes*) of the Notes.

Upon the transfer, exchange or replacement of a Restricted Note Certificate bearing the legend referred to under "Transfer Restrictions" above, or upon specific request for removal of the legend on a Restricted Note Certificate, the Issuer will deliver only Restricted Note Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer, the Guarantor and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer or the Guarantor that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the U.S. Securities Act.

The Registrar will not register the transfer of any Notes or exchange of interests in a Global Note for Note Certificates for a period of 15 calendar days ending on the due date of any payment of principal or interest in respect of such Notes.

5. Euroclear, Clearstream, Luxembourg and DTC Arrangements

So long as DTC or its nominee or Euroclear, Clearstream, Luxembourg or the nominee of their common depository is the registered holder of a Global Note, DTC, Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Note for all purposes under the Agency Agreement, the Trust Deed and the Notes. Payments of principal, interest and Additional Amounts, if any, in respect of Global Notes will be made to DTC, Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, as the registered holder thereof. None of the Issuer, the Guarantor, the Trustee, any Paying and Transfer Agent or the Managers or any affiliate of any of the above or any person by whom any of the above is controlled for the purposes of the U.S. Securities Act will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership

interests in the Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Distributions of principal and interest with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by Euroclear or Clearstream, Luxembourg from the Principal Paying and Transfer Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg customers in accordance with the relevant system's rules and procedures.

Holders of book-entry interests in the Notes through DTC will receive, to the extent received by DTC from the Principal Paying and Transfer Agent, all distributions of principal and interest with respect to book-entry interests in the Notes from the Principal Paying and Transfer Agent through DTC. Distributions in the United States will be subject to relevant U.S. tax laws and regulations.

The laws of some states of the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer interests in a Global Note to such persons will be limited. Because DTC, Euroclear and Clearstream, Luxembourg can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Note to pledge such interest to persons or entities which do not participate in the relevant clearing system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

The holdings of book-entry interests in the Notes in Euroclear, Clearstream, Luxembourg and DTC will be reflected in the book-entry accounts of each such institution. As necessary, the Registrar will adjust the amounts of Notes on the Register for the accounts of Citivic Nominees Limited and Cede & Co. to reflect the amounts of Notes held through Euroclear and Clearstream, Luxembourg, on the one hand, and DTC, on the other. Beneficial ownership in Notes will be held through financial institutions as direct and indirect participants in Euroclear, Clearstream, Luxembourg and DTC.

Interests in the Unrestricted Global Note and the Restricted Global Notes will be in uncertificated book-entry form.

Trading between Euroclear and/or Clearstream, Luxembourg Account Holders. Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Notes through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional eurobonds.

Trading between DTC Participants. Secondary market sales of book-entry interests in the Notes between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's Same Day Funds Settlement System.

Trading between DTC Seller and Euroclear/Clearstream, Luxembourg Purchaser. When book-entry interests in Notes are to be transferred from the account of a DTC participant holding a beneficial interest in the Restricted Global Notes to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in the Unrestricted Global Note (subject to such certification procedures as are provided in the Agency Agreement), the DTC participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12 noon, New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg accountholder. On the settlement date, the Custodian will instruct the Registrar to (a) decrease the amount of

Notes registered in the name of Cede & Co. and evidenced by the Restricted Global Notes and (b) increase the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the Unrestricted Global Note. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first Business Day following the settlement date. See above concerning the Record Date for payment of interest.

Trading between Euroclear/Clearstream, Luxembourg Seller and DTC Purchaser. When book-entry interests in the Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC participant wishing to purchase a beneficial interest in the Restricted Global Notes (subject to such certification procedures as are provided in the Agency Agreement), the Euroclear or Clearstream, Luxembourg participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7:45 p.m. Brussels or Luxembourg time, one Business Day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depositary for Euroclear and Clearstream, Luxembourg and the Registrar to arrange delivery to the DTC participant on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg account holder, as the case may be. On the settlement date, the common depositary for Euroclear and Clearstream, Luxembourg will (a) transmit appropriate instructions to the Custodian who will in turn deliver such book-entry interest in the Notes free of payment to the relevant account of the DTC participant and (b) instruct the Registrar to (i) decrease the amount of Notes registered in the name of the nominee for the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the Unrestricted Global Note and (ii) increase the amount of Notes registered in the name of Cede & Co. and evidenced by the Restricted Global Notes. See above concerning the Record Date for payment of interest.

Although the foregoing sets out the procedures of Euroclear, Clearstream, Luxembourg and DTC in order to facilitate the transfers of interests in the Notes among participants of DTC, Clearstream, Luxembourg and Euroclear, none of Euroclear, Clearstream, Luxembourg or DTC is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Guarantor, the Trustee, any Paying and Transfer Agent or any of the Managers or any affiliate of any of the above, or any person by whom any of the above is controlled for the purposes of the U.S. Securities Act, will have any responsibility for the performance by DTC, Euroclear and Clearstream, Luxembourg or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations or for the sufficiency for any purpose of the arrangements described above.

6. Prescription

Claims against the Issuer in respect of principal and interest on the Notes while the Notes are represented by a Global Note will become void unless it is presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 10 (*Taxation*) of the Notes).

7. Payments

So long as the Notes are represented by a Global Note, payments of principal and interest in respect of Notes represented by a Global Note shall be made to the person(s) shown as the Noteholder(s) in the Register at the close of business on the Clearing System Business Day before the due date for payment, where "Clearing System Business Day" means a day on which each clearing system for which the Global Note is being held is open for business, and

shall be made against presentation for endorsement and if no further payment falls to be made in respect of the Notes, surrender of the Global Note.

8. Meetings

The holder of a Global Note will be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Noteholders and, at any such meeting, as having one vote in respect of each U.S.\$ 1,000 in principal amount of Notes for which the Global Note may be exchanged.

9. Purchase and Cancellation

Cancellation of any Note required by the Conditions to be cancelled following its purchase will be effected by reduction in the principal amount of the relevant Global Note.

10. Trustee's Powers

In considering the interests of Noteholders while a Global Note is held on behalf of a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Global Note and may consider such interests as if such accountholders were the holder of the Global Note.

11. Put Option

The Noteholders' put option in Condition 9(d) (*Redemption at the option of the Noteholders*) of the Notes may be exercised by the holder of the relevant Global Note giving notice to the Principal Paying and Transfer Agent of the principal amount of Notes in respect of which the option is exercised and presenting the Global Note for endorsement of exercise within the time limits specified in such Condition.

TAXATION

The following is a general summary of the Kazakhstan and United States tax consequences as at the date hereof in relation to payments made under the Notes in relation to the sale or transfer of Notes. It is not exhaustive and purchasers are urged to consult their professional advisors as to the tax consequences to them of holding or transferring Notes.

Kazakhstan Taxation

Interest

Payments of interest on the Notes issued by the Issuer to an individual who is a tax non-resident of Kazakhstan or to a legal entity that is neither established in accordance with the legislation of Kazakhstan, nor has its actual governing body (place of actual management) in, nor maintains a permanent establishment in, Kazakhstan or otherwise has no legal taxable presence in Kazakhstan (together, "**Non-Kazakhstan Holders**") will be subject to withholding tax of Kazakhstan at a rate of 15 per cent., unless reduced by an applicable double taxation treaty. Payments of interest on the Notes to Non-Kazakhstan Holders registered in countries with a favourable tax regime which appear in a list published from time to time by the Kazakhstan Government (these countries currently include Liechtenstein, Nigeria, Malta, Aruba (being the island of the Netherlands) and others) (and to Non-Kazakhstan Holders who failed to submit to the Issuer proper documentary evidence of its tax residency in a country which is not included into such list of countries with a favourable tax regime) will be subject to withholding of Kazakhstan tax at a rate of 20 per cent., unless reduced by an applicable double taxation treaty.

Non-Kazakhstan holders who are resident in countries, such as the United States or the United Kingdom, with which Kazakhstan has bilateral taxation treaties may be entitled to a reduced rate of withholding tax if the recipient of the interest is the beneficial owner of such interest. The application of the treaty is subject to compliance with certain requirements, including timely submission to the Issuer of the duly issued and if applicable, legalized or apostilled tax residency certificate from such country of residence.

Payments of interest by the Issuer to residents of Kazakhstan or to tax non-residents who maintain a permanent establishment in Kazakhstan (together, "**Kazakhstan Holders**"), other than to individuals (who are exempt) and Kazakhstan investment funds and certain other entities, will be subject to Kazakhstan withholding tax at a rate of 15 per cent.

The withholding tax on interest will not apply in either case if the Notes are, as at the date of accrual of interest, listed on the official list of a stock exchange operating in the territory of Kazakhstan (such as the KASE).

Gains

Gains realised by Kazakhstan Holders as a result of the disposal, sale, exchange or transfer of the Notes will be included in the income of such Kazakhstan Holders. The net income of such Kazakhstan Holders will be subject to corporate income tax at a rate of 20 per cent. or individual income tax at a rate of 10 per cent., as the case may be.

If on the date of sale, the Notes are listed on the official list of a stock exchange operating in the territory of Kazakhstan (such as the KASE) and are sold through open trades on such stock exchange, any gains realized by Kazakhstan Holders are not subject to withholding tax in Kazakhstan.

Gains realised by Non-Kazakhstan Holders derived as a result of the disposal, sale, exchange or transfer of the Notes will be subject to withholding tax at a rate of 15 per cent., unless an applicable double taxation treaty provides for an exemption from capital gains tax. If the disposal of the Notes is made by a Non-Kazakhstan Holder registered in a country with a favourable tax regime, as referred to above, gains derived from such disposal are subject to withholding tax in Kazakhstan at the rate of 20 per cent., unless exempt by an applicable double taxation treaty.

Non-Kazakhstan holders who are residents of countries, such as the United States or the United Kingdom, with which Kazakhstan has bilateral double taxation treaties may be entitled to an exemption from withholding tax, subject to compliance with certain administrative procedures.

Gains realised by Non-Kazakhstan Holders in relation to Notes which are listed as at the date of sale on the official list of a stock exchange operating in the territory of Kazakhstan (such as the KASE) or a foreign stock exchange and are sold through open trades on such stock exchanges, are not subject to withholding tax in Kazakhstan.

Gains made by a Kazakhstan or Non-Kazakhstan Holder on the sale of Notes otherwise than through open trades on the relevant such stock exchanges may be subject to Kazakhstan tax or withholding tax, respectively. In respect of the gains realised by Non-Kazakhstan Holders, a purchaser or the transferee of the Notes may be treated as a withholding agent and, therefore, required to withhold the capital gains tax from the seller and pay it in Kazakhstan. However, Kazakhstan tax legislation does not specify a mechanism for the collection of any such tax from the purchasers or transferees who are Non-Kazakhstan Holders or have no legal or taxable presence in Kazakhstan otherwise. Any prospective purchasers or transferees of the Notes from Non-Kazakhstan Holders should consult their own tax advisors on the tax consequences of such purchase.

U.S. taxation

The following discussion is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of the Notes by a U.S. holder (defined below), but does not purport to be a complete analysis of all potential tax effects. This summary is based upon the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), existing, temporary and proposed U.S. Treasury Regulations issued thereunder, and judicial and administrative interpretations thereof, each as available and in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect or differing interpretations which could affect the tax consequences described herein.

This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a holder in light of such holder's particular circumstances or to holders that may be subject to special rules, such as certain financial institutions, certain former citizens or long-term residents of the United States, insurance companies, dealers or traders in securities or currencies, holders whose functional currency is not the U.S. Dollar, tax exempt organisations, regulated investment companies, real estate investment trusts, grantor trusts, holders that will hold Notes through partnerships or other pass through entities and persons holding the Notes as part of a "straddle", "hedge", "conversion transaction" or other integrated transaction for U.S. federal income tax purposes. Moreover, this summary does not address the U.S. federal estate and gift tax, the 3.8% U.S. federal Medicare tax on net investment income, or alternative minimum tax consequences of the acquisition, ownership, disposition or retirement of the Notes. In addition, this discussion is limited to persons who purchase the Notes for cash at original issue and at their "issue price" (the first price at which a substantial part of the Notes are sold to the public for cash, excluding sales to bond houses, brokers or similar persons or organisations acting in the capacity of underwriters, placement agents or wholesalers) and who hold the Notes as capital assets within the meaning of Section 1221 of the Code.

For purposes of this discussion, a "**U.S. holder**" is a beneficial owner of a Note that is (i) an individual citizen or resident of the United States; (ii) a corporation or other entity taxable as a corporation for U.S. federal income tax purposes created or organised in or under the laws of the United States or any state or any political subdivision thereof; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust, or if a valid election is in place under applicable U.S. Treasury Regulations to treat the trust as a U.S. person.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds the Notes, the tax treatment of the partnership and a partner in such partnership will generally depend upon the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor as to its consequences.

Interest

Subject to the discussion below regarding original issue discount, qualified stated interest (as defined below) paid on a Note (including any additional amounts and foreign withholding taxes paid with respect thereto) will be taxable to a U.S. holder as ordinary interest income at the time it accrues or is received in accordance with the U.S. holder's method of accounting for U.S. federal income tax purposes.

The Notes are not expected to be issued with original issue discount ("**OID**") for U.S. federal income tax purposes in excess of a de minimis amount (i.e., less than $\frac{1}{4}$ of 1% of the stated redemption price at maturity multiplied by the number of complete years to maturity). If the Notes are issued with de minimis OID, U.S. holders of Notes would include such de minimis OID in income as capital gain upon disposition.

If, contrary to the Company's expectations, the Notes are issued with more than a de minimis amount of OID, an amount equal to the difference between their "stated redemption price at maturity" and their "issue price" would be considered OID for U.S. federal income tax purposes. The stated redemption price at maturity of a Note generally will equal the sum of all payments required to be made under the Note other than payments of "qualified stated interest". Qualified stated interest generally is stated interest unconditionally payable (other than in debt instruments of the issuer) at least annually at a single fixed rate. A U.S. holder of Notes issued with more than a de minimis amount of OID would be required to include in income any qualified stated interest payments in accordance with the U.S. holder's method of tax accounting for U.S. federal income tax purposes as described above and any OID would be included in income as it accrues in accordance with a constant yield method based on a compounding of interest, regardless of such U.S. holder's regular method of accounting and regardless of whether cash attributable to this income is received. U.S. holders should consult their tax advisors regarding the application of the OID rules.

Interest income earned by a U.S. holder with respect to a Note will constitute foreign source income for U.S. federal income tax purposes, which may be relevant in calculating the U.S. holder's foreign tax credit limitation. Kazakh income taxes withheld from interest payments on a Note will be creditable against the U.S. holder's U.S. federal income tax liability, subject to applicable limitations (including minimum holding period requirements) that may vary depending on the U.S. holder's particular circumstances. A U.S. holder who does not elect to claim a credit for foreign tax may instead claim a deduction in respect of the tax provided the U.S. holder elects to deduct rather than claim a credit for all foreign taxes for such taxable year. Interest paid on the Notes will be treated as either "passive category income" or "general category income" for U.S. foreign tax credit limitation purposes. The rules relating to U.S. foreign tax credits are extremely complex, and U.S. holders are urged to consult their tax advisors regarding the availability of U.S. foreign tax credits in their particular circumstances.

Sale, exchange or retirement of Notes

If you are a U.S. holder, upon the sale, exchange or retirement of a Note you will recognise taxable gain or loss equal to the difference, if any, between the amount realised on the sale, exchange or retirement, other than accrued but unpaid interest which will be taxable as such, and your adjusted tax basis in the Note. A U.S. holder's adjusted tax basis in a Note generally will equal the acquisition cost of the Note increased by the amount of OID, if any, included in the holder's gross income and decreased by the amount of any payment received from the Company on the Note other than a payment of qualified stated interest. Any gain or loss recognised on the sale, exchange or retirement of a Note (other than amounts attributable to accrued but unpaid interest) will be capital gain or loss. If you are a non-corporate U.S. holder, the maximum marginal U.S. federal income tax rate applicable

to the gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income (other than certain dividends) if your holding period for the Notes exceeds one year (i.e., such gain is a long-term capital gain). Because gain or loss on a sale, exchange or disposition of a Note generally will be U.S. source gain or loss, a U.S. holder may not be able to claim a credit for any foreign taxes imposed upon a disposition of a Note unless such credit can be applied (subject to certain limitations) against tax due on other income treated as derived from foreign source. The deductibility of capital losses is subject to limitations.

Information reporting and backup withholding tax

A backup withholding tax and information reporting requirements apply to certain payments of principal of, and interest on, an obligation and to proceeds of the sale or redemption of an obligation, to certain non-corporate holders of Notes that are U.S. persons. The payor will be required to withhold backup withholding tax on payments made within the United States, or by a U.S. payor or U.S. middleman, on a Note to a holder of a Note that is a U.S. person, other than an exempt recipient, such as a corporation, if the holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements.

Backup withholding is not an additional tax but, rather, is a method of tax collection. Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against the holder's U.S. federal income tax liability provided the required information is furnished to the U.S. Internal Revenue Service in a timely manner.

"Specified foreign financial asset" reporting

Owners of "specified foreign financial assets" with an aggregate value in excess of U.S.\$50,000 at the end of the taxable year or U.S.\$75,000 at any time during the taxable year (and in some circumstances, a higher threshold), may be required to file an information report with respect to such assets with their U.S. federal income tax returns. "Specified foreign financial assets" generally include any financial accounts maintained by foreign financial institutions as well as any of the following, but only if they are not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-U.S. persons, (ii) financial instruments and contracts held for investment that have non-U.S. issuers or counterparties and (iii) interests in foreign entities. U.S. holders that fail to report required information could be subject to substantial penalties. U.S. holders should consult their tax advisors regarding the possible implication of this legislation on their investment in the Notes.

Certain ERISA considerations

The U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**") imposes certain requirements on "employee benefit plans" (as defined in ERISA) subject to Title I of ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "**ERISA Plans**") and on those persons who are fiduciaries with respect to ERISA Plans.

Section 406 of ERISA and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), prohibit certain transactions involving the assets of an ERISA Plan (Section 4975 of the Code also imposes prohibitions for certain plans that are not subject to Title I of ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "**Plans**")) and certain persons (referred to as "parties in interest" or "disqualified persons") having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and Section 4975 of the Code. Accordingly, each original or subsequent purchaser or transferee of a Note that is or may become a Plan is responsible for determining that its purchase and holding of such Note will not constitute a prohibited transaction under ERISA or Section 4975 of the Code. Additionally, with respect to each original or subsequent purchaser or transferee of a Note that is or may become a Plan, the fiduciary making the decision to invest in the Notes on the purchaser or transferee's behalf will be

required or deemed to represent and warrant that the purchase or transfer, and holding of such Notes by the Plan, shall not constitute a non-exempt prohibited transaction under ERISA and the Code.

With respect to each purchaser or transferee that is a Plan, then at any time when regulation 29 C.F.R. Section 2510.3-21, as modified, is applicable, the fiduciary making the decision to invest in the Notes on the purchaser or transferee's behalf will be required or deemed to represent and warrant that it (a) (i) is a bank, insurance company, registered investment adviser, or broker-dealer in each case as described in 29 C.F.R. Section 2510.3-21(c)(1)(i) or (ii) an independent fiduciary that holds, or has under its management or control, total assets of at least U.S. \$50 million; (b) is an independent plan fiduciary within the meaning of 29 C.F.R. Section 2510.3-21; (c) is capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies; (d) is responsible for exercising independent judgment in evaluating the transaction and (e) is not paying any fee or other compensation to the Issuer, the Guarantor, Managers or Trustee for investment advice (as opposed to other services) in connection with the transaction. In addition, such fiduciary will be required or deemed to acknowledge and agree that it (i) has been informed (and it is hereby expressly confirmed) that none of the Issuer, the Guarantor, Managers or Trustee, or other persons that provide marketing services, nor any of their affiliates, has provided, and none of them will provide, impartial investment advice and they are not giving any advice in a fiduciary capacity, in connection with the investor's acquisition of Notes and (ii) has received and understands the disclosure of the existence and nature of the financial interests contained in this Listing Particulars and related materials. Notwithstanding the foregoing, any Plan fiduciary which is an individual directing his or her own individual retirement account shall not be deemed to have made the representation in clause (a)(ii) above.

THE PRECEDING DISCUSSION IS ONLY A SUMMARY OF CERTAIN ERISA IMPLICATIONS OF AN INVESTMENT IN THE NOTES AND DOES NOT PURPORT TO BE COMPLETE. PROSPECTIVE INVESTORS SHOULD CONSULT WITH THEIR OWN LEGAL, TAX, FINANCIAL AND OTHER ADVISORS PRIOR TO INVESTING IN THE NOTES TO REVIEW THESE IMPLICATIONS IN LIGHT OF SUCH INVESTOR'S PARTICULAR CIRCUMSTANCES.

The Proposed Financial Transaction Tax

The European Commission has published a proposal for a Directive for a common Financial Transaction Tax ("**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate. The proposed FTT has a very broad scope and could, if introduced in its current form, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

The above summary is not intended to constitute a complete analysis of all tax consequences relating to the ownership of Notes.

Prospective purchasers of the Notes should consult their own tax advisors concerning the tax consequences of holding Notes in light of their particular circumstances, including the application of the U.S. federal income tax considerations discussed above, as well as the application of state, local, foreign or other tax laws.

SUBSCRIPTION AND SALE

Citigroup Global Markets Limited, ING Bank N.V., London Branch, VTB Capital plc (the "**Joint Lead Managers**") and JSC "SkyBridge Invest" (the "**Kazakhstan Lead Manager**" and, together with the Joint Lead Managers, the "**Managers**") have, pursuant to a Subscription Agreement dated 22 September 2017, severally and not jointly agreed with the Issuer and the Guarantor, subject to the satisfaction of certain conditions, to subscribe the Notes at 99.799 per cent. of their principal amount less a combined management and underwriting commission. In addition, the Issuer has agreed to reimburse the Managers for certain of their expenses in connection with the issue of the Notes. The Subscription Agreement entitles the Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

United States

The Notes have not been and will not be registered under the Securities Act and the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or in a transaction not subject to the registration requirements of, the Securities Act.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (the "**distribution compliance period**") within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells Notes (other than a sale pursuant to Rule 144A) during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons substantially to the following effect:

"The Notes covered hereby have not been registered under the U.S. Securities Act of 1933 (the "**Securities Act**") and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, except in either case in accordance with Regulation S or Rule 144A under the Securities Act. Terms used above have the meanings given to them by Regulation S."

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another exemption from registration under the Securities Act.

Each Manager may directly or through its U.S. broker dealer affiliate arrange for the offer and resale of Notes within the United States only to qualified institutional buyers in reliance on Rule 144A.

Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

United Kingdom

Each Manager has represented, warranted and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Republic of Kazakhstan

Each Manager has represented, warranted and agreed that it will only offer for subscription or purchase or issue invitations to subscribe for or buy or sell Notes or distribute any draft or definitive document in relation to any such offer, invitation or sale in Kazakhstan in compliance with the laws of Kazakhstan.

General

No action has been or will be taken in any jurisdiction by the Issuer, the Guarantor or any Joint Lead Manager that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Listing Particulars or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Listing Particulars comes are required by the Issuer, the Guarantor and the Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession, distribute or publish this Listing Particulars or any other offering material relating to the Notes, in all cases at their own expense.

GENERAL INFORMATION

Clearing Systems

The Notes have been accepted for clearance through Euroclear, Clearstream, Luxembourg and DTC. The Unrestricted Global Note has been accepted for clearance through Euroclear and Clearstream, Luxembourg under the Common Code No. 168254415 and the ISIN No. XS1682544157. The Restricted Global Note has been accepted for clearance through DTC. The CUSIP number for the Restricted Global Note is 48668N AA9, the Common Code No. is 168958498, and the ISIN No. is US48668NAA90.

Admission to Trading

Application has been made to the Irish Stock Exchange for this document to be approved as listing particulars and for the Notes to be admitted to the Official List and trading on the Global Exchange Market. The Irish Stock Exchange's Global Exchange Market is not a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC). It is expected that admission of the Notes to trading will be granted on or before 26 September 2017.

Authorisations

The Issuer and the Guarantor have obtained all necessary consents, approvals and authorisations in the Republic of Kazakhstan in connection with the issue and performance of the Notes and the Guarantee. The issue of the Notes was authorised by resolutions of the Management Board and Board of Directors of the Issuer passed on 13 July 2017 and 3 August 2017 respectively and the giving of the Guarantee by the Guarantor was authorised by resolutions of the Management Board and Board of Directors of the Guarantor passed on 31 July 2017 and 3 August 2017 respectively.

Material Adverse Change

There has been no significant change in the financial or trading position of the Issuer or of the Group since 30 June 2017 and no material adverse change in the financial position or prospects of the Issuer or of the Group or of the Guarantor since 31 December 2016.

Litigation

Save as disclosed in this Listing Particulars at "*Description of the Company and the Guarantor—KTG Tbilisi*", neither the Issuer nor the Guarantor nor any of their respective subsidiaries is involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) which may have, or have had during the 12 months preceding the date of this Listing Particulars, a significant effect on the financial position or profitability of the Issuer, the Group or the Guarantor.

Listing Agent

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the notes and is not itself seeking admission of the notes to the Official List of the Irish Stock Exchange or to trading on a regulated market.

Documents on Display

For so long as any of the Notes is outstanding, copies of the following documents may be inspected in hard copy format at the specified offices of each of the Paying and Transfer Agents during normal business hours:

- (a) the constitutional documents of the Issuer and the Guarantor;

- (b) the annual report and consolidated financial statements of the Issuer and the Guarantor for the financial years ended 31 December 2016 and 2015 including, in each case, the audit report relating to such financial statements;
- (c) the unaudited interim condensed consolidated financial statements of the Issuer for the six months ended 30 June 2017 and the unaudited interim condensed financial statements of the Guarantor for the six months ended 30 June 2017;
- (d) the Trust Deed (including the Guarantee);
- (e) the Agency Agreement; and
- (f) this Listing Particulars and any supplements thereto.

Governance

The Issuer is legally and beneficially owned and controlled directly by the Parent. The rights of Parent as a shareholder in the Issuer are contained in the articles of association of the Issuer and the Issuer will be managed in accordance with those articles and with the provisions of Kazakhstan law.

The Guarantor is legally and beneficially owned and controlled directly by the Issuer. The rights of Issuer as a shareholder in the Guarantor are contained in the articles of association of the Guarantor and the Guarantor will be managed in accordance with those articles and with the provisions of Kazakhstan law.

Auditors

The Issuer's independent auditors are Ernst & Young LLP, acting as auditors under licence No. 0000003 dated 15 July 2005 issued by the Ministry of Finance of the Republic of Kazakhstan. Ernst & Young LLP is a member of the Chamber of Auditors of Kazakhstan, the professional body which oversees audit firms in Kazakhstan. The Issuer's consolidated financial statements are prepared in accordance with IFRS. The Issuer's audited consolidated financial statements for each of the financial years ended 31 December 2016 and 31 December 2015 were audited by Ernst & Young LLP, which issued reports thereon without qualification. The business address of Ernst & Young LLP is Esentai Tower, 77/7, Al-Farabi Ave., Almaty 050060, Kazakhstan.

The Guarantor's independent auditors are Ernst & Young LLP, acting as auditors under licence No. 0000003 dated 15 July 2005 issued by the Ministry of Finance of the Republic of Kazakhstan. Ernst & Young LLP is a member of the Chamber of Auditors of Kazakhstan, the professional body which oversees audit firms in Kazakhstan. The Guarantor's financial statements are prepared in accordance with IFRS. The Guarantor's audited financial statements for each of the financial years ended 31 December 2016 and 31 December 2015 were audited by Ernst & Young LLP, which issued reports thereon without qualification. The business address of Ernst & Young LLP is Esentai Tower, 77/7, Al-Farabi Ave., Almaty 050060, Kazakhstan.

Conflicts of Interest

There are no potential conflicts of interest between any duties of the members of the administrative, management or supervisory bodies of the Issuer towards the Issuer and their private interests and/or other duties.

There are no potential conflicts of interest between any duties of the members of the administrative, management or supervisory bodies of the Guarantor towards the Guarantor and their private interests and/or other duties.

Joint Lead Managers transacting with the Issuer

The Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer in the ordinary course of business.

ISSUER

KazTransGas JSC
36 Street, bld. No.11
Business Centre Bolashak
Astana, 010000
Republic of Kazakhstan

GUARANTOR

Intergas Central Asia Joint Stock Company
36 Street, bld. No.11
Business Centre Bolashak
Astana, 010000
Republic of Kazakhstan

JOINT LEAD MANAGERS

**Citigroup Global Markets
Limited**

Citigroup Centre
33 Canada Square
Canary Wharf
London E14 5LB
United Kingdom

ING Bank N.V., London Branch

8-10 Moorgate
London EC2R 6DA
United Kingdom

VTB Capital plc

14 Cornhill
London EC3V 3ND
United Kingdom

KAZAKHSTAN LEAD MANAGER

JSC "SkyBridge Invest"
Esentai Tower, 12th floor, 77/7
Al-Farabi Ave.,
Almaty, 050040
Republic of Kazakhstan

TRUSTEE

Citibank N.A., London Branch

Citigroup Centre
Canada Square
London E14 5LB
United Kingdom

**PRINCIPAL PAYING AND
TRANSFER AGENT**

Citibank N.A., London Branch

Citigroup Centre
Canada Square
London E14 5LB
United Kingdom

REGISTRAR

Citibank N.A., London Branch

Citigroup Centre
Canada Square
London E14 5LB
United Kingdom

LEGAL ADVISERS

*To the Issuer and the Guarantor as to English and
U.S. law*

Baker & McKenzie LLP

100 New Bridge Street
London EC4V 6JA
United Kingdom

To the Issuer and the Guarantor as to Kazakh law

Baker & McKenzie – CIS, Limited

Samal Towers, 8th Floor
97, Zholdasbekov Street
Almaty 050051
The Republic of Kazakhstan

To the Managers as to English and U.S. law

White & Case LLP

5 Old Broad Street
London EC2N 1DW
United Kingdom

To the Managers as to Kazakh law

White & Case Kazakhstan LLP

11th floor, BC Talan Towers
16 Dostyk Street
Astana 010000
The Republic of Kazakhstan

To the Trustee as to English law

Linklaters LLP

One Silk Street
London EC2Y 8HQ
United Kingdom

AUDITORS

Ernst & Young LLP

Esentai Tower, 77/7, Al-Farabi Ave.
Almaty 050060
Kazakhstan

LISTING AGENT

Arthur Cox Listing Services Limited

10 Earlsfort Terrace
Dublin 2
DO2 T380