OPERATING AND FINANCIAL REVIEW

For the six months ended June 30, 2017

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 reviewed 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 reviewed 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 and refined products, 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 June 30, 2017:

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
Kazakh Gas Processing Plant ("KazGPZ")	100%	Natural gas upstream and refining	Consolidated entity
KS EP Investments BV ("KS")*	100%	Oil and gas exploration	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

**On June 15, 2017 the Company acquired a 49% share in KS EP Investments BV ("KS") from MOL Hungarian Oil and Gas Plc. ("MOL") for 1 US dollar and following the acquisition now owns a 100% interest in KS EP Investments.*

KEY PERFORMANCE INDICATORS

2Q 2017	1Q 2017	2Q 2016	Change		1H 2017	1H 2016	Change
2,981	2,904	3,035	-2%	Total production (ktonnes)*	5,885	6,078	-3%
2,076	2,026	2,097	-1%	OMG and EMG production (ktonnes)	4,102	4,186	-2%
85,609	2,271	16,325	424%	Net Income (KZT million)	87,880	17,249	409%
1.26	0.03	0.24	425%	Basic and diluted EPS (KZT thousand)	1.29	0.25	416%
62,350	68,298	49,429	26%	EBITDA (KZT million)**	130,648	55,815	134%
18%	21%	21%	-14%	Operating margin (%)***	19%	11%	73%
74,237	34,634	35,280	110%	Operating cash flow before working capital adjustments (KZT million)	108,871	17,134	535%
1,285,930	1,143,145	1,064,642	21%	Net cash position at the end of the period (KZT million)	1,285,930	1,064,642	21%

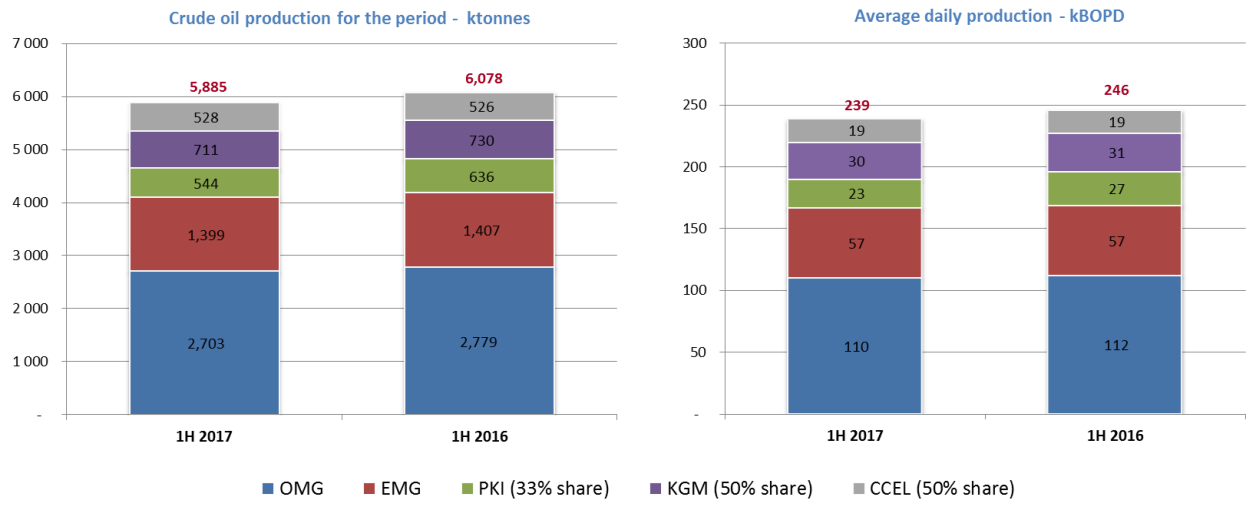
**Including proportionate share of equity-accounted entities.*
***EBITDA is calculated by adding back the share of income in equity-accounted entities, finance income and non-cash expenses such as depreciation and amortization to the Company's operating profit and net loss on acquisition of subsidiary.*
****Operating profit does not include share in results of equity accounted entities, CIT expenses, finance charges, impairment charges and other non-operating charges, net loss on acquisition of subsidiary.*

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.

2Q 2017	1Q 2017	2Q 2016	Change		1H 2017	1H 2016	Change
49.64	53.73	45.59	9%	Average Brent (DTD) (US$ / bbl)	51.72	39.81	30%
1,4%	2,3%	1,6%	-13%	Kazakhstan inflation (%)	3,7%	4,6%	-20%
315,0	322,5	335,6	-6%	Average Tenge - US$ exchange rate	318,7	345,4	-8%
322,3	313,7	338,7	-5%	Tenge - US$ exchange rate at the reporting date	322,3	338,7	-5%

PRODUCTION ACTIVITY



The Company's total crude oil production in 1H 2017, including the share of production from its joint ventures and associated company, amounted to 5,885 ktonnes or 239 kbopd. OMG and EMG produced 167 kbopd with a further 23 kbopd from PKI, 30 kbopd from KGM and 19 kbopd from CCEL.

Compared to 1H 2016, OMG production decreased by 3% or 76 ktonnes, mainly due to less wells drilled. EMG production in 1H 2017 was at a similar level as in 1H 2016.

The share in PKI's production declined by 14% or 92 ktonnes in 1H 2017, compared to 1H 2016, due to the natural depletion of some PKI's mature fields. The share in KGM's production decreased by 3% or 19 ktonnes in 1H 2017, compared with the same period in 2016, due to less wells drilled. The share in CCEL production increased by 2 ktonnes in 1H 2017, compared with 1H 2016. Total share in production volume of PKI, KGM and CCEL in 1H 2017 was 1,783 ktonnes, which is 6% or 109 ktonnes less than in 1H 2016.

Wells as of reporting date*	Drilled in 1H 2017*	Drilled in 1H 2016*		Well workovers 1H 2017	Well workovers 1H 2016	Well servicing 1H 2017	Well servicing 1H 2016
Number of wells				*Number of well servicing*			
5,218	83	104	OMG	406	484	7,120	6,690
2,656	9	25	EMG	84	89	1,569	1,669
1,745	25	10	PKI (100%)**	59	71	325	308
264	8	18	KGM (100%)**	13	12	37	55
3,724	67	29	CCEL (100%)**	57	39	2,035	1,851

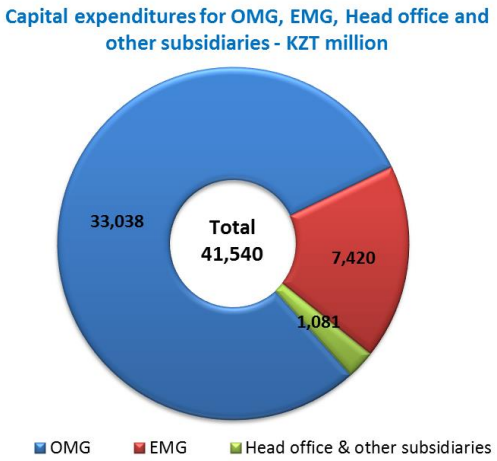
**Development wells, including injection wells.*
*** Includes 100% of the number of well operations related to JVs and associated company.*

Oil production in the reporting period from the new wells at OMG amounted to 79 ktonnes compared to 159 ktonnes in 1H 2016, due to being into production earlier in 2016. 1H 2017 OMG workovers of 406 wells provided incremental production of 61 ktonnes.

Oil production for 1H 2017 from the new wells at EMG amounted to 1,5 ktonnes compared to 11,5 ktonnes in 1H 2016. EMG performed 84 well workovers in 1H 2017, which provided incremental production of 10 ktonnes, while 89 well workovers provided 23 ktonnes in 1H 2016, due to higher average worked time of wells in 1H 2016.

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

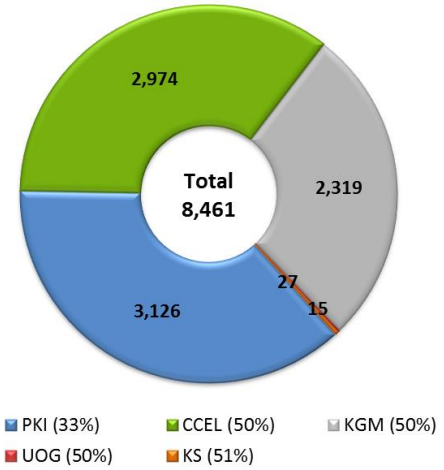
In 1H 2017, the Company's capital expenditures amounted to KZT41.5 billion or KZT9.5 billion less than in 1H 2016. Capital expenditures include the cost of drilling new wells, the construction and modernization of production facilities, the purchase of fixed and intangible assets and non-production capital expenditures.

OMG capital expenditures for 1H 2017 amounted to KZT33 billion which is at the same level as in 1H 2016 KZT32.8 billion.

EMG capital expenditures amounted to KZT7.4 billion in 1H 2017, which is KZT9.6 billion lower than in 1H 2016. In 1H 1H 2017 lower volumes of production drilling and construction works were performed due to delayed schedules of works as a result of late tender procedures.

Head office and other subsidiaries' capital expenditures in 1H 2017 amounted to KZT1.1 billion, which is KZT0.2 billion less than in 1H 2016, primarily due to intangibles purchases.

Capital expenditures of equity-accounted entities - KZT million



Capital expenditure of equity-accounted entities

PKI capital expenditures in 1H 2017 amounted to KZT9.5 billion (KMG EP 33% share: KZT3.1 billion), which is KZT3 billion higher than in 1H 2016, mainly due to higher drilling volumes and wells completion works in the current period.

KGM capital expenditures for the period was KZT4.6 billion (KMG EP 50% share: KZT2.3 billion), which is KZT0.2 billion more than in 1H 2016, mainly due to the higher cost of purchase of fixed assets and construction works in the reporting period, which was partially offset by lower production drilling volumes in 1H 2017.

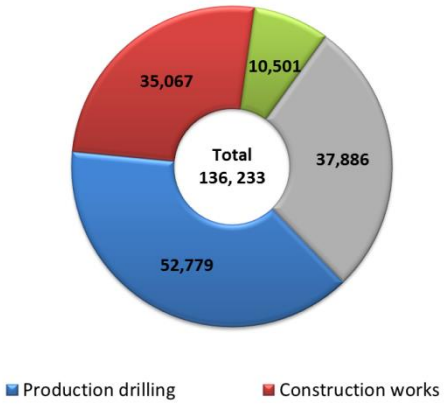
CCEL capital expenditure in 1H 2017 was KZT6.0 billion (KMG EP 50% share: KZT3.0 billion), which is KZT2.4 billion higher than in 1H 2016, primarily due to higher drilling volumes, construction and modernization of production facilities, partially offset by a decrease in fixed asset purchases and design works in 1H 2017.

UOG capital expenditure amounted to KZT30 million (KMG EP 50% share: KZT15 million), which is KZT1.6 billion less than in 1H 2016 mainly due to more exploration drilling conducted in 1H 2016.

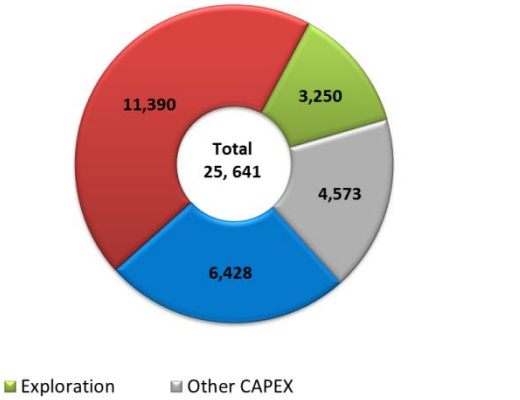
KS capital expenditure amounted to KZT54 million (till June 15, 2017: KMG EP 51% share: KZT28 million), which is KZT47 million higher than in 1H 2016 mainly due to well testing works. Since June 15, 2017 KS EP is 100% KMG EP consolidated entity.

Below are current 2017 capital expenditure expectations for consolidated and equity accounted entities:

Current 2017 capital expenditure expectations for OMG, EMG and other subsidiaries - KZT million



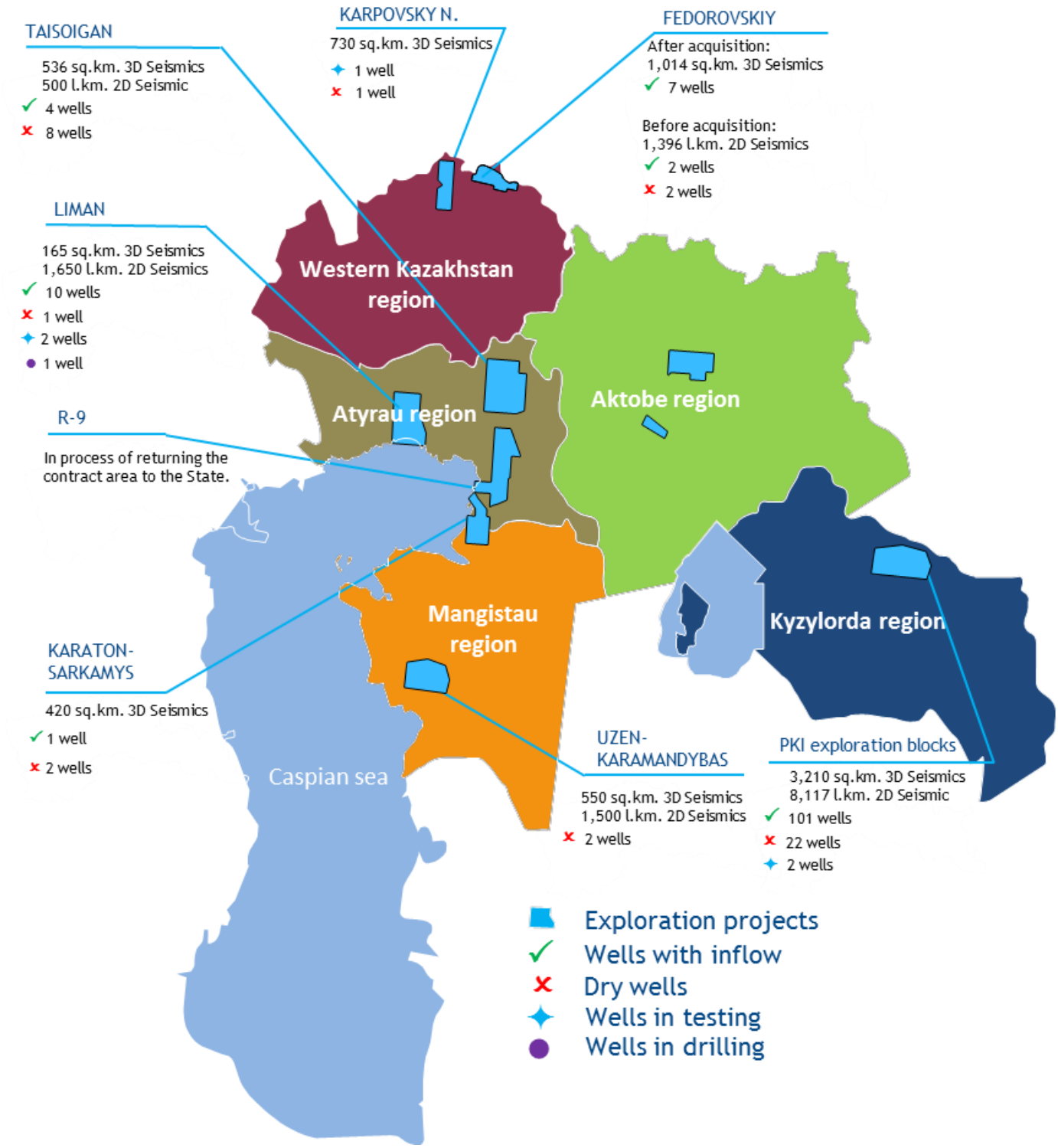
Current 2017 capital expenditure expectations for equity-accounted entities - KZT million (proportional share)*



**Capital expenditure amounts for 2017 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.*
***Other CAPEX include Fixed assets and Intangibles purchases.*

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 June 30, 2017.



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

Block (interest)	Date of acquisition	Prospect	Well	Drilling period	Depth	Status as of reporting date
Liman (100%)	19.01.2006	Novobogat SE	PR-4	08.04.2016-21.08.2016	2,262m.	PR-4 (daily flow is 7 m3/day) and PR-5 are in testing. PR-7 is with inflow (daily flow is 5,3 m3/day which is average for this field). PR-8 drilling has started in 2Q 2017.
			PR-5	01.04.2016-29.09.2016	2,500m.	
			PR-7	20.09.2016-27.01.2017	2,290m.	
			PR-8	22.05.2017-currently	2,200m.	
Uzen-Karamandybas (100%)	18.07.2011	South-western part of the exploration block				3D-MOGT field works with the area of 550 l.km completed. The contract for processing and interpretation of seismic data was signed as of May, 5 2017. The works are in-progress.
R-9 (100%)	10.06.2007					The Company is in the process of returning the contract area to the State.
Karaton Sarkamys (100%)	18.07.2011	North-eastern wing of the S. Nurzhanov field				Re-processing and interpretation of 3D seismic data of the Birlestik cube is completed. Further geological works are under consideration. Contracts for drilling NSV-2 and NSV-3 signed as of May, 22 2017. Preparatory works for drilling were started. According to drilling schedule NSV-2 drilling starts in August 2017, NSV-3 in December 2017 with the further works in 2018.
Karpovskiy Severniy (KS-100%)	18.10.2011	Orlovskaya Central	SK-2	01.07.2013-18.08.2015	5,755m.	The well is in testing.
Fedorovskiy block (UOG-50%)	11.03.2011	Rozhkovskiy Pavlovskaya, Yanvartsevskaya				U-25 drilled and tested during 2016 is with inflow. Processing and interpretation of 3-D seismic data on the block is completed. Further works are under consideration.
Doszhan-Zhamansu (24.75% through PKI)	22.12.2009	South Doszhan, South-Eastern Doszhan, Zhamansu	South-Eastern Doszhan–52	01.06.2017-19.06.2017	1,439m.	Completed drilling of Zhamansy-10, South-Eastern Doszhan–52. S-E Doszhan-52 and Zhamansu-10 are with inflow. Further works are under consideration.
			Zhamansu-10	27.11.2016-17.01.2017	2,300m.	
Karaganda (PKI-33%)	22.12.2009	Karabulak, Buharsai				Completed drilling of 2016 the Northern Karabulak-3, Karabulak-19 and Karabulak-31 exploration wells. Northern Karabulak-3 well – dry. Karabulak-19 and Karabulak-31 wells - with inflow. Further works are under consideration.
Western Tuzkol (PKI – 33%)	22.12.2009	Western Tuzkol	Ketekazgan-18	11.11.2016-24.02.2017	3,180m.	Exploration wells were tested: Ketekazgan-18 – in testing, Western Tuzkol-130 is dry, Western Tuzkol-127 is with inflow. Western Tuzkol appraisal wells 234, 237 are with inflow.
			Western Tuzkol-130	01.02.2017-14.02.2017	1,300m.	
			Western Tuzkol-127	10.05.2017-23.05.2017	1,100m.	
			Western Tuzkol-234	07.02.2017-25.02.2017	1,365m.	
			Western Tuzkol-237	13.03.2017-26.03.2017	1,257m.	
Karavanchi (PKI – 33%)	22.12.2009	Karavanchi	Karavanchi-31	09.02.2017-12.03.2017	1,136m.	Per geological studies Karavanchi-31 is in testing.

*On June 15, 2017 the Company acquired a 49% share in KS EP Investments BV ("KS EP Investments") from MOL Hungarian Oil and Gas Plc. ("MOL") for 1 US dollar and following the acquisition now owns a 100% interest in KS EP Investments

RESULTS OF OPERATIONS

The following section is based on the Company's reviewed 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.

2Q 2017	1Q 2017	2Q 2016	Change		1H 2017	1H 2016	Change
					(KZT million, unless otherwise stated)		
223,252	213,726	192,176	16%	**Revenue**	436,978	313,366	39%
(79,464)	(70,079)	(68,591)	16%	Production expenses	(149,543)	(123,209)	21%
(33,771)	(25,432)	(32,281)	5%	SG&A	(59,203)	(62,597)	-5%
(61,391)	(65,595)	(45,115)	36%	Taxes other than on income	(126,986)	(79,310)	60%
(3,249)	-	-	100%	Net loss on acquisition of a subsidiary	(3,249)	-	100%
(120)	(48)	-	100%	Exploration expenses	(168)	-	100%
(8,553)	(8,356)	(6,728)	27%	DD&A	(16,909)	(13,349)	27%
36,704	**44,216**	**39,461**	**-7%**	**Operating profit / (loss)**	**80,920**	**34,901**	**132%**
26,414	-	(6,936)	-481%	Reversal for VAT recoverable (net)	26,414	(6,936)	-481%
6,165	8,406	(3,020)	-304%	Share of results of associate and JV's	14,571	(6,710)	-317%
(200)	397	(151)	32%	Gain/(loss) on disposal of fixed assets	197	(282)	-170%
6,749	6,051	5,335	27%	Finance income / (costs), net	12,800	12,409	3%
26,054	(58,653)	(11,864)	-320%	Foreign exchange gain / (loss), net	(32,599)	1,449	-2350%
(16,277)	1,854	(6,500)	150%	Income tax expense	(14,423)	(17,582)	-18%
85,609	**2,271**	**16,325**	**424%**	**Net income**	**87,880**	**17,249**	**409%**

The increase in net income for 1H 2017 compared to 1H 2016 is mainly due to an increase in the average Brent crude price from 39.81 US dollar per barrel in 1H 2016 to 51.72 US dollar per barrel in 1H 2017. As a result, net income increased in 1H 2017, compared to 1H 2016, due to higher revenues from export sales, increase of share in income of associate and joint ventures, as well as an increase in revenue from oil products sales due to the Company's switch to an independent oil processing scheme in April 2016. These effects were partially offset by foreign exchange fluctuations in the US dollar-Tenge exchange rate, increase in taxes other than on income, DD&A expenses and oil refinery costs in 1H 2017. The rates of subsoil user taxes such as MET, rent tax and ECD (export custom duty) were higher in 1H 2017 due to increased Brent prices. DD&A expenses increased in 1H 2017 due to 2016 CAPEX additions. Additionally, the Company reversed previously accrued allowance for VAT recoverable in the amount of KZT30.1 billion following the positive decision achieved regarding the Company's application for the VAT recovery.

The Company has recorded a loss of KZT3.2 billion due to the net liabilities acquired following the acquisition of a 49% share in KS EP Investments BV from MOL Hungarian Oil and Gas Plc. for 1 (one) US dollar.

Revenue

The following table shows sales volumes and realized prices of crude oil:

2Q 2017	1Q 2017	2Q 2016	Change		1H 2017	1H 2016	Change
				Export sales of crude oil			
				UAS pipeline			
77,179	84,351	74,675	3%	Net sales (KZT million)	161,530	124,744	29%
720	719	720	0%	Volume (ktonnes)	1,439	1,359	6%
107,193	117,317	103,715	3%	Average price (KZT/tonne)	112,252	91,791	22%
47.07	50.31	42.75	10%	Average price (US$/bbl*)	48.71	36.76	33%
				CPC pipeline			
82,962	67,270	58,663	41%	Net sales(KZT million)	150,232	109,934	37%
762	565	524	45%	Volume (ktonnes)	1,327	1,105	20%
108,874	119,062	111,952	-3%	Average price (KZT/tonne)	113,212	99,488	14%
47.80	51.06	46.14	4%	Average price (US$/bbl*)	49.13	39.84	23%
160,141	151,621	133,338	20%	Total sales of crude oil-exported (KZT million)	311,762	234,678	33%
1,482	1,284	1,244	19%	Total crude oil-exported (ktonnes)	2,766	2,464	12%
				Total sales of crude oil			
160,141	151,621	133,338	20%	Total net sales of crude oil (KZT million)	311,762	250,071	25%
1,482	1,284	1,244	19%	Total volume (ktonnes)	2,766	3,294	-16%
108,057	118,083	107,185	1%	Average price (KZT/tonne)	112,712	75,917	48%
47.45	50.64	44.18	7%	Average price (US$/bbl*)	48.91	30.40	61%
				Sales of oil products			
57,638	57,604	55,060	5%	Net sales (KZT million)	115,242	55,376	108%
632	637	761	-17%	Volume (ktonnes)	1,269	764	66%
91,199	90,394	72,352	26%	Average price (KZT/tonne)	90,813	72,482	25%
289.51	280.27	215.60	34%	Average price (US$/tonne)	284.91	209.88	36%
5,473	4,501	3,778	45%	Other sales (KZT million)	9,974	7,919	26%
223,252	213,726	192,176	16%	**Total revenue (KZT million)**	436,978	313,366	39%

** Converted at 7.23 barrels per tonne of crude oil.*
***Total net sales in 1H 2016 include net domestic sales of crude oil to KMG RM (830 thous. tonnes amounted 15 393 mln. tenge).*

The Company exports 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).

The relative profitability of these 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.

Prior to April 2016, the Company sold a portion of produced crude oil to KazMunaiGas Refining and Marketing JSC ("KMG RM"), a related party, in order to meet its domestic supply obligation. KMG RM further processed this crude oil and sold refined products. Starting from April 2016 the Company ceased sales of crude oil to KMG RM and started tolling crude oil at the Atyrau Refinery ("ANPZ") and Pavlodar Refinery ("PNHZ") and selling refined products on its own account, which resulted in increase of income and higher volumes of oil products sales in comparison with 1H 2016.

Statement of Net Revenue from sales of Refined Products (ANPZ)

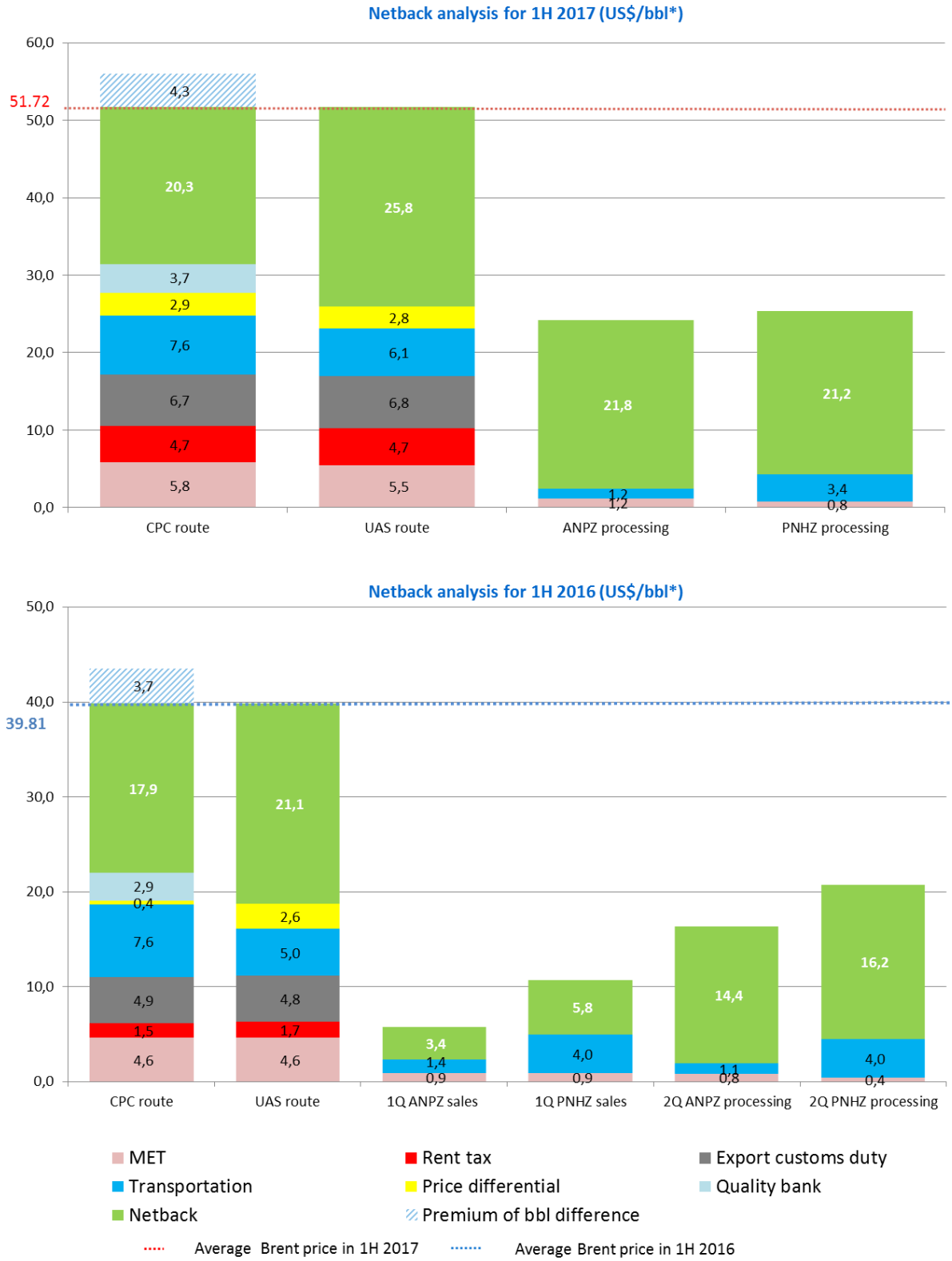
2Q 2017	1Q 2017	2Q 2016		1H 2017
47,775	45,171	45,415	Revenue	92.946
(17,870)	(15,403)	(20,342)	Costs, including:	(33,273)
(13,222)	(10,673)	(13,786)	Processing	(23.895)
(222)	(324)	(85)	Additives	(546)
(1,230)	(850)	(879)	Excise tax	(2,080)
(2,851)	(3,188)	(3,781)	Export customs duty	(6,039)
(345)	(368)	(293)	Selling and transportation expenses	(713)
-	-	(1,518)	KMG Refinery and Marketing commission fee	-
29,905	29,768	25,073	**Net revenue**	59,673
520.35	487.35	635.33	Volume of oil products sold, thousands of tonnes	1 007.70
27.13	33.11	39.70	Processing losses, thousands of tonnes	60.24
547.48	520.46	675.03	Total volume of crude oil processed and sold, thousands of tonnes	1 067.94
54,623	57,196	37,144	**Net revenue Tenge per tonne of crude oil**	55,877

Statement of Net Revenue from sales of Refined Products (PNHZ)

2Q 2017	1Q 2017	2Q 2016		1H 2017
11,025	12,856	9,703	Revenue	23,881
(2,666)	(3,123)	(3,060)	Costs, including:	(5,789)
(1,938)	(2,286)	(2,197)	Processing	(4,224)
(113)	(197)	(88)	Additives	(310)
(537)	(520)	(432)	Excise tax	(1,057)
(78)	(120)	(59)	Selling and transportation expenses	(198)
-	-	(284)	KMG Refinery and Marketing commission fee	-
8,359	9,733	6,643	**Net revenue**	18,092
121.15	153.16	125.89	Volume of oil products sold, thousands of tonnes	274.31
15.57	18.81	15.00	Processing losses, thousands of tonnes	34.38
136.72	171.97	140.89	Total volume of crude oil processed and sold, thousands of tonnes	308.69
61,140	56,597	47,150	**Net revenue Tenge per tonne of crude oil**	58,609

In 2Q 2017 processing tariffs at Atyrau refinery increased from KZT20,501 to KZT24,512 per tonne of oil. In October 2016, as a result of changes in tax legislation, the higher excise tax tariff for diesel of KZT9,300 per tonne should be applied during April-October months. In April 2017, the application period of higher excise tax tariffs was changed to June-October months. These factors affected to changes of ANPZ net revenue tenge per tonne in 2Q 2017 in comparison with 1Q 2017.

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.

** The Company switched to oil processing scheme starting from April 2016, as the result the Company shipped OMG and EMG crude oil for processing to Atyrau Refinery and Pavlodar Refinery in 2Q 2016.

Export netbacks in H1 2017 increased compared to H1 2016, primarily due to higher Brent prices in H1 2017 partially offset by increase in Rent tax, MET and ECD.

Prior to April 2016, the Company supplied crude oil to the domestic market by selling to KMG RM, a subsidiary of the Parent Company. Prices for domestic market sales were previously determined through an annual negotiation process with KMG RM and the Parent Company.

Production expenses

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

2Q 2017	1Q 2017	2Q 2016	Change		1H 2017	1H 2016	Change
(KZT million, unless otherwise stated)					*(KZT million, unless otherwise stated)*		
39,301	41,374	33,188	18%	Employee benefits	80,675	70,360	15%
15,159	12,960	15,970	-5%	Refinery processing costs	28,119	15,970	76%
8,586	4,364	5,323	61%	Repairs and maintenance	12,950	9,782	32%
3,402	5,266	4,206	-19%	Materials and supplies	8,668	9,089	-5%
5,190	5,632	4,943	5%	Energy	10,822	10,421	4%
1,882	1,453	1,276	48%	Transportation services	3,335	2,454	36%
3,887	-3,577	1,389	180%	Change in crude oil balance	310	1,086	-71%
423	-423	0	100%	Movement in asset retirement obligation	-	-	0%
1,634	3,030	2,296	-29%	Other	4,664	4,047	15%
79,464	70,079	68,591	16%	**Total production expenses**	149,543	123,209	21%

Production expenses in 1H 2017 increased by KZT26.33 billion or 21% compared to 1H 2016, primarily due to an increase in oil refinery costs, employee benefits, repairs and maintenance expenses. This was partially offset by a change in crude oil balance and decrease in materials and supplies.

Employee benefit expenses in 1H 2017 increased by 15% compared to 1H 2016 or KZT10.3billion, mainly due to 7% basic salary indexation for production personnel from January 1, 2017 according to the terms of the collective agreement and accrual of bonus provisions during 1H 2017.

Oil refinery costs increased in 1H 2017 compared to 2Q 2016 due to higher volumes of oil products sold in 6 months 1H 2017 in comparison with 3 months of 2Q and higher ANPZ processing tariffs effective since April,1 2017.

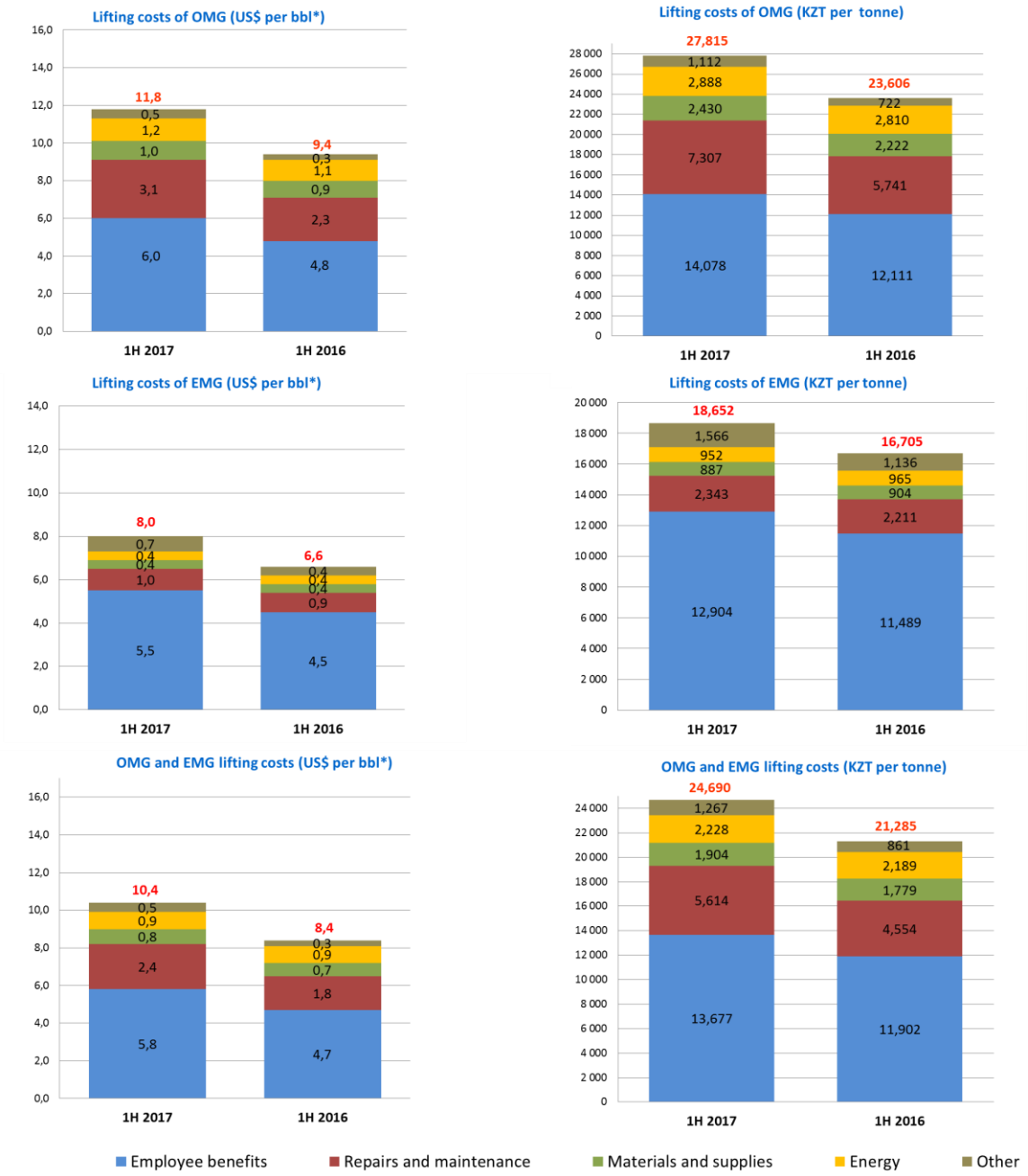
Repairs and maintenance costs increased due to higher volumes of well servicing performed and increased tariffs of hydraulic fracturing works in 1H 2017.

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 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 increased also due to the fluctuation 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 since August 2015.

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



**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:

2Q 2017	1Q 2017	2Q 2016	Change		1H 2017	1H 2016	Change
(KZT million, unless otherwise stated)					*(KZT million, unless otherwise stated)*		
25,976	23,713	22,078	18%	Transportation expenses	49,689	45,953	8%
4,492	4,139	4,138	9%	Employee benefits	8,631	8,019	8%
1,044	(3,935)	811	29%	Accrual/ (reverse) of fines and penalties	(2,891)	1,428	-302%
-	-	1,802	-100%	Agency fees	-	1,802	-100%
445	459	715	-38%	Consulting and audit services	904	1,054	-14%
246	228	237	4%	Repairs and maintenance	474	407	16%
178	64	1,080	-84%	Sponsorship	242	1,151	-79%
1,390	764	1,420	-2%	Other	2,154	2,783	-23%
33,771	**25,432**	**32,281**	**5%**	**Total SG&A expenses**	**59,203**	**62,597**	**-5%**

Selling, general and administrative expenses in 1H 2017 amounted to KZT59.2 billion, 5% less than in 1H 2016. The decrease is mainly due to a reversal of previously accrued expenses for fines and penalties in 1H 2017 and absence of KMG RM agency fees which is partially offset by an increase in transportation expenses and employee benefits costs.

In 1H 2017 the Company successfully appealed to the appropriate courts and reduced income tax liabilities for prior years. Fines and penalties related to these income taxes were accordingly reversed in 1H 2017.

The agency fees accrued in 1H 2016 in the amount of KZT1.8 billion correspond to commissions paid to KMG RM for the sale of the Company's oil products. Since January 1, 2017 these commissions are not paid as the Company performs sales of refines products on its own account.

The increase in transportation expenses in 1H 2017 compared to 1H 2016 resulted mainly from higher export sales in 1H 2017.

Employee benefit expenses increased in 1H 2017 mainly due to 7% basic salary indexation for administrative personnel from January 1, 2017 according to the terms of the collective agreement.

Taxes other than on income

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

2Q 2017	1Q 2017	2Q 2016	Change		1H 2017	1H 2016	Change
(KZT million, unless otherwise stated)					*(KZT million, unless otherwise stated)*		
25,429	23,468	16,389	55%	Export customs duty	48,897	33,463	46%
19,874	21,426	17,349	15%	MET	41,300	32,267	28%
12,227	17,724	9,643	27%	Rent tax	29,951	9,643	211%
1,662	1,465	1,643	1%	Property tax	3,127	3,324	-6%
239	225	329	-27%	Environmental tax	464	344	35%
1,960	1,287	-238	-924%	Other taxes	3,247	269	1107%
61,391	65,595	45,115	36%	**Total taxes other than on income**	126,986	79,310	60%

Taxes other than on income in 1H 2017 increased by KZT47.7 billion or 60% compared to 1H 2016, mainly due to increase in ECD , rent tax and MET (mineral extraction tax) and other taxes.

Increase of subsoil user taxes and payments to the budget such as MET, rent tax and ECD is due to higher export sales and a higher average Brent price in 1H 2017 of 51.72 USD per barrel in comparison with 39.81 USD per barrel 1H 2016, which was partially offset by lower average US dollar-Tenge exchange rate in 1H 2017.

ECD expenses increased in 1H 2017 compared to 1H 2016 mainly due to higher export sales of crude oil and oil products since the Company's decision to switch an independent oil processing scheme starting from April 2016 which was partially offset by lower US dollar-tenge exchange rates.

The higher other taxes in 1H 2017 is due to an increase in excise tax on oil products sold. In October 2016, as a result of changes in tax legislation, the higher excise tax tariff for diesel of KZT9,300 per tonne should be applied during April-October months. In April 2017, the application period of higher excise tax tariffs was changed to June-October months.

Income Tax Expense

2Q 2017	1Q 2017	2Q 2016	Change		1H 2017	1H 2016	Change
(KZT million, unless otherwise stated)					*(KZT million, unless otherwise stated)*		
101,887	416	22,825	346%	Profit before tax	102,303	34,831	194%
69,308	(7,990)	25,845	168%	Profit/(loss) before tax (with adjustments*)	61,318	41,541	48%
16,277	(1,854)	6,500	150%	Income tax expense/(benefit)	14,423	17,582	-18%
16,277	(1,854)	7,430	119%	Income tax (with adjustments*)	14,423	15,880	-9%
16%	-446%	28%	-43%	Effective tax rate	14%	50%	-72%
23%	23%	29%	-21%	Effective tax rate (with adjustments*)	24%	38%	-37%

** Profit before tax and income tax expense without share in results of JV's and associated company, impairment charges and allowance for VAT recoverable reverse.*

The Company's effective income tax rate in 1H 2017 is lower in comparison with 1H 2016 primarily due to the reversal of previously accrued tax provisions and deferred tax benefits. Income tax provisions were reversed in 1H 2017 as a result of the further reduced claims of 2009-2012 Comprehensive tax audit. Deferred tax benefits mainly resulted from ECD prepayments to state authorities. Also, in 1H 2016 significant amounts of OMG PPE deferred tax expense and additional accrual of CIT for past periods were accrued resulted in a higher effective tax rate.

OVERVIEW OF JVS AND ASSOCIATE OPERATIONS

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

2Q 2017	1Q 2017	2Q 2016	Change		1H 2017	1H 2016	Change
(KZT million, unless otherwise stated)					*(KZT million, unless otherwise stated)*		
5,279	7,315	2,005	163%	Share in income from KGM	12,593	2,483	407%
1,231	1,508	(4,553)	-127%	Share in income/(loss) from PKI	2,739	(8,431)	-132%
(345)	(417)	(472)	-27%	Share in loss from UOG	(761)	(762)	0%
6,165	8,406	(3,020)	-304%	**Share in income / (loss) in associate and JV's**	14,571	(6,710)	-317%

KGM

KGM's core operating activity is the production and sale 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 H1 2017 was 1,421 ktonnes (50% share is 711 ktonnes), which is 38 ktonnes or 2.7% lower than in H1 2016.

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

2Q 2017	1Q 2017	2Q 2016	Change		1H 2017	1H 2016	Change
(US$ thousand, unless otherwise stated)					*(US$ thousand, unless otherwise stated)*		
147,115	140,832	92,549	59%	Revenue	287,947	183,168	57%
(60,910)	(66,086)	(74,110)	-18%	Operating expenses	(126,996)	(150,087)	-15%
669	769	727	-8%	Finance income / (cost), net	1,438	1,177	22%
(321)	(4,617)	(5,224)	-94%	Foreign exchange gain / (loss), net	(4,938)	(4,609)	7%
(47,365)	(21,488)	3 ,953	1298%	Income tax (expense)/ benefit	(68,853)	(2,758)	2397%
39,188	49,410	17,895	119%	Net income	88,598	26,891	229%
729	692	729	0%	Crude oil production, ktonnes	1,421	1,459	-3%

The increase in 1H 2017 revenue mainly resulted from higher Brent prices and increase of domestic sales prices in comparison with 1H 2016. KGM's crude oil sales split by routes is as follows:

2Q 2017	1Q 2017	2Q 2016	Change		1H 2017	1H 2016	Change
(ktonnes)					*(ktonnes)*		
114	133	105	9%	Export via KCP	247	394	-37%
613	557	619	-1%	Domestic market	1,170	1,058	11%
727	690	724	0.4%	**Total crude oil sales, ktonnes**	1,417	1 ,452	-2%

Operating expenses decreased due to lower DD&A expenses in 1H 2017, lower ECD and materials and supplies expenses in 1H 2017. Also other costs (general and administrative expenses included here) are lower in 1H 2017 as commercial discovery bonus, akimat sponsorship accrued in 1H 2016. These effects were partially offset by increase of rent taxes as a result of higher average Brent prices in 1H 2017, increase in employee benefits and repairs and maintenance costs.

Increase of employee benefits and repairs and maintenance costs is due to lower average US dollar-Tenge exchange conversion rate in 1H 2017.

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

2Q 2017	1Q 2017	2Q 2016	Change		1H 2017	1H 2016	Change
(US$ per bbl sold)*					*(US$ per bbl sold*)*		
3.8	4.2	5.0	-24%	DD&A	3.9	4.9	-20%
2.2	2.3	1.6	38%	Transportation expenses	2.2	2.0	10%
1.0	1.2	0.5	100%	Export customs duty	1.1	1.5	-27%
1.3	1.5	1.2	8%	Mineral extraction tax	1.3	1.4	-7%
0.9	0.9	0.7	29%	Employee benefits	0.9	0.7	29%
1.0	0.7	0.9	11%	Repairs and maintenance	0.8	0.7	14%
0.3	0.3	0.4	-25%	Materials and supplies	0.3	0.4	-25%
0.5	1.2	0.6	-17%	Rent tax	0.8	0.3	167%
-	-	0.1	-100%	Fines and penalties	-	–	0%
(0.1)	0.6	2.3	-104%	Other	0.2	1.5	-87%
10.9	**12.9**	**13.3**	**-18%**	**Total operating expenses**	**11.5**	**13.4**	-14%

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

The share in KGM income, reflected in the reviewed interim condensed consolidated financial statements of the Company, represents a proportionate share of the results of KGM for 1H 2017, adjusted for the impact of amortization of the fair value of the licenses, partially offset by related deferred tax benefit of KZT1.5 billion (KZT2.1 billion in 1H 2016).

In June 2017 KGM declared dividends amounted to KZT82 billion or US$250 million for the results of operations for the year ended December, 31 2016 (50% share is KZT41 billion or US$125 million). The actual amount of dividends received by the Company from KGM in 1H 2017 is KZT28.1 billion or US$87 million.

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 1H 2017, PKI produced 1,649 ktonnes of oil (33% share: 544 ktonnes) which is 14% less than in 1H 2016. The decline in production was due to the reserve depletion of some of PKI's mature fields.

PKI's key financial and operational indicators (100%) are shown below:

2Q 2017	1Q 2017	2Q 2016	Change		1H 2017	1H 2016	Change
(US$ thousand, unless otherwise stated)					*(US$ thousand, unless otherwise stated)*		
196,114	198,751	159,940	23%	Revenue	394,865	300,349	31%
(125,569)	(139,545)	(137,620)	-9%	Operating expenses	(265,114)	(290,197)	-9%
(2,494)	(2,448)	(14,207)	-82%	Finance cost, net	(4,942)	(23,661)	-79%
(35,820)	(27,513)	(24,558)	46%	Income tax expense	(63,333)	(11,551)	448%
32,231	29,245	(16,445)	296%	Net income / (loss)	61,476	(25,060)	-345%
828	821	944	-12%	Crude oil production, ktonnes	1,649	1,925	-14%

The increase in revenue in 1H 2017, in comparison with 1H 2016, mainly due to higher average Brent prices and domestic prices in 1H 2017, which was partially offset by a lower sales volume.

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

2Q 2017	1Q 2017	2Q 2016	Change		1H 2017	1H 2016	Change
(ktonnes)					*(ktonnes)*		
592	587	720	-18%	Domestic sales	1,179	1,286	-8%
132	126	101	31%	Export via KCP (PKKR 100%)	258	293	-12%
57	66	53	8%	Export via KCP (KGM 50%)	123	197	-38%
27	21	26	4%	Export via KCP (Kolzhan 100% & PKVI 75%)	48	51	-6%
8	21	-	100%	Export via KCP (TP 50%)	29	39	-26%
15	5	29	-48%	Export Uzbekistan (TP 50%)	20	29	-31%
831	**826**	**929**	**-11%**	**Total crude oil sales, ktonnes**	**1,657**	**1,895**	**-13%**

Operating expenses significantly decreased due to lower DD&A costs, transportation expenses and other expenses. These effects were partially offset by increase of rent tax resulted from higher average Brent prices in 1H 2017.

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

2Q 2017	1Q 2017	2Q 2016	Change		1H 2017	1H 2016	Change
(US$ per bbl sold)*					*(US$ per bbl sold*)*		
7.1	7.2	8.4	-15%	DD&A	7.2	8.0	-10%
2.9	2.6	2.3	26%	Transportation expenses	2.8	2.7	4%
1.8	1.8	0.6	200%	Export customs duty	1.8	1.6	13%
1.7	1.6	1.5	13%	Repairs and maintenance	1.7	1.4	21%
1.5	1.6	1.6	-6%	Employee benefits	1.6	1.3	23%
1.1	1.5	1.0	10%	Mineral extraction tax	1.3	1.2	8%
1.0	1.0	0.8	25%	Materials and supplies	1.0	0.8	25%
1.0	1.7	0.7	43%	Rent tax	1.4	0.4	250%
-	-	(0.1)	-100%	Fines and penalties	-	(0.2)	-100%
1.2	2.6	2.2	-45%	Other	1.9	2.7	-30%
19.3	21.6	19.0	2%	**Total operating expenses**	20.7	19.9	4%

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

The share in PKI results reflected in the Company's reviewed interim condensed consolidated financial statements represents a proportionate share of the results of PKI in 1H 2016 adjusted for the impact of amortization of the fair value of the licenses for the amount of KZT3.7billion (KZT5.6 billion in 1H 2016).

In June 2017 Company received dividends from PKI amounted to KZT10 billion (net of withholding tax) or US$31 million for the results of operations for the year ended December, 31 2016.

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

CCEL

As per the purchase agreement, interest in CCEL is reflected as a financial asset in the reviewed 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 reviewed 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 June 30, 2017 the Company had KZT35.6 billion (US$110.3 million) as a receivable from CCEL. The Company has accrued KZT2.4 billion (US$7.5 million) of interest income in 1H 2017, relating to the US$26.9 million annual priority return from CCEL. Payments are usually made twice a year in 2Q and 4Q.

In 1H 2017, CCEL produced around 1,056 ktonnes (50% share: 528 ktonnes) of crude oil, which increased by less than 1% compared to 1H 2016. CCEL's key financial and operational indicators (100%) are as follows:

2Q 2017	1Q 2017	2Q 2016	Change		1H 2017	1H 2016	Change
(US$ thousand, unless otherwise stated)					*(US$ thousand, unless otherwise stated)*		
178,264	171,203	149,299	19%	Revenue	349,467	270,786	29%
(157,014)	(125,218)	(104,144)	51%	Operating expenses	(282,232)	(222,909)	27%
(4,173)	(4,930)	(5,199)	-20%	Finance cost, net	(9,103)	(10,295)	-12%
(7,706)	(9,653)	6,318	-222%	Income tax expense	(17,359)	6,318	-375%
9,371	31,402	46,274	-80%	Net income / (loss)	40,773	43,900	-7%
533	523	522	2%	Crude oil production, ktonnes	1,056	1,053	0,3%

The increase in revenue in 1H 2017 is due to higher export sales resulted from higher Brent prices partially offset by lower revenues from domestic sales.

CCEL crude oil sales split by routes is as follows:

2Q 2017	1Q 2017	2Q 2016	Change		1H 2017	1H 2016	Change
(ktonnes)					*(ktonnes)*		
380	264	275	38%	Export via Novorossiysk	644	587	10%
45	137	208	-78%	Export via Ust'-Luga	182	461	-61%
90	60	-	100%	Export via Batumi	150	-	100%
-	40	-	0%	Domestic market	40	-	100%
515	**501**	**483**	**7%**	**Total crude oil sales, ktonnes**	**1,016**	**1,048**	**-3%**
71	**5**	**22**	**223%**	**Domestic market (bitumen)***	**76**	**22**	**245%**
586	**506**	**505**	**16%**	**Total crude oil &bitumen sales***	**1,092**	**1,070**	**2%**

**as part of contractual obligations bitumen produced from CCEL oil is sold to the domestic market*

Total operating expenses in 1H 2017 increased compared to 1H 2016 mainly due to rent tax and ECD expenses, other expenses, repairs and maintenance, materials and supplies and increase in employee benefits.

Increase in ECD and rent tax expenses is a result of higher Brent prices in 1H 2017. Also in 1H 2017 oil processing tariffs and refinery volumes at bitumen plant were increased and included in other costs. Higher repairs and maintenance costs are explained by more well workovers and well servicing in 1H 2017. Increase in materials and supplies is due to higher costs in 1H 2017. Increase of employee benefits costs is due to annual 7% salary indexation.

Operating expenses on per barrel sold (crude oil and bitumen sales) basis are as follows:

2Q 2017	1Q 2017	2Q 2016	Change		1H 2017	1H 2016	Change
(US$ per bbl sold)*					*(US$ per bbl sold*)*		
6.5	8.5	6.7	-3%	Employee benefits	7.4	6.6	12%
5.9	6.6	6.3	-6%	Transportation expenses	6.2	6.2	0%
5.6	6.7	4.3	30%	Export customs duty	6.1	4.9	24%
2.8	3.5	3.5	-20%	Energy	3.1	3.8	-18%
2.9	2.7	3.3	-12%	DD&A	2.8	3.0	-7%
2.7	2.5	2.1	29%	Repairs and maintenance	2.6	1.8	44%
2.9	5.5	3.0	-3%	Rent tax	4.1	1.4	193%
0.9	0.9	0.8	13%	Materials and supplies	0.9	0.7	29%
0.3	0.3	0.5	-40%	Mineral extraction tax	0.3	0.3	0%
9.6	(0.2)	0.3	3100%	Other	5.2	2.4	117%
40.1	**37.0**	**30.8**	30%	**Total operating expenses**	**38.7**	**31.1**	**24%**

** 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	6,336	15,169	49,594
Materials	2,961	12,707	6,403
Repair and maintenance	3,521	12,229	18,963
Energy	5,402	8,880	22,797
Other	1,494	9,459	40,860
Total lifting expenses (US$ thousand)	**19,714**	**58,444**	**138,617**
Production (ktonnes)	**1,421**	**1,649**	**1,056**
Lifting cost US$ per bbl*	**1.8**	**4.6**	**19.7**

**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)	51.7	51.7	51.7
Price differential and premium of bbl difference, net	(6.6)	(6.2)	(4.4)
Average realized price	45.1	45.5	47.3
Rent tax	(4.7)	(4.7)	(4.2)
Export customs duty	(6.3)	(6.4)	(6.3)
Transportation expenses	(4.2)	(5.4)	(6.4)
MET	(5.2)	(3.0)	(0.3)
Netback price	**24.7**	**26.0**	**30.1**

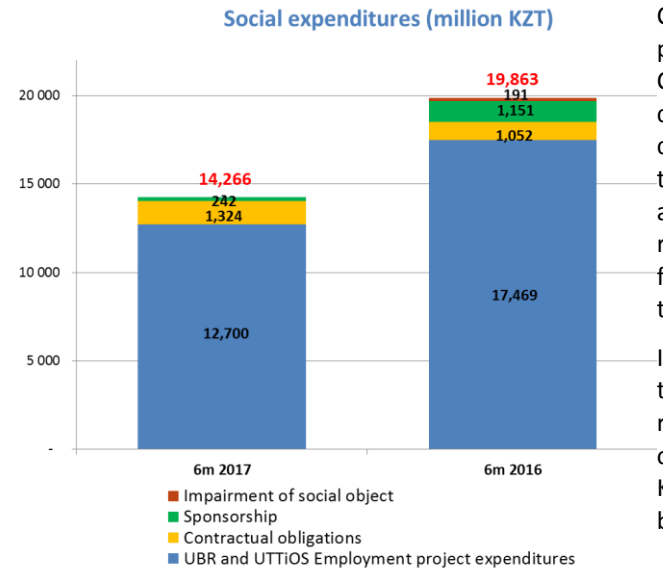
**Following average tonne / bbl conversion factors were used KGM 7.7, PKI 7.75, CCEL 6.68.*

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	**21.7**	**24.4**	**20.5**
Transportation expenses	(1.6)	(1.4)	(1.9)
MET	(0.4)	(0.5)	(0.3)
Netback price	**19.7**	**22.5**	**18.3**

**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 1H 2017, the Company incurred KZT12.6 billion of operating expenses at UBR and UTTiOS, including KZT10.2 billion of employee benefit expenses and KZT2.4 billion for materials, supplies and other expenses.

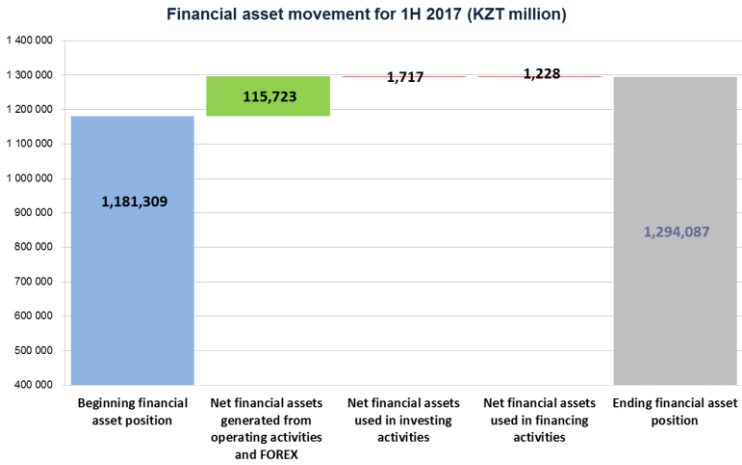
The Company has invested approximately KZT114 million for the purchase of equipment to support the operations at UBR and UTTiOS. Expenses for the financing of UTTiOS were partially offset by income from third parties in 1H 2017, which totalled KZT3.06 billion (KZT2.6 billion in 1H 2016).

In 1H 2016 the Company spent KZT242 million on sponsorship and supporting charities.

Obligations from exploration and production licenses arise from contracts for subsoil use and include payments to the social programs fund, the ecology fund and the commitment to train personnel. In 1H 2017, the Company's social expenses related to the execution of contractual obligations amounted to KZT1.3 billion, including the social programs and ecology fund that amounted to KZT1 billion as well as the training of local specialists which amounted to KZT0.4 billion.

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 1H 2017, net financial assets inflow from operating activities and FOREX amounted to KZT115.7 billion or KZT111.5 billion more than in 1H 2016. The increase is mainly due to higher income from export sales and sales of oil products during the reporting period.

Net financial assets outflow from investing activities in 1H 2017 was KZT1.7 billion versus an outflow of KZT32.9 billion in 1H 2016. The decrease in net outflows mainly resulted from higher dividends received from joint ventures and associate (KZT28.5 billion more in 1H 2017).

Net financial asset outflow from financing activities in 1H 2017 was KZT1.2 billion (outflow of KZT1 billion in 1H 2016). The increase in outflows is mainly associated with the higher repayment of historical obligations made in 1H 2017 compared to 1H 2016 (KZT0.3 billion more).

Net cash position

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

	As at June 30, 2017	As at December 31, 2016	As at June 30, 2016	Change
	(KZT million, unless otherwise stated)			%
Current portion	5,400	5,483	5,572	-2%
Non-current portion	2,757	3,844	5,095	-28%
Total borrowings	**8,157**	**9,327**	**10,667**	**-13%**
Cash and cash equivalents	219,431	162,091	380,074	35%
Other current financial assets	1,039,584	983,257	658,875	6%
Non-current financial assets	35,072	35,961	36,360	-2%
Total financial assets	**1,294,087**	**1,181,309**	**1,075,309**	**10%**
Foreign currency denominated cash and financial assets, %	**94%**	**97%**	**96%**	
Net cash	**1,285,930**	**1,171,982**	**1,064,642**	**10%**

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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.