OPERATING AND FINANCIAL REVIEW

For the three months ended March 31, 2016

The following document is intended to assist the understanding and assessment of trends and significant changes in the Company's results and financial condition. This review is based on the interim condensed consolidated financial statements of the Company and should be read in conjunction with those statements and the accompanying notes. All financial data and discussions thereof are based on the interim condensed consolidated financial statements prepared in accordance with the International Financial Reporting Standards ("IFRS"). According to the Company's accounting policy, interest in joint ventures and associates, are accounted for using equity method, and thus are not consolidated line by line ("equity-accounted entities").

OVERVIEW

KazMunaiGas Exploration Production ("the Company" or "KMG EP") is engaged in the exploration, development, production, processing, and export of hydrocarbons, as well as the acquisition of oil and gas assets. The Company has publicly listed Global Depositary Receipts ("GDR") and shares traded on the London Stock Exchange ("LSE") and Kazakhstan Stock Exchange ("KASE"). Its majority shareholder is JSC National Company KazMunaiGas ("NC KMG"), the wholly state-owned joint stock company, which represents the State's interests in the Kazakh oil and gas industry. The Company's core oil and gas assets are located in the Pre-Caspian, Mangistau and Southern Turgai basins. The following table represents the Company's principal oil and gas interests as of March 31, 2016:

Name	Ownership interest	Principal operations	Financial statement reflection
Ozenmunaigas JSC ("OMG")	100%	Crude oil upstream	Consolidated entity
Embamunaigas JSC ("EMG")	100%	Crude oil upstream	Consolidated entity
KMG EP Exploration Assets ("KMGEP EA")	100%	Oil and gas exploration	Consolidated entity
Kazakh Gas Processing Plant ("KazGPZ")	100%	Natural gas upstream and refining	Consolidated entity
JV Kazgermunai LLP ("KGM")	50%	Crude oil upstream	Equity-accounted entity
Petrokazakhstan Inc. ("PKI")	33%	Crude oil upstream	Equity-accounted entity
CITIC Canada Energy Limited ("CCEL")	50%	Crude oil upstream	Financial asset
Ural Oil and Gas LLP ("UOG")	50%	Oil and gas exploration	Equity-accounted entity
KS EP Investments BV ("KS")	51%	Oil and gas exploration	Equity-accounted entity

KEY PERFORMANCE INDICATORS

1Q 2016	4Q 2015*	Change		1Q 2016	1Q 2015	Change
3,043	3,106	-2%	Total production (ktonnes)**	3,043	3,037	0%
924	105,896	-99%	Net Income (KZT million)	924	1,582	-42%
0.01	1.55	-99%	Basic and diluted EPS (KZT thousand)	0.01	0.02	-50%
6,386	24,699	-74%	EBITDA (KZT million)***	6,386	(5,658)	-213%
-4%	16%	-125%	Operating margin (%)****	-4%	-18%	-78%
(18,146)	(9,054)	100%	Operating cash flow before working capital adjustments (KZT million)	(18,146)	(28,367)	-36%
0%	7%	-100%	ROE (%)	0%	0%	0%

** 4Q 2015 figures include the adjustment made in 4Q 2015 on domestic market sales income for year to reflect the agreed price of KZT37 thousand per tonne for all volumes shipped to Atyrau Oil Refinery Plant and Pavlodar Oil Refinery Plant during 2015.*

***Including proportionate share of equity-accounted entities.*

****EBITDA is calculated by adding back the share of income in equity-accounted entities, finance income and non-cash expenses such as depreciation and amortization to the Company's operating profit.*

*****Operating profit does not include share in results of equity accounted entities, CIT expenses, finance charges, impairment charges and other non-operating charges.*

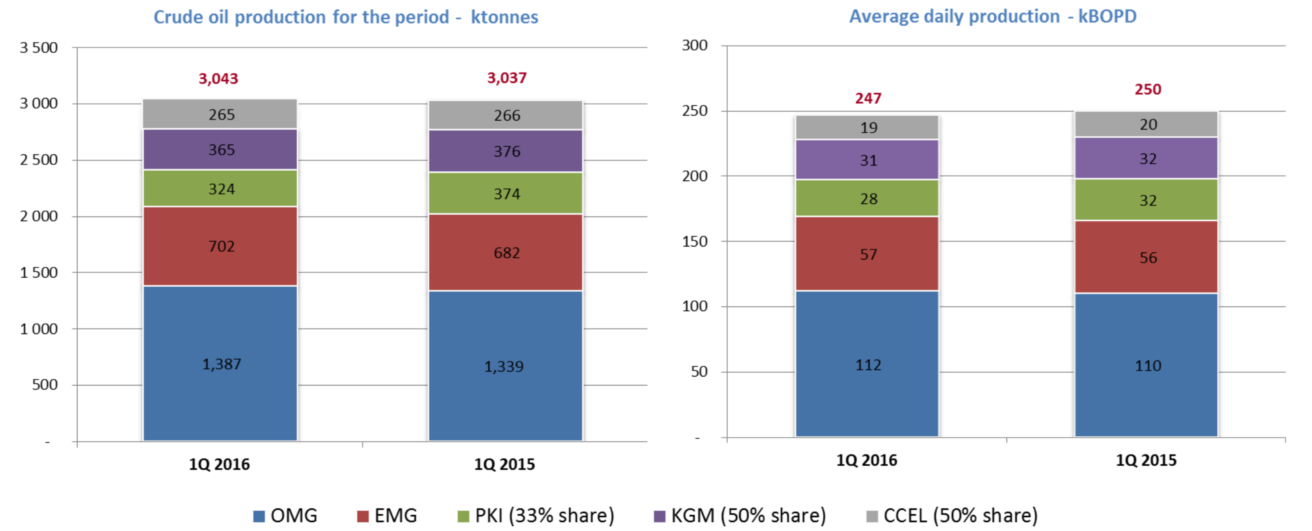
BUSINESS ENVIRONMENT

Macroeconomic factors affecting the Company's financial performance for the period under review include movements in crude oil prices, domestic inflation and foreign exchange rates, specifically the Tenge - US dollar exchange rate.

1Q 2016	4Q 2015	Change		1Q 2016	1Q 2015	Change
33.94	43.76	-22%	Average Brent (DTD) (US$ / bbl)	33.94	53.94	-37%
3.0%	10.7%	-72%	Kazakhstan inflation (%)	3.0%	1.1%	173%
355.11	300.44	18%	Average Tenge - US$ exchange rate	355.11	184.58	92%
343.62	339.47	1%	Tenge - US$ exchange rate at the reporting date	343.62	185.65	85%

In July 2015, The National Bank of Kazakhstan ("NBK") expanded the Tenge-dollar fluctuation band to 185 Tenge per US dollar, plus 13 or minus 15 Tenge. On August 20, 2015, the Government of the Republic of Kazakhstan and NBK made a decision to switch to a free-floating exchange rate regime of the Tenge.

PRODUCTION ACTIVITY



The Company's total crude oil production in 1Q 2016, including the share of production from its joint ventures and associated company, amounted to 3,043 ktonnes or 247 kbopd. OMG and EMG produced 169 kbopd with a further 28 kbopd from PKI, 31 kbopd from KGM and 19 kbopd from CCEL.

Compared to 1Q 2015, OMG production increased by 4% or 48 ktonnes, primarily due to the geological and technical measures performed. Compared to the same period in 2015, EMG production in 1Q 2016 increased by 3% or 20 ktonnes, primarily due to the increased production of previous-year wells.

The share in PKI's production declined by 13% or 50 ktonnes in 1Q 2016, compared to 1Q 2015, due to the natural decline at some of PKI's mature fields and a decrease in drilling activity. The share in KGM's production decreased by 3% or 11 ktonnes in 1Q 2016, compared with the same period in 2015, due to the natural depletion and an increase of water cut of the KGM fields. The share in CCEL production decreased by less than 1% or 1 ktonne in 1Q 2016, compared with 1Q 2015. Total share in production volume of PKI, KGM and CCEL in 1Q 2016 was 954 ktonnes, which is 6% or 62 ktonnes less than in 1Q 2015.

Wells as of reporting date*	Drilled in 1Q 2016*	Drilled in 1Q 2015*		Well workovers 1Q 2016	Well workovers 1Q 2015	Well servicing 1Q 2016	Well servicing 1Q 2015
Number of wells				*Number of well workovers*		*Number of well servicing*	
5,243	63	80	OMG	255	226	3,327	3,590
2,709	6	7	EMG	19	43	833	917
1,716	–	10	PKI (100%)**	33	88	133	180
237	–	4	KGM (100%)**	5	2	30	31
3,619	13	46	CCEL (100%)**	16	6	869	913

**Development wells, including injection wells.*
*** Includes 100% of the number of well operations related to JV's and associated company.*

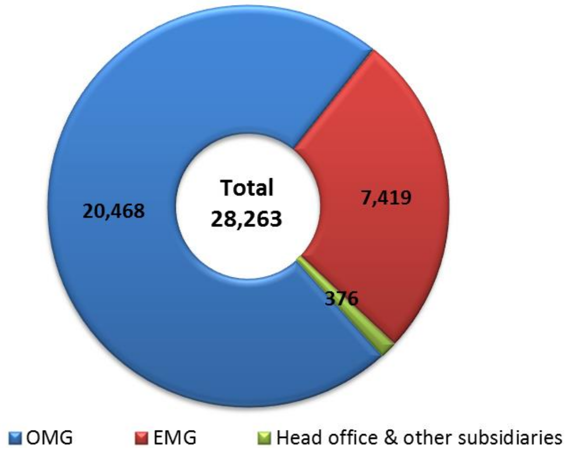
Oil production in the reporting period from the new wells at OMG amounted to 48 ktonnes compared to 40 ktonnes in 1Q 2015, as wells drilled in 1Q 2016 had higher flow rate of oil. OMG workovers of 255 wells provided an incremental production of 38 ktonnes, while 226 well workovers in 1Q 2015 provided incremental production of 29 ktonnes.

There was no oil production in the reporting period from the new wells at EMG compared to 0.4 ktonnes in 1Q 2015, as the new wells were put into operation at the end of the reporting period. EMG performed 19 well workovers in 1Q 2016, which provided an incremental production of 2 ktonnes, while 43 well workovers provided 3 ktonnes in 1Q 2015.

CAPITAL EXPENDITURE OVERVIEW

Capital expenditure figures presented in this section represent actual additions to the property, plant and equipment ("PPE") and intangible assets ("IA") accounts during the reporting period. The amounts indicated in the consolidated cash flow statement of the Company as purchases of PPE and intangible assets, reflect additions presented herein adjusted for the changes in related working capital accounts, such as advances prepaid and accounts payable for PPE and IA.

Capital expenditures for OMG, EMG, Head office and other subsidiaries - KZT million



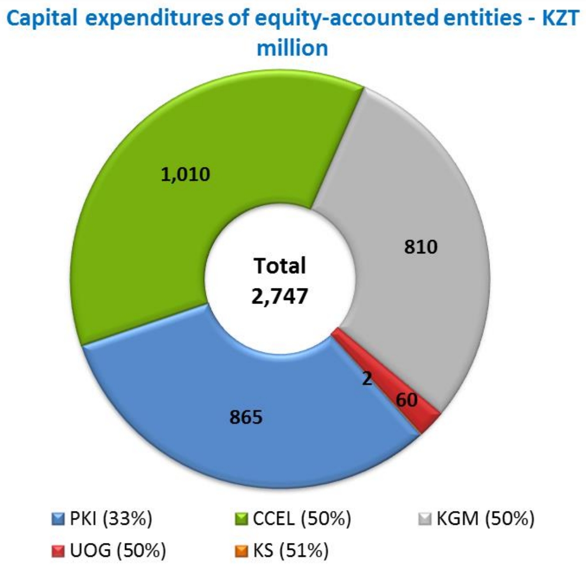
Capital expenditures of OMG, EMG, Head office and other KMG EP subsidiaries

In 1Q 2016, the Company's capital expenditures amounted to KZT28.3 billion or KZT2.3 billion less than in 1Q 2015. Capital expenditures include the cost of drilling new wells, the construction and modernization of production facilities, the purchase of fixed and intangible assets and non-production capital expenditures.

OMG capital expenditures for 1Q 2016 amounted to KZT20.5 billion, which is KZT6.1 billion less than in 1Q 2015, mainly due to a decrease in production drilling as a result of a discount obtained from the contractor for drilling services, a lower level of construction and modernization of production facilities compared to 1Q 2015, and lower fixed asset purchases in the reporting period.

EMG capital expenditures amounted to KZT7.4 billion in 1Q 2016, which is KZT4.0 billion more than in 1Q 2015, mainly due to a higher level of construction and modernization of production facilities, production and exploration drilling in the reporting period compared to 1Q 2015.

Head office and other subsidiaries' capital expenditures in 1Q 2016 amounted to KZT0.4 billion, which is KZT0.3 billion less than in 1Q 2015, primarily due to lower level of exploration drilling in 1Q 2016.



Capital expenditure of equity-accounted entities

PKI capital expenditures in 1Q 2016 amounted to KZT2.6 billion (KMG EP 33% share: KZT0.9 billion), which is KZT0.7 billion less than in 1Q 2015, mainly due to the decrease in drilling volumes in the current period.

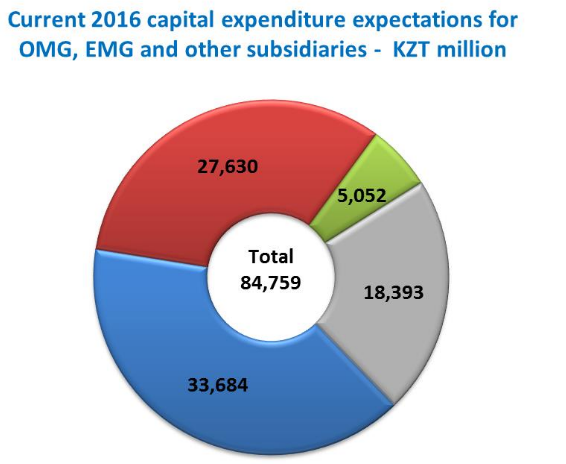
KGM capital expenditures for the period were KZT1.6 billion (KMG EP 50% share: KZT0.8 billion), which is KZT1.2 billion more than in 1Q 2015, mainly due to the higher purchase of fixed assets and production drilling in the reporting period. Production drilling in 1Q 2016 is represented by the pipes and casing used for drilling of wells, which are planned to be completed in subsequent periods.

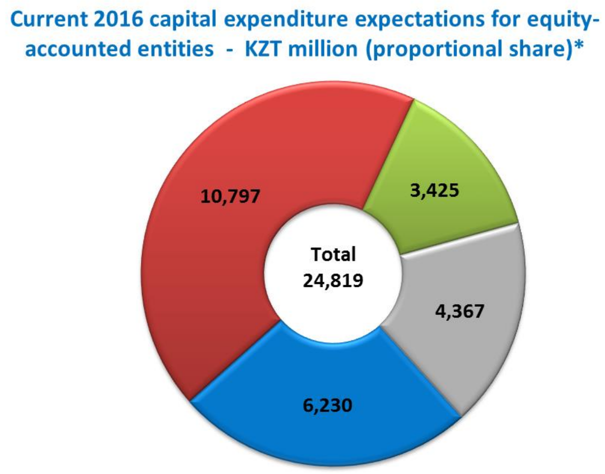
CCEL capital expenditures in 1Q 2016 were KZT2.0 billion (KMG EP 50% share: KZT1.0 billion), which is KZT2.8 billion less than in 1Q 2015, primarily due to the decrease in drilling volumes and lower fixed asset purchases in the current period.

UOG capital expenditures amounted to KZT121 million (KMG EP 50% share: KZT60 million), which is KZT66 million more than in 1Q 2015, mainly due to a higher level of exploration drilling in the reporting period as the result of drilling U-25 well.

KS capital expenditures amounted to KZT3 million (KMG EP 51% share: KZT2 million), which is KZT367 million less than in 1Q 2015, as further operations on the oilfield are pending internal approval.

Below are current 2016 capital expenditure expectations for consolidated and equity accounted entities:



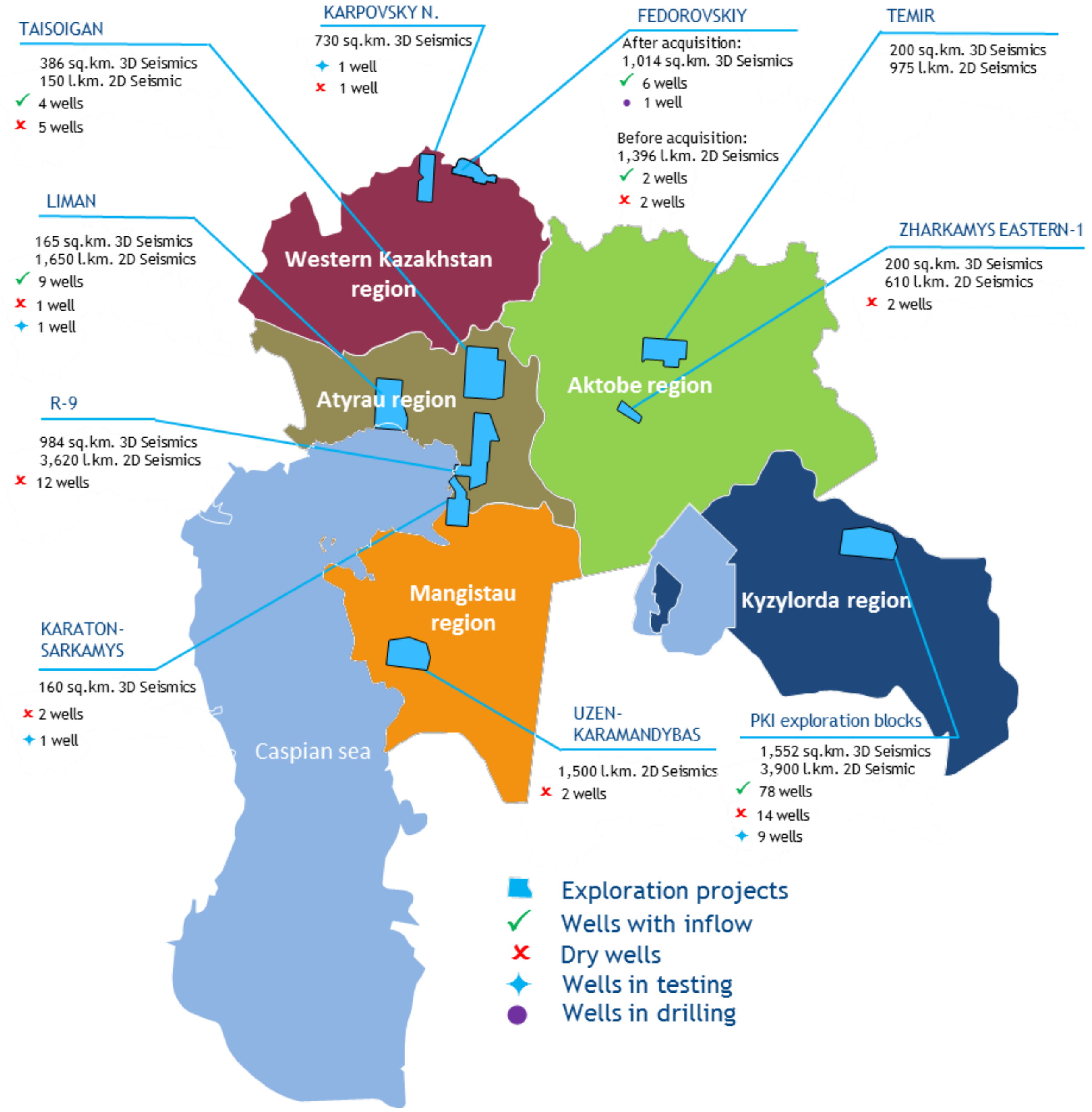


Production drilling Construction works Exploration Other CAPEX

**Capital expenditure amounts for 2016 presented herein represent currently expected amounts based on the management's estimates as of date of issuance of this report. Amounts do not represent any formal commitments and are subject to changes in any direction.*

EXPLORATION ACTIVITY

The following map depicts the Company's major exploration projects along with the cumulative number of exploration wells that have been drilled as of March 31, 2016.



The following table shows exploration activity of the Company and its equity accounted entities during the reporting period:

Block (interest)	Prospect	Well	Status as of reporting date
Liman (100%)	Novobogat SE	PR-4, PR-5, PR-7, PR-8	Agreement on drilling of the PR-4, PR-5, PR-7, PR-8 (project depth - 2,500m.) wells is concluded. Equipment is being mobilized and prepared for drilling PR-4 and PR-7 wells.
Temir (100%)			The Company is in the process of returning the contract area to the State.
Zharkamys Eastern (100%)	Tuskum		Return of the contract area to the State is completed due to low prospects and expiration of the subsoil use agreement.
Uzen-Karamandybas (100%)	South-western part of the explration block		The tender documentation package for the procurement of works on performing field works 3D-MOGT is in the process of being prepared and approved. Expecting to receive approval from the Ministry of Energy of the Republic of Kazakhstan on the extension of the exploration period of the contract until 2018.
Taisoigan (100%)	Uaz	U-22, U-24	Agreement on drilling of the U-22 (project depth - 850m.), U-24 (project depth - 1,265m.) wells is concluded. Equipment is being mobilized on the U-22 well. Agreement is concluded for preparation of 2D technical project and EIA.
R-9 (100%)			The Company is in the process of returning the contract area to the State.
Karaton Sarkamys (100%)	North-eastern wing of the S. Nurzhanov field	NSV-1	Testing of jurassic productive objects are underway. Testing of 3 productive trias objects was completed with the receipt of fountain inflow of oil. Agreement is concluded on acquisition of 3D seismic work primary materials of Birlestik cube for subsequent re-processing and re-interpretation of data. Expecting to receive approval from the Ministry of Energy of the Republic of Kazakhstan on the extension of the exploration period of the contract until 2018. Completed drilling of the NSV-1 well to the depth of 3,818m. in 2015. The well is being tested.
Karpovskiy Severniy (KS-51%)	Orlovskaya Central	SK-2	Planning to perform testing of the allocated productive objects of the well.
Fedorovskiy block (UOG-50%)	Rozhkovskiy	U-25	Drilling of the well is suspended due to technical reasons. Preparing to continue drilling of the well. Depth as of reporting date - 1,100m.
	Pavlovskaya, Yanvartsevskaya		Completed data processing. Interpreting and processing further data on joint Kirghoff cube.
Doszhan-Zhamansu (24.75% through PKI)	South Doszhan, South-Eastern Doszhan, Zhamansu		During the reporting period no works conducted at the Doszhan-Zhamansu block.
Karaganda (PKI-33%)	Karabulak, Buharsai		During the reporting period no works conducted at the Karaganda block.
Karavanchi (PKI – 33%)	Karavanchi		During the reporting period no works conducted at the Karavanchi block.
Western Tuzkol (PKI – 33%)	Western Tuzkol		During the reporting period no works conducted at the Western Tuzkol block.

RESULTS OF OPERATIONS

The following section is based on the Company's interim condensed consolidated financial statements. The amounts shown in US dollars are included solely for the convenience of the user at the average exchange rate over the respective period for the consolidated statement of comprehensive income and the consolidated cash flow statement and at the closing rate for the consolidated statement of financial position.

1Q 2016	4Q 2015	Change		1Q 2016	1Q 2015	Change
				(KZT million, unless otherwise stated)		
121,190	**180,475**	**-33%**	**Revenue**	**121,190**	**116,732**	**4%**
(54,618)	(65,012)	-16%	Production expenses	(54,618)	(57,964)	-6%
(30,316)	(31,841)	-5%	SG&A	(30,316)	(26,440)	15%
(34,195)	(49,917)	-31%	Taxes other than on income	(34,195)	(48,379)	-29%
–	(229)	-100%	Exploration expenses	–	(349)	-100%
(6,621)	(4,952)	34%	DD&A	(6,621)	(4,346)	52%
(4,560)	**28,524**	**-116%**	**Operating profit / (loss)**	**(4,560)**	**(20,746)**	**-78%**
–	(46,753)	-100%	Allowance for VAT recoverable	–	–	0%
(3,690)	(16,576)	-78%	Share of results of associate and JV's	(3,690)	4,554	-181%
(131)	(189)	-31%	Loss on disposal of fixed assets	(131)	(72)	82%
7,074	9,540	-26%	Finance income / (costs), net	7,074	5,107	39%
13,313	187,206	-93%	Foreign exchange gain, net	13,313	17,055	-22%
(11,082)	(55,856)	-80%	Income tax expense	(11,082)	(4,316)	157%
924	**105,896**	**-99%**	**Net income**	**924**	**1,582**	**-42%**
(0.9)	6.0	-115%	Profit / (loss) from operations (US$ per bbl sold*)	(0.9)	(7.7)	-88%
0.2	22.3	-99%	Net Income (US$ per bbl sold*)	0.2	0.6	-67%

* *Converted at 7.23 barrels per tonne of crude oil*

The decrease in net income for 1Q 2016 compared to 1Q 2015 is mainly due to a drop in the average Brent price from US$53.94 per barrel in 1Q 2015 to US$33.94 per barrel in 1Q 2016. Particularly, net income decreased in 1Q 2016 compared to 1Q 2015 due to the decrease in share in income of associate and joint ventures, decreased foreign exchange gain, the increase in selling, general and administrative expenses, as well as the increase in depreciation, depletion and amortization, which were partially offset by the decrease in production expenses and taxes other than on income, mainly due to the decrease in employee benefits, a change in crude oil balance and a decrease in rent tax. Employee benefits decreased in 1Q 2016 compared to 1Q 2015, mainly due to the non-accrual of annual bonuses and decrease in employee benefit liabilities, which were partially offset by a 7% indexation increase in basic salaries from January 1, 2016 according to the terms of the collective agreement.

Revenue

The following table shows sales volumes and realized prices resulting from OMG and EMG operations:

1Q 2016	4Q 2015	Change		1Q 2016	1Q 2015	Change
			Export sales of crude oil			
			UAS pipeline			
50,069	66,583	-25%	Net sales (KZT million)	50,069	58,723	-15%
639	779	-18%	Volume (ktonnes)	639	869	-26%
78,355	85,472	-8%	Average price (KZT/tonne)	78,355	67,575	16%
30.52	39.35	-22%	Average price (US$/bbl*)	30.52	50.64	-40%
			CPC pipeline			
51,271	53,759	-5%	Net sales(KZT million)	51,271	39,140	31%
581	565	3%	Volume (ktonnes)	581	572	2%
88,246	95,149	-7%	Average price (KZT/tonne)	88,246	68,427	29%
34.37	43.80	-22%	Average price (US$/bbl*)	34.37	51.27	-33%
101,340	120,342	-16%	Total sales of crude oil-exported (KZT million)	101,340	97,863	4%
1,220	1,344	-9%	Total crude oil-exported (ktonnes)	1,220	1,441	-15%
			Domestic sales of crude oil			
15,670	55,390	-72%	Net domestic sales (KZT million)	15,670	12,757	23%
833	844	-1%	Volume (ktonnes)	833	562	48%
18,812	65,628	-71%	Average price (KZT/tonne)	18,812	22,699	-17%
7.33	30.21	-76%	Average price (US$/bbl*)	7.33	17.01	-57%
			Shipments of crude oil to Russia			
–	–	0%	Net sales (KZT million)	–	1,014	-100%
–	–	0%	Volume (ktonnes)	–	20	-100%
–	–	0%	Average price (KZT/tonne)	–	50,700	-100%
–	–	0%	Average price (US$/bbl*)	–	37.99	-100%
			Total sales			
117,010	175,732	-33%	Total net sales of crude oil (KZT million)	117,010	111,634	5%
2,053	2,188	-6%	Total volume (ktonnes)	2,053	2,023	1%
56,995	80,316	-29%	Average price (KZT/tonne)	56,995	55,182	3%
22.20	36.97	-40%	Average price (US$/bbl*)	22.20	41.35	-46%
4,180	4,743	-12%	Other sales (KZT million)	4,180	5,098	-18%
121,190	**180,475**	**-33%**	**Total revenue (KZT million)**	**121,190**	**116,732**	**4%**

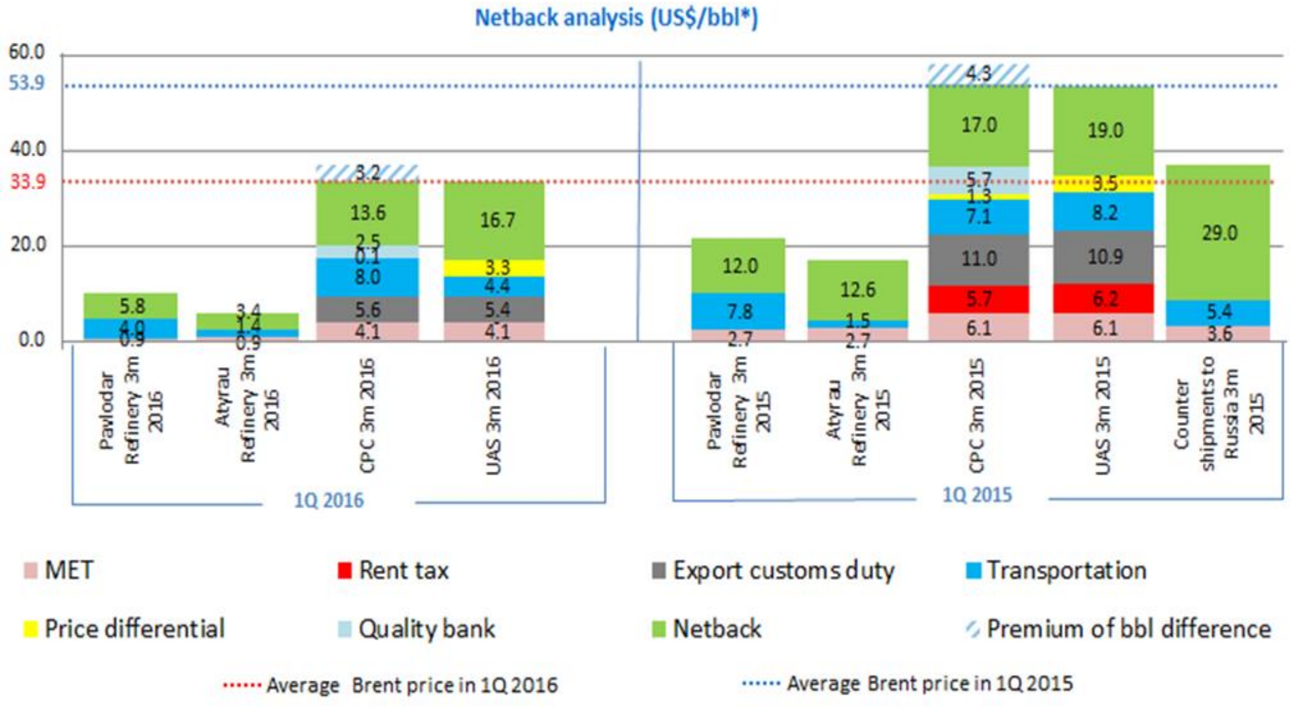
* *Converted at 7.23 barrels per tonne of crude oil.*

OMG and EMG export crude oil using two principal routes: via the pipeline owned by the Caspian Pipeline Consortium ("CPC") and via the Uzen-Atyrau-Samara pipeline ("UAS") owned by KazTransOil JSC (in Kazakhstan). OMG and EMG also deliver its crude oil to the domestic market, and OMG made counter-oil supply to the Russian Federation in 1Q 2015 as part of the intergovernmental agreement.

The relative profitability of the two export routes depends on the quality of crude oil in the pipeline, the prevailing international market prices and the relevant pipeline tariffs. It should be noted that the volume of crude oil that can be shipped through the pipelines has to be agreed with the Ministry of Energy of the Republic of Kazakhstan ("ME"). Thus, crude oil volume allocations between different routes change from period to period primarily due to greater or lower ME quotas for a certain route.

In 2015, the Company fulfilled all its obligation under the counter-oil supply agreement between the Government of Kazakhstan and the Russian Government and, as a result, there was no shipments of crude oil to Russia in 1Q 2016.

The following chart shows the OMG and EMG realized prices adjusted for crude oil transportation, rent tax, export customs duty (“ECD”), mineral extraction tax (“MET”) and other expenses based on the shipment route (netback analysis).



Converted at actual barrels per tonne of crude oil.

Export netbacks for 1Q 2016 decreased in the period compared to 1Q 2015, primarily due to a drop in the average Brent price from US$53.9 per barrel in 1Q 2015 to US$33.9 per barrel in 1Q 2016. Additionally, expenses related to export of crude oil via CPC route increased in 1Q 2016 compared to 1Q 2015 due to the decision of the Government of the Republic of Kazakhstan and NBK to switch to the free-floating exchange rate regime of the Tenge, which negatively affected CPC netback.

Domestic market netbacks decreased in 1Q 2016 due to the drop in average sales prices in Tenge terms and increase of the average Tenge - US dollar exchange rate.

The Company supplies oil and gas products to the local market by selling to JSC “KazMunaiGas Refinery and Marketing”, a subsidiary of the Parent Company. Prices for local market sales were previously determined through an annual negotiation process with JSC “KazMunaiGas Refinery and Marketing” and the Parent Company. Starting from January 2016 JSC “KazMunaiGas Refinery and Marketing” unilateraly set the domestic price based on making themselves profit neutral. These prices have not been agreed by the Company’s Management nor have they been approved by the Independent Non-Executive Directors of the Company (“INEDs”), as required by the Charter of the Company.

The Company’s management made a decision to recognize revenue in the financial statements at the value of the consideration received and receivable.

Production expenses

The following table shows a breakdown of the Company's production expenses, resulting mainly from OMG and EMG operations:

1Q 2016	4Q 2015	Change		1Q 2016	1Q 2015	Change
(KZT million, unless otherwise stated)				*(KZT million, unless otherwise stated)*		
37,172	40,017	-7%	Employee benefits	37,172	41,535	-11%
5,478	4,647	18%	Energy	5,478	4,810	14%
4,883	4,601	6%	Materials and supplies	4,883	5,207	-6%
4,459	6,200	-28%	Repairs and maintenance	4,459	3,138	42%
1,178	1,455	-19%	Transportation service	1,178	1,291	-9%
(303)	3,159	-110%	Change in crude oil balance	(303)	3,178	-110%
–	554	-100%	Processing expenses	–	118	-100%
–	2,313	-100%	Movement in asset retirement obligation	–	(3,851)	-100%
1,751	2,066	-15%	Other	1,751	2,538	-31%
54,618	**65,012**	**-16%**	**Total production expenses**	**54,618**	**57,964**	**-6%**
10.4	**13.7**	**-24%**	**Total production expenses (US$ per bbl sold*)**	**10.4**	**21.5**	**-52%**

* *Converted at 7.23 barrels per tonne of crude oil.*

Production expenses in 1Q 2016 decreased by KZT3.4 billion or 6% compared to 1Q 2015, primarily due to a decrease in employee benefits and change in crude oil balance. This was partially offset by an increase in repair and maintenance and a decrease in asset retirement obligation in excess of capitalized asset.

Employee benefit expenses in 1Q 2016 decreased by 11% compared to 1Q 2015, mainly due to a cut in annual bonus for production personnel for 2016 and a decrease in employee benefit liabilities, which were partially offset by a 7% indexation increase in basic salaries for production personnel from January 1, 2016 according to the terms of the collective agreement.

Repair and maintenance expenses in 1Q 2016 increased by 42% compared to 1Q 2015, mainly due to the increase of hydrofracturing expenses as number of wells subject to hydrofracturing increased from 19 wells in 1Q 2015 to 43 wells in 1Q 2016.

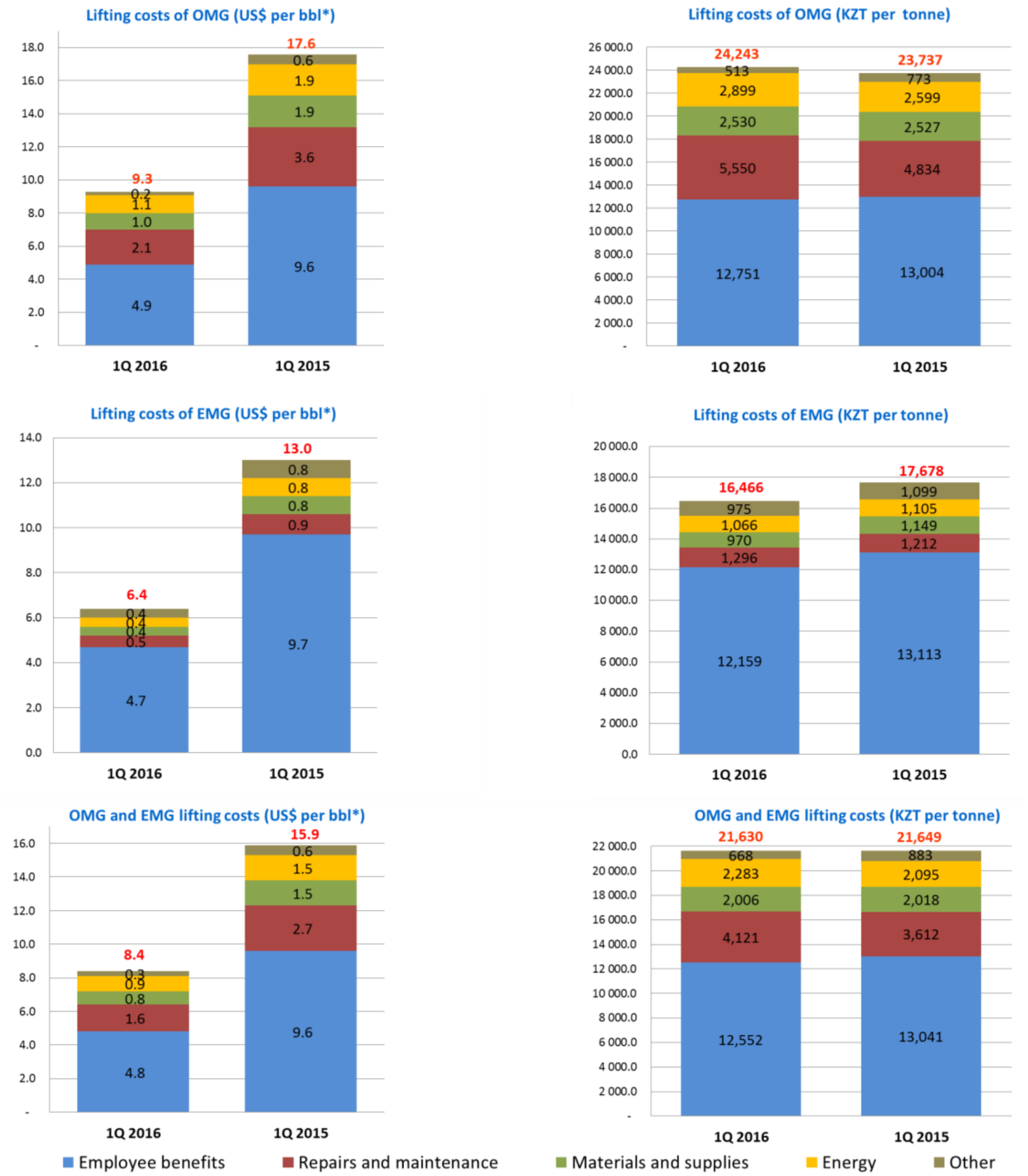
A decrease in asset retirement obligation in excess of capitalized asset in 1Q 2015 resulted mainly due to the extension of EMG subsoil agreements.

Lifting Costs

Lifting cost per barrel is calculated as production costs of OMG and EMG subsidiaries, including materials and supplies, production payroll, repairs and maintenance, and other production expenses except for the DD&A, taxes, contractual social obligations, actuarial costs, obligatory professional pension deductions and other expenses not directly related to the production process divided by total crude oil produced.

As most of the OMG and EMG production expenses are denominated in Tenge, lifting costs in US$ per bbl decreased mainly due to the increase of the average Tenge - US dollar exchange rate that resulted from the decision of the Government of the Republic of Kazakhstan and NBK to switch to the free-floating exchange rate regime of Tenge in 3Q 2015.

The following chart depicts production lifting costs of OMG and EMG in US$/bbl*:



**converted at 7.36 barrels per tonne of crude oil*

Selling, general and administrative expenses

The following table presents a breakdown of the Company's selling, general and administrative expenses resulting mainly from OMG, EMG and KMG EP Head office operations:

1Q 2016	4Q 2015	Change		1Q 2016	1Q 2015	Change
(KZT million, unless otherwise stated)				*(KZT million, unless otherwise stated)*		
23,875	21,036	13%	Transportation expenses	23,875	16,982	41%
3,881	5,623	-31%	Employee benefits	3,881	4,525	-14%
617	2,392	-74%	Fines and penalties	617	2,393	-74%
339	759	-55%	Consulting and audit services	339	342	-1%
170	423	-60%	Repairs and maintenance	170	173	-2%
71	281	-75%	Sponsorship	71	65	9%
–	(3,338)	-100%	Management fees and commissions	–	1,113	-100%
1,363	4,665	-71%	Other	1,363	847	61%
30,316	**31,841**	**-5%**	**Total SG&A expenses**	**30,316**	**26,440**	**15%**
5.8	**6.7**	**-13%**	**Total SG&A expenses (US$ per bbl sold*)**	**5.8**	**9.8**	**-41%**

**Converted at 7.23 barrels per tonne of crude oil.*

Selling, general and administrative expenses in 1Q 2016 amounted to KZT30.3 billion which is 15% higher than in 1Q 2015. The increase is mainly due to the rise in transportation expenses, which was partially offset by a decrease in fines and penalties, management fees and commissions and employee benefits.

The increase in transportation expenses in 1Q 2016 compared to 1Q 2015 resulted primarily from higher transportation costs for CPC route due to an increase in CPC export volume and average Tenge-US dollar exchange rate as CPC tariff is mostly US dollar denominated. Moreover, transportation costs for domestic route increased in 1Q 2016 compared to 1Q 2015 due to an increase in domestic sales volume and transportation tariffs of JSC "KazTransOil" for domestic route by 21%.

Employee benefits in 1Q 2016 decreased by 14% compared to 1Q 2015, mainly due to a cut in annual bonus for 2016 for administrative personnel and a decrease in employee benefit liabilities.

Management fees and commissions in 1Q 2016 decreased compared to 1Q 2015 as the Company has not agreed to pay NC KMG for these in 2016.

Taxes other than on income

The following table presents a breakdown of the Company's taxes other than on income as represented mainly by OMG and EMG operations:

1Q 2016	4Q 2015	Change		1Q 2016	1Q 2015	Change
(KZT million, unless otherwise stated)				*(KZT million, unless otherwise stated)*		
17,074	22,648	-25%	Export customs duty	17,074	21,039	-19%
14,918	16,114	-7%	MET	14,918	13,928	7%
1,681	1,734	-3%	Property tax	1,681	1,184	42%
–	8,453	-100%	Rent tax	–	11,823	-100%
522	968	-46%	Other taxes	522	405	29%
34,195	**49,917**	**-31%**	**Total taxes other than on income**	**34,195**	**48,379**	**-29%**
6.5	**10.5**	**-38%**	**Total taxes other than on income (US$ per bbl sold*)**	**6.5**	**17.9**	**-64%**

** Converted at 7.23 barrels per tonne of crude oil.*

Taxes other than on income in 1Q 2016 decreased by KZT14.2 billion or 29% compared to 1Q 2015, mainly due to the decrease in rent tax and ECD.

Rent tax decreased in 1Q 2016 compared to 1Q 2015 due to the average Brent price drop, which resulted in reduction of tax rate to 0%.

ECD expenses decreased in 1Q 2016 compared to 1Q 2015 mainly due to the ECD rate drop from US$80 per tonne to US$60 per tonne effective from 19 March 2015, from US$60 per tonne to US$40 per tonne effective from 1 January 2016 and from US$40 per tonne to US$20 per tonne as a result of change of ECD rate from flat to a floating rate from 1

March 2016 and decrease of export volumes, which was partially offset by an increase in the average Tenge – US dollar exchange rate.

Income Tax Expense

1Q 2016	4Q 2015	Change		1Q 2016	1Q 2015	Change
(KZT million, unless otherwise stated)				*(KZT million, unless otherwise stated)*		
12,006	161,752	-93%	Profit / (loss) before tax	12,006	5,898	104%
15,696	178,328	-91%	Profit / (loss) before tax (with adjustments**)	15,696	1,344	100%
11,082	55,856	-80%	Income tax	11,082	4,316	157%
8,450	55,856	-85%	Income tax (with adjustments**)	8,450	4,316	96%
2.1	11.8	-82%	Income tax, US$ per bbl* sold	2.1	1.6	31%
92%	35%	163%	Effective tax rate	92%	73%	26%
54%	31%	74%	Effective tax rate (with adjustments**)	54%	321%	-83%

** Converted at 7.23 barrels per tonne of crude oil.*

*** Profit before tax and income tax expense without share in results of JV's and associated company, impairment charges and related amounts for past periods and deferred tax benefit.*

The higher income tax and effective tax rate in 1Q 2016 compared to 1Q 2015 is due to an additional accrual of CIT in the amount of KZT2.6 billion, which resulted from additional tax accruals on past periods. Additionally, the higher income tax in 1Q 2016 compared to 1Q 2015 is due to the increase of OMG deferred tax expense in the amount of KZT3.2 billion as compared to 1Q 2015 due to the utilization of deferred tax asset on OMG PPE, which was partially offset by deferred tax asset created on tax loss carried forward.

OVERVIEW OF JV'S AND ASSOCIATE'S OPERATIONS

Below is the Company's share in income of associate and joint ventures as reflected in the Company's interim condensed consolidated financial statements:

1Q 2016	4Q 2015	Change		1Q 2016	1Q 2015	Change
(KZT million, unless otherwise stated)				*(KZT million, unless otherwise stated)*		
478	(5,296)	-109%	Share in income / (loss) from KGM	478	7,522	-94%
(3,878)	(6,395)	-39%	Share in loss from PKI	(3,878)	(2,701)	44%
(290)	(4,885)	-94%	Share in loss from UOG	(290)	(267)	9%
–	–	0%	Share in loss from KS	–	–	0%
(3,690)	**(16,576)**	**-78%**	**Share in income / (loss) in associate and JV's**	**(3,690)**	**4,554**	**-181%**

KGM

KGM's core operating activity is the production and sales of hydrocarbons in the Akshabulak, Nuraly and Aksai oilfields in the South Turgai basin, Kyzylorda region. The Company acquired a 50% stake in JV Kazgermunai LLP in April 2007.

KGM's oil production in 1Q 2016 was 730 ktonnes (50% share is 365 ktonnes), which is 22 ktonnes or 3% lower than in 1Q 2015.

KGM key financial and operational indicators (100%) are shown below:

1Q 2016	4Q 2015	Change		1Q 2016	1Q 2015	Change
(US$ thousand, unless otherwise stated)				*(US$ thousand, unless otherwise stated)*		
90,619	112,082	-19%	Revenue	90,619	189,423	-52%
(75,977)	(80,605)	-6%	Operating expenses	(75,977)	(120,970)	-37%
450	(237)	-290%	Finance income / (cost), net	450	837	-46%
615	35,329	-98%	Foreign exchange gain / (loss), net	615	(228)	-370%
(6,711)	(114,608)	-94%	Income tax expense	(6,711)	(7,606)	-12%
8,996	(48,039)	-119%	Net income / (loss)	8,996	61,456	-85%
730	745	-2%	Crude oil production, ktonnes	730	752	-3%

The decrease in 1Q 2016 revenue mainly resulted from a decrease in the average export and domestic prices, as well as a lower export and domestic sales volumes in comparison with 1Q 2015.

KGM's crude oil sales split by routes is as follows:

1Q 2016	4Q 2015	Change		1Q 2016	1Q 2015	Change
(ktonnes)				(ktonnes)		
439	552	-20%	Domestic market	439	450	-2%
289	194	49%	Export via KCP	289	299	-3%
728	**746**	**-2%**	**Total crude oil sales, ktonnes**	**728**	**749**	**-3%**

A decrease in average export and domestic prices and the export and domestic sales volumes has also resulted in a decrease in operating expenses, particularly rent tax (by US$13.4 million), transportation expenses (by US$9.1 million) and MET (by US$5.3 million).

ECD expenses decreased by US$10.0 million due to the decrease in export sales volume in 1Q 2016 compared to 1Q 2015 and ECD rate drop from US$80 per tonne to US$60 per tonne effective from 19 March 2015, from US$60 per tonne to US$40 per tonne effective from 1 January 2016 and from US$40 per tonne to US$20 per tonne as a result of change of ECD rate from flat to a floating rate from 1 March 2016.

Operating expenses on a per barrel sold basis are as follows:

1Q 2016	4Q 2015	Change		1Q 2016	1Q 2015	Change
(US$ per bbl sold)*				*(US$ per bbl sold*)*		
4.8	3.0	60%	DD&A	4.8	3.7	30%
2.4	3.1	-23%	Transportation expenses	2.4	3.9	-38%
2.4	2.2	9%	Export customs duty	2.4	4.1	-41%
1.6	1.1	45%	Mineral extraction tax	1.6	2.5	-36%
0.7	1.0	-30%	Employee benefits	0.7	1.2	-42%
0.5	1.1	-55%	Repairs and maintenance	0.5	1.1	-55%
0.5	0.7	-29%	Materials and supplies	0.5	0.7	-29%
–	0.6	-100%	Rent tax	–	2.3	-100%
–	(0.4)	-100%	Fines and penalties	–	–	0%
0.6	1.7	-65%	Other	0.6	1.5	-60%
13.5	**14.1**	**-4%**	**Total operating expenses**	**13.5**	**21.0**	**-36%**

** Converted at 7.7 barrels per tonne of crude oil.*

The share in KGM income, reflected in the interim condensed consolidated financial statements of the Company, represents a proportionate share of the results of KGM for 1Q 2016, adjusted for the impact of amortization of the fair value of the licenses, partially offset by related deferred tax benefit of KZT1.0 billion (KZT1.8 billion in 1Q 2015).

For the capital expenditure analysis of JV's and associate please refer to the "Capital Expenditure Overview" section.

PKI

PKI is an oil and gas group involved in field exploration and development, oil and gas production and the sale of crude oil. The Company acquired a 33% stake in PKI in December 2009.

During 1Q 2016 PKI produced 981 ktonnes (33% share: 324 ktonnes) which is 13% less than in 1Q 2015. The decline in production was due to the reserve depletion of some of PKI's mature fields and a decrease in drilling activity. PKI's key financial and operational indicators (100%) are shown below:

1Q 2016	4Q 2015	Change		1Q 2016	1Q 2015	Change
(US$ thousand, unless otherwise stated)				*(US$ thousand, unless otherwise stated)*		
140,409	170,411	-18%	Revenue	140,409	285,559	-51%
(152,577)	(224,710)	-32%	Operating expenses	(152,577)	(267,508)	-43%
(9,454)	(10,835)	-13%	Finance cost, net	(9,454)	(6,733)	40%
13,007	(27,725)	-147%	Income tax (expense) / benefit	13,007	(30,875)	-142%
(8,615)	(92,859)	-91%	Net income / (loss)	(8,615)	(19,557)	-56%
981	1,069	-8%	Crude oil production, ktonnes	981	1,134	-13%

The decrease in revenue in 1Q 2016, in comparison with 1Q 2015, occurred mainly due to lower export volumes and a decrease in average Brent prices and domestic prices. Moreover, net finance cost increased in 1Q 2016 compared to 1Q 2015 mainly due to the increase in KGM accretion expense in the amount of US$1.2 million, which resulted from an increase in the estimated value of assets for restoration of territory and an increase in discount rate. Net finance cost also increased because of lower finance income resulting from less cash being held in deposits in 1Q 2016 compared to 1Q 2015.

PKI's crude oil sales split by routes is as follows:

1Q 2016	4Q 2015	Change		1Q 2016	1Q 2015	Change
(ktonnes)				(ktonnes)		
566	727	-22%	Domestic sales	566	647	-13%
192	166	16%	Export via KCP (PKKR 100%)	192	224	-14%
144	97	48%	Export via KCP (KGM 50%)	144	149	-3%
39	43	-9%	Export via KCP (TP 50%)	39	56	-30%
25	31	-19%	Export via KCP (Kolzhan 100% & PKVI 75%)	25	22	14%
966	**1,064**	**-9%**	**Total crude oil sales, ktonnes**	**966**	**1,098**	**-12%**

Operating expenses decreased mainly due to lower export and domestic sales and average export price that primarily resulted in lower ECD (by US$16.8 million), transportation expenses (by US$15.5 million) and rent tax (by US$12.7 million).

Operating expenses on per barrel sold basis are as follows:

1Q 2016	4Q 2015	Change		1Q 2016	1Q 2015	Change
(US$ per bbl sold*)				(US$ per bbl sold*)		
7.5	5.2	44%	DD&A	7.5	9.5	-21%
3.1	3.0	3%	Transportation expenses	3.1	4.5	-31%
2.5	2.3	9%	Export customs duty	2.5	4.2	-40%
1.3	1.1	18%	Repairs and maintenance	1.3	2.7	-52%
1.3	1.2	8%	Mineral extraction tax	1.3	2.3	-43%
1.0	1.4	-29%	Employee benefits	1.0	2.4	-58%
0.9	1.1	-18%	Materials and supplies	0.9	1.4	-36%
–	0.9	-100%	Rent tax	–	1.5	-100%
(0.3)	2.7	-111%	Fines and penalties	(0.3)	0.3	-200%
3.1	8.4	-63%	Other	3.1	2.9	7%
20.4	**27.3**	**-25%**	**Total operating expenses**	**20.4**	**31.7**	**-36%**

** Converted at 7.75 barrels per tonne of crude oil.*

The share in PKI results reflected in the Company's interim condensed consolidated financial statements represents a proportionate share of the results of PKI in 1Q 2016 adjusted for the impact of amortization of the fair value of the licenses for the amount of KZT2.9 billion (KZT1.5 billion in 1Q 2015).

For the capital expenditure analysis of JV's and associate please refer to the "Capital Expenditure Overview" section.

CCEL

As per the purchase agreement arrangements, interest in CCEL is reflected as a financial asset in the interim condensed consolidated financial statements of the Company in accordance with IFRS. CCEL results included herein are presented for information purposes only and are not consolidated or equity accounted in the interim condensed consolidated financial statements of the Company.

In December 2007, the Company acquired a 50% stake in CCEL Karazhanbasmunai ("CCEL"). CCEL explores heavy oil in the Karazhanbas field, which is situated on the Buzachi peninsula, 230 km from Aktau. The field was discovered in 1974 and is the largest shallow field of high-viscosity oil in the CIS; its exploitation is carried out by applying thermal methods.

As of March 31, 2016 the Company had KZT31.9 billion (US$92.8 million) as a receivable from CCEL. The Company has accrued KZT1.1 billion (US$3.2 million) of interest income in 1Q 2016, relating to the US$26.87 million annual priority return from CCEL. Payments are usually made twice a year in 2Q and 4Q.

In 1Q 2016, CCEL produced around 531 ktonnes (50% share: 265 ktonnes) of crude oil, which decreased by less than 1% compared to 1Q 2015. CCEL's key financial and operational indicators (100%) are as follows:

1Q 2016	4Q 2015	Change		1Q 2016	1Q 2015	Change
(US$ thousand, unless otherwise stated)				*(US$ thousand, unless otherwise stated)*		
121,487	99,734	22%	Revenue	121,487	150,860	-19%
(118,765)	(163,330)	-27%	Operating expenses	(118,765)	(201,694)	-41%
(5,096)	(8,220)	-38%	Finance cost, net	(5,096)	(7,175)	-29%
–	(21,264)	-100%	Income tax expense	–	(767)	-100%
(2,374)	(93,080)	-97%	Net income / (loss)	(2,374)	(58,776)	-96%
531	534	-1%	Crude oil production, ktonnes	531	532	-0%

The decrease in revenue in 1Q 2016 is mainly a result of a decrease in average export sales prices. CCEL crude oil sales split by routes is as follows:

1Q 2016	4Q 2015	Change		1Q 2016	1Q 2015	Change
(ktonnes)				*(ktonnes)*		
312	210	49%	Export via Novorossiysk	312	190	64%
253	217	17%	Export via Ust'-Luga	253	200	27%
–	63	-100%	Domestic market	–	118	-100%
565	**490**	**15%**	**Total crude oil sales, ktonnes**	**565**	**508**	**11%**

Total operating expenses in 1Q 2016 decreased by 41% compared to 1Q 2015 mainly due to the decrease in rent tax, ECD, repairs and maintenance, employee benefits and DD&A.

Rent tax decreased in 1Q 2016 compared to 1Q 2015 as a result of the decrease in average Brent price. ECD expenses decreased due to the ECD rate drop from US$80 per tonne to US$60 per tonne effective from 19 March 2015, from US$60 per tonne to US$40 per tonne effective from 1 January 2016 and from US$40 per tonne to US$20 per tonne as a result of change of ECD rate from flat to a floating rate from 1 March 2016, which was partially offset by an increase of export sales in 1Q 2016 compared to 1Q 2015.

Employee benefits and repairs and maintenance costs decreased in 1Q 2016 compared to 1Q 2015, mainly as a result of the decision of the Government of the Republic of Kazakhstan and NBK to switch to the free-floating exchange rate regime of the Tenge in 3Q 2015. Repairs and maintenance costs also decreased due to the decrease in volume of well servicing in the reporting period compared to 1Q 2015, which was partially offset by the increase in volume of well workovers.

Operating expenses on per barrel sold basis are as follows:

1Q 2016	4Q 2015	Change		1Q 2016	1Q 2015	Change
(US$ per bbl sold)*				*(US$ per bbl sold*)*		
6.5	10.1	-36%	Employee benefits	6.5	12.4	-48%
6.1	7.5	-19%	Transportation expenses	6.1	7.5	-19%
5.5	8.7	-37%	Export customs duty	5.5	9.1	-40%
4.1	2.8	46%	Energy	4.1	5.1	-20%
2.7	(2.3)	-217%	DD&A	2.7	10.6	-75%
1.7	2.9	-41%	Repairs and maintenance	1.7	5.2	-67%
0.5	0.6	-17%	Materials and supplies	0.5	1.1	-55%
0.2	0.2	0%	Mineral extraction tax	0.2	0.3	-33%
–	2.5	-100%	Rent tax	–	4.9	-100%
4.2	16.9	-75%	Other	4.2	3.1	35%
31.5	**49.9**	**-37%**	**Total operating expenses**	**31.5**	**59.3**	**-47%**

** Converted at 6.68 barrels per tonne of crude oil.*

For the capital expenditure analysis of JV's and associate please refer to the "Capital Expenditure Overview" section.

Lifting cost and netback analysis of JV's and associated company

Lifting costs of producing JV's and associate is represented as follows:

	KGM	PKI	CCEL
	(US$ thousand, unless otherwise stated)		
Employee benefits	2,680	4,707	22,503
Materials	2,499	6,383	2,035
Repair and maintenance	618	5,492	6,267
Energy	2,340	4,537	15,470
Other	517	3,931	10,478
Total lifting expenses (US$ thousand)	**8,654**	**25,050**	**56,753**
Production (ktonnes)	**730**	**981**	**531**
Lifting cost US$ per bbl*	**1.5**	**3.3**	**16.0**

**Following average tonne / bbl conversion factors were used KGM 7.7, PKI 7.75, CCEL 6.68.*

Netback of export sales at major producing JV's and associate is represented as follows:

	KGM	PKI	CCEL
	(US$ per bbl sold*, unless otherwise stated)		
Benchmark end-market quote (Brent)	33.9	33.9	33.9
Price differential and premium of bbl difference, net	(7.6)	(7.9)	(3.9)
Average realized price	**26.3**	**26.0**	**30.0**
Rent tax	–	–	–
Export customs duty	(6.1)	(6.0)	(5.1)
Transportation expenses	(3.7)	(5.0)	(5.7)
MET	(3.4)	(2.3)	(0.1)
Netback price	**13.1**	**12.7**	**19.1**

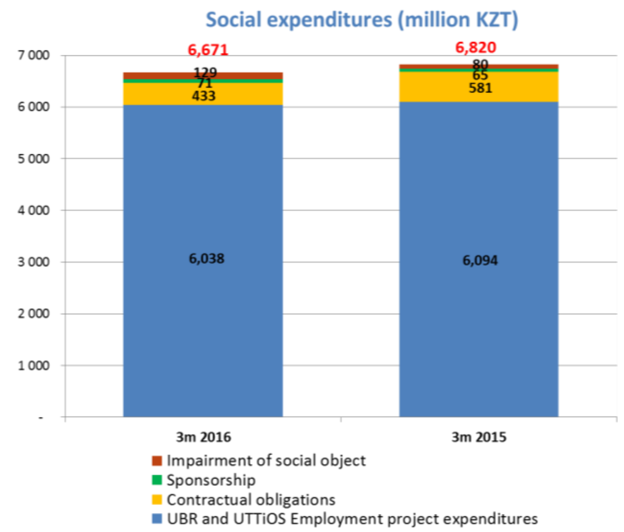
**Following average tonne / bbl conversion factors were used KGM 7.7, PKI 7.75, CCEL 6.68.*

Netback of domestic sales at major producing JV's and associate is represented as follows:

	KGM	PKI	CCEL
	(US$ per bbl sold*, unless otherwise stated)		
Realized price	**9.5**	**13.4**	–
Transportation expenses	(1.4)	(1.4)	–
MET	(0.4)	(0.5)	–
Netback price	**7.7**	**11.5**	–

**Following average tonne / bbl conversion factors were used KGM 7.7, PKI 7.75, CCEL 6.68.*

CORPORATE SOCIAL RESPONSIBILITY



Corporate Social Responsibility (CSR) is a key and integral part of the Company's activities. Since inception, the Company has allocated billions of Tenge for the construction of residential housing, health and sports centers, kindergartens, health camps, and contributed to the reconstruction of schools and hospitals in the Atyrau and Mangistau regions, as well as sponsoring the relocation of towns from some of the depleted EMG oil fields. The CSR strategy of the Company aims to develop the regions in which it operates.

In 2012, two service units – UBR and UTTiOS were created to employ approximately 2,000 people in the Mangistau region. In 1Q 2016, the Company incurred KZT6.0 billion of operating expenses at UBR and UTTiOS, including KZT5.1 billion of employee benefit expenses and KZT0.9 billion for materials, supplies and other expenses.

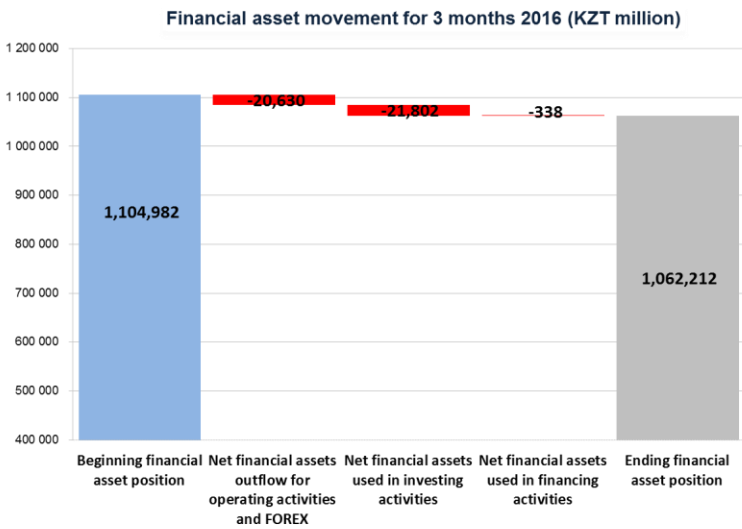
The Company has invested approximately KZT4 million for the purchase of equipment to support the operations at UBR and UTTiOS. Expenses for the financing of UTTiOS were partially offset by income from third parties in 1Q 2016, which totalled KZT1.4 billion (KZT1.6 billion in 1Q 2015).

In 1Q 2016 the Company spent KZT71 million on sponsorship and supporting charities. The majority of this was used to finance social funds.

Obligations from exploration and production licenses are arising from contracts for subsoil use and include payments to the social programs fund, the ecology fund and the commitment to train personnel. In 1Q 2016, the Company's social expenses related to the execution of contractual obligations amounted to KZT433 million, including the social programs and ecology fund that amounted to KZT398 million as well as the training of local specialists which amounted to KZT35 million.

LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity requirements arise principally from its need to finance existing operations (working capital), the need to finance investment (capital expenditure) and to reach its growth targets via acquisitions. The management believes that the Company has an adequate liquidity position to meet its obligations and pursue investment opportunities.



During 1Q 2016, net financial assets outflow for operating activities and FOREX amounted to KZT20.6 billion or KZT5.2 billion more than in 1Q 2015. The increase is primarily attributable to higher income tax paid in 1Q 2016 compared to 1Q 2015.

Net financial assets outflow from investing activity in 1Q 2016 was KZT21.8 billion versus an outflow of KZT15.3 billion in 1Q 2015. The increase in net outflows primarily resulted from higher capital expenditures (KZT9.9 billion more), which was partially offset by higher dividends received from joint ventures and associate (KZT1.8 billion more).

Net financial asset outflow from financing activities in 1Q 2016 was KZT0.3 billion (outflow of KZT0.3 billion in 1Q 2015).

Net cash position

The table below shows a breakdown of the Company's net cash position:

	As at March 31, 2016	As at December 31, 2015	Change
	(KZT million, unless otherwise stated)		%
Current portion	5,653	5,585	1%
Non-current portion	5,623	5,990	-6%
Total borrowings	**11,276**	**11,575**	**-3%**
Cash and cash equivalents	256,017	237,310	8%
Other current financial assets	770,032	833,912	-8%
Non-current financial assets	36,163	33,760	7%
Total financial assets	**1,062,212**	**1,104,982**	**-4%**
Foreign currency denominated cash and financial assets, %	**97%**	**99%**	
Net cash	**1,050,936**	**1,093,407**	**-4%**

***

Forward-looking Statements

This document includes statements that are, or may be deemed to be, ‘‘forward-looking statements''. These forward-looking statements can be identified by the use of forward-looking terminology including, but not limited to, the terms ‘‘believes'', ‘‘estimates'', ‘‘anticipates'', ‘‘expects'', ‘‘intends'', ‘‘may'', ‘‘target'', ‘‘will'', or ‘‘should'' or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They include, but are not limited to, statements regarding the Company’s intentions, beliefs and statements of current expectations concerning, amongst other things, the Company’s results of operations, financial condition, liquidity, prospects, growth, potential acquisitions, strategies and as to the industries in which the Company operates. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that may or may not occur. Forward-looking statements are not guarantees of future performance and the actual results of the Company’s operations, financial condition and liquidity and the development of the country and the industries in which the Company operates may differ materially from those described in, or suggested by, the forward-looking statements contained in this document. The Company does not intend, and does not assume any obligation, to update or revise any forward-looking statements or industry information set out in this document, whether as a result of new information, future events or otherwise. The Company does not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved.