OPERATING AND FINANCIAL REVIEW

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 audited 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 audited 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").

TENDER OFFER

On December 8, 2017 the Company announced the launch of a conditional tender offer (the "Tender Offer") to repurchase all of its outstanding GDRs at a price 14.00 US Dollars per GDR. According to the result of an extraordinary general meeting held on January 22, 2018 the Tender Offer became unconditional in all respects. On January 23, 2018 the Company announced the launch of an unconditional offer to repurchase on KASE all of its Common Shares (the "Share Offer") at a price of 84.00 US Dollars per Common Share but payable in Tenge. The first settlement of the Tender Offer and the Share offer is scheduled on February 19, 2018 and will require the payment of 1.9 billion US Dollars.

GDRs and Common Shares acquired pursuant to first settlement of the Tender Offer and the Share Offer

KMG EP announced that settlement under the Tender Offer and the Share Offer was effected on the first Settlement Date of 19 February 2018, as a result of which KMG EP has repurchased a total of:

- 134,070,054 GDRs, which as at 31 January 2018 represent approximately 98% of the GDRs in issue (excluding GDRs held by the Company) and approximately 32 % of the Common Shares (including Common Shares represented by GDRs) in issue; and
- 320,688 Common Shares in issue which as at 31 January 2018 represent approximately 92 % of the Common Shares (excluding GDRs) in issue.

The Common Shares repurchased by the Company will be held in treasury while the GDRs will be held by KMG EP subject to it in due course surrendering such GDRs in exchange for the underlying Common Shares.

NC KMG and KMG EP together now hold a total of 47,194,539 Common Shares and 134,781,116 GDRs being approximately 99% of the Common Shares (including Common Shares represented by GDRs) in issue.

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 December 31, 2017:

Name	Ownership interest	Principal operations	Financial statement reflection
Ozenmunaigas JSC ("OMG")	100%	Crude oil and natural gas upstream	Consolidated entity
Embamunaigas JSC ("EMG")	100%	Crude oil upstream	Consolidated entity
Kazakh Gas Processing Plant ("KazGPZ")	100%	Gas 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

4Q 2017	3Q 2017	4Q 2016	Change		2017	2016	Change
2,984	2,999	3,021	-1%	Total production (ktonnes)*	11,868	12,155	-2%
2,111	2,107	2,084	1%	OMG and EMG production (ktonnes)	8,320	8,387	-1%
26,986	80,493	55,853	-52%	Net Income (KZT million)	195,359	131,576	48%
0.4	1.17	0.82	-51%	Basic and diluted EPS (KZT thousand)	2.86	1.93	48%
79,135	50,147	83,454	-5%	EBITDA (KZT million)**	259,930	206,850	26%
22%	13%	34%	-35%	Operating margin (%)***	19%	22%	-14%
52,172	51,568	59,728	-13%	Operating cash flow before working capital adjustments (KZT million)	212,611	134,736	58%
1,338,632	1,360,332	1,171,982	14%	Net cash position at the end of the period (KZT million)	1,338,632	1,171,982	14%

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

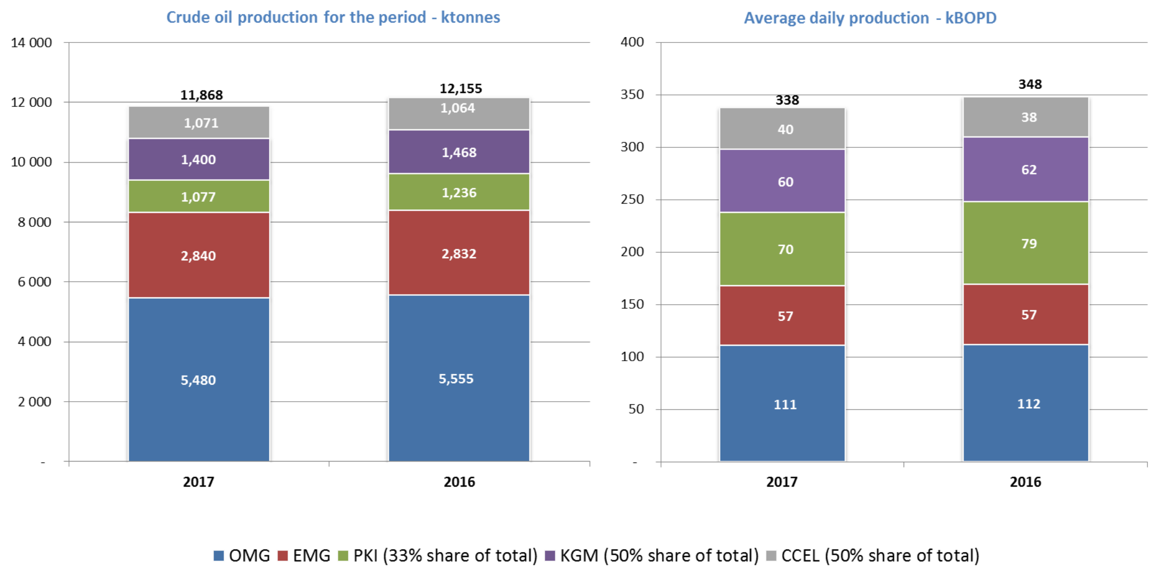
***EBITDA is calculated by adding back the share of income in equity-accounted entities, finance income and non-cash expenses such as depreciation and amortization to the Company's operating profit and net loss on acquisition of subsidiary. ***Operating profit does not include share in results of equity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

4Q 2017	3Q 2017	4Q 2016	Change		2017	2016	Change
61.18	52.08	49.33	24%	Average Brent (DTD) (US$ / bbl)	54.19	43.73	24%
2.9%	0.5%	2.9%	0%	Kazakhstan inflation (%)	7.1%	8.5%	-16%
334.4	332.4	335.1	0%	Average Tenge - US$ exchange rate	326.1	341.8	-5%
332.3	341.2	333.3	0%	Tenge - US$ exchange rate at the reporting date	332.3	333.3	0%

PRODUCTION ACTIVITY



The Company's total crude oil production in 12m 2017, including the share of production from its joint ventures and associated company, amounted to 11,868 ktonnes or 338 kbopd. OMG and EMG produced 168 kbopd with a further 70 kbopd from PKI, 60 kbopd from KGM and 40 kbopd from CCEL.

Compared to 2016, OMG production decreased by 1% or 75 ktonnes mainly due to natural decline. This was the result of an increase in water cuts due to production string failures and the increase of well downtime due to underground equipment failures. EMG production increased by less than 1% or 8 ktonnes, primarily due to geological and technical measures performed.

The share in PKI's production declined by 13% or 159 ktonnes in 2017, compared to 2016, due to the natural decline of some of PKI's mature fields. The share in KGM's production decreased by 5% or 68 ktonnes in 2017, compared with 2016 due to natural decline. The share in CCEL production increased by less than 1% or 7 ktonnes in 2017, compared with 2016. Total share in production volume of PKI, KGM and CCEL in 2017 was 3,547 ktonnes, which is 6% or 221 ktonnes less than in 2016.

Wells as of reporting date*	Drilled in 2017*	Drilled in 2016*		Well workovers 2017	Well workovers 2016	Well servicing 2017	Well servicing 2016
Number of wells				*Number of well workovers*		*Number of well servicing*	
5,107	171	169	OMG	989	949	12,685	13,512
2,692	41	47	EMG	286	246	3,167	3,398
1,765	53	19	PKI (100%)**	151	150	619	623
262	20	23	KGM (100%)**	51	62	93	114
3,765	108	51	CCEL (100%)**	94	59	3,946	3,794

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

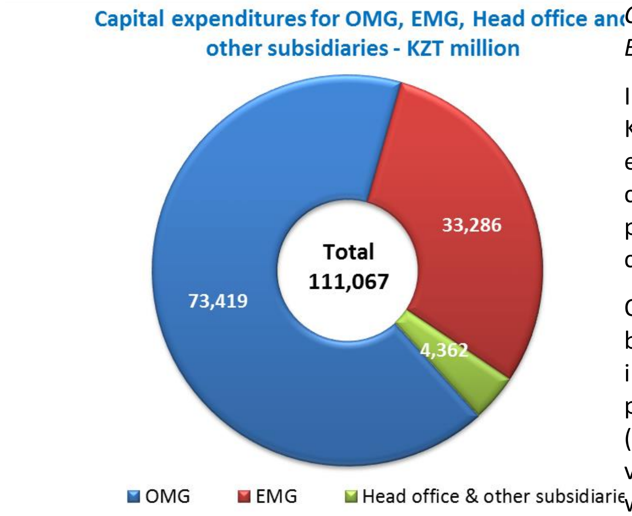
Oil production recorded in the period from the new wells at OMG amounted to 297 ktonnes, compared to 314 ktonnes in 2016, due to a period of downtime in 2017. In 2017 the oil production measurement method from new wells and workovers was changed from metering to a stock tank barrels method.

OMG workovers of 989 wells resulted in incremental production of 212 ktonnes, while 949 well workovers in 2016 provided incremental production of 259 ktonnes. The oil production measurement method was also changed from a metering to a stock tank barrels method. Additionally, since 2017, incremental production from hole cleaning and squeezing workovers is included in current activities performed for production maintenance.

Oil production for 2017 from the new wells at EMG amounted to 54 ktonnes compared to 78 ktonnes in 2016. EMG performed 286 well workovers in 2017, resulting in an incremental production of 110 ktonnes, while 246 well workovers provided 122 ktonnes in 2016. New wells and workover wells were offline longer in 2017 than in 2016 as a result of a delayed signing of contracts due to tender procedure issues.

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

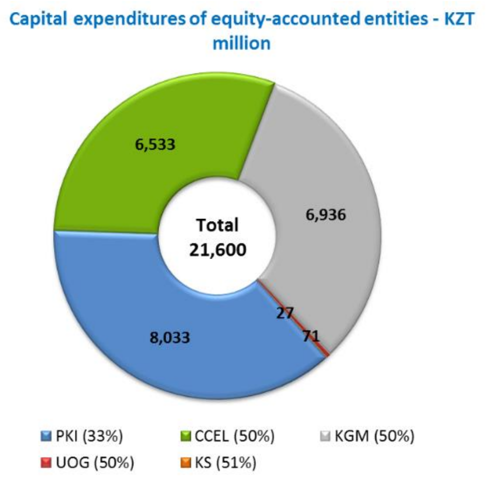
In 12m 2017, the Company’s capital expenditures amounted to KZT111.1 billion or KZT4 billion less than in 12m 2016. Capital expenditures include the cost of drilling new wells, the construction and modernization of production facilities, the purchase of fixed and intangible assets and non-production capital expenditures.

OMG capital expenditures for 12m 2017 amounted to KZT73.4 billion which is higher than in 12m 2016 by KZT10.2 billion. The increase is due to higher volumes of hydraulic fracturing performed on the new wells and purchases of fixed assets (mainly tubing pipes and casing strings) partially offset by lower volumes of construction works (mainly reconstruction of oil and water pipelines).

EMG capital expenditures amounted to KZT33.3 billion in 12m 2017, which is KZT15.4 billion lower than in 12m 2016. In 2016-2017 Prorva gas treatment unit construction works were performed and main part was completed in 2016. Moreover, in 2017 lower volumes of production drilling and construction works were performed due to delayed schedules of works as a result of tender procedure issues.

Head office and other subsidiaries’ capital expenditures in 12m 2017 amounted to KZT4.4 billion, which is KZT1.2 billion higher than in 12m 2016, primarily due to purchases of intangibles and KS EP exploration drilling.

Since 15 June, 2017 KS EP is 100% a KMG EP consolidated entity. Its capital expenditures amounted to KZT0.5 billion for the period June, 15 – December, 31 2017.



Capital expenditure of equity-accounted entities

PKI capital expenditures in 12m 2017 amounted to KZT24.3 billion (KMG EP 33% share: KZT8 billion), which is KZT6.2 billion higher than in 12m 2016, mainly due to higher drilling volumes and completion works of wells in the current period.

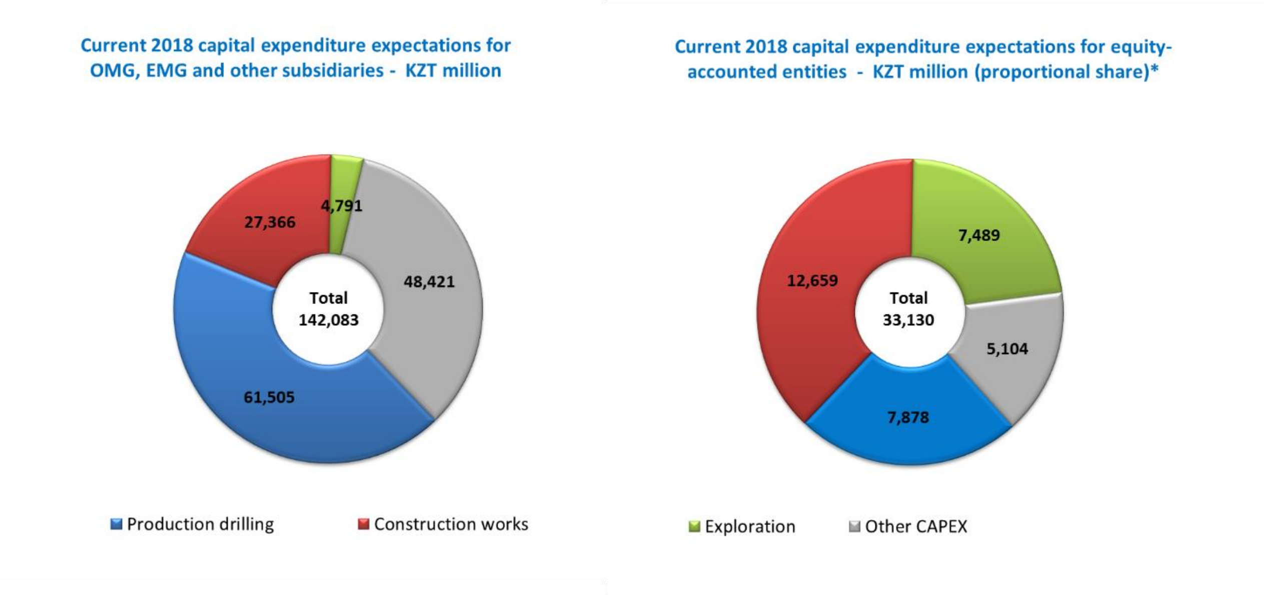
KGM capital expenditures for the period were KZT13.9 billion (KMG EP 50% share: KZT6.9 billion), which is KZT3.7 billion more than in 12m 2016, mainly due to higher expenses of production drilling in 12m 2017.

CCEL capital expenditures in 12m 2017 were KZT13.1 billion (KMG EP 50% share: KZT6.5 billion), which is KZT4.3 billion higher than in 12m 2016, primarily due to higher drilling volumes and construction and modernization of production facilities works.

UOG capital expenditure amounted to KZT142 million (KMG EP 50% share: KZT71 million), which is KZT5.5 billion less than in 12m 2016 mainly due to more exploration drilling conducted in 12m 2016 (U-25 drilling and testing works).

KS capital expenditures amounted to KZT54 million for the period January, 1 – June, 15 2017 (until June 15, 2017: KMG EP 51% share: KZT27 million).

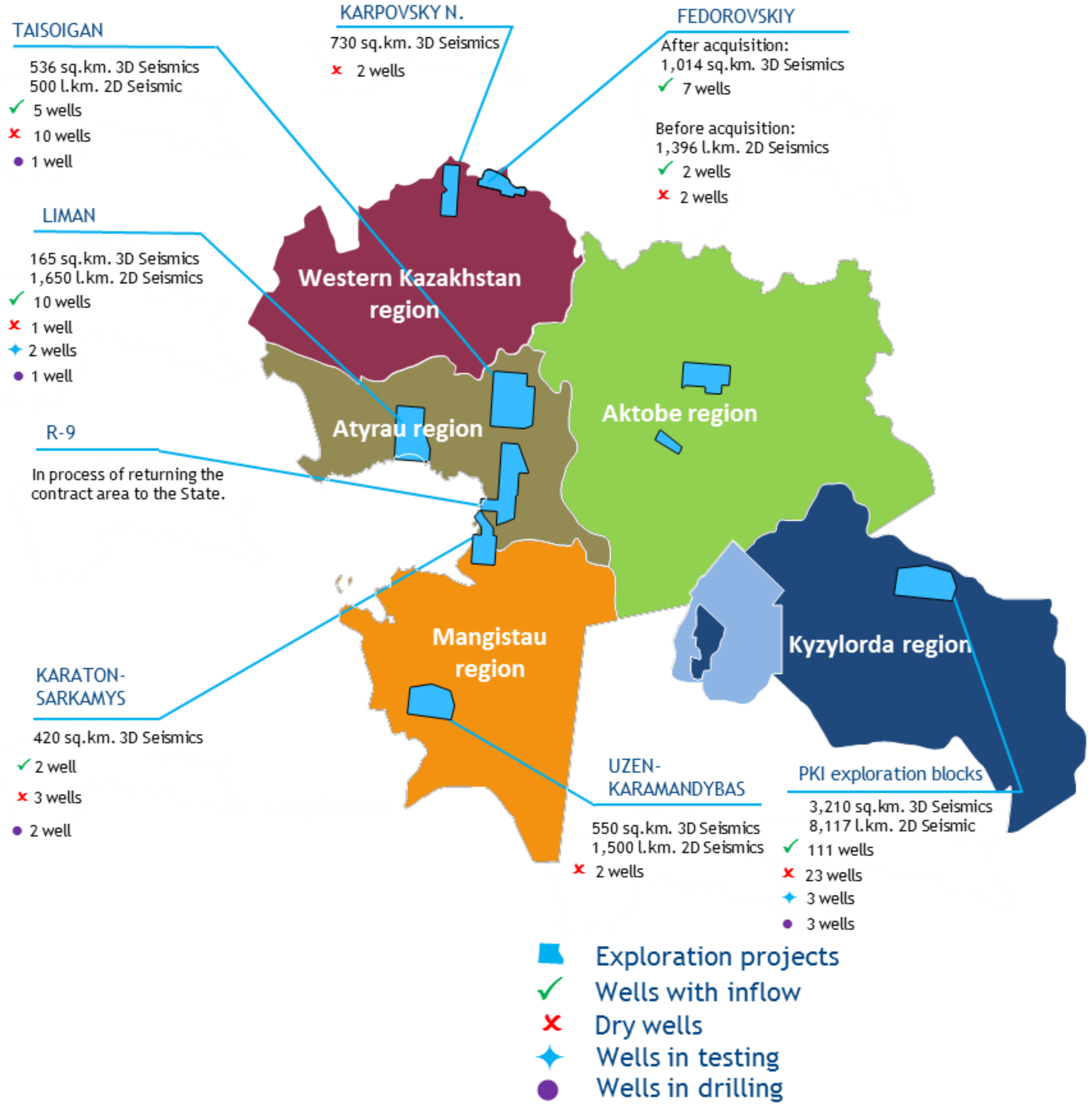
Below are current 2018 capital expenditure expectations for consolidated and equity accounted entities:



*Capital expenditure amounts for 2018 presented herein represent currently expected amounts based on management's estimates as of the date of issuance of this report according to approved 2018 budget. 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 December 31, 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 PR-5 PR-7 PR-8	08.04.2016-21.08.2016 01.04.2016-29.09.2016 20.09.2016-27.01.2017 22.05.2017-currently	2,262m. 2,500m. 2,290m. 2,500m.	PR-4's daily flow is 7 m3/day. PR-5 and PR-7 daily flows are 5,3 m3/day which is average for this field. PR-8 drilling was completed (2,500 meters), the well is in-testing
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. Processing and interpretation of seismic data works were completed. Interregional department Zapkaznedra Technical and scientific committee approved the report. According to the working program exploration drlling is planned in 2019.
Taisoigan (100%)	29.01.2004	Uaz	U-23 U-25 U-26 Barlybay NW	29.08.2017-24.09.2017 21.07.2017-22.08.2017 20.12.2017-currently 10.10.2017-04.12.2017	1,110m. 1,100m. 400m. 1,025m.	2-D MOGT seismic field works on the Taisoigan block are completed. Completed processing of 2-D seismic field data on the Taisoigan block. Further exploration works are under consideration. U-23 is with inflow, U-25, Barlybay NW-3 are dry. U-26 is in drilling.
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	NSV-2 East Karaton-1 Dosmuhambetovskoe DSV-1	11.09.2017-07.12.2017 12.09.2017-12.12.2017 6.10.2017-20.12.2017	3,700m. 2,512m. 400m.	Re-processing and interpretation of 3D seismic data of the Birlestik cube is completed. Further geological works are under consideration. NSV-2 is in testing (with inflow), East Karaton testing is expected, DSV-1 is dry.
Karpovskiy Severniy (KS-100%)	18.10.2011	Orlovskaya Central	SK-2	01.07.2013-18.08.2015	5,755m.	The well has commercially unviable gas inflows, conserved.
Fedorovskiy block (UOG-50%)	11.03.2011	Rozhkovskiy Pavlovskaya, Yanvartsevskaya				U-25 drilled and tested during 2016 has 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 South-Eastern Doszhan-49 South-Eastern Doszhan-56 Doszhan-65 Doszhan-16 Zhamansu-10 Zhamansu-11 Zhamansu-5	01.06.2017-19.06.2017 24.06.2017-21.06.2017 20.07.2017-08.08.2017 31.07.2017-12.08.2017 23.12.2017-currently 27.11.2016-17.01.2017 30.09.2017-17.11.2017 07.10.2017-currently	1,439m. 2,033m. 1,450m. 815m. 2,203m. 2,455m. 	Completed drilling of Zhamansy-10, 11 S-E Doszhan–49, 52, 56. S-E Doszhan-49, 52 and Zhamansu-10, 11 which have inflows. S-E Doszhan-56 has gas inflow. Further works are under consideration. Doshan-65 is in testing, Doszhan-16, Zhamansu-5 are in drilling.
Karaganda (PKI-33%)	22.12.2009	Karabulak, Buharsai	Buharsai-3 Belkuduk-8 Karabulak-53 Karabulak-54	29.08.2017-24.09.2017 01.11.2017-03.12.2017 15.08.2017-08.08.2017 28.09.2017-	1,525m. 2,090m. 1,400m. 1,369m.	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 – have inflow. Drilled Buharsai-3, Karabulak-35,53,54, Belkuduk-8 have inflows. Further works are under consideration.

				15.10.2017		
			Karabulak-35	29.03.2017-01.05.2017		
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-126,130 is dry, Western Tuzkol-127, 159 have inflows. Ketekazgan-22,24 drilling was completed, testing is expected. Western Tuzkol appraisal wells 234, 237 have inflows.
			Ketekazgan-22,24	09.09.2017-21.12.2017	3,300m., 2,510m.	
			Western Tuzkol-130	01.02.2017-14.02.2017	1,300m.	
			Western Tuzkol-126	01.10.2017-18.10.2017	1,028m.	
			Western Tuzkol-127	10.05.2017-23.05.2017	1,100m.	
			Western Tuzkol-159	08.09.2017-25.09.2017	1,520m.	
			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.	Karavanchi-31 is with water and oil inflows.

*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 audited 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.

4Q 2017	3Q 2017	4Q 2016	Change		12m 2017	12m 2016	Change
					(KZT million, unless otherwise stated)		
290,941	**228,538**	**212,448**	**37%**	**Revenue**	**956,457**	**727,154**	**32%**
(88,125)	(80,805)	(79,389)	11%	Production expenses	(318,473)	(274,753)	16%
(42,512)	(33,609)	(20,508)	107%	SG&A	(135,324)	(115,022)	18%
(86,436)	(74,648)	(29,628)	192%	Taxes other than on income	(288,070)	(145,431)	98%
(1,087)	(357)	(2,484)	-56%	Exploration expenses	(1,612)	(2,535)	-36%
(9,861)	(8,856)	(8,252)	19%	DD&A	(35,626)	(30,776)	16%
62,920	**30,263**	**72,187**	**-13%**	**Operating profit**	**177,352**	**158,637**	**12%**
(2,361)	-	-	100%	Reversal for VAT recoverable, net	24,053	13,362	80%
2,268	3,602	(4,997)	145%	Share of results of associate and JV's	20,441	(12,600)	262%
(1,984)	(389)	(1,518)	31%	Loss on disposal of fixed assets	(2,176)	(2,050)	6%
-	-	-	0%	Net loss on acquisition of a subsidiary	(3,249)	-	100%
6,180	6,469	4,872	27%	Finance income, net of costs	25,449	24,195	5%
(30,082)	61,788	(5,608)	436%	Foreign exchange gain / (loss), net	(893)	(12,892)	-93%
(9,955)	(21,240)	(9,083)	10%	Income tax expense	(45,618)	(37,076)	23%
26,986	**80,493**	**55,853**	**-52%**	**Net income**	**195,359**	**131,576**	**48%**

The increase in net income for 2017 compared to 2016 is due to an increase in the average Brent crude price from 43.73 US dollar per barrel in 2016 to 54.19 US dollar per barrel in 2017, as well as to higher profits from refined products sales, higher crude oil export sales and an increase in the share of income of associate and joint ventures. These effects were partially offset by an increase in taxes other than on income and oil refining costs in 12m 2017. Mineral extraction tax (MET), rent tax and ECD (export custom duty) expenses were higher in 12m 2017 due to increased Brent prices.

The Company reversed a 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.

In 2017 the Company recorded a loss of KZT3.2 billion due to the net liabilities acquired following the acquisition of 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:

4Q 2017	3Q 2017	4Q 2016	Change		12m 2017	12m 2016	Change
				Export sales of crude oil			
				UAS pipeline			
139,013	123,418	80,803	72%	Net sales (KZT million)	423,961	282,054	50%
954	1,019	719	33%	Volume (ktonnes)	3,412	2,797	22%
145,716	121,117	112,382	30%	Average price (KZT/tonne)	124,256	100,842	23%
60.27	50.40	46.39	30%	Average price (US$/bbl*)	52.70	40.81	29%
				CPC pipeline			
82,957	52,468	58,529	42%	Net sales(KZT million)	285,657	230,645	24%
546	415	483	13%	Volume (ktonnes)	2,288	2,149	6%
151,936	126,429	121,178	25%	Average price (KZT/tonne)	124,850	107,327	16%
62.85	52.61	50.02	26%	Average price (US$/bbl*)	52.96	43.44	22%
221,970	175,886	139,332	59%	Total sales of crude oil-exported (KZT million)	709,618	512,699	38%
1,500	1,434	1,202	25%	Total crude oil-exported (ktonnes)	5,700	4,946	15%
				Total sales of crude oil			
221,970	175,886	139,332	59%	Total net sales of crude oil (KZT million)**	709,618	528,158	34%
1,500	1,434	1,202	25%	Total volume (ktonnes)**	5,700	5,776	-1%
147,980	122,654	115,917	28%	Average price (KZT/tonne)	124,494	91,440	36%
61.21	51.04	47.85	28%	Average price (US$/bbl*)	52.80	37.01	43%
				Sales of oil products			
61,440	46,388	68,371	-10%	Net sales (KZT million)	223,070	181,409	23%
610	489	798	-24%	Volume (ktonnes)	2,369	2,315	2%
100,721	94,826	85,678	18%	Average price (KZT/tonne)	94,162	78,362	20%
301.20	285.28	255.70	18%	Average price (US$/tonne)	288.75	229.29	26%
41.66	39.46	35.37	18%	Average price (US$/bbl*)	39.94	31.71	26%
7,531	6,264	4,745	59%	Other sales (KZT million)	23,769	17,587	35%
290,941	**228,538**	**212,448**	**37%**	**Total revenue (KZT million)**	**956,457**	**727,154**	**32%**

* *Converted at 7.23 barrels per tonne of crude oil.*
***Total net sales in 1Q 2016 include net domestic sales of crude oil to KMG RM (830 thous. tonnes amounted 15 459 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 an increase in income and higher volumes of oil products sales.

With regards to refined products, the Kazakhstan government also requires to supply a major portion of oil products, specifically light distillates, to meet domestic fuel requirements and to support agricultural producers during spring and autumn sowing campaigns. This is achieved either by an export ban on light distillates or by issuing quotas to supply agricultural producers. Local market oil products prices are significantly lower than international market prices and domestic prices for some of the refined products are regulated by the Committee for the Regulation of Natural Monopolies.

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

4Q 2017	3Q 2017	4Q 2016		2017	2016**
47,243	33,335	46,301	Revenue	173,524	142,095
(17,581)	(13 635)	(18,321)	Costs, including:	(64,489)	(59,392)
(12,087)	(9,245)	(11,997)	Processing	(45,227)	(39,947)
(248)	(144)	(320)	Additives	(939)	(591)
(1,231)	(1,517)	(1,095)	Excise tax	(4,828)	(2,773)
(2,528)	(1,999)	(3,327)	Export customs duty	(10,567)	(10,768)
(1,487)	(730)	(364)	Selling and transportation expenses	(2,928)	(1,000)
-	-	(1,218)	KMG Refinery and Marketing commission fee	-	(4,313)
29,662	19,700	27,980	**Net revenue**	109,035	82,703
462.44	357.24	544.2	Volume of oil products sold, thousands of tonnes	1,827.38	1,840.89
26.94	21.97	35.0	Processing losses, thousands of tonnes	109.14	111.21
489.38	379.21	579.2	Total volume of crude oil processed and sold, thousands of tonnes	1,936.52	1,952.10
60,612	51,950	48,308	Net revenue Tenge per tonne of crude oil	56,305	42,366

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

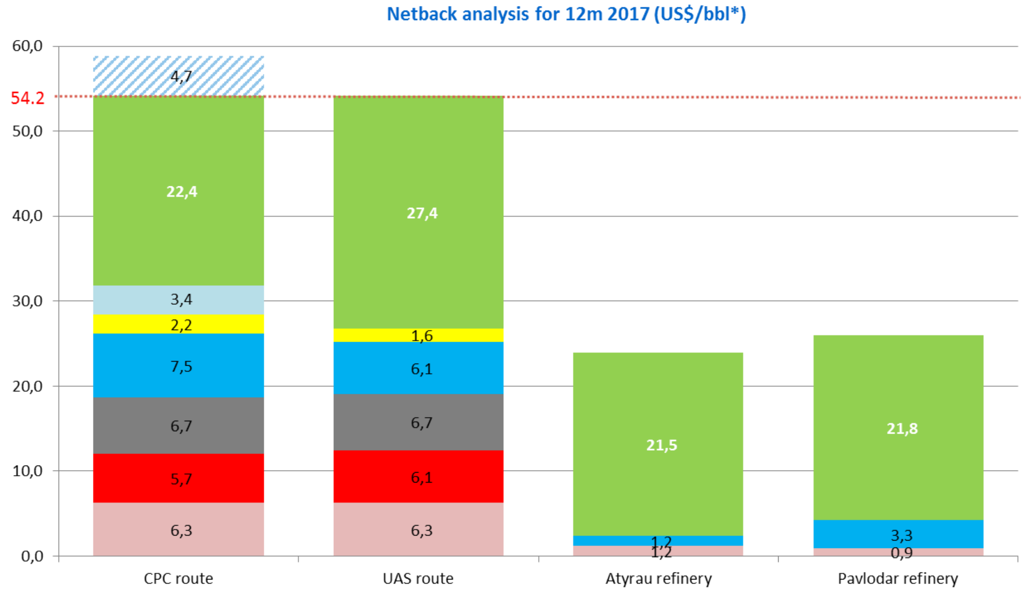
4Q 2017	3Q 2017	4Q 2016		12m 2017	12m 2016**
14,768	13,461	22,726	Revenue	52,110	40,241
(4,147)	(3,602)	(6,819)	Costs, including:	(13,538)	(12,279)
(2,858)	(2,433)	(4,742)	Processing	(9,515)	(8,614)
(175)	(178)	(301)	Additives	(662)	(515)
(441)	(899)	(1,019)	Excise tax	(2,397)	(1,778)
(565)	-	-	Export customs duty	(565)	-
(108)	(92)	(173)	Selling and transportation expenses	(399)	(278)
-	-	(584)	KMG Refinery and Marketing commission fee	-	(1 094)
10,621	9,859	15,907	**Net revenue**	**38,572**	**27,962**
151.48	135.15	260.2	Volume of oil products sold, thousands of tonnes	560.94	482.70
18.00	15.99	31.3	Processing losses, thousands of tonnes	68.37	57.70
169.48	151.14	291.5	Total volume of crude oil processed and sold, thousands of tonnes	629.30	540.40
62,668	65,235	54,569	Net revenue Tenge per tonne of crude oil	61,292	51,743

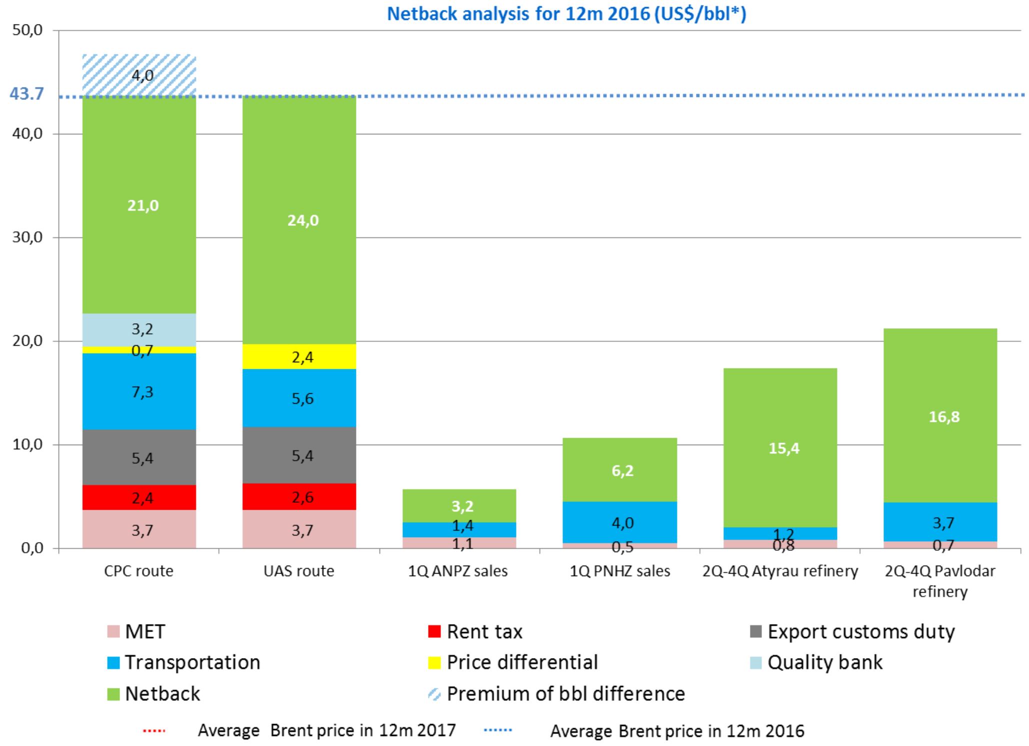
**These statements include sales of refined products within the group.*
***The data presented is for period April, 1 – December, 2016.*

Since April,1 2017 processing tariffs at Atyrau refinery increased from KZT20,501 to KZT24,512 per tonne of crude oil. Since August, 1 2017 processing tariffs at Pavlodar refinery increased from KZT14,895 to KZT16,417 per tonne of crude 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 changes of ANPZ net revenue in tenge per tonne in June-October 2017. Railway transportation expenses also increased since August 1, 2017.

The following chart shows the realized prices adjusted for crude oil transportation, rent tax, export customs duty ("ECD"), mineral extraction tax 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. Netbacks of ANPZ and PNHZ for 12m 2017are based on the net revenue tenge per tonne of crude oil shipped to ANPZ and PNHZ for oil processing reflected in the Statement of Net Revenue from sales of Refined Products.*

Export netbacks in 12m 2017 increased compared to 12m 2016, primarily due to higher Brent prices in 12m 2017 partially offset by increase in Rent tax, MET and ECD.

In 2017 refinery netbacks improved mainly due to higher revenues of light oil products sales.

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:

4Q 2017	3Q 2017	4Q 2016	Change		2017	2016	Change
(KZT million, unless otherwise stated)					*(KZT million, unless otherwise stated)*		
41,573	41,618	44,328	-6%	Employee benefits	163,866	152,422	8%
14,945	11,678	16,725	-11%	Refinery processing costs	54,742	48,548	13%
12,010	9,241	7,472	61%	Repairs and maintenance	34,201	24,434	40%
6,931	6,299	6,862	1%	Materials and supplies	21,898	20,003	9%
5,542	5,170	5,424	2%	Energy	21,534	20,958	3%
1,926	1,906	1,535	25%	Transportation services	7,167	5,435	32%
4,280	(7,952)	1,722	149%	Change in crude oil balance	(3,362)	1,303	-358%
(737)	8,871	(3,463)	-79%	Recognition of environmental remediation obligation	8,134	(3,463)	335%
(1,282)	1,570	(3,790)	66%	Asset retirement obligation (ARO) on depleted oil fields/ movement in ARO	288	(3,790)	108%
2,937	2,404	2,574	14%	Other	10,005	8,903	12%
88,125	**80,805**	**79,389**	**11%**	**Total production expenses**	**318,473**	**274,753**	**16%**

Production expenses in 2017 increased by KZT43.7 billion or 16% compared to 2016, primarily due to an increase in employee benefits, oil refinery costs, repairs and maintenance expenses and accrual of ecology provisions. This was partially offset by the change in the crude oil balance.

Employee benefit expenses in 2017 increased by 8% compared to 2016 or KZT11.4 billion, mainly due to a 7% basic salary indexation for production personnel from January 1, 2017 according to the terms of the collective agreement and accrual of bonus provisions for 2017.

Oil refinery costs increased in 2017 compared to 2Q-4Q 2016 due to higher volumes of oil products sold in 12 months 2017 in comparison with the 9 months of 2Q-4Q 2016 and the higher Atyrau refinery processing tariff effective from 1 April, 2017 and the higher Pavlodar refinery processing tariff effective from 1 August, 2017.

During 2017 additional ecology provisions were accrued for remediation of historical land contaminated with oil in the amount of KZT8.9 billion at OMG and EMG.

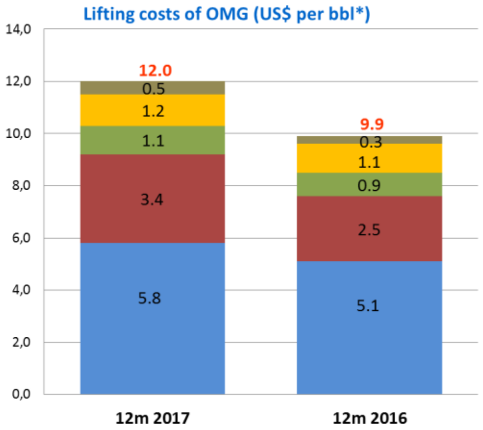
Repairs and maintenance costs increased due to higher volumes of well servicing performed by third parties and increased tariffs and volumes of hydraulic fracturing works in 2017.

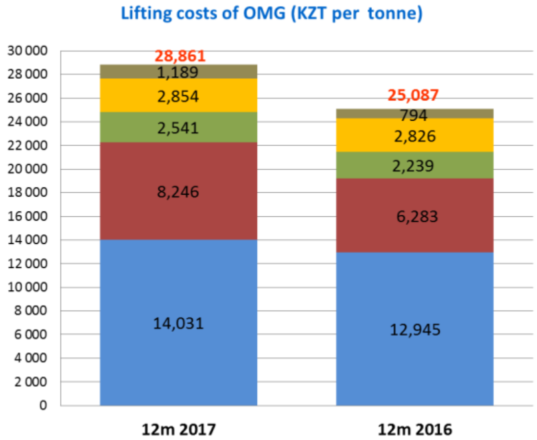
Transportation services increased in 2017 mainly due to higher volumes for transportation of workers at production sites and additional volumes of special vehicles for production purposes.

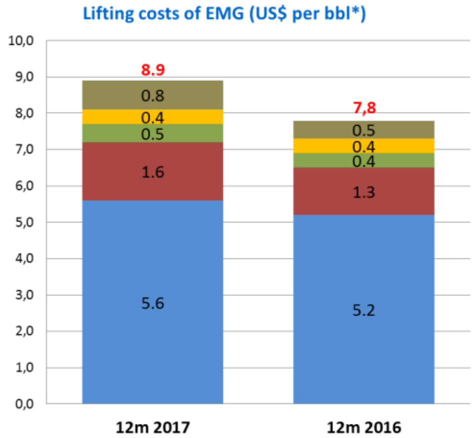
Lifting Costs

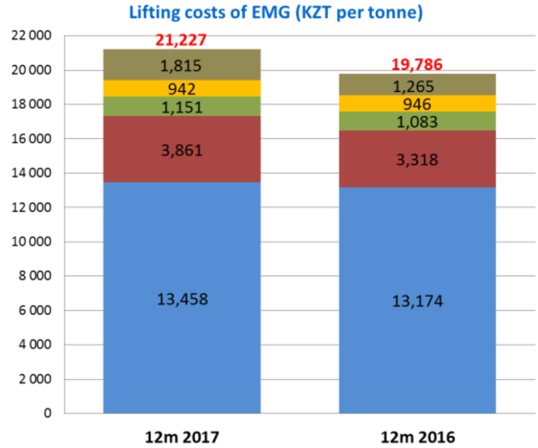
Lifting cost per barrel is calculated as production costs of OMG and EMG subsidiaries, including materials and supplies, production payroll, repairs and maintenance, and other production expenses except for the DD&A, taxes, contractual social obligations, actuarial costs, obligatory professional pension deductions and other expenses divided by total crude oil produced.

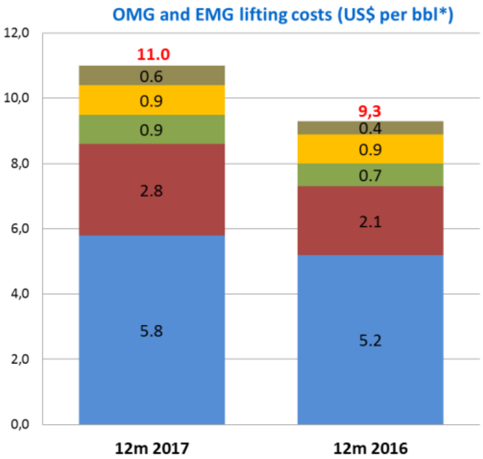
As most of the OMG and EMG production expenses are denominated in Tenge, lifting costs in US$ per bbl increased also due to the fluctuation of the average Tenge - US dollar exchange rate that resulted from the decision of the Government of the Republic of Kazakhstan and NBK to switch to a free-floating exchange rate regime for the Tenge since August 2015. The following charts show production lifting costs of OMG and EMG in US$/bbl* and KZT per tonne:

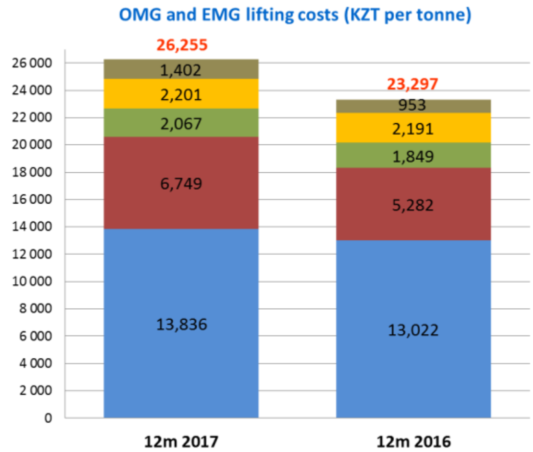












Employee benefits | Repairs and maintenance | Materials and supplies | Energy | Other

*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 the OMG, EMG and KMG EP Head office operations:

4Q 2017	3Q 2017	4Q 2016	Change		2017	2016	Change
(KZT million, unless otherwise stated)					*(KZT million, unless otherwise stated)*		
27,950	25,332	23,072	21%	Transportation expenses	102,971	91,851	12%
5,197	5,231	6,352	-18%	Employee benefits	19,059	18,331	4%
(2,454)	87	(13,516)	-82%	Accrual/ (reverse) of fines and penalties	(5,258)	(14,117)	-63%
-	-	1,802	-100%	Agency fees	-	5,407	-100%
2,831	661	319	787%	Consulting and audit services	4,396	3,238	36%
647	268	311	108%	Repairs and maintenance	1,389	1,212	15%
474	322	565	-16%	Sponsorship	1,038	2,093	-50%
7,867	1,708	1,603	391%	Other	11,729	7,007	67%
42,512	**33,609**	**20,508**	**107%**	**Total SG&A expenses**	**135,324**	**115,022**	**18%**

Selling, general and administrative expenses in 2017 amounted to KZT135.3 billion, 18% higher than in 2016. The increase is mainly due to an increase in transportation expenses and employee benefits costs, a lower reversal of previously accrued expenses for fines and penalties in 2017 which is partially offset by the absence of KMG RM agency fees.

During 2017 the Company successfully appealed 2009-2012 comprehensive tax audit results and therefore reversed fines and penalties previously provisioned for the amount of KZT6.3 billion. Also the Company filed additional CIT declaration for the period 2012-2015 at OMG, as a result the Company accrued fines and penalties amounted to KZT1.3 billion.

The KZT5.4 billion agency fees accrued in 12m 2016 correspond to commissions paid to KMG RM for the sale of the Company's oil products. Since 1 January, 2017 these commissions are no longer incurred as the Company manages sales of refined products for its own account.

The increase in transportation expenses in 2017 compared to 2016 was primarily due to higher export sales via UAS route in 2017.

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

Other expenses increased due to higher Board of Directors expenses as a result of finance advisory services for buyback of Company shares and expenses for visiting EXPO exhibition by KMGEP group workers.

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:

4Q 2017	3Q 2017	4Q 2016	Change		12m 2017	12m 2016	Change
(KZT million, unless otherwise stated)					*(KZT million, unless otherwise stated)*		
28,929	23,136	20,881	39%	Export customs duty	100,962	76,411	32%
26,135	24,130	(473)	5625%	MET	91,565	39,188	134%
28,502	21,435	4,753	500%	Rent tax	79,888	18,164	340%
1,749	1,692	1,671	5%	Property tax	6,568	6,699	-2%
173	240	238	-27%	Environmental tax	877	769	14%
948	4,015	2,558	-63%	Other taxes	8,210	4,200	95%
86,436	**74,648**	**29,628**	**192%**	**Total taxes other than on income**	**288,070**	**145,431**	**98%**

Taxes other than on income in 12m 2017 increased by KZT142.6 billion or 98% compared to 12m 2016, mainly due to increase in ECD, rent tax and MET (mineral extraction tax) and other taxes.

The 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 12m 2017 of 54.19 USD per barrel in comparison with 43.73 USD per barrel in 12m 2016, which was partially offset by a lower average US dollar-Tenge exchange rate in 12m 2017.

The increase in MET is due to the increase of the OMG tax rate from 9% to 13% as in 12m 2016 OMG received MET tax relief from state authorities applicable only for 2016.

ECD expenses increased in 12m 2017 compared to 12m 2016 mainly due to higher export sales of crude oil and oil products since the Company's decision to switch to an independent oil processing scheme starting from April 2016. Crude oil ECD expenses increased also due to higher Brent prices in 12m 2017. According to Kazakhstani legislation ECD rates are dependent on Brent prices. These effects were partially offset by lower US dollar-tenge exchange rates.

Other taxes increases in 12m 2017 were due to a seasonal increase in excise tax on diesel products sold. In October 2016, as a result of changes in tax legislation, the higher excise tax tariff for diesel of KZT 9,300 per tonne should be applied from April to October. In April 2017, the application period of higher excise tax tariffs changed to June-October.

Income Tax Expense

4Q 2017	3Q 2017	4Q 2016	Change		2017	2016	Change
(KZT million, unless otherwise stated)					*(KZT million, unless otherwise stated)*		
36,941	101,733	64,936	-43%	Profit before tax	240,977	168,652	43%
34,673	98,131	69,933	-51%	Profit before tax (with adjustments*)	196,483	181,252	8%
9,955	21,240	9,083	10%	Income tax	45,618	37,076	23%
9,955	21,240	9,083	10%	Income tax (with adjustments*)	45,618	35,374	29%
27%	21%	14%	93%	Effective tax rate	19%	22%	-14%
29%	22%	13%	123%	Effective tax rate (with adjustments*)	23%	20%	15%

** 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 2017 was lower in comparison with 2016 primarily due to the reversal of previously accrued tax provisions and deferred tax benefits. Income tax provisions were reversed in 2017 as a result of the further reduced claims of the 2009-2012 Comprehensive tax audit. Deferred tax benefits mainly resulted from MET and Rent tax prepayments. Also, in 2016 significant amounts of OMG PPE deferred tax expense 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 audited condensed consolidated financial statements:

4Q 2017	3Q 2017	4Q 2016	Change		2017	2016	Change
(KZT million, unless otherwise stated)					*(KZT million, unless otherwise stated)*		
3,606	2,969	334	980%	Share in income / (loss) from KGM	19,169	4,312	345%
(672)	1,083	(4,768)	-86%	Share in loss from PKI	3,149	(15,334)	121%
(665)	(450)	(563)	18%	Share in loss from UOG	(1,877)	(1,578)	19%
2,269	**3,602**	**(4,997)**	**145%**	**Share in loss in associate and JVs**	**20,441**	**(12,600)**	**262%**

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 2017 was 2,800 ktonnes (50% share is 1,400 ktonnes), which is 136 ktonnes or 5% lower than in 2016.

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

4Q 2017	3Q 2017	4Q 2016	Change		2017	2016	Change
(US$ thousand, unless otherwise stated)					*(US$ thousand, unless otherwise stated)*		
140,725	146,429	128,059	10%	Revenue	575,101	455,391	26%
(79,815)	(66,573)	(95,602)	-17%	Operating expenses	(273,384)	(339,728)	-20%
(440)	(104)	(386)	14%	Finance income / (cost), net	895	(835)	207%
(2,650)	2,993	(1,130)	135%	Foreign exchange gain / (loss), net	(4,595)	(6,459)	-29%
(33,468)	(60,437)	(22,560)	48%	Income tax (expense) / benefit	(162,758)	(58,148)	180%
24,351	22,309	8,381	191%	Net income	135,259	50,221	169%
674	705	736	-8%	Crude oil production, ktonnes	2,800	2,936	-5%

The increase in 2017 revenue was mainly due to higher Brent prices and the increase of domestic sales prices in comparison with 2016. Higher income tax expense is due to higher profit before tax and excess profit taxes accrued in 2017.

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

4Q 2017	3Q 2017	4Q 2016	Change		2017	2016	Change
(ktonnes)					*(ktonnes)*		
530	588	578	-8%	Domestic market	2,288	2,061	11%
138	115	156	12%	Export via KCP	500	867	-42%
668	**703**	**734**	**-9%**	**Total crude oil sales, ktonnes**	**2,788**	**2,928**	**-5%**

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

The increase of employee benefits and repairs and maintenance costs was due to a lower average US dollar-Tenge exchange conversion rate in 2017. The increase in employee benefits is also due to a one-off payment of 7% basic salary indexation.

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

4Q 2017	3Q 2017	4Q 2016	Change		2017	2016	Change
(US$ per bbl sold)*					*(US$ per bbl sold*)*		
4.1	4.2	4.2	-2%	DD&A	4.0	4.7	-15%
2.1	2.2	2.1	0%	Transportation expenses	2.2	2.2	0%
1.4	1.0	1.1	27%	Export customs duty	1.1	1.6	-31%
1.9	1.3	1.5	27%	Mineral extraction tax	1.5	1.6	-6%
1.8	1.1	1.2	50%	Repairs and maintenance	1.1	0.9	22%
1.2	0.8	1.1	9%	Employee benefits	0.9	0.8	13%
1.7	0.9	0.7	143%	Rent tax	1.0	0.7	43%
0.4	0.6	0.9	-56%	Materials and supplies	0.4	0.5	-20%
-	-	-	0%	Fines and penalties	-	0.2	-100%
1.0	0.5	4.2	-76%	Other	0.5	1.9	-74%
15.6	**12.6**	**17.0**	**-8%**	**Total operating expenses**	**12.7**	**15.1**	**-16%**

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

The share in KGM income, reflected in the audited consolidated financial statements of the Company, represents a proportionate share of the results of KGM for 2017, adjusted for the impact of amortization of the fair value of the licenses, partially offset by related deferred tax benefit of KZT3billion (KZT4.2 billion in 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 2017 was KZT40.4 billion or US$121.6 million. In January 2018 dividends for past periods amounted to KZT1.1 billion.

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 2017, PKI produced 3,263 ktonnes of oil (33% share: 1,077 ktonnes) which is 13% less than in 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:

4Q 2017	3Q 2017	4Q 2016	Change		2017	2016	Change
(US$ thousand, unless otherwise stated)					*(US$ thousand, unless otherwise stated)*		
204,786	185,631	197,487	4%	Revenue	785,282	682,357	15%
(164,196)	(105,811)	(222,496)	-26%	Operating expenses	(535,121)	(672,955)	-20%
(2,988)	(2,714)	5,027	-159%	Finance cost, net	(10,644)	(19,719)	-46%
(28,642)	(47,510)	1,761	-1726%	Income tax expense	(139,485)	(27,214)	413%
8,960	29,596	(18,221)	149%	Net income / (loss)	100,032	(37,531)	367%
828	808	905	-9%	Crude oil production, ktonnes	3,285	3,747	-12%

The increase in revenue in 2017, in comparison with 2016, was mainly due to higher average Brent prices and domestic prices in 2017, and was partially offset by a lower sales volume. Higher income tax expense in 2017 is due to higher profit before tax and excess profit tax expenses accrued in 2017.

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

4Q 2017	3Q 2017	4Q 2016	Change		2017	2016	Change
(ktonnes)					*(ktonnes)*		
605	663	554	9%	Domestic sales	2,446	2,405	2%
96	41	198	-52%	Export via KCP (PKKR 100%)	396	616	-36%
69	58	77	-10%	Export via KCP (KGM 50%)	250	433	-42%
18	15	28	-34%	Export via KCP (Kolzhan 100% & PKVI 75%)	81	102	-21%
6	22	20	-70%	Export Uzbekistan (TP 50%)	48	72	-33%
6	-	14	-57%	Export via KCP (TP 50%)	35	61	-43%
800	**799**	**891**	**-10%**	**Total crude oil sales, ktonnes**	**3,256**	**3,689**	**-12%**

Operating expenses significantly decreased due to lower DD&A costs, transportation expenses and other expenses. These effects were partially offset by the increase of rent tax resulting from higher average Brent prices in 2017. PPE impairment was included to 2016 other expenses.

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

4Q 2017	3Q 2017	4Q 2016	Change		2017	2016	Change
(US$ per bbl sold)*					*(US$ per bbl sold*)*		
1.8	7.4	4.5	-60%	DD&A	5.9	7.6	-22%
6.1	2.4	2.9	110%	Transportation expenses	3.5	2.7	30%
1.3	1.0	2.1	-38%	Export customs duty	1.5	1.8	-17%
2.0	1.8	1.4	43%	Repairs and maintenance	1.8	1.4	29%
2.1	1.8	1.6	31%	Employee benefits	1.8	1.4	29%
1.7	1.0	1.5	13%	Mineral extraction tax	1.4	1.4	0%
1.4	1.0	1.1	27%	Materials and supplies	1.1	0.9	22%
(1.0)	1.0	1.3	-177%	Rent tax	0.7	0.8	-13%
3.8	-	0.1	3700%	Fines and penalties	1.0	0.1	900%
7.5	(0.4)	15.7	-52%	Other	2.7	5.5	-51%
26.7	**17.0**	**32.2**	**-17%**	**Total operating expenses**	**21.4**	**23.6**	**-9%**

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

The share in PKI results reflected in the Company's audited consolidated financial statements represents a proportionate share of the results of PKI in 2017 adjusted for the impact of amortization of the fair value of the licenses for the amount of KZT7.6 billion (KZT11.1 billion in 2016).

In June 2017 the 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.

On October, 11 2017 the partners of PKI agreed to distribute 100 million US Dollars as a dividend payment (the Company's share is 33 million US Dollars). In November 2017 the Company received these dividends, amounting to KZT10 billion (net of withholding tax) or US$31 million.

For the capital expenditure analysis of JVs 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 audited 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 audited 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 December 31, 2017 the Company had KZT38 billion (US$114.2 million) as a receivable from CCEL. The Company has accrued KZT3.8 billion (US$11.5 million) of interest income in 2017, relating to the US$26.87 million annual priority return from CCEL. Payments are usually made twice a year in 2Q and 4Q.

In 2017, CCEL produced 2,141 ktonnes (50% share: 1,071 ktonnes) of crude oil, a 1% increase compared to 2016. CCEL's key financial and operational indicators (100%) are as follows:

4Q 2017	3Q 2017	4Q 2016	Change		2017	2016	Change
(US$ thousand, unless otherwise stated)					*(US$ thousand, unless otherwise stated)*		
235,857	141,088	155,263	52%	Revenue	726,412	565,317	28%
(142,937)	(142,718)	(139,177)	3%	Operating expenses	(567,887)	(488,334)	16%
(5,166)	(4,450)	4,217	-223%	Finance cost, net	(18,720)	(11,305)	66%
(22,246)	5,247	(11,109)	100%	Income tax (expense) / benefit	(34,358)	(4,766)	621%
65,508	833	9,194	613%	Net income / (loss)	105,447	60,912	73%
540	546	539	0%	Crude oil production, ktonnes	2,141	2,127	1%

Revenues in 2017 increased primarily due to higher Brent prices in comparison with 2016. In 2016 in comparison with 2017 income tax expenses for prior years were reversed as a result of a positive tax decision in regards to the 2009-2012 complex tax audit appeal and deferred tax assets accrued from previous years losses.

CCEL crude oil sales split by routes is as follows:

4Q 2017	3Q 2017	4Q 2016	Change		2017	2016	Change
(ktonnes)					*(ktonnes)*		
367	192	280	31%	Export via Novorossiysk	1,203	1,105	9%
166	123	175	-5%	Export via Ust'-Luga	470	843	-44%
-	30	-	100%	Export via Batumi	180	-	100%
-	-	38	0%	Domestic market	40	38	5%
533	**345**	**493**	8%	**Total crude oil sales, ktonnes**	**1,893**	**1,986**	-5%
54	104	33	62%	**Domestic market (bitumen)***	233	109	113%
587	**449**	**526**	12%	**Total crude oil &bitumen sales***	**2,126**	**2,095**	1%

Total operating expenses in 2017 increased compared to 2016 mainly due to rent tax and ECD expenses, other expenses, repairs and maintenance, materials and supplies. Increase in ECD and rent tax expenses is a result of higher Brent prices in 2017. Also in 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 an increase in the number of well workovers and well servicing in 2017. The increase in materials and supplies is due to higher costs in 2017.

Operating expenses on per barrel sold basis are as follows:

4Q 2017	3Q 2017	4Q 2016	Change		2017	2016	Change
(US$ per bbl sold*)					(US$ per bbl sold*)		
6.3	8.8	8.6	-27%	Employee benefits	8.1	7.9	3%
7.3	7.3	7.5	-3%	Transportation expenses	7.4	7.2	3%
7.0	6.6	6.4	9%	Export customs duty	7.0	5.8	21%
3.2	3.2	3.7	-14%	Energy	3.5	3.8	-8%
1.8	2.9	3.2	-44%	DD&A	2.8	3.2	-13%
7.8	5.9	3.6	117%	Rent tax	5.9	2.4	146%
2.8	2.4	1.2	133%	Repairs and maintenance	2.9	1.7	71%
1.2	0.9	1.0	20%	Materials and supplies	1.1	0.8	38%
0.3	0.4	0.3	0%	Mineral extraction tax	0.3	0.3	0%
2.4	9.2	6.9	-65%	Other	5.9	3.7	59%
40.1	**47.6**	**42.4**	**-5%**	**Total operating expenses**	**44.9**	**36.8**	**22%**

** 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 JVs and associated company

Lifting costs of producing JVs and associate is represented as follows:

	KGM	PKI	CCEL
	(US$ thousand, unless otherwise stated)		
Employee benefits	13,280	29,953	102,775
Materials	8,103	26,699	13,613
Repair and maintenance	12,013	25,995	36,056
Energy	10,682	18,057	43,983
Other	3,807	20,739	23,079
Total lifting expenses (US$ thousand)	**47,885**	**121,443**	**219,506**
Production (ktonnes)	**2,800**	**3,263**	**2,141**
Lifting cost US$ per bbl*	**2.2**	**4.8**	**15.3**

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

Netback of export sales at major producing JVs and associate is represented as follows:

	KGM	PKI	CCEL
	(US$ per bbl sold*, unless otherwise stated)		
Benchmark end-market quote (Brent)	54.2	54.2	54.2
Price differential and premium of bbl difference, net	(5.6)	(6.7)	(2.9)
Average realized price	**48.6**	**47.5**	**51.3**
Rent tax	(5.8)	(5.9)	(5.6)
Export customs duty	(6.3)	(6.5)	(6.7)
Transportation expenses	(4.1)	(5.3)	(7.0)
MET	(5.6)	(3.4)	(0.3)
Netback price	**26.8**	**26.4**	**31.7**

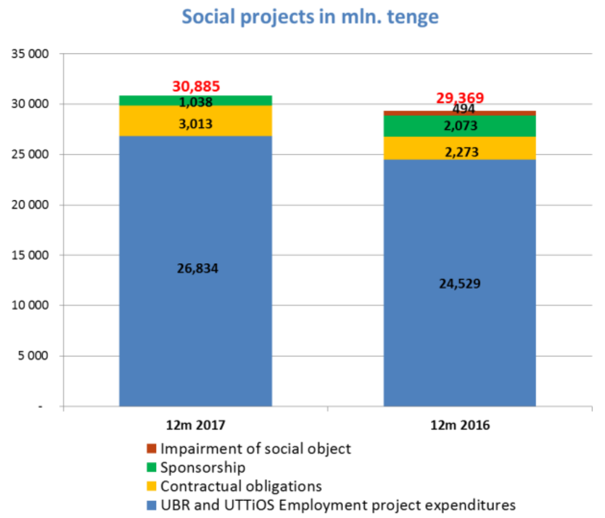
**Following average tonne / bbl conversion factors were used KGM 7.7, PKI 7.75, CCEL 6.68.*

Netback of domestic sales at major producing JVs and associate is represented as follows:

	KGM	PKI	CCEL
	(US$ per bbl sold*, unless otherwise stated)		
Realized price	**21.5**	**25.3**	**20.5**
Transportation expenses	(1.5)	(1.5)	(1.8)
MET	(0.5)	(0.4)	(0.3)
Netback price	**19.5**	**23.4**	**18.4**

**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 2017, the Company incurred KZT26.3 billion of operating expenses at UBR and UTTiOS, including KZT20.7 billion of employee benefit expenses and KZT5.6 billion for materials, supplies and other expenses.

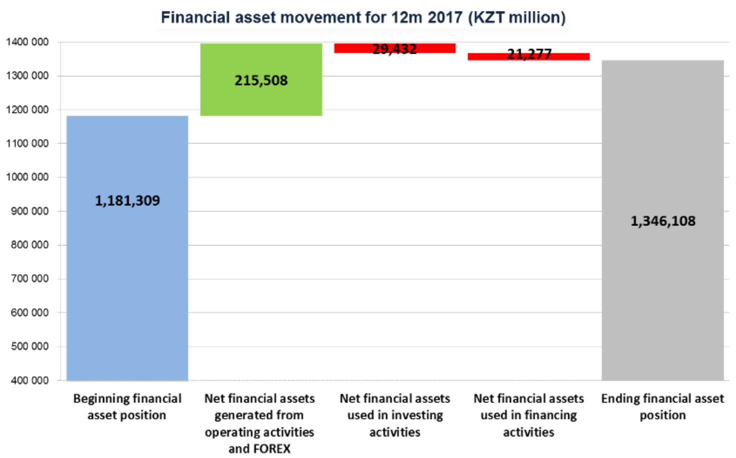
In 2017 the Company invested approximately KZT0.6 billion for the purchase of equipment to support operations at UBR and UTTiOS. Expenses for the financing of UTTiOS were partially offset by income from third parties, which totalled KZT6.2billion (KZT4.8 billion in 2016).

In 2017 the Company spent KZT1 billion 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 2017, the Company's social expenses related to the execution of contractual obligations amounted to KZT3 billion, including the social programs and ecology fund that amounted to KZT1.8 billion as well as the training of local specialists which amounted to KZT1.2 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. Management believes that the Company has an adequate liquidity position to meet its obligations and pursue investment opportunities.



During 12m 2017, net financial assets inflow from operating activities and FOREX amounted to KZT215.5 billion or KZT79.5 billion more than in 12m 2016. The increase is mainly due to higher income from crude oil export sales and sales of oil products during the reporting period.

Net financial assets outflow from investing activities in 12m 2017 was KZT29.4 billion versus an outflow of KZT62.2 billion in 12m 2016. The change in net outflows mainly resulted from higher dividends received from joint ventures and associate (KZT33.4 billion more in 12m 2017).

Net financial asset outflow from financing activities in 12m 2017 was KZT21.3 billion (outflow of KZT2.3billion in 12m 2016). The increase in outflows was mainly associated with dividends paid to shareholders, which amounted to KZT 18.9 billion. Dividends repaid in 2016 were KZT137 million.

Net cash position

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

	As at December 31, 2017	As at December 31, 2016	Change
	(KZT million, unless otherwise stated)		%
Current portion	5,669	5,483	3%
Non-current portion	1,807	3,844	-53%
Total borrowings	**7,476**	**9,327**	**-20%**
Cash and cash equivalents	421,643	162,091	160%
Other current financial assets	889,687	983,257	-10%
Non-current financial assets	34,778	35,961	-3%
Total financial assets	**1,346,108**	**1,181,309**	**14%**
Foreign currency denominated cash and financial assets, %	98%	97%	
Net cash	**1,338,632**	**1,171,982**	**14%**

***

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.