

OPERATING AND FINANCIAL REVIEW

For the six months ended June 30, 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 reviewed interim condensed consolidated financial statements of the Company and should be read in conjunction with those statements and the accompanying notes. All financial data and discussions thereof are based on the reviewed interim condensed consolidated financial statements prepared in accordance with the International Financial Reporting Standards ("IFRS"). According to the Company's accounting policy, interest in joint ventures and associates, are accounted for using equity method, and thus are not consolidated line by line ("equity-accounted entities").

OVERVIEW

KazMunaiGas Exploration Production ("the Company" or "KMG EP") is engaged in the exploration, development, production, processing, and export of hydrocarbons and refined products, as well as the acquisition of oil and gas assets. Its majority shareholder is JSC National Company KazMunaiGas ("NC KMG"), the wholly state-owned joint stock company, which represents the State's interests in the Kazakh oil and gas industry. The Company's core oil and gas assets are located in the Pre-Caspian, Mangistau and Southern Turgai basins. The following table represents the Company's principal oil and gas interests as of June 30, 2018:

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

KEY PERFORMANCE INDICATORS

	<u> </u>		<u> </u>				
2Q 2018	1Q 2018	2Q 2017	Change	_	1H 2018	1H 2017	Change
2 925	2 898	2 981	-2%	Total production (ktonnes)*	5 823	5 885	-1%
2 078	2 046	2 076	0%	OMG and EMG production (ktonnes)	4 124	4 102	1%
121 312	20 514	85 609	42%	Net Income (KZT million)	141 826	87 880	61%
2.34	1.10	1.26	86%	Basic and diluted EPS (KZT thousand)	2.74	1.29	112%
94 235	82 985	62 350	51%	EBITDA (KZT million)**	177 220	130 648	36%
22%	21%	18%	22%	Operating margin (%)***	22%	19%	16%
90 379	56 245	74 237	22%	Operating cash flow before working capital adjustments (KZT million)	146 624	108 871	35%
779 329	702 730	1 285 930	-39%	Net cash position at the end of the period (KZT million)	779 329	1 285 930	-39%

 $^{{\}it *Including proportionate share of equity-accounted entities}.$

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

^{***}Operating profit does not include share in results of equity accounted entities, CIT expenses, finance charges, impairment charges and other non-operating charges, net loss on acquisition of subsidiary.

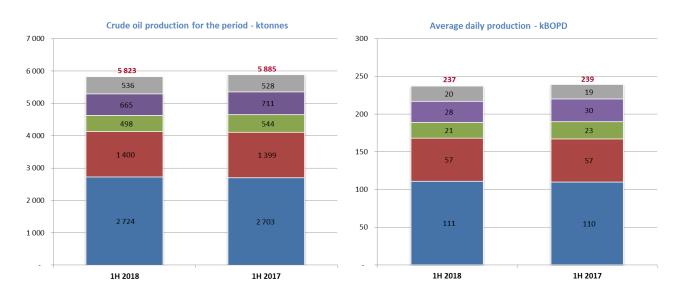


BUSINESS ENVIRONMENT

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

2Q 2018	1Q 2017	2Q 2017	Change		1H 2018	1H 2017	Change
74,39	66,82	49,64	50%	Average Brent (DTD) (US\$ / bbl)	70,58	51,72	36%
0,8%	1,8%	1,4%	-43%	Kazakhstan inflation (%)	2,6%	3,7%	-30%
329,9	323,2	315,0	5%	Average Tenge - US\$ exchange rate	326,5	318,7	2%
341,1	318,3	322,3	6%	Tenge - US\$ exchange rate at the reporting date	341,1	322,3	6%

PRODUCTION ACTIVITY



■ OMG ■ EMG ■ PKI (33% share of total) ■ KGM (50% share of total) ■ CCEL (50% share of total)

The Company's total crude oil production in 1H 2018, including the share of production from its joint ventures and associated company, amounted to 5,823 ktonnes or 237 kbopd. OMG and EMG produced 168 kbopd with a further 21 kbopd from PKI, 28 kbopd from KGM and 20 kbopd from CCEL.

Compared to 1H 2017, OMG production decreased by 1% or 21 ktonnes, mainly due to lower production from existing wells. EMG production in 1H 2018 was at a similar level as in 1H 2017.

The share in PKI's production declined by 8% or 46 ktonnes in 1H 2018, compared to 1H 2017, due to the natural depletion of some PKI's mature fields. The share in KGM's production decreased by 6% or 45 ktonnes in 1H 2018, compared with the same period in 2017, due to restricted oil production as a result of the decrease in the consumption of commodity gas. The share in CCEL production increased by 8 ktonnes or 2% in 1H 2018, compared with 1H 2017. Total share in production volume of PKI, KGM and CCEL in 1H 2018 was 1,699 ktonnes, which is 5% or 83 ktonnes less than in 1H 2017.



Wells as of reporting date*	Drilled in 1H 2018*	Drilled in 1H 2017*		Well workovers 1H 2018	Well workovers 1H 2017	Well servicing 1H 2018	Well servicing 1H 2017
Nu	ımber of wells			Number of w	ell servicing		
4 868	87	83	OMG	528	406	7 858	7 120
2 571	20	9	EMG	108	84	1 624	1 569
1 778	30	25	PKI (100%)**	73	59	313	325
274	12	8	KGM (100%)**	7	13	33	37
3 843	78	67	CCEL (100%)**	43	57	1 871	2 035

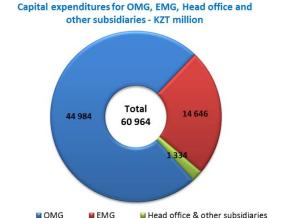
^{*}Development wells, including injection wells.

Oil production in the reporting period from the new wells at OMG amounted to 62 ktonnes compared to 79 ktonnes in 1H 2017, due to being into production earlier in 2017. 1H 2018 OMG workovers of 528 wells provided incremental production of 20 ktonnes.

Oil production for 1H 2018 from the new wells at EMG amounted to 13 ktonnes compared to 1,5 ktonnes in 1H 2017. EMG performed 108 well workovers in 1H 2018, which provided incremental production of 19 ktonnes, while 84 well workovers provided 10 ktonnes in 1H 2017, due to higher average worked time of wells in 1H 2017.

CAPITAL EXPENDITURE OVERVIEW

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



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

In 1H 2018, the Company's capital expenditures amounted to KZT61 billion or KZT19.4 billion more than in 1H 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 1H 2018 amounted to KZT45 billion which is higher by KZT 12 billion than in 1H 2017. The increase is due to higher volumes of production drilling and fixed assets purchases related to it.

EMG capital expenditures amounted to KZT14.7 billion in 1H 2018, which is KZT7.3 billion higher than in 1H 2017. The increase is due to higher volumes of exploration and production drilling and fixed assets purchases in 1H 2018.

Head office and other subsidiaries' capital expenditures in 1H 2018 amounted to KZT1.3 billion, which is KZT0.2 billion higher than in 1H 2017, primarily due to fixed assets purchases.

^{**} Includes 100% of the number of well operations related to JVs and associated company.



Capital expenditures of equity-accounted entities - KZ Capital expenditure of equity-accounted entities



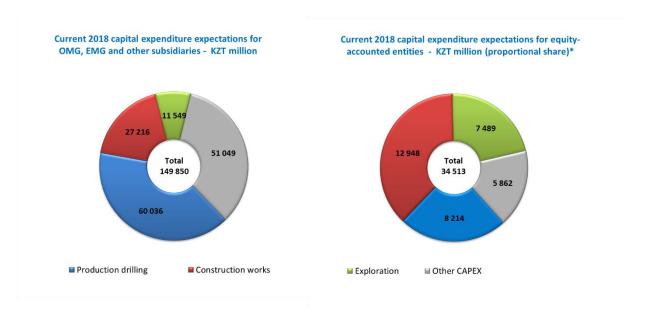
PKI capital expenditures in 1H 2018 amounted to KZT14.3 billion (KMG EP 33% share: KZT4.7 billion), which is KZT4.8 billion higher than in 1H 2017, mainly due to higher drilling volumes and wells completion works in the current period.

KGM capital expenditures for the period was KZT3.9 billion (KMG EP 50% share: KZT1.8 billion), which is KZT0.7 billion lower than in 1H 2017, mainly due to less purchases of fixed assets and lower volumes of constructions works which were partially offset by higher production drilling volumes.

CCEL capital expenditure in 1H 2018 was KZT7.4 billion (KMG EP 50% share: KZT3.7 billion), which is KZT1.5 billion higher than in 1H 2017, primarily due to higher production drilling volumes.

UOG capital expenditure amounted to KZT191 million (KMG EP 50% share: KZT95 million), which is KZT160 million more intangibles purchases and construction works.

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



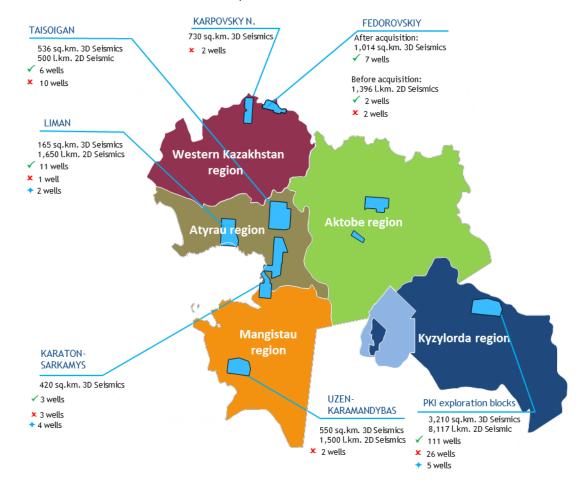
^{*}Capital expenditure amounts for 2017 presented herein represent currently expected amounts based on the management's estimates as of date of issuance of this report. Amounts do not represent any formal commitments and are subject to changes in any direction.

**Other CAPEX include Fixed assets and Intangibles purchases.



EXPLORATION ACTIVITY

The following map depicts the Company's major exploration projects along with the cumulative number of exploration wells that have been drilled as of June 30, 2018:





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
			PR-4	08.04.2016-	2,262m.	PR-4's daily oil flow is 7 m3/day.
			PR-5	21.08.2016 01.04.2016-	2,500m.	PR-5 and PR-7 daily oil flows are 5,3 m3/day which
Liman (100%)	19.01.2006	Novobogat SE	PN-3	29.09.2016	2,300111.	average for this field. PR-8 testing was completed (2,500 meters), the we
Lilliali (100%)	19.01.2000	NOVODOGAT 3E	PR-7	20.09.2016-	2,290m.	is with inflow.
			PR-8	27.01.2017 22.05.2017-	2,500m.	Part of Liman contract territory is returned to th State.
Uzen-Karamandybas (100%)	18.07.2011	South-western part of the exploration block		1.11.2017		Contract #3379 is in the process of prolongation unt 16.06.2020. Due to the changes in the workin program PZ-1a drilling timelines were postponed Additions to exploration works project is bein planned to Central exploration committe submission.
						PZ-1a drilling preparation is in progress.
			U-23	29.08.2017- 24.09.2017	1,110m.	
			U-25	21.07.2017- 22.08.2017	1,100m.	2-D MOGT seismic field works on the Taisoigan blocare completed. Completed processing of 2-D seismi
Taisoigan (100%)	29.01.2004	Uaz	U-26	20.12.2017-	400m.	field data on the Taisoigan block.
0. (,				currently		U-23 is with inflow, U-25, Barlybay NW-3 are dry. U-26 testing completed, the well is with inflow.
			Barlybay NW	10.10.2017- 04.12.2017	1,025m.	Conservartion works is in progress.
R-9 (100%)	10.06.2007					The Company returned the contract area to the
(20070)			NSV-2	11.09.2017-		State on March, 20 2018.
			NOV Z	07.12.2017	3,700m.	
	18.07.2011	North-eastern	East Karaton-1	12.09.2017- 12.12.2017	2,512m.	
Karaton Sarkamys (100%)		wing of the S. Nurzhanov field	Dosmuhambeto vskoe DSV-1	6.10.2017- 20.12.2017	400m.	NSV-2 (with inflow) is in test production. Ea Karaton-1 is in testing. NSV-3 is with inflow, in testing
			NSV-3	10.02.2018- 04.04.2018	3,760m.	
						The well has commercially unviable gas inflows,
Karpovskiy Severniy (KS-100%)	18.10.2011	Orlovskaya Central	SK-2	01.07.2013- 18.08.2015	5,755m.	conserved. The contract is in the process of returning to the State.
Fedorovskiy block (UOG- 50%)	11.03.2011	Rozhkovskiy, Pavlovskaya, Yanvartsevskaya				The contract #468 is in the process of prolongation until 11.05.2021.
			South-Eastern Doszhan-52	01.06.2017- 19.06.2017	1,439m.	
			C 11 5 1	24.06.2017		
			South-Eastern Doszhan-49	24.06.2017- 21.06.2017	2,033m.	
					2,033m. 1,450m.	
Doszhan-Zhamansu (24.75% through PKI)	22.12.2009	South Doszhan, South-Eastern Doszhan, Zhamansu	Doszhan-49 South-Eastern	21.06.2017 20.07.2017- 08.08.2017 31.07.2017-		49, 52, 56. S-E Doszhan-49, 52 and Zhamansu-10, which have inflows. S-E Doszhan-56 has gas inflor Further works are under consideration. Doshan-65
	22.12.2009		Doszhan-49 South-Eastern Doszhan-56	21.06.2017 20.07.2017- 08.08.2017 31.07.2017- 12.08.2017 23.12.2017-	1,450m.	49, 52, 56. S-E Doszhan-49, 52 and Zhamansu-10, which have inflows. S-E Doszhan-56 has gas inflor Further works are under consideration. Doshan-65
	22.12.2009	South-Eastern	Doszhan-49 South-Eastern Doszhan-56 Doszhan-65	21.06.2017 20.07.2017- 08.08.2017 31.07.2017- 12.08.2017 23.12.2017- 09.01.2018 27.11.2016-	1,450m.	49, 52, 56. S-E Doszhan-49, 52 and Zhamansu-10, which have inflows. S-E Doszhan-56 has gas inflor Further works are under consideration. Doshan-65 in testing, Doszhan-16, Zhamansu-5 are wate
	22.12.2009	South-Eastern	Doszhan-49 South-Eastern Doszhan-56 Doszhan-65 Doszhan-16	21.06.2017 20.07.2017- 08.08.2017 31.07.2017- 12.08.2017 23.12.2017- 09.01.2018	1,450m. 815m.	49, 52, 56. S-E Doszhan-49, 52 and Zhamansu-10, 2 which have inflows. S-E Doszhan-56 has gas inflow Further works are under consideration. Doshan-65 in testing, Doszhan-16, Zhamansu-5 are water
	22.12.2009	South-Eastern	Doszhan-49 South-Eastern Doszhan-56 Doszhan-65 Doszhan-16 Zhamansu-10	21.06.2017 20.07.2017- 08.08.2017 31.07.2017- 12.08.2017 23.12.2017- 09.01.2018 27.11.2016- 17.01.2017- 30.09.2017- 17.11.2017 07.10.2017-	1,450m. 815m. 2,203m.	49, 52, 56. S-E Doszhan-49, 52 and Zhamansu-10, which have inflows. S-E Doszhan-56 has gas inflor Further works are under consideration. Doshan-65 in testing, Doszhan-16, Zhamansu-5 are wate
	22.12.2009	South-Eastern	Doszhan-49 South-Eastern Doszhan-56 Doszhan-65 Doszhan-16 Zhamansu-10 Zhamansu-11 Zhamansu-5	21.06.2017 20.07.2017- 08.08.2017 31.07.2017- 12.08.2017 23.12.2017- 09.01.2018 27.11.2016- 17.01.2017 30.09.2017- 17.11.2017 07.10.2018	1,450m. 815m. 2,203m.	49, 52, 56. S-E Doszhan-49, 52 and Zhamansu-10, which have inflows. S-E Doszhan-56 has gas inflow Further works are under consideration. Doshan-65 in testing, Doszhan-16, Zhamansu-5 are wate saturated.
	22.12.2009	South-Eastern	Doszhan-49 South-Eastern Doszhan-56 Doszhan-65 Doszhan-16 Zhamansu-10 Zhamansu-11	21.06.2017 20.07.2017- 08.08.2017 31.07.2017- 12.08.2017 23.12.2017- 09.01.2018 27.11.2016- 17.01.2017- 30.09.2017- 17.11.2017 07.10.2017-	1,450m. 815m. 2,203m.	Completed drilling of Zhamansy-10, 11 S-E Doszhar 49, 52, 56. S-E Doszhan-49, 52 and Zhamansu-10, 1 which have inflows. S-E Doszhan-56 has gas inflow Further works are under consideration. Doshan-65 in testing, Doszhan-16, Zhamansu-5 are wate saturated. Completed drilling of 2016 the Northern Karabulak-Karabulak-19 and Karabulak-31 exploration well Northern Karabulak-9 are



				Karabulak-53 Karabulak-54 Karabulak-35	15.08.2017- 08.08.2017 28.09.2017- 15.10.2017 29.03.2017- 01.05.2017	1,400m. 1,369m.	Drilled Buharsai-3, Karabulak-35,53,54, Belkuduk-8 have inflows. Further works are under consideration.
				Ketekazgan-18	11.11.2016- 24.02.2017	3,180m.	
				Ketekazgan-	09.09.2017-	3,300m.,	
				22,24	21.12.2017	2,510m.	
				Western Tuzkol-		1,300m.	
				130	14.02.2017		
				Western Tuzkol-		1,028m.	Exploration wells were tested: Ketekazgan-18 – ir
				126	18.10.2017		testing, Western Tuzkol-126,130 is dry, Western
		22.12.2009	Western Tuzkol	Western Tuzkol-		1,100m.	Tuzkol-127, 159 have inflows. Ketekazgan-22,24
	Western Tuzkol			127	23.05.2017	4.520	drilling was completed, testing is expected.
	(PKI – 33%)			Western Tuzkol-	08.09.2017-	1,520m.	Western Tuzkol appraisal wells 234, 237 have inflows
				159 Western Tuzkol-	25.09.2017 07.02.2017-	1 26Em	Ketekazgan-20 is water-saturated. Ketekazgan-21 in
				western Tuzkoi- 234	25.02.2017	1,365m.	testing.
				234 Western Tuzkol-		1,257m.	
				237	26.03.2017	1,23/111.	
				Ketekazgan-20	19.02.2018-	1,150m.	
				NCTCRUZBUIT ZU	28.03.2018	1,130111.	
				Ketekazgan-21	11.04.2018-	3,000m.	
					15.06.2018	-,	
	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 reviewed interim condensed consolidated financial statements. The amounts shown in US dollars are included solely for the convenience of the user at the average exchange rate over the respective period for the consolidated statement of comprehensive income and the consolidated cash flow statement and at the closing rate for the consolidated statement of financial position.

2Q 2018	1Q 2018	2Q 2017	Change		1H 2018	1H 2017	Change
					(KZT million, ur	nless otherwise s	stated)
326 362	270 426	223 252	46%	Revenue	596 788	436 978	37%
(90 871)	(83 108)	(79 464)	14%	Production expenses	(173 979)	(149 543)	16%
(42 069)	(31 982)	(33 771)	25%	SG&A	(74 051)	(59 203)	25%
(101 511)	(87 947)	(61 391)	65%	Taxes other than on income	(189 458)	(126 986)	49%
(8 077)	(375)	(120)	6631%	Exploration expenses	(8 452)	(168)	4931%
(10 693)	(10 227)	(8 553)	25%	DD&A	(20 920)	(16 909)	24%
73 141	56 787	39 953	83%	Operating profit	129 928	84 160	54%
1 240	-	26 414	-95%	Reversal for VAT recoverable (net)	1 240	26 414	-95%
5 917	8 582	6 165	-4%	Share of results of associate and JV's	14 499	14 571	0%
-	-	(3 249)	-100%	Net loss on acquisition of a subsidiary	-	(3 249)	-100%
(364)	(544)	(200)	82%	Gain/(loss) on disposal of fixed assets	(908)	197	-561%
3 336	5 834	6 749	-51%	Finance income / (costs), net	9 170	12 800	-28%
51 880	(43 932)	26 055	99%	Foreign exchange gain / (loss), net	7 948	(32 599)	-124%
(13 838)	(6 213)	(16 277)	-15%	Income tax expense	(20 051)	(14 423)	39%
121 312	20 514	85 609	42%	Net income	141 826	87 880	61%

The increase in net income for 1H 2018 compared to 1H 2017 is mainly due to higher crude oil export revenues and higher profits from refined products sales. Higher revenues from crude oil export sales in 1H 2018 in comparison with 1H2017 is a result of an increase in average Brent price from 51.72 US dollar per barrel in 1H 2017 to 70.58 US dollar per barrel in 1H 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 1H 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.

In 1H 2017 the Company reversed previously accrued allowance for VAT recoverable in the amount of KZT30.1 billion following the positive decision achieved regarding the Company's application for the VAT recovery. Also in 1H 2017 Company has recorded a loss of KZT3.2 billion due to the net liabilities acquired following the acquisition of a 49% share in KS EP Investments BV from MOL Hungarian Oil and Gas Plc. for 1 (one) US dollar.



Revenue

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

2Q 2018	1Q 2018	2Q 2017	Change		1H 2018	1H 2017	Change
				Export sales of crude oil			
				UAS pipeline			
151 868	144 445	77 179	97%	Net sales (KZT million)	296 313	161 530	83%
880	963	720	22%	Volume (ktonnes)	1 843	1 439	28%
172 578	149 995	107 193	61%	Average price (KZT/tonne)	160 778	112 252	43%
72.36	64.20	47.07	54%	Average price (US\$/bbl*)	68.10	48.71	40%
0	0			CPC pipeline			
75 489	48 808	82 962	-9%	Net sales(KZT million)	124 297	150 232	-17%
418	302	762	-45%	Volume (ktonnes)	720	1 327	-46%
180 595	161 616	108 874	66%	Average price (KZT/tonne)	172 634	113 212	52%
75.72	69.17	47.80	58%	Average price (US\$/bbl*)	73.12	49.13	49%
227 358	193 253	160 141	42%	Total sales of crude oil-exported (KZT million)	420 611	311 762	35%
1 298	1 265	1 482	-12%	Total crude oil-exported (ktonnes)	2 563	2 766	-7%
0				Total sales of crude oil			
227 358	193 253	160 141	42%	Total net sales of crude oil (KZT million)	420 611	311 762	35%
1 298	1 265	1 482	-12%	Total volume (ktonnes)	2 563	2 766	-7%
175 160	152 769	108 057	62%	Average price (KZT/tonne)	164 109	112 712	46%
73.44	65.39	47.45	55%	Average price (US\$/bbl*)	69.51	48.91	42%
0				Sales of oil products			
92 072	72 957	57 638	60%	Net sales (KZT million)	165 029	115 242	43%
746	661	632	18%	Volume (ktonnes)	1 407	1 269	11%
123 362	110 342	91 199	35%	Average price (KZT/tonne)	117 246	90 813	29%
373.96	341.46	289.51	29%	Average price (US\$/tonne)	359.06	284.91	26%
51.72	47.23	40.04	29%	Average price (US\$/bbl*)	49.66	39.41	26%
6 932	4 216	5 473	27%	Other sales (KZT million)	11 148	9 974	12%
326 362	270 426	223 252	46%	Total revenue (KZT million)	596 788	436 978	37%

^{*} 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 (ANPZ)*

2Q 2018	1Q 2018	2Q 2017		1H 2018	1H 2017
66 904	53 589	47 775	Revenue	120 492	92 946
(23 545)	(22 003)	(17 870)	Costs, including:	(45 547)	(33 273)
(18 154)	(16 174)	(13 222)	Processing	(34 328)	(23 895)
(175)	(179)	(222)	Additives	(353)	(546)
(2 128)	(707)	(1 230)	Excise tax	(2 835)	(2 080)
(1 321)	(3 254)	(2 851)	Export customs duty	(4 575)	(6 039)
(1 768)	(1 689)	(345)	Selling and transportation expenses	(3 457)	(713)
43 359	31 586	29 905	Net revenue	74 945	59 673
521.32	487.22	520.35	Volume of oil products sold, thousands of tonnes	1 008.54	1 007.70
55.65	35.49	27.13	Processing losses, thousands of tonnes	91.14	60.24
576.97	522.71	547.48	Total volume of crude oil processed and sold, thousands of tonnes	1 099.68	1 067.94
75 149	60 428	54 623	Net revenue Tenge per tonne of crude oil	68 152	55 877

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

2Q 2018	1Q 2018	2Q 2017		1H 2018	1H 2017
27 038	20 504	11 025	Revenue	47 542	23 881
(5 384)	(4 429)	(2 666)	Costs, including:	(9 812)	(5 789)
(4 198)	(3 604)	(1 938)	Processing	(7 802)	(4 224)
(75)	(64)	(113)	Additives	(138)	(310)
(953)	(634)	(537)	Excise tax	(1 586)	(1 057)
-	-	-	Export customs duty	-	-
(158)	-127	(78)	Selling and transportation expenses	(285)	(198)
21 655	16 075	8 359	Net revenue	37 730	18 092
236.06	182.21	121.15	Volume of oil products sold, thousands of tonnes	418,27	274.31
25.96	23.53	15.57	Processing losses, thousands of tonnes	49,49	34.38
262.02	205.74	136.72	Total volume of crude oil processed and sold, thousands of tonnes	467,76	308.69
82 648	78 133	61 140	Net revenue Tenge per tonne of crude oil	80 662	58 609

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

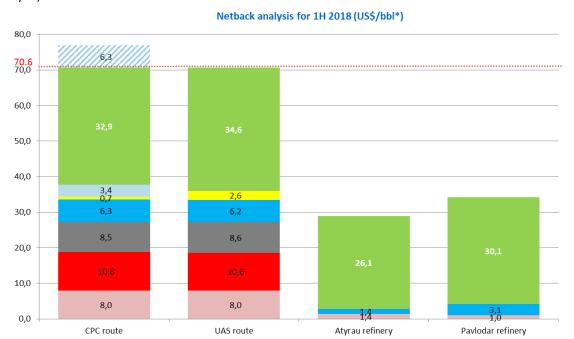
Since January, 1 2017 the processing tariffs at Pavlodar refinery increased from KZT16,417 to KZT17,250 per tonne of crude oil and at Atyrau refinery plant from KZT 24,512 to KZT31,473. Up until August, 1 2017 the processing tariff was KZT14,895 per tonne of crude oil at Pavlodar refinery.

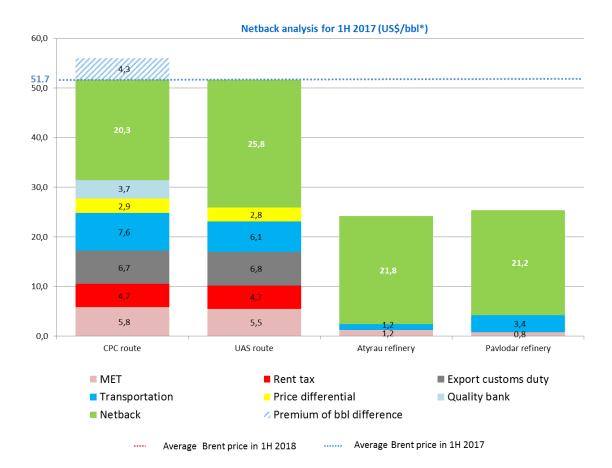
Higher net revenue at Atyrau and Pavlodar refineries in 1H 2018 is due to an increase in sales prices of light oil products as well as higher prices of exported dark oil products, that was partially eliminated by higher processing fees.

^{**}The data presented is for period April, 1 – December, 2016.



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





^{*}Converted at actual barrels per tonne of crude oil.

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



Export netbacks in 1H 2018 increased compared to 1H 2017, primarily due to higher Brent prices in 1H 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 and EMG operations:

2Q 20	18 1Q 2018	2Q 2017	Change		1H 2018	1H 2017	Change
(KZ	T million, unless o	therwise sta	ted)		(KZT million, unless otherwise stated)		
40 8	72 43 331	39 301	4%	Employee benefits	84 203	80 675	4%
22 3	19 778	15 159	47%	Refinery processing costs	42 130	28 119	50%
9 1	19 7 610	8 586	6%	Repairs and maintenance	16 729	12 950	29%
6 6	26 4 320	3 402	95%	Materials and supplies	10 946	8 668	26%
5 2	75 5 693	5 190	2%	Energy	10 968	10 822	1%
2 0	1 890	1 882	9%	Transportation services	3 943	3 335	18%
18	94 -1 477	3 887	-51%	Change in crude oil balance	417	310	35%
2 6	1 963	2 057	30%	Other	4 643	4 664	0%
90 8	71 83 108	79 464	14%	Total production expenses	173 979	149 543	16%

Production expenses in 1H 2018 increased by KZT24.4 billion or 16% compared to 1H 2017, primarily due to an increase in oil refinery costs, employee benefits, repairs and maintenance expenses, materials and supplies.

Oil refinery costs increased by KZT 14 billion in 1H 2018 in comparison with 1H 2017 mainly due to the higher Atyrau and Pavlodar refinery processing tariffs. Additionally, in 1H 2018 more crude oil volumes were processed at Pavlodar refinery in comparison with 1H 2017.

Repairs and maintenance costs increased by KZT 3.8 billion due to higher volumes of well servicing performed in 1H 2018.

Employee benefit expenses in 1H 2018 increased by 4% compared to 1H 2017 or KZT3.5 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 materials and supplies by KZT 2.3 billion mainly due to purchase of crude oil for further processing from LLP Kazakhturkmunai starting 2Q 2018.

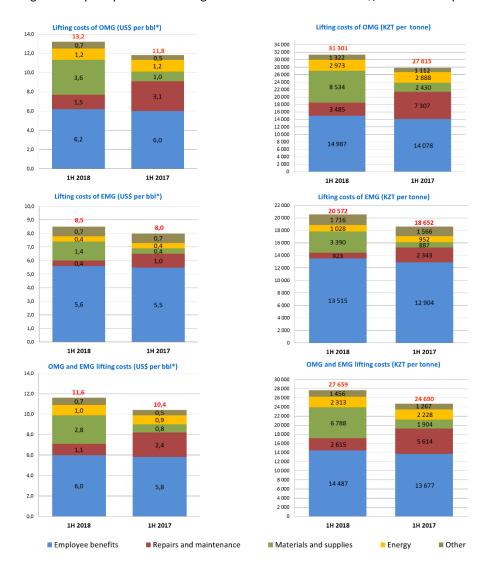
The increase in transportation services resulted from higher volumes of passengers' transportation and vehicles at fields.



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.

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



^{*}converted at 7.36 barrels per tonne of crude oil



Selling, general and administrative expenses

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

2Q 2018	1Q 2018	2Q 2017	Change		1H 2018	1H 2017	Change
(KZT i	million, unless o	otherwise stated,)		(KZT million, unless otherwise stated)		
26 131	24 825	25 976	1%	Transportation expenses	50 956	49 689	3%
5 475	4 455	4 492	22%	Employee benefits	9 930	8 631	15%
5 877	302	1 044	463%	Net allowance for doubtful receivables/ accrual/reverse of fines and penalties	6 179	(2 891)	-314%
1 222	685	445	175%	Consulting and audit services	1 907	904	111%
298	151	246	21%	Repairs and maintenance	449	474	-5%
130	39	178	-27%	Sponsorship	169	242	-30%
2 936	1 525	1 390	111%	Other	4 461	2 154	107%
42 069	31 982	33 771	25%	Total SG&A expenses	74 051	59 203	25%

Selling, general and administrative expenses in 1H 2018 amounted to KZT74 billion, 25% more than in 1H 2017. The increase is mainly due to transportation expenses, employee benefits, accrual of allowance for doubtful receivable, consulting and audit services and other expenses.

Transportation expenses increase is resulted mainly from transportation costs of oil products. The transportation of oil products increased mainly due to higher railway tariffs effective August 1, 2017.

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

On July 23, 2018 JSC "Embamunaigas" received a notification from the Department of Ecology of Atyrau region to pay a fine of 8,908 million Tenge for violations of ecology law that were identified during an ad hoc environmental audit conducted during April – June 2018. The fine was related to emissions of harmful substances above the established norms as a result of gas flaring during the period from November 1, 2017 to June 12, 2018.

The Company has accepted that 3,974 million Tenge of the claim is justified. The authorities also have the ability to assess additional amounts for ecological damage and the Company expects the additional amount of 1,325 million Tenge to be assessed. The Company has accrued a provision of 5,299 million Tenge (fines and penalties expenses). The Company's management believes that the balance of the claim is without legal merits and will appeal through the appropriate bodies, therefore no additional amounts beyond 5,299 million Tenge related to the environmental audit have been accrued.

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

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

Other expenses also include Board of directors consulting services engaged for GDRs' and shares buyback procedures.



Taxes other than on income

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

	2Q 2018	1Q 2018	2Q 2017	Change		1H 2018	1H 2017	Change
<u></u>	(KZT n	nillion, unless	otherwise stat	ted)		(KZT million, unless other		
	36 748	28 261	12 227	201%	Rent tax	65 009	29 951	117%
	31 859	25 170	19 874	60%	MET	57 029	41 300	38%
	27 607	28 507	25 429	9%	Export customs duty	56 114	48 897	15%
	3 541	3 950	1 960	81%	Other taxes	7491	3 247	131%
	1 552	1 709	1 662	-7%	Property tax	3 261	3 127	4%
	204	350	239	-15%	Environmental tax	554	464	19%
	101 511	87 947	61 391	65%	Total taxes other than on income	189 458	126 986	49%

Taxes other than on income in 1H 2018 increased by KZT62.5 billion or 49% compared to 1H 2017, mainly due to increases in rent tax, mineral extraction tax (MET), export custom duty (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 1H 2018 as 70.58 USD per barrel in comparison with 51.72 USD per barrel 1H 2017. ECD and Rent tax rates are dependent on Brent prices according to Kazakhstani legislation. In 1H 2018 higher expenses for ECD of oil products occurred resulting from higher outputs of exported dark oil products.

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

Income Tax Expense

_	2Q 2018	1Q 2018	2Q 2017	Change		1H 2018	1H 2017	Change
_	(KZT mi	illion, unless o	therwise sta	ted)		(KZT million, u	nless otherwise s	tated)
	135 150	26 727	101 887	33%	Profit before tax	161 877	102 303	58%
	129 233	18 145	69 308	86%	Profit/(loss) before tax (with adjustments*)	147 378	61 318	140%
	2 872	6 213	16 277	-82%	Income tax expense/(benefit)	9 085	14 423	-37%
	2 872	6 213	16 277	-82%	Income tax (with adjustments*)	9 085	14 423	-37%
	2%	23%	16%	-88%	Effective tax rate	6%	14%	-57%
	2%	34%	23%	-91%	Effective tax rate (with adjustments*)	6%	24%	-75%

^{*} 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.

In 1H 2018 unutilized tax provisions were reversed amounted to KZT 11 billion, as a result 1H 2018 effective income tax rate is 6%. Also in 2018 the Company decided to use the right for deduction of fixed assets net book value according to the tax legislation of RK and KZT 1.7 billion EPT expense accrued in 2017 was reversed in 1H 2018.

The Company's effective income tax rate in 1H 2017 is 14% primarily due to the reversal of previously accrued tax provisions and deferred tax benefits. Income tax provisions were reversed in 1H 2017 as a result of the further reduced claims of 2009-2012 Comprehensive tax audit. Deferred tax benefits mainly resulted from ECD prepayments to state authorities.



OVERVIEW OF JVS AND ASSOCIATE OPERATIONS

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

2Q 2018	1Q 2018	2Q 2017	Change		1H 2018	1H 2017	Change
 (KZT mili	lion, unless oth	nerwise state	d)		(KZT million,	unless otherwise	stated)
4 665	7 092	5 279	-12%	Share in income from KGM	11 757	12 593	-7%
2 672	2 727	1 231	117%	Share in income/(loss) from PKI	5 399	2 739	97%
(1 420)	(1 237)	(345)	312%	Share in loss from UOG	(2 657)	(761)	249%
 5 917	8 582	6 165	39%	Share in income / (loss) in associate and JV's	14 499	14 571	0%

KGM

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

KGM's oil production in H1 2018 was 1,330 ktonnes (50% share is 665 ktonnes), which is 91 ktonnes or 6% lower than in H1 2017.

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

2Q 2018	1Q 2018	2Q 2017	Change		1H 2018	1H 2017	Change
(US\$ tha	ousand, unless o	otherwise sta	ted)		(US\$ thousand, t	unless otherwise s	tated)
159 606	150 662	147 115	8%	Revenue	310 268	287 947	8%
(55 645)	(57 118)	(60 910)	-9%	Operating expenses	(112 763)	(126,996)	-11%
16	454	669	103%	Finance income / (cost), net	438	1,438	-70%
4 167	(5 300)	(321)	-1399%	Foreign exchange gain / (loss), net	(1 133)	(4,938)	-77%
(78 310)	(40 718)	(47 365)	65%	Income tax (expense)/ benefit	(119 028)	(68 853)	73%
29 802	47 980	39 188	-24%	Net income	77 782	88 598	-12%
657	674	729	-10%	Crude oil production, ktonnes	1 330	1 421	-6%

The increase in 1H 2018 revenue mainly resulted from higher Brent prices and increase of domestic sales prices in comparison with 1H 2017, which were partially offset by lower export volumes. The higher income tax expense in 1H 2018 was due to higher profit before tax and resulting excess profit taxes accrued in 1H 2018. KGM's crude oil sales split by routes is as follows:

2Q 2018	1Q 2018	2Q 2017	Change		1H 2018	1H 2017	Change
	(ktonnes)					(ktonnes)	
40	40	114	-65%	Export via KCP	80	247	-68%
615	631	613	0%	Domestic market	1 246	1 170	6%
655	671	727	-10%	Total crude oil sales, ktonnes	1 326	1 417	-6%

Operating expenses decreased due to lower transportation, MET, rent tax and ECD expenses resulting from lower export sales in 1H 2018. This effect was partially offset by DD&A expenses in 1H 2018.



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

2Q 2018	1Q 2018	2Q 2017	Change		1H 2018	1H 2017	Change
	(US\$ per b	bl sold*)			(US\$	per bbl sold*)	
0.7	0.5	0.5	40%	Rent tax	0.6	0.8	-25%
1.9	1.9	2.2	-14%	Transportation expenses	1.9	2.2	-14%
1.0	0.9	1.3	-23%	Mineral extraction tax	0.9	1.3	-31%
0.4	0.6	1.0	-60%	Export customs duty	0.5	1.1	-55%
4.3	4.5	3.8	13%	DD&A	4.4	3.9	13%
0.8	1.0	0.9	-11%	Employee benefits	0.9	0.9	0%
0.9	0.7	1.0	-10%	Repairs and maintenance	0.8	0.8	0%
0.3	0.3	0.3	0%	Materials and supplies	0.3	0.3	0%
0.8	0.5	(0.1)	-900%	Other	0.7	0.2	250%
11.1	10.9	10.9	2%	Total operating expenses	11.0	11.5	-4%

^{*} 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 1H 2018, adjusted for the impact of amortization of the fair value of the licenses, partially offset by related deferred tax benefit of KZT1.3 billion (KZT1.5 billion in 1H 2017).

In 1H 2018 the Company received KZT15.9 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 field exploration and development, oil and gas production and the sale of crude oil. The Company acquired a 33% stake in PKI in December 2009.

During 1H 2018, PKI produced 1,509 ktonnes of oil (33% share: 498 ktonnes) which is 8% less than in 1H 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:

 2Q 2018	1Q 2018	2Q 2017	Change		1H 2018	1H 2017	Change
(US\$	thousand, unle	ss otherwise stat	ed)		(US\$ thousand,	unless otherwise	stated)
230 032	210 610	196 114	17%	Revenue	440 642	394 865	12%
(135 021)	(124 889)	(125 569)	8%	Operating expenses	(259 910)	(265 114)	-2%
(2 363)	(1 795)	(2 494)	-5%	Finance cost, net	(4 158)	(4 942)	-16%
(53 027)	(42 876)	(35 820)	48%	Income tax expense	(95 903)	(63 333)	51%
39 621	41 050	32 231	23%	Net income / (loss)	80 671	61 476	31%
751	758	828	-1%	Crude oil production, ktonnes	1 509	1 649	-8%

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

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

2Q 2018	1Q 2018	2Q 2017	Change		1H 2018	1H 2017	Change
	(ktonr	nes)				(ktonnes)	
557	606	592	-6%	Domestic sales	1 163	1 179	-1%
125	86	132	-5%	Export via KCP (PKKR 100%)	211	258	-18%
20	20	57	-65%	Export via KCP (KGM 50%)	40	123	-68%
14	17	23	-40%	Export via KCP (TP 50%)	31	49	-36%
25	19	27	-7%	Export via KCP (Kolzhan 100% & PKVI 75%) and Uzbekistan (TP 50%)	44	48	-7%
741	748	831	-11%	Total	1 489	1 657	-10%



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

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

2Q 2018	1Q 2018	2Q 2017	Change		1H 2018	1H 2017	Change
	(US\$ per b	bl sold*)			(US\$)	per bbl sold*)	
6.9	6.5	7.1	-3%	DD&A	6.7	7.2	-7%
3.0	1.9	1.0	200%	Rent tax	2.4	1.4	71%
2.8	2.4	2.9	-3%	Transportation expenses	2.7	2.8	-4%
1.3	1.2	1.1	18%	Mineral extraction tax	1.2	1.3	-8%
1.9	1.6	1.8	6%	Export customs duty	1.7	1.8	-6%
1.9	1.7	1.7	12%	Repairs and maintenance	1.8	1.7	6%
1.8	1.8	1.5	20%	Employee benefits	1.8	1.6	13%
1.1	1.2	1.0	10%	Materials and supplies	1.2	1.0	20%
-	(0.1)	-	0%	Fines and penalties to budget	-	-	0%
2.8	3.3	1.2	125%	Other	3.1	1.9	58%
23.5	21.5	19.3	21%	Total operating expenses	22.6	20.7	9%

^{*} Converted at 7.75 barrels per tonne of crude oil.

The share in PKI results reflected in the Company's reviewed interim condensed consolidated financial statements represents a proportionate share of the results of PKI in 1H 2018 adjusted for the impact of amortization of the fair value of the licenses for the amount of KZT3.3 billion (KZT3.7 billion in 1H 2017).

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

CCEL

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

As of June 30, 2018 the Company had KZT41.1 billion (US\$120.5 million) as a receivable from CCEL. The Company has accrued KZT2.2 billion (US\$6.8 million) of interest income in 1H 2018, relating to the US\$26.9 million annual priority return from CCEL. Payments are usually made twice a year in 2Q and 4Q.

In 1H 2018, CCEL produced around 1,072 ktonnes (50% share: 536 ktonnes) of crude oil, which increased by 2% compared to 1H 2017. CCEL's key financial and operational indicators (100%) are as follows:

 2Q 2018	1Q 2018	2Q 2017	Change		1H 2018	1H 2017	Change
(US\$ tho	usand, unless of	therwise stated)			(US\$ thousand, unless otherwise stated)		
242 133	233 877	178 264	36%	Revenue	476 009	349 467	36%
(186 414)	(166 202)	(157 014)	19%	Operating expenses	(352 616)	(282 232)	25%
(4 787)	(5 328)	(4 173)	15%	Finance cost, net	(10 116)	(9 103)	11%
(9 040)	(17 918)	(7 706)	17%	Income tax expense	(26 958)	(17 359)	55%
41 891	44 428	9 371	347%	Net income / (loss)	86 319	40 773	112%
 542	530	533	2%	Crude oil production, ktonnes	1 072	1 056	2%

Higher net income in 1H 2018 is higher due to increase in revenues resulting from increase in Brent prices from 51.72 in 1H 2017 to 70.58 in 1H 2018. These effects were partially offset by higher operating expenses in 1H 2018 in comparison with 1H 2017.



CCEL crude oil sales split by routes is as follows:

2Q 2018	1Q 2018	2Q 2017	Change		1H 2018	1H 2017	Change
	(ktonnes	·)				(ktonnes)	
302	330	380	-20%	Export via Novorossiysk	632	644	-2%
132	173	45	194%	Export via Ust'-Luga	305	182	68%
-	-	90	-100%	Export via Batumi	-	150	-100%
13	-	-	100%	Export via Schagir	13	-	100%
-	-	-	0%	Domestic market	-	40	100%
447	503	515	-13%	Total crude oil sales, ktonnes	950	1 016	-6%
81	32	71	13%	Domestic market (bitumen)*	113	76	48%
0	1	-	0%	Export (Bitumen)	1		
528	536	586	-10%	Total crude oil &bitumen sales*	1 064	1 092	-3%

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

Total operating expenses in 1H 2018 increased by 25% compared to 1H 2017 mainly due to an increase in rent tax, ECD expenses, transportation expenses and other costs. Increase in mineral extraction tax, ECD and rent tax expenses is a result of higher Brent prices in 1H 2018. Other expenses include bitumen refinery expenses. Higher volumes of bitumen were sold in 1H 2018 in comparison with 1H 2017.

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

2Q 2018	1Q 2018	2Q 2017	Change		1H 2018	1H 2017	Change
	(US\$ per bbl	sold*)			(US;	ŝ per bbl sold*)	
7.0	7.8	6.5	8%	Employee benefits	7.4	7.4	0%
7.7	7.3	5.9	31%	Transportation expenses	7.5	6.2	21%
7.6	8.1	5.6	36%	Export customs duty	7.9	6.1	30%
3.5	3.7	2.8	26%	Energy	3.6	3.1	16%
2.9	2.9	2.9	2%	DD&A	2.9	2.8	4%
1.9	1.9	2.7	-29%	Repairs and maintenance	1.9	2.6	-27%
10.2	8.6	2.9	257%	Rent tax	9.4	4.1	129%
1.0	1.2	0.9	16%	Materials and supplies	1.1	0.9	22%
0.4	0.4	0.3	60%	Mineral extraction tax	0.4	0.3	33%
10.6	4.5	9.6	7%	Other	7.5	5.2	44%
52.8	46.4	40.1	32%	Total operating expenses	49.6	38.7	28%

^{*} Converted at 6.68 barrels per tonne of crude oil.

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



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

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

	KGM	PKI	CCEL	
		(US\$ thousand, unless otherwise stated)		
Employee benefits	5 917	13 984	46 823	
Materials	2 797	12 941	7 639	
Repair and maintenance	2 639	10 795	13 653	
Energy	5 292	10 071	25 522	
Other	1 399	10 441	43 441	
Total lifting expenses (US\$ thousand)	18 044	58 232	137 078	
Production (ktonnes)	1 330	1 509	1 072	
Lifting cost US\$ per bbl*	1.8	5.0	19.1	

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

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

, , , , ,	KGM	PKI	CCEL		
	(US\$ p	(US\$ per bbl sold*, unless otherwise stated)			
Benchmark end-market quote (Brent)	70.6	70.6	70.6		
Price differential and premium of bbl difference, net	(7.4)	(7.8)	(3.1)		
Average realized price	63.2	62.8	67.5		
Rent tax	(10.3)	(10.8)	(9.8)		
Export customs duty	(8.8)	(8.0)	(8.2)		
Transportation expenses	(7.5)	(5.2)	(7.7)		
MET	(4.8)	(3.2)	(0.4)		
Netback price	31.8	35.7	41.4		

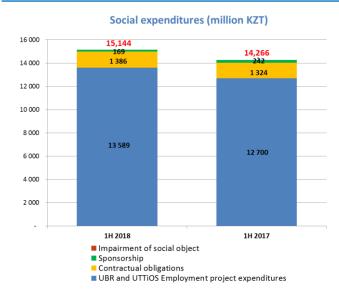
^{*}Following average tonne / bbl conversion factors were used KGM 7.7, PKI 7.75, CCEL 6.68.

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

	KGM	PKI
Realized price	27.3	30.8
Transportation expenses	(1.6)	(1.6)
MET	(0.4)	(0.4)
Netback price	25.3	28.8

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

CORPORATE SOCIAL RESPONSIBILITY



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

In 2012, two service units – UBR and UTTiOS were created to employ approximately 2,000 people in the Mangistau region. In 1H 2018, the Company incurred KZT13.6 billion of operating expenses at UBR and UTTiOS, including KZT10.5 billion of employee benefit expenses and KZT3 billion for materials, supplies and other expenses.



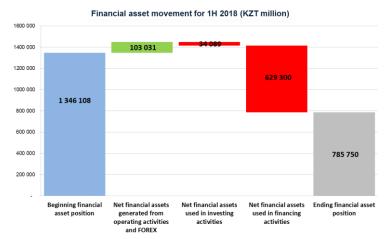
The Company has invested approximately KZT43 million for the purchase of equipment to support the operations at UBR and UTTiOS. Expenses for the financing of UTTiOS were partially offset by income from third parties in 1H 2018, which totalled KZT3.4 billion (KZT3.06 billion in 1H 2017).

In 1H 2018 the Company spent KZT169 million on sponsorship and supporting charities.

Obligations from exploration and production licenses arise from contracts for subsoil use and include payments to the social programs fund, the ecology fund and the commitment to train personnel. In 1H 2018, the Company's social expenses related to the execution of contractual obligations amounted to KZT1.4 billion, including the social programs and ecology fund that amounted to KZT769 million as well as the training of local specialists which amounted to KZT617 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 1H 2018, net financial assets inflow from operating activities and FOREX amounted to KZT103 billion or KZT12.7 billion lower than in 1H 2017. The decrease is mainly due to prepayment of Income taxes.

Net financial assets outflow from investing activities in 1H 2018 was KZT34 billion versus an outflow of KZT1.7 billion in 1H 2017. The increase in net outflows primarily resulted from higher capital expenditures by KZT16.3 billion and lower dividends received from joint ventures and associates by KZT 11.8 billion.

Net financial asset outflow from financing activities in 1H 2018 was KZT629.3 billion due to the Company GDR and share buyback occurred in 1H 2018.

Net cash position

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

	As at June 30, 2018	As at December 31, 2017	As at June 30, 2017	Change
	(KZT million, unless otherwise stated)			%
Current portion	5 019	5 669	5 400	-11%
Non-current portion	1 402	1 807	2 757	-22%
Total borrowings	6 421	7 476	8 157	-14%
Cash and cash equivalents	623 791	421 643	219 431	48%
Other current financial assets	124 619	889 687	1 039 584	-86%
Non-current financial assets	37 340	34 778	35 072	7%
Total financial assets	785 750	1 346 108	1 294 087	-42%
Foreign currency denominated cash and financial	93%	98%	94%	
assets, %				
Net cash	779 329	1 338 632	1 285 930	-42%



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.