



Press release

Date: 03 April 2020

Dear holders of the Eurobonds issued by Alliance Oil Company (ISIN: XS0925043100) (the “*Eurobonds 500*”)

Alliance Oil Company is vertically integrated oil and gas company operating in Russia and Kazakhstan.

In the first quarter of 2020, the macroeconomic situation in the world worsened significantly. Prices for oil and oil products decreased as a result of circumstances beyond the control of the Company and the financial markets: the COVID-19 pandemic, as well as the lack of agreement to extend the OPEC + transaction. In turn, this led to a decrease in business activity around the world and, as a result, to a decrease in energy demand and overstocking of the market.

In Russia, as a result of lower hydrocarbon prices, the ruble also depreciated, which, given the high share of ruble revenues of Alliance Oil Company group has an additional negative effect on revenue, cash flows and financial results of the company.

As you know, Alliance Oil Company group has historically had a high debt burden, the peak of which falls on the current fiscal year.

In the current difficult international economic situation, Alliance Oil Company is not in the position to fully repay Eurobonds 500 from cash flows from operating activities.

The Company made every effort to find and attract the necessary external financing, access to which is currently significantly limited due to the general economic recession and low oil prices.

Alliance Oil Company, guided by the principles of equal treatment of the creditors of the Group and long-term partnerships with investors, has prepared the following commercial proposal for restructuring for Eurobonds 500 holders to vote on:

- Extension of the maturity by 3 years – until May 4, 2023;
- Coupon rate increase from 7% to
 - 7,5% starting from May 4, 2020;
 - 8% starting from May 4, 2021;
 - 9% starting from May 4, 2022;

- Buyback at the face value of 20% of Eurobonds of the entire issue from the owners of Eurobonds who voted in favour of the restructuring on a pro rata basis;
- Amortisation in the following order:
 - 20% from face value of Eurobonds on May 4, 2021
 - 20% from face value of Eurobonds on November 4, 2021
 - 20% from face value of Eurobonds on May 4, 2022
 - 20% from face value of Eurobonds on November 4, 2022
 - 20% from face value of Eurobonds on May 4, 2023
- 0,75% restructuring consent fee;
- 1,25% early consent fee for the consents received not later than April 17, 2020;
- Other terms and conditions, including guarantees of subsidiaries: no change.

The Company has always fulfilled its obligations to pay coupon income on Eurobonds. The Company has in total paid \$287.5 mln. of coupon income on Eurobonds ISIN XS0493579238 (the “*Eurobonds 350*”) and \$210 mln. of coupon income on Eurobonds 500.

In 2019, Alliance Oil Company has timely performed its payment obligations to the holders of Eurobonds 350 which were also previously restructured in the context of the economic crisis.

Despite the current situation and forced restructuring, the Company intends to fulfill its obligations to the holders of Eurobonds 500, including the payment of coupon income in full in the amount of \$ 17.5 million in May 2020 and the timely repayment under new conditions.

The proposed commercial terms are the best available for Alliance Oil Company and were developed as a result of negotiations with creditors and hard work to find financing.

Due to the fact that the Company is not in the position to offer better conditions to investors, the proposed conditions for restructuring are submitted immediately for approval in accordance with the terms of the current documentation.

The Company is guided in its activities by the principles of commercial efficiency, legality, transparency, professionalism and responsibility to investors, local and international markets. The Company publishes information on the financial results of its activities and conducts calls with investors on a quarterly basis.

As a result of more than 2 years’ work and the introduction of advanced sanctions compliance practices, on March 2, 2020, subsidiaries of Alliance Oil Company – JSC Independent Petroleum Company and JSC NNK-Primornefteprodukt which act as guarantors for Eurobonds 500 - were excluded

from OFAC SDN List¹, which also confirms the Company's commitment to the principles of transparency and responsibility of the business.

We hope that you, like us, believe in the prospects of the oil and gas market and its ability to recover. The current activities of the Group are focused on high potential oil and gas projects in Russia. The Group is currently developing new projects both in the Downstream and the Upstream segments.

The Company fully understands the difficulties of doing business in the face of financial instability, as well as the unprecedented epidemiological circumstances and pandemic control measures taken around the world.

In connection with the above, the Company asks each holder of Eurobonds 500 to carefully consider the published proposal and take part in the voting.

The Company highly appreciates the response of investors and counts on partnership support on mutually beneficial basis and assures you as investors that the Company will do everything to fulfill its obligations to you.

The Launch Announcement in relation to offers to sell for cash and consent solicitation in respect of the Eurobonds (together, the “*Offer*”) can be accessed under the following link:

<https://direct.euronext.com/AnnouncementRNSDetails.aspx?id=14491525>.

All requests for information in relation to the Offer (including tendering and voting procedures), as well as requests by Noteholders for copies of the Tender Offer and Consent Solicitation Memorandum (the “*Memorandum*”), should be directed to:

The Tender Agent:

Lucid Issuer Services Limited

Tankerton Works
12 Argyle Walk
London WC1H 8HA
United Kingdom

Attention: David Shilson
Telephone: +44 20 7704 0880
Email: allianceoil@lucid-is.com

The Issuer:

Alliance Oil Company Ltd.

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Email: eurobonds@allianceoilco.com

¹ <https://home.treasury.gov/news/press-releases/sm924>

This announcement does not constitute an invitation to participate in the Offer and does not constitute an offer to buy or the solicitation of an offer to sell securities in any other jurisdiction in which such offer or solicitation would be unlawful. Defined terms below have the meaning assigned to them in the Memorandum.

The Offer and this announcement have not been, and will not be, registered under the U.S. Securities Act of 1933 or under the securities laws of any state or other jurisdiction of the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with applicable laws of any state or other jurisdiction of the United States.

*The communication of this announcement or the Memorandum and any other documents or materials relating to the Offer is not being made and such documents and/or materials have not been approved by an authorised person for the purposes of section 21 of the Financial Services and Markets Act 2000. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom falling within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**")) or persons who are within Article 43 of the Order or any other persons to whom it may otherwise lawfully be made under the Order.*

Nothing in this announcement or the Memorandum is an offering of securities in the terms of Article 51.1 of the Law of the Russian Federation No. 39-FZ "On the Securities Market" dated 22 April 1996 (as amended). Nothing in this announcement or the Memorandum shall constitute, or be interpreted as, offering or advertising of securities, or shall be deemed contemplating placing or circulation of securities in the Russian Federation under applicable Russian laws.

None of the Issuer, the Structuring Advisor, the Tender Agent and the Trustee (nor any person related to such entities) makes any recommendation as to whether or not Noteholders should participate in the Offer.

This announcement must be read in conjunction with the Memorandum. This announcement and the Memorandum contain important information which should be read carefully before any decision is made in relation to the Offer. This announcement does not describe all the material terms of the Offer and no decision should be made by any Noteholder on the basis of this announcement. The complete terms and conditions of the Offer are as described in the Memorandum.

If any Noteholder is in any doubt as to the action it should take, it is recommended to seek its own financial and legal advice, including as to any tax consequences, from its stockbroker, bank manager, solicitor, accountant, independent financial adviser authorised under the Financial Services and Markets Act 2000 (if in the United Kingdom) or other appropriately authorised financial advisor. Any individual or company whose Notes are held on its behalf by a broker, dealer, bank, custodian, trust company or other nominee must contact such entity if it wishes to participate in the Offer.

The distribution of the Memorandum and this announcement in certain jurisdictions may be restricted by law. Persons into whose possession either Memorandum comes are required by the Issuer, the Structuring Advisor, the Tender Agent and the Trustee to inform themselves about, and to observe, any such restrictions.