

Message from the General Director of KPO

Dear colleagues,
I am pleased to confirm that the Republic of Kazakhstan, the Contracting Companies and KPO have completed the agreement in relation to the Karachaganak Project that was initially signed on 14 December 2011.

Under the terms of the agreement the Republic has acquired a 10% interest in the Karachaganak Final Production Sharing Agreement ("FPSA") for \$2.0 billion cash and \$1.0 billion non-cash consideration (pre-tax) including the final and irrevocable settlement of all cost recovery claims. Tax of \$1.0 billion is payable on the gain arising on the disposal. The Republic's interest in the FPSA will be managed by the national oil company, KazMunaiGas.

The consideration under the agreement also includes the allocation of an additional 2 million tonnes per year capacity in the Caspian Pipeline Consortium export pipeline (CPC) over the remaining life of the FPSA. This additional capacity starts at 0.5 million tonnes immediately and rises to 2 million tonnes during CPC expansion, which is underway and expected to complete over the next three years. Completion of the agreement also provides for:

- exemption from export custom duties for the Karachaganak project until 2038, the remaining 26 years of the FPSA term; and
- final agreement on all tax and customs



matters up to the end of 2009.

This is a significant milestone in the history of the Karachaganak project. KPO welcomes Kazakhstan's leading national oil and gas company, KazMunaiGas, into the Contracting Companies group. We look forward to working with all of our partners to further build on our success and to continue to develop the world class operation of Karachaganak together.

Regards,
Damiano Ratti
General Director

KPO held Joint Operating Committee meeting

On 13 July, 2012 Karachaganak Petroleum Operating B.V. (KPO) held Joint Operating Committee (JOC) meeting on 12 July at the office of the West Kazakhstan Oblast Akimat (WKO).

Akim of West Kazakhstan Oblast Nurlan Nogayev, KPO investing Partners' senior representatives, senior Management of PSA and KPO top managers participated in the JOC meeting.

During the meeting, the parties discussed

the KPO Social Projects Programme, Local Content Development Programme, and other aspects of KPO's contribution to the region's social-economic development.

The day before, on 11 July, distinguished guests visited KPO Social Projects in Uralsk: a Kindergarten for 280 children in the 7th microdistrict, and construction sites of the Celebration Palace and secondary school for 1200 children.



KPO hosts high level visit of President's administration State Inspector



On 1 August 2012, KPO hosted a high level visit of Kazakhstan President's administration State Inspector Mr Anarkulov who was accompanied by the First Deputy Akim of Western Kazakhstan oblast Mr Dyusembayev and senior representatives of the Ministry of Industry and New Technologies of Kazakhstan.

The main purpose of their visit was to familiarise themselves with Karachaganak oil field and KPO's industrial plants.

When visiting the Karachaganak the delegation met with KPO General Director Damiano Ratti and other senior managers of KPO. During the meeting which was held at KPC Administration building the guests were provided a detailed overview, including the company's recent performance, field development activities, and the company's contribution to the social and economic development of the region.

After the meeting with KPO management, the guests toured the production facilities of the Karachaganak oil and gas condensate field.

BG announces a Gold Hard Hat Award Winner

KPO has recently held an award ceremony of its employees who made significant contribution in the field of safety and environmental protection. Many of them were awarded cash prizes for the prevention of accidents in the workplace.

Kubaidulla Bektassov, Oil and Gas Process Utilities Operator of KPO, has become a Gold Hard Hat Award Winner of BG Group for demonstrating extraordinary safety commitment with outstanding behaviours and ideas.

The BG Group's Gold Hard Hat Award is a part of BG HSE recognition scheme, which is applied to all BG divisions across the world. Kubaidulla's pro-active behaviour was noted not only for demonstration of great foresight and care for his co-workers, but

through his actions, Kubaidulla has helped make the site safer for future activities.

The contest prize of US\$1,000 won by Kubaidulla is a charity donation. Kubaidulla has decided to donate this prize to the Burlin Regional History Museum in Aksai.

The Golden Hard Hat and the Letter of Gratitude on behalf of Martin Houston, BG Chief Operating Officer and Executive Director was handed to Kubaidulla during the HSE Card Programme Quarter II Award ceremony.

In his Letter of Gratitude to Kubaidulla Bektassov, Martin Houston said: "Across our business we have many people who support us in delivering our plans safely. Some exceptional people go over and above what is expected of them, playing a role in lifting the



safety performance of our One Team."

"It's vital we recognise these

safety ambassadors. You are one of them and I thank you for your effort. You have displayed

extraordinary safety commitment, with outstanding behaviours and ideas."

"When BG Kazakhstan nominated you for the Gold Hard Hat Awards, this was what they said about you and your commitment to keeping our One Team safe:

"Not only did this intervention show great foresight and care for his co-workers, but through his actions, Bektassov has helped make the site safer for future activities."

"This achievement deserves celebration. Please accept your Gold Hard Hat Award trophy and patch and display these with pride to show everyone the difference you are making."

"Well done, congratulations and again, thank you for your great contribution."

Construction and assembly plant launched in Aksai

A plant for production of construction and assembly equipment from aluminium 1.5 bln tenge in cost has been launched in Aksai, said Marko Castantini, general director of "Aksai industrial park".

"The cost of the project is 1.5 bln tenge providing 125 work places. It manufactures electric equipment and controlling tools, highly technological equipment, construction and assembly products from aluminium. We are training the local staff," he said.

According to the Ministry of Industry and New Technologies the equipment manufactured at the plant will be supplied for such scaled projects as Kashagan, Karachaganak and Tengiz within the frameworks of Kazakhstan's consistency.

Within the frameworks of the industrialization map plants and factories are launched every 6 months in participation of the President.

The map includes 609 projects for totally 9.6 trln tenge providing 180 000 new work places.

237 projects for 1 trln tenge providing over 4000 work places were introduced in 2011. 162 of the projects were launched in the second half of 2011.

152 projects for over 800 bln tenge and providing 23 000 work places were launched in 2010.



New Collective Agreement signed

On 3 August a new Collective Agreement between KPO and Karachaganak Independent Trade Union was signed in the main office of KPO.

The new Collective Agreement contains some positive developments in terms of employees' welfare and reaffirms KPO commitments towards employee relations and

collective bargaining.

The Agreement was signed by KPO General Director Damiano Ratti from one side and the leaders of the Karachaganak Independent Trade Unions Tuleugali Kenesov and Anatoliy Neverov from the other one.



New Project Execution Director at KPO

KPO is pleased to announce on the appointment of Matteo Tisi to the position of KPO Project Execution Director. Matteo has taken over from Carlo Fossa.



Matteo has more than 11 years of experience in Engineering and Construction and over seven years

in management roles on a number of assets in Italy, Germany, United Kingdom and Russia. In the last two years, Matteo worked as a Project Manager in ENI Exploration & Production headquarters' in Italy on development of projects in Russia and Turkmenistan.

On this occasion, KPO General Director has extended a very warm welcome to Matteo and expressed his gratitude to Carlo Fossa for his dedication and hard work during his tenure in the Karachaganak Project.

"Karachaganak News" newspaper also congratulates Matteo with his appointment and wishes him all the best and good luck in his new assignment. Also, on KPO and its staff behalf it says good luck to Matteo!

KPO sponsors summer holidays for children

Karachaganak Petroleum Operating B.V (KPO) is sponsoring summer holidays for children from four rural districts of Burlin district (Berezovsky, Uspenovskiy, Priuralny, Zharsuatskiy) around the Karachaganak field.

60 children from rural districts of Burlin district (Uspenovskiy, Priuralny) have already enjoyed holidays in the "Talap" recreation camp.

According to Priuralny rural district school's Principal Zhanar Maximova, "Activities in the children's camp are a wonderful opportunity to discover their talents and learn many interesting things. In addition, the children learn to be self-dependent - to manage without their parents, to meet and make friends easily, to overcome their little fears and to show oneself as



a personality. I would like to express my gratitude to KPO for providing recreation for our children".

Akmaral Adilova, KPO Community Relations Specialist, noted: "It is very important for us to support the youth, as they represent our future. This year 160 children in the age group from 7 to 14 years old from above mentioned four rural districts will have a rest in the camp. These are children from low-income and large families, and pupils with good achievements at school".

From 2004 to 2010 KPO has organised holidays for about 1,000 children in the "Talap" Summer Camp. In addition, annual \$10 million investment in social projects in WKO, KPO undertakes sponsorship programmes to support vulnerable community groups such as elderly and children.

In 2011 KPO implemented over 45 sponsorship projects in the fields of healthcare, sports, education, and culture.

