OPERATING AND FINANCIAL REVIEW

For the three months ended March 31, 2018

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

EXPIRY OF THE TENDER OFFER AND THE SHARE OFFER

As previously announced, the Tender Offer by the Company to purchase its global depositary receipts (GDRs) and the Share Offer to purchase its common shares expired in March 2018.As a result of which KMG EP has repurchased a total of outstanding 135,454,910 GDRs and 336,584 common shares. The Company has made a total payment of US$1,925 million (KZT624 billion), of which US$1,904 million (KZT 617 billion) was paid on the first settlement date (19 February 2018) and US$21 million (KZT7 billion) on the final settlement date (5 April 2018).

As a result, KMG EP and JSC "National Company "KazMunaiGas" together now hold 99.5% of common shares (including common shares represented by GDRs) in issue. On 11 April 2018, the Company submitted applications for the delisting of GDRs and common shares from the London Stock Exchange and the Kazakhstan Stock Exchange.

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 March 31, 2018:

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

KEY PERFORMANCE INDICATORS

1Q 2018	4Q 2017	Change		1Q 2018	1Q 2017	Change
2 898	2 984	-3%	Total production (ktonnes)*	2 898	2 904	0%
2 046	2 111	-3%	OMG and EMG production (ktonnes)	2 046	2 026	1%
20 514	26 986	-24%	Net Income (KZT million)	20 514	2 271	803%
0,35	0,40	-13%	Basic and diluted EPS (KZT thousand)	0,35	0,03	1067%
82 985	79 135	5%	EBITDA (KZT million)**	82 985	68 298	22%
21%	22%	-5%	Operating margin (%)***	21%	21%	0%
56 245	52 172	8%	Operating cash flow before working capital adjustments (KZT million)	56 245	34 634	62%
702 730	1 338 632	-48%	Net cash position at the end of the period (KZT million)	702 730	1 143 145	-39%

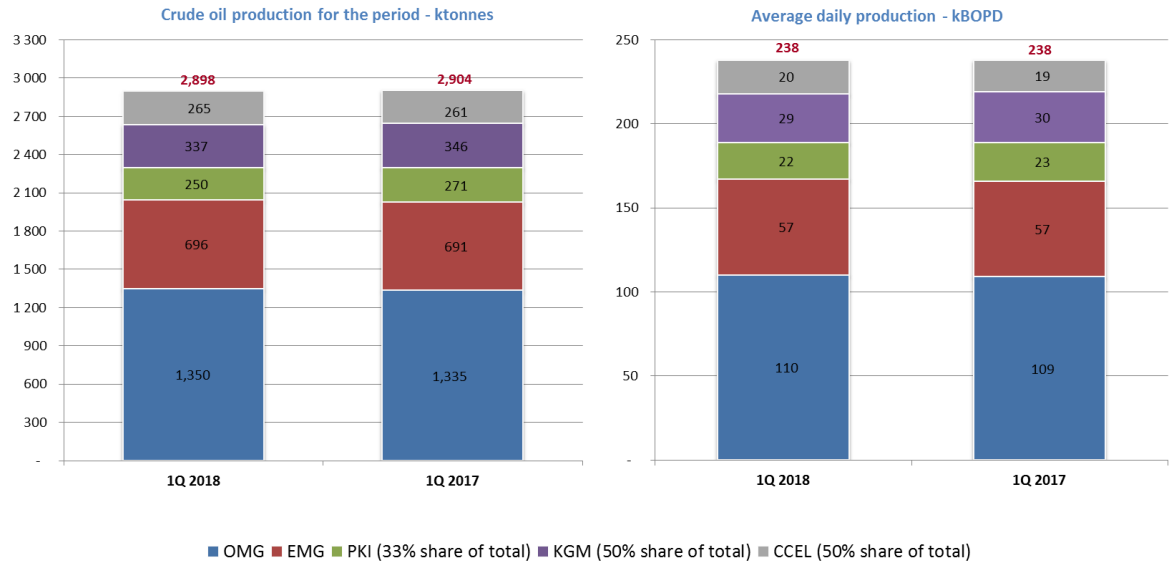
**Including proportionate share of equity-accounted entities and CCEL.*
***EBITDA is calculated by adding back the share of income in equity-accounted entities, finance income and non-cash expenses such as depreciation and amortization to the Company's operating profit.*
****Operating profit does not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

BUSINESS ENVIRONMENT

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

1Q 2018	4Q 2017	Change		1Q 2018	1Q 2017	Change
66.82	61.18	9%	Average Brent (DTD) (US$ / bbl)	66.82	53.73	24%
1.8%	2.9%	-38%	Kazakhstan inflation (%)	1.8%	2.3%	-22%
323.2	334.4	-3%	Average Tenge - US$ exchange rate	323.2	322.5	0%
318.3	332.3	-4%	Tenge - US$ exchange rate at the reporting date	318.3	313.7	1%

PRODUCTION ACTIVITY



The Company's total crude oil production in 1Q 2018, including the share of production from its joint ventures and associated company, amounted to 2,898 ktonnes or 238 kbopd. OMG and EMG produced 167 kbopd with a further 22 kbopd from PKI, 29 kbopd from KGM and 20 kbopd from CCEL.

Compared to 1Q 2017, OMG and EMG production increased by 1% or 15 and 5 ktonnes respectively. OMG and EMG increased 1Q 2018 production resulting from more well workovers and EMG new exploitation wells put into operation during the period.

The share in PKI's and KGM's production declined by 8% or 21 ktonnes and 3% or 9 ktonnes respectively in 1Q 2018, compared to 1Q 2017. This is a natural decline of production at mature fields of PKI and KGM. The share in CCEL production increased by 2% or 4 ktonnes in 1Q 2018, compared with 1Q 2017, due to the production drilling started in 1Q 2018 in advance and new wells put into operation earlier in 1Q 2018 in comparison with 1Q 2017. Total share in production volume of PKI, KGM and CCEL in 1Q 2018 was 852 ktonnes, which is 3% or 26 ktonnes less than in 1Q 2017.

Wells as of reporting date*	Drilled in 1Q 2018*	Drilled in 1Q 2017*		Well workovers 1Q 2018	Well workovers 1Q 2017	Well servicing 1Q 2018	Well servicing 1Q 2017
Number of wells				*Number of well workovers*		*Number of well servicing*	
4 871	25	37	OMG	281	181	3 901	3 572
2 556	3	0	EMG	44	0	803	774
1 508	6	7	PKI (100%)**	39	15	147	154
264	2	0	KGM (100%)**	0	1	20	18
3 810	58	31	CCEL (100%)**	26	23	1 026	1 044

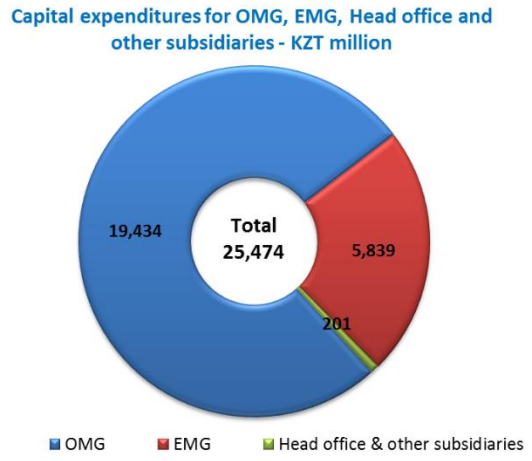
**Development wells, including injection wells.*
*** Includes 100% of the number of well operations related to JVs and associated company.*

Oil production in the reporting period from the new wells at OMG amounted to 7 ktonnes compared to 14 ktonnes in 1Q 2017, as the number of wells drilled in 1Q 2018 was lower than in 1Q 2017. OMG workovers of 281 wells provided an incremental production of 7 ktonnes, while 181 well workovers in 1Q 2017 provided incremental production of 11 ktonnes. Since 2017, incremental production from hole cleaning and squeezing workovers is included in current activities performed for production maintenance.

EMG performed 44 well workovers in 1Q 2018, resulting in an incremental production of 3 ktonnes. Oil production for 1Q 2018 from the new wells at EMG amounted to 0.8 ktonnes.

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.



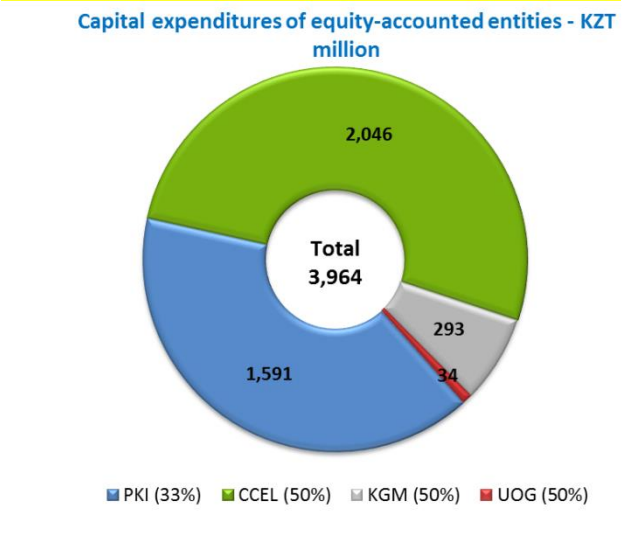
Capital expenditures of OMG, EMG, Head office and other KMG EP subsidiaries

In 1Q 2018, the Company's capital expenditures amounted to KZT25.5 billion or KZT7.6billion higher than in 1Q 2017. Capital expenditures include the cost of drilling new wells, the construction and modernization of production facilities, the purchase of fixed and intangible assets and non-production capital expenditures.

OMG capital expenditures for 1Q 2018 amounted to KZT19.4 billion, which is KZT3.5 billion higher than in 1Q 2017. This is mainly due to 2017 carry-over supplies of fixed assets which is partially offset by lower construction works in 1Q 2018 resulted from tender procedures.

EMG capital expenditures amounted to KZT5.8 billion in 1Q 2018, which is KZT4.1 billion higher than in 1Q 2017, mainly due to higher volumes of production drilling performed in 1Q 2018 and construction works and exploration drilling carried forward from 2017. The contracts for 2018 production drilling were concluded in advance in December 2017.

Head office and other subsidiaries' capital expenditures in 1Q 2018 amounted to KZT201 million, which is KZT38 million lower than in 1Q 2017, primarily due to higher fixed assets additions of oil service subsidiaries in 1Q 2017.



Capital expenditure of equity-accounted entities

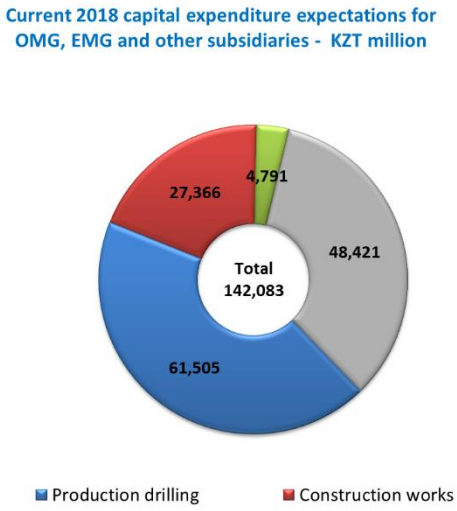
PKI capital expenditures in 1Q 2018 amounted to KZT4.8 billion (KMG EP 33% share: KZT1.6 billion), which is KZT1.7 billion higher than in 1Q 2017, mainly due to increase in fixed assets purchases in the current period.

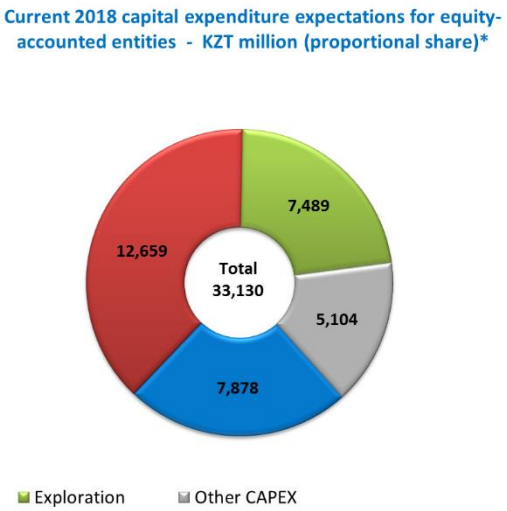
KGM capital expenditures for the period were KZT0.6 billion (KMG EP 50% share: KZT0.3 billion), which is KZT0.7 billion less than in 1Q 2017, mainly due to lower additions of fixed assets in 1Q 2018.

CCEL capital expenditures in 1Q 2018 were KZT4.1 billion (KMG EP 50% share: KZT2.1 billion), which is KZT1.3 billion higher than in 1Q 2017, primarily due to increase of drilling volumes and construction works.

UOG capital expenditures amounted to KZT68 million (KMG EP 50% share: KZT34 million), which is KZT18 million lower than in 1Q 2017, mainly due to bonus of commercial discovery capitalized in 1Q 2017.

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

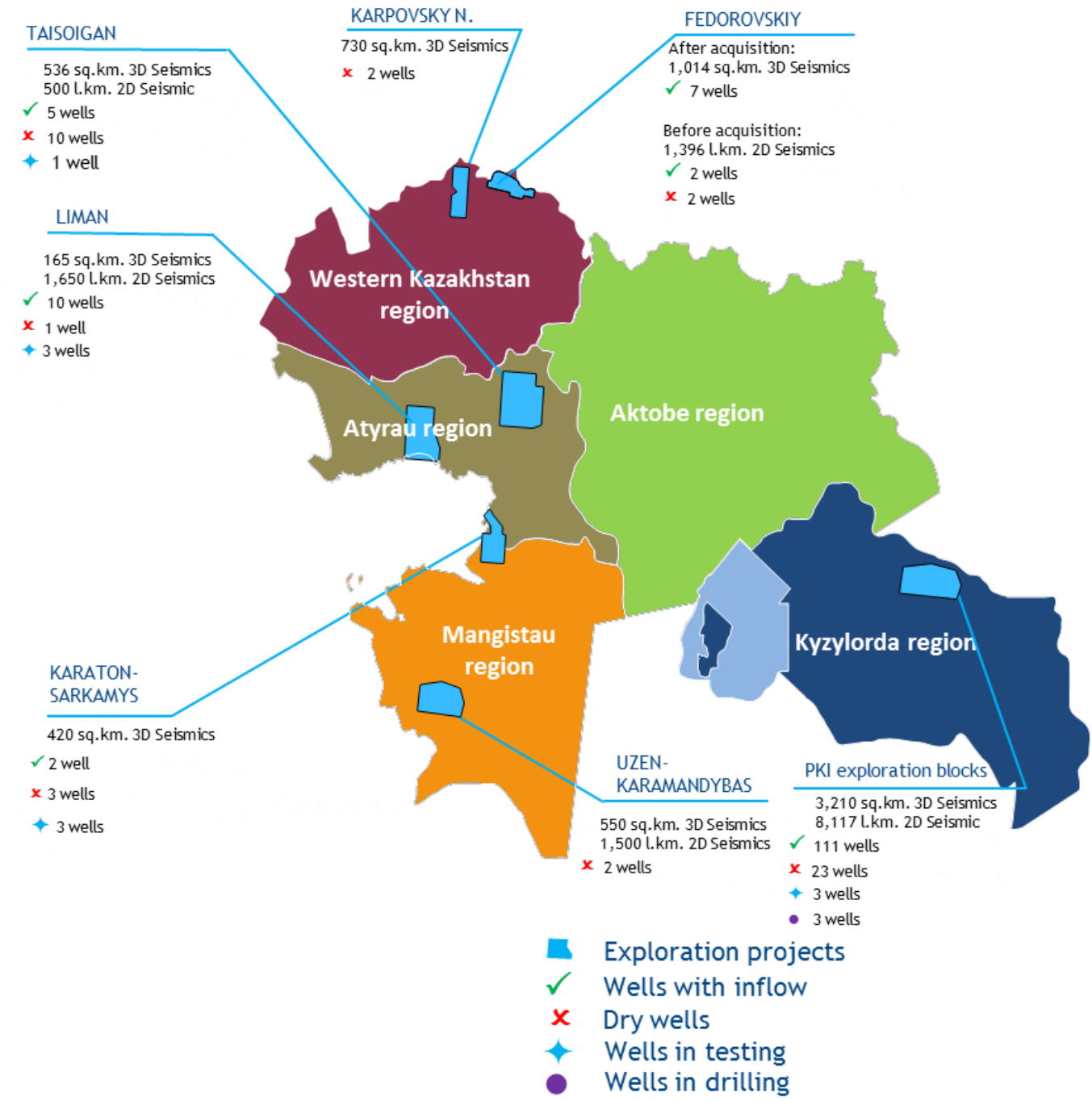




**Capital expenditure amounts for 2018 presented herein represent currently expected amounts based on management's estimates as of the date of issuance of this report according to approved 2018 budget. Amounts do not represent any formal commitments and are subject to changes in any direction. **Other 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 March 31, 2018:



The following table shows exploration activity of the Company and its equity accounted entities during the 1Q 2018:

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's daily oil flow is 7 m3/day. PR-5 and PR-7 daily oil 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.
			PR-5	01.04.2016-29.09.2016	2,500m.	
			PR-7	20.09.2016-27.01.2017	2,290m.	
			PR-8	22.05.2017-1.11.2017	2,500m.	
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	29.08.2017-24.09.2017	1,110m.	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 drilling was completed, the well is in testing.
			U-25	21.07.2017-22.08.2017	1,100m.	
			U-26	20.12.2017-currently	400m.	
			Barlybay NW	10.10.2017-04.12.2017	1,025m.	
R-9 (100%)	10.06.2007					The Company returned the contract area to the State on March, 20 2018.
Karaton Sarkamys (100%)	18.07.2011	North-eastern wing of the S. Nurzhanov field	NSV-2	11.09.2017-07.12.2017	3,700m.	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 is in testing, DSV-1 is dry. NSV-3 drilling was completed, testing is expected.
			East Karaton-1	12.09.2017-12.12.2017	2,512m.	
			Dosmuhambetovskoe DSV-1	6.10.2017-20.12.2017	400m.	
			NSV-3	10.02.2018-04.04.2018	3,760m.	
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				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, 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.
			South-Eastern Doszhan-49	24.06.2017-21.06.2017	2,033m.	
			South-Eastern Doszhan-56	20.07.2017-08.08.2017	1,450m.	
			Doszhan-65	31.07.2017-12.08.2017	815m.	
			Doszhan-16	23.12.2017-currently		
			Zhamansu-10	27.11.2016-17.01.2017	2,203m.	
			Zhamansu-11	30.09.2017-17.11.2017	2,455m.	
			Zhamansu-5	07.10.2017-currently		
Karaganda (PKI-33%)	22.12.2009	Karabulak, Buharsai	Buharsai-3	29.08.2017-24.09.2017	1,525m.	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.
			Belkuduk-8	01.11.2017-03.12.2017	2,090m.	
			Karabulak-53	15.08.2017-08.08.2017	1,400m.	
			Karabulak-54	28.09.2017-15.10.2017	1,369m.	

			Karabulak-35	29.03.2017- 01.05.2017		
Western Tuzkol (PKI – 33%)	22.12.2009	Western Tuzkol	Ketekazgan-18 Ketekazgan-22,24 Western Tuzkol-130 Western Tuzkol-126 Western Tuzkol-127 Western Tuzkol-159 Western Tuzkol-234 Western Tuzkol-237	11.11.2016- 24.02.2017 09.09.2017- 21.12.2017 01.02.2017- 14.02.2017 01.10.2017- 18.10.2017 10.05.2017- 23.05.2017 08.09.2017- 25.09.2017 07.02.2017- 25.02.2017 13.03.2017- 26.03.2017	3,180m. 3,300m., 2,510m. 1,300m. 1,028m. 1,100m. 1,520m. 1,365m. 1,257m.	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.
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.

RESULTS OF OPERATIONS

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

1Q 2018	4Q 2017	Change		1Q 2018	1Q 2017	Change
(KZT million, unless otherwise stated)						
270 426	290 941	-7%	**Revenue**	270 426	213 726	27%
(83 108)	(88 125)	-6%	Production expenses	(83 108)	(70 079)	19%
(31 982)	(42 512)	-25%	SG&A	(31 982)	(25 432)	26%
(87 947)	(86 436)	2%	Taxes other than on income	(87 947)	(65 595)	34%
(375)	(1 087)	-66%	Exploration expenses	(375)	(48)	681%
(10 227)	(9 861)	4%	DD&A	(10 227)	(8 356)	22%
56 787	**62 920**	**-10%**	**Operating profit / (loss)**	**56 787**	**44 216**	**28%**
-	(2 361)	-100%	Allowance for VAT recoverable	-	-	0%
8 582	2 268	278%	Share of results of associate and JVs	8 582	8 406	2%
(544)	(1 984)	-73%	Gain/(loss) on disposal of PP&E	(544)	397	-237%
5 834	6 180	-6%	Finance income, net	5 834	6 051	-4%
(43 932)	(30 082)	46%	Foreign exchange gain / (loss), net	(43 932)	(58 653)	-25%
(6 213)	(9 955)	-38%	Income tax expense	(6 213)	1 854	-435%
20 514	**26 986**	**-24%**	**Net income**	**20 514**	**2 271**	**803%**

The increase in net income for 1Q 2018 compared to 1Q 2017 is mainly due to higher crude oil export revenues and higher profits of refined products sales. Higher revenues from crude oil export sales in 1Q 2018 in comparison with 1Q 2017 is a result of an increase in average Brent price from 53.73 US dollar per barrel in 1Q 2017 to 66.82 US dollar per barrel in 1Q 2018. These effects were partially offset by increase in production expenses, selling, general and administrative expenses, taxes other than on income and DD&A expenses. Subsoil user taxes expenses such as MET, rent tax and ECD were higher in 1Q 2018 due to increased Brent prices.

Increase in exploration expenses mostly relates to high-resolution seismic works at Uzen-Karamandybas (OMG field) started in 1Q 2018. These works intended to reassess the field reserves and receive the reserves increment.

Also in 1Q 2018 a foreign exchange loss was recorded for KZT44 billion resulting from foreign exchange rate drop from 332.3 Tenge per 1 US dollar as of December, 31 2017 to 318.3 as of March 31, 2018.

Revenue

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

1Q 2018	4Q 2017	Change		1Q 2018	1Q 2017	Change
			Export sales of crude oil			
			UAS pipeline			
144 445	139 013	4%	Net sales (KZT million)	144 445	84 351	71%
963	954	1%	Volume (ktonnes)	963	719	34%
149 995	145 716	3%	Average price (KZT/tonne)	149 995	117 317	28%
64.20	60.27	7%	Average price (US$/bbl*)	64.20	50.31	28%
			CPC pipeline			
48 808	82 957	-41%	Net sales(KZT million)	48 808	67 270	-27%
302	546	-45%	Volume (ktonnes)	302	565	-47%
161 616	151 936	6%	Average price (KZT/tonne)	161 616	119 062	36%
69.17	62.85	10%	Average price (US$/bbl*)	69.17	51.06	35%
193 253	221 970	-13%	Total sales of crude oil-exported (KZT million)	193 253	151 621	27%
1 265	1 500	-16%	Total crude oil-exported (ktonnes)	1 265	1 284	-1%
			Total sales of crude oil			
193 253	221 970	-13%	Total net sales of crude oil (KZT million)**	193 253	151 621	27%
1 265	1 500	-16%	Total volume (ktonnes)	1 265	1 284	-1%
152 769	147 980	3%	Average price (KZT/tonne)	152 769	118 085	29%
65.39	61.21	7%	Average price (US$/bbl*)	65.39	50.64	29%
			Sales of oil products			
72 957	61 440	19%	Net sales (KZT million)	72 957	57 604	27%
661	610	8%	Volume (ktonnes)	661	637	4%
110 342	100 721	10%	Average price (KZT/tonne)	110 342	90 394	22%
341.46	301.20	14%	Average price (US$/tonne)	341.46	280.27	22%
47.23	41.66	13%	Average price (US$/bbl*)	47.23	38.76	22%
4 216	7 531	-44%	Other sales** (KZT million)	4 216	4 501	-6%
270 426	290 941	-7%	**Total revenue (KZT million)**	270 426	213 726	27%

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

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.

Starting from April 2016 the Company started tolling crude oil at the Atyrau Refinery ("ANPZ") and Pavlodar Refinery ("PNHZ") and selling refined products on its own account.

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 (Atyrau refinery)**

1Q 2018	4Q 2017		1Q 2018	1Q 2017
53 589	47 243	Revenue	53 589	45 171
(22 003)	(17 581)	Costs, including:	(22 003)	(15 403)
(16 174)	(12 087)	Processing	(16 174)	(10 673)
(179)	(248)	Additives	(179)	(324)
(707)	(1 231)	Excise tax	(707)	(850)
(3 254)	(2 528)	Export customs duty	(3 254)	(3 188)
(1 689)	(1 487)	Selling and transportation expenses	(1 689)	(368)
31 586	29 662	**Net revenue**	31 586	29 768
487.22	462.44	Volume of oil products sold. thousands of tonnes	487.22	487.35
35.49	26.94	Processing losses. thousands of tonnes	35.49	33.11
522.71	489.38	Total volume of crude oil processed and sold. thousands of tonnes	522.71	520.46
60 428	**60 612**	**Net revenue Tenge per tonne of crude oil**	**60 428**	**57 196**

**These statements include sales of refined products within the group.*

Since January,1 2018 processing tariffs at Atyrau refinery increased from KZT24,512 to KZT31,473 per tonne of crude oil. Till April, 1 2017 processing tariff was KZT20,501 per tonne of crude oil.

*Statement of Net Revenue from sales of Refined Products (Pavlodar refinery)**

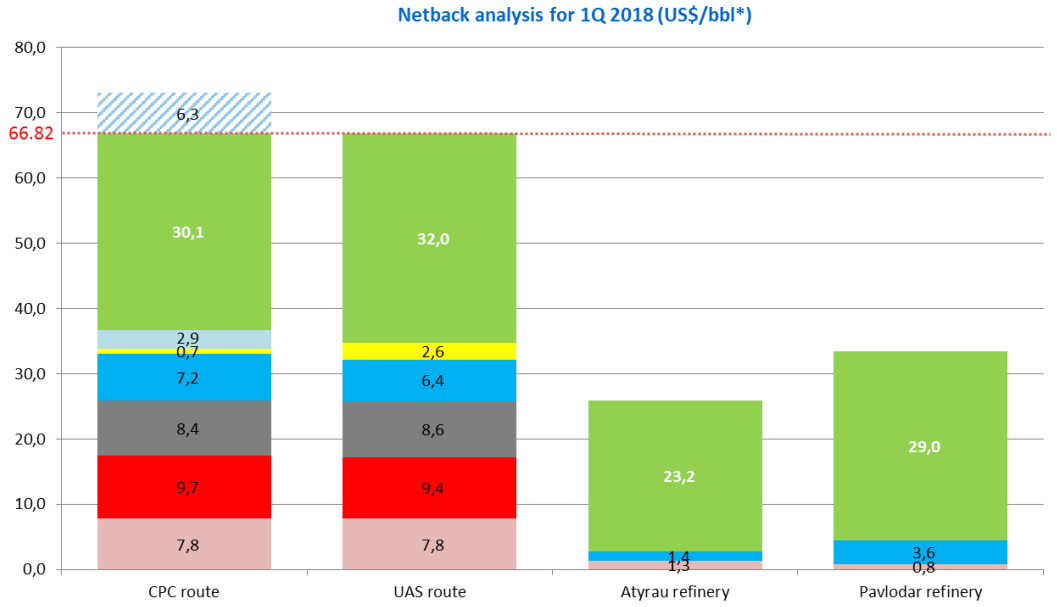
1Q 2018	4Q 2017		1Q 2018	1Q 2017
20 504	14 768	Revenue	20 504	12 856
(4 429)	(4 147)	Costs, including:	(4 429)	(3 123)
(3 604)	(2 858)	Processing	(3 604)	(2 286)
(64)	(175)	Additives	(64)	(197)
(634)	(441)	Excise tax	(634)	(520)
-	(565)	Export customs duty	-	-
(127)	(108)	Selling and transportation expenses	(127)	(120)
16 075	10 621	**Net revenue**	16 075	9 733
182.21	151.48	Volume of oil products sold. thousands of tonnes	182.21	153.16
23.53	18.00	Processing losses. thousands of tonnes	23.53	18.81
205.74	169.48	Total volume of crude oil processed and sold. thousands of tonnes	205.74	171.97
78 133	**62 668**	**Net revenue Tenge per tonne of crude oil**	**78 133**	**56 596**

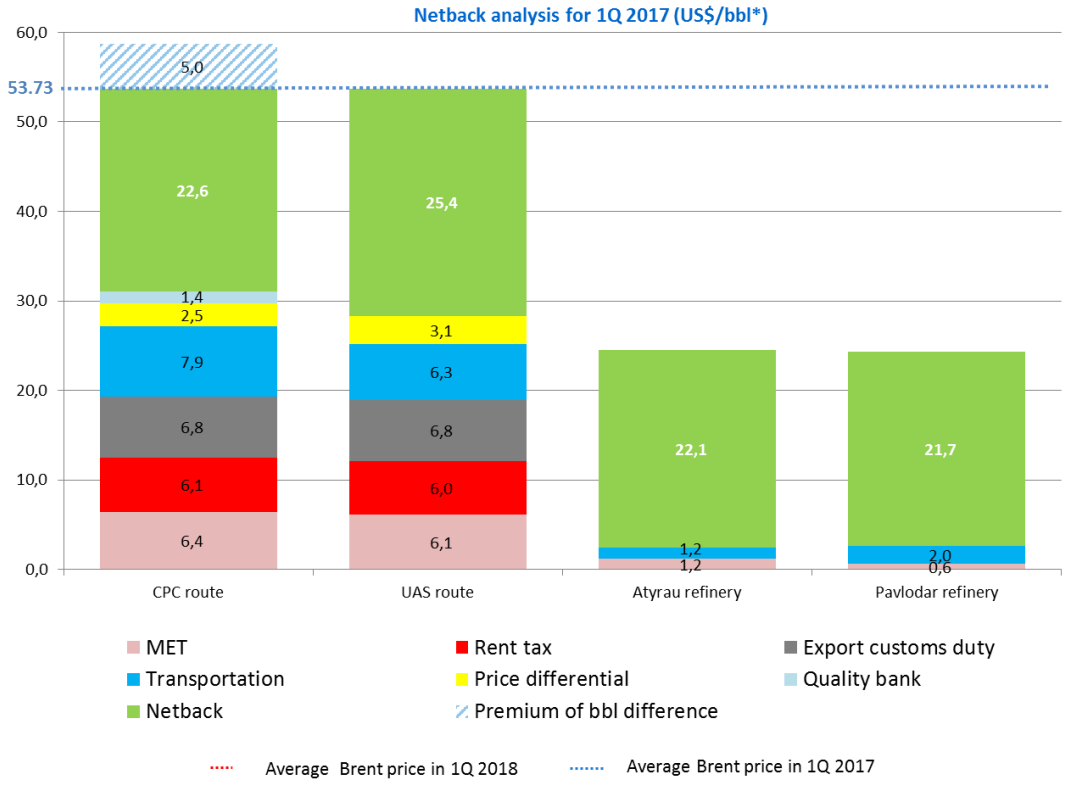
**These statements include sales of refined products within the group.*

Since January, 1 2017 the processing tariffs at Pavlodar refinery increased from KZT16,417 to KZT17,250 per tonne of crude oil. Up until August, 1 2017 the processing tariff was KZT14,895 per tonne of crude oil. Higher Pavlodar refinery net revenue is due to higher outputs of light oil products.

Higher net revenue at Atyrau and Pavlodar refineries in 1Q 2018 is due to an increase in sales prices of light oil products as well as higher prices of exported dark oil products, that was partially eliminated by higher processing fees. Also, at both refineries in 1Q 2018 dark oil products such as mazut, vacuum gas oil and fuel oil outputs increased in comparison with 1Q 2017, which have lower profitability than light oil products.

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.*
Netbacks of ANPZ and PNHZ for 1Q 2018 are 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 1Q 2018 increased compared to 1Q 2017, primarily due to higher Brent prices in 1Q 2018 partially offset by increase in Rent tax, MET and ECD.

Production expenses

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

1Q 2018	4Q 2017	Change		1Q 2018	1Q 2017	Change
(KZT million, unless otherwise stated)				*(KZT million, unless otherwise stated)*		
43 331	41 573	4%	Employee benefits	43 331	41 374	5%
19 778	14 945	32%	Refinery processing costs	19 778	12 960	53%
7 610	12 010	-37%	Repairs and maintenance	7 610	4 364	74%
4 320	6 931	-38%	Materials and supplies	4 320	5 266	-18%
5 693	5 542	3%	Energy	5 693	5 632	1%
1 890	1 926	-2%	Transportation services	1 890	1 453	30%
(1 477)	4 280	-135%	Change in crude oil balance	(1 477)	(3 577)	59%
-	(2 019)	-100%	Decrease in asset retirement obligation/recognition of environmental remediation obligation	-	(423)	-100%
1 963	2 937	-33%	Other	1 963	3 030	-35%
83 108	**88 125**	**-6%**	**Total production expenses**	**83 108**	**70 079**	**19%**

Production expenses in 1Q 2018 increased by KZT13 billion or 19% compared to 1Q 2017, primarily due to an increase in oil refinery costs, repairs and maintenance expenses, employee benefits and transportation services.

Oil refinery costs increased in 1Q 2018 in comparison with 1Q 2017 mainly due to the higher Atyrau and Pavlodar refinery processing tariffs effective from 1 January, 2018. Additionally, in 1Q 2018 more crude oil volumes were processed at Pavlodar refinery in comparison with 1Q 2017.

Repairs and maintenance costs increased due to higher volumes of well servicing performed in 1Q 2018.

Employee benefit expenses in 1Q 2018 increased by 5% compared to 1Q 2017 or KZT2 billion, mainly due to 7% basic salary indexation for production personnel from January 1, 2018 according to the terms of the collective agreement. Also, the number of production staff decreased by 1%, mainly due to the current moratorium for hiring of new workers.

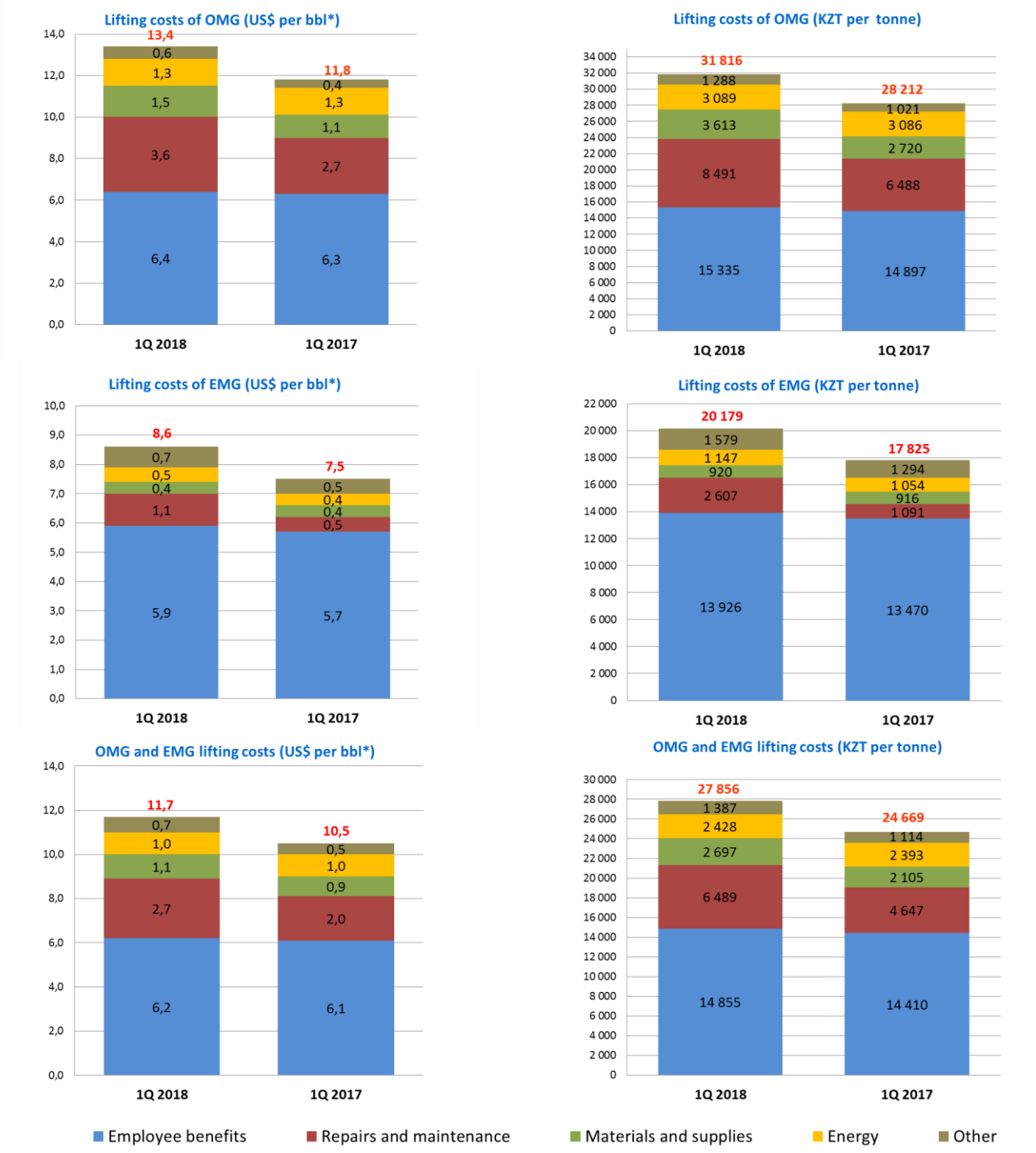
The increase in transportation services resulted from increase in tariffs and higher volumes of passengers' transportation and vehicles at fields.

The effects above were partially offset by lower materials and supplies and other expenses.

Lifting Costs

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

The following chart depicts production lifting costs of OMG and EMG in US$/bbl* and KZT/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 the OMG, EMG and KMG EP Head office operations:

1Q 2018	4Q 2017	Change		1Q 2018	1Q 2017	Change
(KZT million, unless otherwise stated)				*(KZT million, unless otherwise stated)*		
24 825	27 950	-11%	Transportation expenses	24 825	23 713	5%
4 455	5 197	-14%	Employee benefits	4 455	4 139	8%
302	(2 454)	-112%	Accrual/(reversal) of fines and penalties	302	(3 935)	108%
685	2 831	-76%	Consulting and audit services	685	459	49%
151	647	-77%	Repairs and maintenance	151	228	-34%
39	474	-92%	Sponsorship	39	64	-39%
1 525	7 867	-81%	Other	1 525	764	100%
31 982	**42 512**	**-25%**	**Total SG&A expenses**	**31 982**	**25 432**	**26%**

Selling, general and administrative expenses in 1Q 2018 amounted to KZT32 billion, which is 26% higher in comparison with 1Q 2017. The increase is mainly due to a reversal of previously accrued expenses for fines and penalties in 1Q 2017 for KZT4 billion and increase in transportation expenses and employee benefits.

In 1Q 2017 the Company appealed the remaining amount of KZT13.5 billion of the 2009-2012 Comprehensive tax audit claims to the appropriate courts. As per the decision of Administrative Court of Astana the principal amount of claim was further reduced to KZT3.3 billion. Fines and penalties related to reduced income taxes were accordingly reversed in 1Q 2017.

Transportation expenses increase is resulted from transportation costs of crude oil and oil products. Crude oil transportation expenses of the UAS route increased due transportation costs at RF territory resulting from higher Russian rouble exchange rate in 1Q 2018 in comparison with 1Q 2017. The transportation of oil products increased mainly due to higher railway tariffs effective August 1, 2017.

Employee benefit expenses increased in 1Q 2018 mainly due to 7% basic salary indexation for administrative personnel effective January 1, 2018 according to the terms of the collective agreement.

Expenses for consulting services increased in 1Q 2018 in comparison with 1Q 2017 due to consulting services engaged for GDRs' and shares buyback procedures with the further delisting of the company.

Other expenses include the accrual of bad debt allowance for KZT1.2 billion mainly related to receivables from KMG Onimderi and other fined companies.

Taxes other than on income

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

1Q 2018	4Q 2017	Change		1Q 2018	1Q 2017	Change
(KZT million, unless otherwise stated)				*(KZT million, unless otherwise stated)*		
28,507	28,929	-1%	Export customs duty	28,507	23,468	21%
25,170	26,135	-4%	MET	25,170	21,426	17%
28,261	28,502	-1%	Rent tax	28,261	17,724	59%
1,709	1,749	-2%	Property tax	1,709	1,465	17%
350	173	102%	Environmental tax	350	225	56%
3,950	948	317%	Other taxes	3,950	1,287	207%
87,947	**86,436**	**2%**	**Total taxes other than on income**	**87,947**	**65,595**	**34%**

Taxes other than on income in 1Q 2018 increased by KZT22.4 billion or 34% compared to 1Q 2017, mainly due to increases in rent tax, MET, ECD and other taxes.

Mainly, increases of subsoil user taxes and payments to the budget such as MET, rent tax and ECD were due to a higher average Brent price in 1Q 2018 as 66.82 USD per barrel in comparison with 53.73 USD per barrel 1Q 2017. Due to higher Brent prices Rent tax rate was 14% in 1Q 2018 in comparison with 11% in 1Q 2017, resulting in KZT10.5 billion increase.

ECD expenses increased by KZT5 billion also due to higher Brent prices in 1Q 2018. According to Kazakhstani legislation ECD rates are dependent on Brent prices.

Other taxes in 1Q 2018 include KZT2.1 billion accrual of commercial discovery bonus expenses due to the recalculation of Uzen-Karamandybas field reserves.

Income Tax Expense

1Q 2018	4Q 2017	Change	*(KZT million, unless otherwise stated)*	1Q 2018	1Q 2017	Change
26 727	36 941	-28%	Profit / (loss) before tax	26 727	416	6325%
18 145	34 673	-48%	Profit / (loss) before tax (with adjustments*)	18 145	(7 990)	-327%
6 213	9 955	-38%	Income tax	6 213	1 854	235%
6 213	9 955	-38%	Income tax (with adjustments*)	6 213	1 854	235%
23%	27%	-15%	Effective tax rate	23%	446%	-95%
34%	29%	17%	Effective tax rate (with adjustments*)	34%	-23%	-248%

** Profit before tax and income tax expense without share in results of JV's and associated company and impairment charges.*

In 1Q 2018 a significant foreign exchange loss was partially offset by higher revenues of crude oil export sales and higher profits from sales of oil products. The Company's effective income tax rate with adjustments is 34% mainly due to deferred tax expenses resulting from differences in accounting and tax PPE books and employee benefits provisions. Moreover, a significant foreign exchange loss at head office level is a non-deductible expense.
In comparison, in 1Q 2017 the income tax provisions were reversed as a result of the further reduced claims of the 2009-2012 Comprehensive tax audit. Also, 1Q 2017 deferred tax benefits resulted mainly from MET and Rent tax prepayments.

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 interim condensed consolidated financial statements:

1Q 2018	4Q 2017	Change		1Q 2018	1Q 2017	Change
(KZT million, unless otherwise stated)				*(KZT million, unless otherwise stated)*		
7 092	3 606	97%	Share in income / (loss) from KGM	7 092	7 315	-3%
2 727	(672)	-506%	Share income/ (loss) from PKI	2 727	1 508	81%
(1 237)	(665)	-86%	Share in loss from UOG	(1 237)	(417)	-197%
8 582	**2 269**	**278%**	**Share in income in associate and JV's**	**8 582**	**8 406**	**2%**

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 1Q 2018 was 674 ktonnes (50% share: 337 ktonnes), which is 18 ktonnes or 3% lower than in 1Q 2017.

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

1Q 2018	4Q 2017	Change		1Q 2018	1Q 2017	Change
(US$ thousand, unless otherwise stated)				*(US$ thousand, unless otherwise stated)*		
150 662	140 725	7%	Revenue	150 662	140 832	7%
(57 118)	(79 815)	-28%	Operating expenses	(57 118)	(66 086)	-14%
454	(440)	-203%	Finance income / (cost), net	454	769	-41%
(5 300)	(2 650)	100%	Foreign exchange gain / (loss), net	(5 300)	(4 617)	15%
(40 718)	(33 468)	22%	Income tax expense	(40 718)	(21 488)	89%
47 980	24 351	97%	Net income / (loss)	47 980	49 410	-3%
674	674	0%	Crude oil production, ktonnes	674	692	-3%

The increase in 1Q 2018 revenue mainly resulted from higher Brent prices and increase of domestic sales prices in comparison with 1Q 2017, which were partially offset by lower export volumes. The higher income tax expense in 1Q 2018 was due to higher profit before tax and resulting excess profit taxes accrued in 1Q 2018.

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

1Q 2018	4Q 2017	Change		1Q 2018	1Q 2017	Change
(ktonnes)				*(ktonnes)*		
40	138	-71%	Export via KCP	40	133	-70%
631	530	19%	Domestic market	631	557	13%
671	**668**	**0%**	**Total crude oil sales, ktonnes**	**671**	**690**	**-3%**

Operating expenses decreased due to lower transportation, MET, rent tax and ECD expenses resulting from lower export sales in 1Q 2018. This effect was partially offset by DD&A expenses in 1Q 2018. Moreover, an increase in employee benefits is due to the 15% basic salary indexation of production personnel and 7% indexation of administrative personnel, effective March, 1 2018.

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

1Q 2018	4Q 2017	Change		1Q 2018	1Q 2017	Change
(US$ per bbl sold)*				*(US$ per bbl sold*)*		
4.5	4.1	10%	DD&A	4.5	4.2	7%
1.9	2.1	-10%	Transportation expenses	1.9	2.3	-17%
0.6	1.4	-57%	Export customs duty	0.6	1.2	-50%
0.9	1.9	-53%	Mineral extraction tax	0.9	1.5	-40%
1.0	1.2	-17%	Employee benefits	1.0	0.9	11%
0.7	1.8	-61%	Repairs and maintenance	0.7	0.7	0%
0.3	0.4	-25%	Materials and supplies	0.3	0.3	0%
0.5	1.7	-71%	Rent tax	0.5	1.2	-58%
0.5	1.0	-50%	Other	0.5	0.6	17%
10.9	**15.6**	**-30%**	**Total operating expenses**	**10.9**	**12.9**	**-16%**

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

The share in KGM income, reflected in the interim condensed consolidated financial statements of the Company, represents a proportionate share of the results of KGM for 1Q 2018, adjusted for the impact of amortization of the fair value of the licenses, partially offset by related deferred tax benefit of KZT0.66 billion (KZT0.65 billion in 1Q 2017).

In January 2018 the Company received KZT1.1 billion from KGM as dividends for past periods.

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

During 1Q 2018, PKI produced 758 ktonnes of oil (33% share: 250 ktonnes) which is 8% less than in 1Q 2017. 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:

1Q 2018	4Q 2017	Change		1Q 2018	1Q 2017	Change
(US$ thousand, unless otherwise stated)				*(US$ thousand, unless otherwise stated)*		
210 610	204 786	3%	Revenue	210 610	198 751	6%
(124 889)	(164 196)	-24%	Operating expenses	(124 889)	(139 545)	-11%
(1 795)	(2 988)	-40%	Finance cost, net	(1 795)	(2 448)	-27%
(42 876)	(28 642)	50%	Income tax (expense) / benefit	(42 876)	(27 513)	56%
41 050	8 960	358%	Net income / (loss)	41 050	29 245	40%
758	828	-8%	Crude oil production, ktonnes	758	821	-8%

An increase in 1Q 2018 revenues resulted from higher 1Q 2018 Brent prices partially offset with the lower export sales.

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

1Q 2018	4Q 2017	Change		1Q 2018	1Q 2017	Change
(ktonnes)				*(ktonnes)*		
606	605	0%	Domestic sales	606	587	3%
86	96	-10%	Export via KCP (PKKR 100%)	86	126	-32%
20	69	-71%	Export via KCP (KGM 50%)	20	66	-70%
17	6	183%	Export via KCP (TP 50%)	17	26	-35%
19	18	6%	Export via KCP (Kolzhan 100% & PKVI 75%)	19	21	-10%
-	6	-100%	Export Uzbekistan (TP 50%)	-	-	-
748	**800**	**-6%**	**Total crude oil sales, ktonnes**	**748**	**826**	**-9%**

Operating expenses decreased mainly due to lower transportation, DD&A, ECD and MET expenses partially offset by increase in rent tax, employee benefits accrued in 1Q 2018. Rent tax increased in 1Q 2018 due to higher Q1 2018 average Brent price. ECD, MET and transportation expenses decreased due to lower export sales.

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

1Q 2018	4Q 2017	Change		1Q 2018	1Q 2017	Change
(US$ per bbl sold)*				*(US$ per bbl sold*)*		
6.5	1.8	261%	DD&A	6.5	7.2	-10%
2.4	6.1	-61%	Transportation expenses	2.4	2.6	-8%
1.6	1.3	23%	Export customs duty	1.6	1.8	-11%
1.7	2.0	-15%	Repairs and maintenance	1.7	1.6	6%
1.2	1.7	-29%	Mineral extraction tax	1.2	1.5	-20%
1.8	2.1	-14%	Employee benefits	1.8	1.6	13%
1.2	1.4	-14%	Materials and supplies	1.2	1.0	20%
1.9	(1.0)	-290%	Rent tax	1.9	1.7	12%
(0.1)	3.8	-103%	Fines and penalties	(0.1)	-	100%
3.3	7.5	-56%	Other	3.3	2.6	27%
21.5	**26.7**	**-19%**	**Total operating expenses**	**21.5**	**21.6**	**-1%**

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

The share in PKI results reflected in the Company's interim condensed consolidated financial statements represents a proportionate share of the results of PKI in 1Q 2018 adjusted for the impact of amortization of the fair value of the licenses for the amount of KZT1.7 billion (KZT1.6 billion in 1Q 2017).

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 interim condensed consolidated financial statements of the Company in accordance with IFRS. CCEL results included herein are presented for information purposes only and are not consolidated or equity accounted in the interim condensed consolidated financial statements of the Company.

The 50% stake in CCEL Karazhanbasmunai ("CCEL") was acquired by the Company in December 2017.

As of March 31, 2018 the Company had KZT37.95 billion (US$119.06 million) as a receivable from CCEL. The Company has accrued KZT1.6 billion (US$4.86 million) of interest income in 1Q 2018, relating to the US$26.87 million annual priority return from CCEL. Payments are usually made twice a year in 2Q and 4Q.

In 1Q 2018, CCEL produced around 530 ktonnes (50% share: 265 ktonnes) of crude oil, which increased by 1% compared to 1Q 2017.

CCEL's key financial and operational indicators (100%) are as follows:

1Q 2018	4Q 2017	Change		1Q 2018	1Q 2017	Change
(US$ thousand, unless otherwise stated)				*(US$ thousand, unless otherwise stated)*		
233 877	235 857	-1%	Revenue	233 877	171 203	37%
(166 202)	(142 937)	16%	Operating expenses	(166 202)	(125 218)	33%
(5 328)	(5 166)	3%	Finance cost, net	(5 328)	(4 930)	8%
(17 918)	(22 246)	-19%	Income tax expense	(17 918)	(9 653)	86%
44 429	65 508	-32%	Net income / (loss)	44 429	31 402	41%
530	540	-2%	Crude oil production, ktonnes	530	523	1%

Higher net income in 1Q 2018 is higher due to increase in revenues resulted from higher export sales and increase in Brent prices from 53.73 in 1Q 2017 to 66.82 in 1Q 2018. These effects were partially offset by higher operating expenses in 1Q 2018 in comparison with 1Q 2017.

CCEL crude oil sales split by routes is as follows:

1Q 2018	4Q 2017	Change		1Q 2018	1Q 2017	Change
(ktonnes)				*(ktonnes)*		
330	367	-10%	Export via Novorossiysk	330	264	25%
173	166	4%	Export via Ust-luga	173	137	26%
-	-	-	Export via Batumi	-	60	-100%
-	-	-	Domestic market	-	40	-100%
503	**533**	**-6%**	**Total crude oil sales, ktonnes**	**503**	**501**	**0.4%**
1	-	100%	Export (Bitumen)	1	-	100%
32	54	-41%	Domestic market (Bitumen)	32	5	540%
536	**587**	-9%	**Total crude oil sales, ktonnes**	**536**	**506**	**6%**

Total operating expenses in 1Q 2018 increased by 33% compared to 1Q 2017 mainly due to an increase in rent tax, mineral extraction tax and ECD expenses, materials and supplies and transportation expenses. Increase in mineral extraction tax, ECD and rent tax expenses is a result of higher Brent prices in 1Q 2018. An increase in transportation expenses is due to higher volumes of crude oil supplied to export. Other expenses include bitumen refinery expenses. Higher volumes of bitumen were sold in 1Q 2018 in comparison with 1Q 2017. Additionally, forex loss amounted to KZT3 billion which was recorded in 1Q 2017 and included in other expenses.

Operating expenses on per barrel sold basis are as follows:

1Q 2018	4Q 2017	Change		1Q 2018	1Q 2017	Change
(US$ per bbl sold)*				*(US$ per bbl sold*)*		
7.8	6.3	24%	Employee benefits	7.8	8.5	-8%
7.3	7.3	0%	Transportation expenses	7.3	6.6	11%
8.1	7.0	16%	Export customs duty	8.1	6.7	21%
3.7	3.2	16%	Energy	3.7	3.5	6%
2.9	1.8	61%	DD&A	2.9	2.7	7%
1.9	2.8	-32%	Repairs and maintenance	1.9	2.5	-24%
1.2	7.8	-85%	Materials and supplies	1.2	0.9	33%
0.4	1.2	-67%	Mineral extraction tax	0.4	0.3	33%
8.6	0.3	2767%	Rent tax	8.6	5.5	56%
4.5	2.4	88%	Other	4.5	(0.2)	2350%
46.4	**40.1**	**16%**	**Total operating expenses**	**46.4**	**37.0**	**25%**

** 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	3 164	7 236	24 920
Materials	1 489	6 796	4 271
Repair and maintenance	873	4 838	6 869
Energy	2 817	5 056	13 300
Other	622	4 840	6 584
Total lifting expenses (US$ thousand)	**8 965**	**28 766**	**55 944**
Production (ktonnes)	**674**	**758**	**530**
Lifting cost US$ per bbl*	**1.7**	**4.9**	**15.8**

**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)	66.8	66.8	66.8
Price differential and premium of bbl difference, net	(7.6)	(8.4)	(2.7)
Average realized price	**59.2**	**58.4**	**64.1**
Rent tax	(9.1)	(10.1)	(8.5)
Export customs duty	(10.3)	(8.3)	(8.1)
Transportation expenses	(7.2)	(5.1)	(7.3)
MET	(4.5)	(3.6)	(0.4)
Netback price	**28.1**	**31.3**	**39.8**

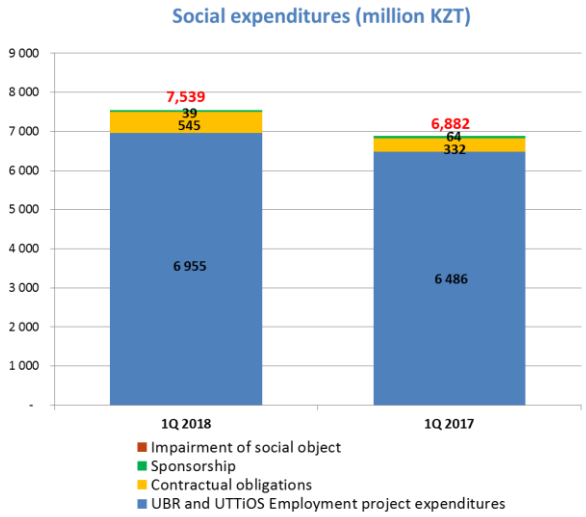
**Following average tonne / bbl conversion factors were used KGM 7.7, PKI 7.75, CCEL 6.68.*

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

	KGM	PKI
Realized price	**26.3**	**30.6**
Transportation expenses	(1.7)	(1.5)
MET	(0.4)	(0.6)
Netback price	**24.2**	**28.5**

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

CORPORATE SOCIAL RESPONSIBILITY



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

In 2012, two service units – UBR and UTTiOS - were created to employ approximately 2,000 people in the Mangistau region. In 1Q 2018, the Company incurred KZT6.9 billion of operating expenses at UBR and UTTiOS, including KZT5.4 billion of employee benefit expenses and KZT1.5 billion for materials, supplies and other expenses.

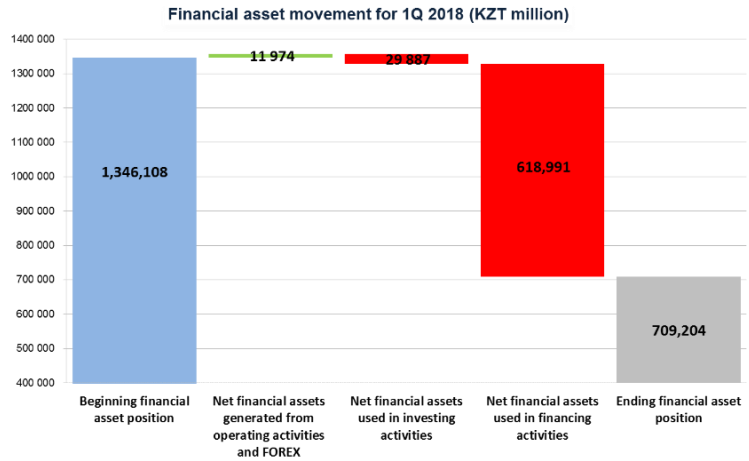
The Company has invested approximately KZT40 million for the purchase of equipment to support the operations at UBR and UTTiOS in 1Q 2018. Expenses for the financing of UTTiOS were partially offset by income from third parties in 1Q 2018, which totalled KZT1.7 billion (KZT1.4 billion in 1Q 2017).

In 1Q 2018 the Company spent KZT39 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 1Q 2018, the Company's social expenses related to the execution of contractual obligations amounted to KZT545 million, including the social programs and ecology fund that amounted to KZT383 million as well as the training of local specialists which amounted to KZT162 million.

LIQUIDITY AND CAPITAL RESOURCES

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



During 1Q 2018, net financial assets inflow from operating activities and FOREX amounted to KZT12 billion or KZT23.7 billion higher than in 1Q 2017. The increase is mainly due to higher income from crude oil export sales and sales of oil products during the reporting period partially offset by FOREX losses resultingfrom exchange rate fluctuations.

Net financial assets outflow from investing activities in 1Q 2018 was KZT29.9 billion versus an outflow of KZT17.5 billion in 1Q 2017. The increase in net outflows primarily resulted from higher capital expenditures by KZT9.7 billion. Net financial asset outflow from financing activities in 1Q 2018 was KZT619 billion due to the Company GDR and share buyback occurred in 1Q 2018

Net cash position

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

	As at March 31, 2018	As at December 31, 2017	Change
	(KZT million, unless otherwise stated)		%
Current portion	5 139	5 669	-9%
Non-current portion	1 335	1 807	-26%
Total borrowings	**6 474**	**7 476**	**-13%**
Cash and cash equivalents	316 824	421 643	-25%
Other current financial assets	357 480	889 687	-60%
Non-current financial assets	34 900	34 778	0%
Total financial assets	**709 204**	**1 346 108**	**-47%**
Foreign currency denominated cash and financial assets, %	**96%**	**98%**	
Net cash	**702 730**	**1 338 632**	**-48%**

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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.