

**KazMunaiGas Exploration Production
Joint Stock Company**

Condensed Consolidated Interim
Financial Statements (unaudited)

For the three months ended March 31, 2018

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Consolidated Interim Statement of Financial Position (unaudited)*Tenge million*

		March 31, 2018	December 31, 2017
	Notes	Unaudited	Audited
ASSETS			
Non-current assets			
Property, plant and equipment	5	390,498	377,160
Intangible assets		17,308	16,296
Investments in joint ventures	6	128,407	127,548
Investments in associate	7	116,604	116,970
Receivable from a jointly controlled entity		12,575	11,519
Loans receivable from joint ventures	6	27,841	28,049
Other financial assets	8	34,900	34,778
Deferred tax asset		50,033	53,215
Other assets and advances		15,710	6,085
Total non-current assets		793,876	771,620
Current assets			
Inventories		33,260	30,697
Income taxes prepaid		8,407	2,483
VAT recoverable, net of allowance		21,781	21,574
Export customs duty and other taxes prepaid		14,691	20,717
Prepaid expenses		19,707	16,190
Trade and other receivables	8	123,129	132,680
Receivable from a jointly controlled entity		25,378	26,496
Other financial assets	8	357,480	889,687
Cash and cash equivalents	8	316,824	421,643
Total current assets		920,657	1,562,167
Total assets		1,714,533	2,333,787
EQUITY			
Share capital	9	263,095	263,095
Treasury shares	9	(715,985)	(97,677)
Other capital reserves		2,347	2,347
Retained earnings		1,639,980	1,619,466
Foreign currency translation reserve		305,598	321,488
Total equity		1,495,035	2,108,719
LIABILITIES			
Non-current liabilities			
Borrowings		1,335	1,807
Deferred tax liability		184	138
Other liabilities		1,662	–
Provisions	10	52,984	51,845
Total non-current liabilities		56,165	53,790
Current liabilities			
Borrowings		5,139	5,669
Provisions	10	31,809	31,795
Income taxes payable		2,227	3,888
Mineral extraction tax and rent tax payable		49,668	52,181
Trade and other liabilities		74,490	77,745
Total current liabilities		163,333	171,278
Total liabilities		219,498	225,068
Total liabilities and equity		1,714,533	2,333,787

The notes on pages 5 to 16 are an integral part of these condensed consolidated interim financial statements.

KAZMUNAIGAS EXPLORATION PRODUCTION JOINT STOCK COMPANY

Consolidated Interim Statement of Comprehensive Income (unaudited)

Tenge million

		Three months ended March 31,	
	Notes	2018	2017
Revenue	11	270,426	213,726
Share of results of associate and joint ventures	6,7	8,582	8,406
Finance income		7,389	7,320
Total revenue and other income		286,397	229,452
Production expenses	12	(83,108)	(70,079)
Selling, general and administrative expenses	13	(31,982)	(25,432)
Exploration expenses		(375)	(48)
Depreciation, depletion and amortization		(10,227)	(8,356)
Taxes other than on income	14	(87,947)	(65,595)
(Loss) / gain on disposal of property, plant and equipment	5	(544)	397
Finance costs		(1,555)	(1,269)
Foreign exchange loss, net		(43,932)	(58,653)
Profit before tax		26,727	417
Income tax (expense) / benefit	15	(6,213)	1,854
Profit for the period		20,514	2,271
Foreign currency translation difference		(15,890)	(29,723)
Other comprehensive loss for the period to be reclassified to profit and loss in subsequent periods		(15,890)	(29,723)
Total comprehensive income / (loss) for the period, net of tax		4,624	(27,452)
EARNINGS PER SHARE – Tenge thousands			
Basic and diluted		0.35	0.03

The notes on pages 5 to 16 are an integral part of these condensed consolidated interim financial statements.

Consolidated Interim Statement of Cash Flows (unaudited)*Tenge million*

		Three months ended March 31,	
	Notes	2018	2017
Cash flows from operating activities			
Profit before tax		26,727	417
Adjustments to add / (deduct) non-cash items			
Depreciation, depletion and amortisation		10,227	8,356
Share of result of associate and joint ventures		(8,582)	(8,406)
Loss / (gain) on disposal of property, plant and equipment (PPE)	5	544	(397)
Unrealised foreign exchange loss on non-operating activities		40,426	53,656
Change in provisions		41	(4,086)
Accrual of allowance on doubtful receivables		1,169	–
Other non-cash income and expense		1,966	527
Add finance costs		1,555	1,269
Deduct finance income		(7,389)	(7,320)
Working capital adjustments			
Change in other assets		(982)	(158)
Change in inventories		(2,998)	(678)
Change in export customs duty, VAT recoverable and other taxes prepaid		5,819	(5,503)
Change in prepaid expenses		(3,517)	(1,607)
Change in trade and other receivables		8,607	2,107
Change in trade and other payables		(3,365)	(3,301)
Change in mineral extraction and rent tax payable and prepaid		(2,513)	29,871
Income tax paid		(10,439)	(9,382)
Net cash generated in operating activities		57,296	55,365
Cash flows from investing activities			
Purchases of PPE and advances paid for PPE	5	(32,506)	(24,152)
Proceeds from sale of PPE		–	1,445
Purchases of intangible assets		(1,346)	(50)
Loans provided to joint ventures		(126)	(619)
Dividends received from joint ventures and associate, net of withholding tax		1,115	675
Withdrawal / (placement) of deposits		498,013	(17,750)
Interest received		6,965	3,139
Net cash generated from / (used in) investing activities		472,115	(37,312)
Cash flows from financing activities			
Share buyback	9	(618,308)	–
Repayment of borrowings		(590)	(602)
Dividends paid to Company's shareholders		(93)	(27)
Net cash used in financing activities		(618,991)	(629)
Net change in cash and cash equivalents		(89,580)	17,424
Cash and cash equivalents at the beginning of the period	8	421,643	162,091
Net foreign exchange difference on cash and cash equivalents		(15,239)	(9,169)
Cash and cash equivalents at the end of the period	8	316,824	170,346

The notes on pages 5 to 16 are an integral part of these condensed consolidated interim financial statements.

KAZMUNAIGAS EXPLORATION PRODUCTION JOINT STOCK COMPANY

Consolidated Interim Statement of Changes in Equity (unaudited)

Tenge million

	Share capital	Treasury shares	Other capital reserves	Retained earnings	Foreign currency translation reserve	Total Equity
As at December 31, 2016 (audited)	263,095	(97,752)	2,448	1,444,351	321,370	1,933,512
Profit for the period	–	–	–	2,271	–	2,271
Other comprehensive loss	–	–	–	–	(29,723)	(29,723)
Total comprehensive loss	–	–	–	2,271	(29,723)	(27,452)
Exercise of employee options	–	54	(61)	7	–	–
As at March 31, 2017 (unaudited)	263,095	(97,698)	2,387	1,446,629	291,647	1,906,060
As at December 31, 2017 (audited)	263,095	(97,677)	2,347	1,619,466	321,488	2,108,719
Profit for the period	–	–	–	20,514	–	20,514
Other comprehensive loss	–	–	–	–	(15,890)	(15,890)
Total comprehensive income	–	–	–	20,514	(15,890)	4,624
Share buyback (Note 9)	–	(618,308)	–	–	–	(618,308)
As at March 31, 2018 (unaudited)	263,095	(715,985)	2,347	1,639,980	305,598	1,495,035

The notes on pages 5 to 16 are an integral part of these condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

Tenge million unless otherwise stated

1. CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

KazMunaiGas Exploration Production Joint Stock Company (the “Company”) is incorporated in the Republic of Kazakhstan and is engaged in the acquisition, exploration, development, production, processing and export of hydrocarbons and refined products with its core operations of oil and gas properties located in the Pre-Caspian and Mangystau basins of western Kazakhstan. The Company’s direct majority shareholder is Joint Stock Company National Company KazMunaiGas (“NC KMG” or the “Parent Company”), which represents the state’s interests in the Kazakh oil and gas industry and which holds 95% of the Company’s outstanding shares as at March 31, 2018 (December 31, 2017: 63%). The Parent Company is 90% owned by Joint Stock Company Sovereign Welfare Fund Samruk-Kazyna (“Samruk-Kazyna”), which is in turn 100% owned by the government of the Republic of Kazakhstan (the “Government”).

The Company conducts its principal operations through the wholly owned subsidiaries JSC “Ozenmunaigas” and JSC “Embamunaigas”. In addition, the Company has oil and gas interests in the form of wholly owned subsidiaries, jointly controlled entities, an associate and certain other controlling and non-controlling interests in non-core entities. These consolidated financial statements reflect the financial position and results of operations of all of the above interests.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard No. 34, Interim Financial Reporting (“IAS 34”) and should be read in conjunction with the Company’s annual consolidated financial statements for the year ended December 31, 2017.

These condensed consolidated interim financial statements are presented in Tenge and all values are rounded to the nearest million unless otherwise stated.

Exchange rates

The official exchange rate of the Kazakhstan Tenge to the US dollar at March 31, 2018 and December 31, 2017 was 318.31 and 332.33 Tenge to the US dollar, respectively. Any translation of Tenge amounts to US dollar or any other hard currency should not be construed as a representation that such Tenge amounts have been, could be or will in the future be converted into hard currency at the exchange rate shown or at any other exchange rate.

3. SEASONALITY OF OPERATIONS

The Company’s operating costs are subject to seasonal fluctuations, with higher capital expenditures and expenses for materials and repair, maintenance and other services usually expected in the later part of the year than in the first half of the year. These fluctuations are mainly due to the requirement to conduct formal public tenders in accordance with procurement rules set by Samruk-Kazyna.

4. ACCOUNTING POLICIES

The accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with those applied in the preparation of the annual consolidated financial statements for the year ended December 31, 2017, except as discussed below.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited) (continued)

Tenge million unless otherwise stated

4. ACCOUNTING POLICIES (continued)

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning January 1, 2018:

- IFRS 15 *Revenue from Contracts with Customers*
- IFRS 9 *Financial Instruments*

Based on the Company's analysis of IFRS 15, its revenue recognition method for contracts does not change with the application of the new standard, and revenue continues to be recorded on a month-by-month basis in accordance with actual invoices.

IFRS 9 brings together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Company has applied IFRS 9 on the required effective date of January 1, 2018 and did not restate comparative period information. The completion of a detailed impact assessment of the three aspects of IFRS 9 on the Consolidated Statement of Financial Position as at December 31, 2017 and the Consolidated Statement of Comprehensive Income for the three months ended March 31, 2017 resulted in no material effect.

5. PROPERTY, PLANT AND EQUIPMENT

During the three months ended March 31, 2018 the Company prepaid for and purchased property, plant and equipment with a cost of 32,506 million Tenge (three months ended March 31, 2017: 24,152 million Tenge).

Property, plant and equipment with the net book value of 634 million Tenge were disposed by the Company during the three months ended March 31, 2018, resulting in a net loss on disposal of 544 million Tenge (three months ended March 31, 2017: 1,065 million Tenge and net gain on disposal of 397 million Tenge, respectively).

6. INVESTMENTS IN JOINT VENTURES

	Ownership share	March 31, 2018	December 31, 2017
		Unaudited	Audited
Interest in JV Kazgermunai LLP ("Kazgermunai")	50%	54,804	49,517
Interest in JV Ural Group Limited BVI ("UGL")	50%	73,603	78,031
		128,407	127,548

Movement in investment in joint ventures during the period:

	Three months ended March 31,	
	2018	2017
	Unaudited	Unaudited
Carrying amount at January 1	127,548	144,532
Share of total comprehensive income	5,855	6,899
Foreign currency translation difference	(5,079)	(7,967)
Share in additional paid in capital	83	468
Carrying amount at March 31	128,407	143,932

Kazgermunai and UGL are non-listed companies and there is no quoted market price available for their shares.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited) (continued)

Tenge million unless otherwise stated

6. INVESTMENTS IN JOINT VENTURES (continued)

Kazgermunai

On April 24, 2007 the Company acquired from NC KMG a 50% participation interest in Kazgermunai, which is involved in oil and natural gas production in south central Kazakhstan.

The following table illustrates the summarized financial information of Kazgermunai based on its IFRS financial statements reflecting equity method accounting adjustments:

	March 31, 2018	December 31, 2017
	Unaudited	Audited
Cash and cash equivalents	70,868	37,914
Other current assets	8,366	8,467
Non-current assets	123,740	135,767
	202,974	182,148
Other current liabilities	65,284	54,424
Non-current liabilities	28,083	28,691
	93,367	83,115
Net assets	109,607	99,033
Proportion of the Company's ownership	50%	50%
Carrying value of the investment	54,804	49,517

	Three months ended March 31,	
	2018	2017
	Unaudited	Unaudited
Revenue	48,687	45,422
Operating expenses	(21,490)	(24,110)
- including depreciation and amortization	(7,517)	(6,902)
- including equity method accounting adjustments	(1,320)	(1,306)
Profit from operations	27,197	21,312
Finance income	412	502
Finance cost	(267)	(254)
Profit before tax	27,342	21,560
Income tax expense	(13,158)	(6,930)
Profit and other comprehensive income for the period	14,184	14,630
Company's share of the comprehensive income for the period	7,092	7,315

Kazgermunai cannot distribute its profits until it obtains consent from the two venture partners.

UGL

On April 15, 2011 the Company acquired from Exploration Venture Limited (EVL) 50% of the common shares of UGL. UGL holds 100% equity interest in Ural Oil and Gas LLP (UOG), which is involved in oil and gas exploration in west Kazakhstan. In April 2015 UOG obtained a production license for the Rozhkovskoye field. The production license is valid until April 2040. In May 2015 UOG has extended its exploration license for Fyodorovskoye field until May 2018.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited) (continued)

Tenge million unless otherwise stated

6. INVESTMENTS IN JOINT VENTURES (continued)

UGL (continued)

The following table illustrates the summarized financial information of UGL reflecting equity method accounting adjustments:

	March 31, 2018	December 31, 2017
	Unaudited	Audited
Cash and cash equivalents	70	47
Other current assets	20	10
Non-current assets	212,431	219,834
	212,521	219,891
Current liabilities	223	188
Non-current financial liabilities	54,333	54,733
Non-current liabilities	10,760	8,908
	65,316	63,829
Net assets	147,205	156,062
Proportion of the Company's ownership	50%	50%
Carrying value of the investment	73,603	78,031

	Three months ended March 31,	
	2018	2017
	Unaudited	Unaudited
Operating expenses	(202)	(241)
Loss from operations	(202)	(241)
Finance income	-	6
Finance cost	(1,969)	(422)
Loss before tax	(2,171)	(657)
Income tax expense	(302)	(175)
Loss and other comprehensive loss for the period	(2,473)	(832)
Company's share of the comprehensive loss for the period	(1,237)	(416)

During three months ended March 31, 2018 the Company provided interest free loans of 391 thousand US dollars (126 million Tenge) to UGL (three months ended March 31, 2017: 1,920 thousand US dollars or 619 million Tenge). On initial recognition, the loans are recognized at the fair value determined by discounting future cash flows. Investments in UGL are adjusted accordingly to recognize effect of discounting.

Carrying value of the loans from UGL totaled 87,464 thousand US dollars (27,841 million Tenge) at March 31, 2018 (December 31, 2017: 84,403 thousand US dollars or 28,049 million Tenge).

The fair value on initial and additional shareholder loans, which are given on an interest free basis, is determined by discounting future cash flows for the loan using a discount rate of 15%.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited) (continued)

Tenge million unless otherwise stated

7. INVESTMENTS IN ASSOCIATE

		March 31, 2018	December 31, 2017
	Ownership share	Unaudited	Audited
Interest in Petrokazakhstan Inc. ("PKI")	33%	116,604	116,970

PKI is a non-listed company and there is no quoted market price available for its shares. PKI is involved in field exploration, and development, oil and gas production, acquisition of oil fields and selling of crude oil and oil products. PKI's main oil and natural gas production assets are located in south central Kazakhstan. The Company acquired a 33 percent stake in PKI in December 2009.

The associate's reporting period of the financial statements is the same as Company's reporting period.

Movement in investment in associate during the reporting period:

	Three months ended March 31,	
	2018	2017
	Unaudited	Unaudited
Carrying amount at January 1	116,970	135,633
Share of the total comprehensive income	4,638	4,265
Foreign currency translation difference	(5,004)	(8,076)
Carrying amount at March 31	116,604	131,822

The following table illustrates the summarized financial information of PKI and reconciliation with the Company's carrying value of investment:

	March 31, 2018	December 31, 2017
	Unaudited	Audited
Cash and cash equivalents	47,289	45,919
Other current assets	44,358	38,985
Non-current assets	348,148	359,332
	439,795	444,236
Current liabilities	28,635	30,659
Non-current liabilities	57,814	59,122
	86,449	89,781
Net assets	353,346	354,455
Proportion of the Company's ownership	33%	33%
Carrying value of the investment	116,604	116,970

	Three months ended March 31,	
	2018	2017
	Unaudited	Unaudited
Revenue	37,971	34,666
Operating expenses	(30,019)	(30,644)
- including depreciation and amortization	(11,434)	(8,435)
- including equity method accounting adjustments	(5,003)	(4,864)
Income from operations	7,952	4,022
Share in profit of joint ventures	6,373	6,909
Finance income	48	78
Finance cost	(571)	(804)
Profit before tax	13,802	10,205
Income tax expense	(5,539)	(5,636)
Profit for the period	8,263	4,569
Other comprehensive income	5,792	8,356
Total comprehensive income	14,055	12,925
Company's share of the comprehensive income for the period	4,638	4,265

Notes to the Condensed Consolidated Interim Financial Statements (unaudited) (continued)

Tenge million unless otherwise stated

8. FINANCIAL ASSETS

Other financial assets

	March 31, 2018	December 31, 2017
	Unaudited	Audited
US dollar denominated held to maturity deposits	32,567	32,100
Tenge denominated held to maturity deposits	2,685	2,678
Allowance for held to maturity deposits	(352)	–
Total non-current	34,900	34,778
US dollar denominated term deposits	355,011	887,214
Great Britain pound denominated term deposits	2,469	2,473
Total current	357,480	889,687
	392,380	924,465

As at March 31, 2018 the non-current US dollar denominated held to maturity deposits include restricted deposits in the amount of 32,567 million Tenge (December 31, 2017: 32,100 million Tenge), which are kept in blocked accounts designated as a liquidation fund per requirements of subsoil use contracts.

As at March 31, 2018 the Company accrued 352 million Tenge of provision for expected credit loss on non-current held to maturity deposits.

Trade and other receivables

	March 31, 2018	December 31, 2017
	Unaudited	Audited
Trade receivables	123,970	131,272
Dividends receivable	–	1,121
Other	1,332	1,291
Allowance for doubtful receivables	(2,173)	(1,004)
	123,129	132,680

As at March 31, 2018 the Company's trade receivables included receivables from sales of crude oil to KazMunaiGaz Trading AG ("KMG Trading"), subsidiary of the Parent Company, amounting to 74,767 million Tenge (December 31, 2017: 90,323 million Tenge).

As at March 31, 2018 the Company's trade receivables also included receivables from sales of refined products to KazMunaiGas Onimderiy LLP ("KMG Onimderiy"), subsidiary of the Parent Company, amounting to 44,042 million Tenge (December 31, 2017: 36,874 million Tenge). Trade receivables from KMG Onimderiy included 28,791 million Tenge that is overdue (December 31, 2017: 22,714 million Tenge).

As at March 31, 2018 the Company accrued 1,169 million Tenge of additional provision for expected credit loss on trade receivables.

Cash and cash equivalents

	March 31, 2018	December 31, 2017
	Unaudited	Audited
US dollar denominated term deposits with banks	66,277	392,350
Tenge denominated term deposits with banks	28,495	19,613
US dollar denominated cash in banks and on hand	219,898	8,724
Tenge denominated cash in banks and on hand	790	294
Other currency denominated cash in banks and on hand	1,364	662
	316,824	421,643

Notes to the Condensed Consolidated Interim Financial Statements (unaudited) (continued)

Tenge million unless otherwise stated

9. SHARE CAPITAL

	Shares outstanding	
	Number of shares	Tenge million
As at January 1, 2017	68,371,867	165,343
Reduction of treasury stock due to exercise of share options	6,673	75
As at December 31, 2017	68,378,540	165,418
Increase of treasury stock due to share buyback	(22,761,458)	(618,308)
As at March 31, 2018	45,617,082	(452,890)

Shares outstanding

During the three months ended March 31, 2018 the weighted average number of all shares outstanding amounted to 58,503,197 shares (three months ended March 31, 2017: 68,372,648 shares).

On December 8, 2017 the Company announced the launch of a conditional tender offer (the “Tender Offer”) to repurchase all of its outstanding GDRs at a price of 14.00 US dollars per GDR. On January 23, 2018 the Company also announced the launch of an offer to repurchase all of its common shares (the “Share Offer”) placed on KASE at a price of 84.00 US dollars per a common share. The Company acquired 134,070,054 GDRs and 320,688 common shares on February 19, 2018 the first settlement date of the Tender Offer and the Share Offer.

Book value per share

The Kazakhstan Stock Exchange has enacted on October 11, 2010 a requirement for disclosure of the total equity less other intangible assets per shares outstanding as at period end. As at March 31, 2018 the amount per share outstanding is 32,706 Tenge (December 31, 2017: 30,790 Tenge).

Share

10. PROVISIONS

	March 31, 2018	December 31, 2017
	Unaudited	Audited
Environmental remediation	23,359	22,824
Taxes and related fines and penalties	22,936	22,936
Asset retirement obligation	20,458	19,942
Employee benefit liability	18,040	17,938
	84,793	83,640

11. REVENUE

	Three months ended March 31,	
	2018	2017
	Unaudited	Unaudited
Export:		
Crude oil	193,253	151,621
Refined products	24,341	18,649
Gas products	–	122
Domestic (Note 17):		
Gas products	2,851	2,091
Refined products	48,616	38,955
Other sales and services	1,365	2,288
	270,426	213,726

Notes to the Condensed Consolidated Interim Financial Statements (unaudited) (continued)

Tenge million unless otherwise stated

12. PRODUCTION EXPENSES

	Three months ended March 31,	
	2018	2017
	Unaudited	Unaudited
Employee benefits	43,331	41,374
Refinery processing costs	19,778	12,960
Repairs and maintenance	7,610	4,364
Energy	5,693	5,632
Materials and supplies	4,320	5,266
Transportation services	1,890	1,453
Change in crude oil balance	(1,477)	(3,577)
Other	1,963	2,607
	83,108	70,079

13. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended March 31,	
	2018	2017
	Unaudited	Unaudited
Transportation expenses	24,825	23,713
Employee benefits	4,455	4,139
Consulting and audit services	685	459
Repairs and maintenance	151	228
Net accrual / (reversal) of fines and penalties	302	(3,935)
Other	1,564	828
	31,982	25,432

14. TAXES OTHER THAN ON INCOME

	Three months ended March 31,	
	2018	2017
	Unaudited	Unaudited
Export customs duty	28,507	23,468
Rent tax	28,261	17,724
Mineral extraction tax	25,170	21,426
Property tax	1,709	1,465
Other taxes	4,300	1,512
	87,947	65,595

15. INCOME TAX EXPENSE / (BENEFIT)

	Three months ended March 31,	
	2018	2017
	Unaudited	Unaudited
Corporate income tax	6,188	(2,787)
Excess profit tax	(3,203)	(1,688)
Current income tax	2,985	(4,475)
Corporate income tax	1,742	2,621
Excess profit tax	1,486	–
Deferred income tax	3,228	2,621
Income tax expense / (benefit)	6,213	(1,854)

Notes to the Condensed Consolidated Interim Financial Statements (unaudited) (continued)

Tenge million unless otherwise stated

16. RELATED PARTY TRANSACTIONS

The category ‘entities under common control’ comprises entities controlled by the Parent Company. The category ‘other state controlled entities’ comprises entities controlled by Samruk-Kazyna.

Sales and purchases with related parties during the three months ended March 31, 2018 and 2017 and the balances with related parties at March 31, 2018 and December 31, 2017 are as follows:

	Three months ended March 31,	
	2018	2017
	Unaudited	Unaudited
Revenue and other income		
Entities under common control	233,282	186,720
Joint ventures	1,456	1,199
Associate	21	5
Other state controlled entities	35	1
Purchases of goods and services		
Entities under common control	31,746	25,572
Other state controlled entities	4,324	5,755
Joint ventures	173	270
Interest earned on financial assets		
Interest earned on loans to Joint ventures	951	1,013
Average nominal interest rate on loans to Joint ventures	0.00%	0.00%
Salaries and other short-term benefits		
Members of the Board of Directors	58	55
Members of the Management Board	264	96

	March 31, 2018	December 31, 2017
	Unaudited	Audited
Trade and other receivables, prepaid expenses		
Entities under common control	126,688	134,513
Joint ventures	67,142	67,898
Other state-controlled entities	1,677	1,611
Associate	5	5
Trade payables		
Entities under common control	1,518	3,308
Other state controlled entities	616	695
Joint ventures	203	781

Notes to the Condensed Consolidated Interim Financial Statements (unaudited) (continued)

Tenge million unless otherwise stated

17. COMMITMENTS AND CONTINGENCIES

Operating environment

Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstan economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government.

Local market obligation

The Kazakhstan government requires oil producers to supply a portion of their crude oil production to meet domestic energy requirements. If the Government does require additional crude oil to be delivered over and above the quantities currently supplied by the Company, such supplies will take precedence over market sales and will generate substantially less revenue than crude oil sold on the export market, which may materially and adversely affect the Company's business, prospects, financial condition and results of operations.

Starting from April 1, 2016 the Company ceased sales of crude oil to KMG its Parent Company to meet its local market obligation and started tolling crude oil at Atyrau Refinery ("ANPZ") and Pavlodar Refinery ("PNHZ"), who are under the ownership and control of the Parent Company, and selling refined products on its own account.

In 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 by either refusal to allow export of 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.

Taxation

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe. Due to uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at March 31, 2018.

The Company's management believes its interpretations of the tax legislation are appropriate and that the Company has justifiable arguments for its tax positions.

Environment

Environmental regulation in Kazakhstan is evolving and subject to ongoing changes. Penalties for violations of Kazakhstan's environmental laws can be severe. Other than those amounts provided for in provisions (Note 10) management believes that there are no probable environmental liabilities, which could have a material adverse effect on the Company's financial position, statement of comprehensive income or cash flows.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited) (continued)

Tenge million unless otherwise stated

17. COMMITMENTS AND CONTINGENCIES (continued)

Oilfield licenses

The Company is subject to periodic reviews of its activities by governmental authorities with respect to the requirements of its oilfield licenses and related subsoil use contracts. Management cooperates with governmental authorities to agree on remedial actions necessary to resolve any findings resulting from these reviews. Failure to comply with the terms of a license could result in fines, penalties, license limitation, suspension or revocation. The Company's management believes that any issues of non-compliance will be resolved through negotiations or corrective actions without any material effect on the Company's financial position, statement of income or statement of cash flows.

The Company's oil and gas fields are located on land belonging to the Mangistau and Atyrau regional administrations. Licenses were issued by the Ministry of Oil and Gas of the Republic of Kazakhstan. The Company pays mineral extraction and excess profits tax to explore and produce oil and gas from these fields.

The principle licenses of the Company and their expiry dates are:

Field	Contract	Expiry date
Uzen (8 fields)	No. 40	2036
Emba (1 field)	No. 37	2041
Emba (1 field)	No. 61	2048
Emba (23 fields)	No. 211	2037
Emba (15 fields)	No. 413	2043

Commitments arising from oilfield licenses

Year	Capital expenditures	Operational expenditures
2018 (<i>remaining</i>)	104,397	3,676
2019	11,760	3,750
2020	4,009	3,701
2021-2048	–	16,990
	120,166	28,117

Crude oil supply commitments

The Company has obligations to supply oil and oil products to the local market under government directives.

Commitments of Kazgermunai

The Company's share in the commitments of Kazgermunai is as follows as at March 31, 2018:

Year	Capital expenditures	Operational expenditures
2018 (<i>remaining</i>)	5,514	3,229

Commitments of UGL

The Company's share in the commitments of UGL is as follows as at March 31, 2018:

Year	Capital expenditures	Operational expenditures
2018 (<i>remaining</i>)	558	445

**Notes to the Condensed Consolidated Interim Financial Statements (unaudited)
(continued)**

Tenge million unless otherwise stated

17. COMMITMENTS AND CONTINGENCIES (continued)

Commitments of PKI

The Company's share in the commitments of PKI is as follows as at March 31, 2018:

Year	Capital expenditures
2018 (remaining)	1.567

18. SUBSEQUENT EVENTS

Final settlement under the Tender Offer and Share Offer

On April 5, 2018 the final settlement under the Tender Offer and the Share Offer was made and required a payment of 6,617 million Tenge to acquire 1,384,856 GDRs and 15,896 common shares which were tendered and will be held as treasury shares.

Notice of intent to delist from London Stock Exchange ("LSE") and Kazakhstan Stock Exchange ("KASE")

On April 11, 2018 the Company submitted notices to the Financial Conduct Authority to cancel the standard listing of the GDRs on the Official List and to the LSE to cancel admission of the GDRs to trading on the main market of the LSE. In accordance with UK Listing Rule 5.2.8, the Company is required to give at least 20 business days' advance notice of its LSE delisting. On April 11, 2018 the Company also submitted an application for the delisting of the common shares and the GDRs to the Listing Commission of the KASE.

Board of Directors recommendation on dividends payment

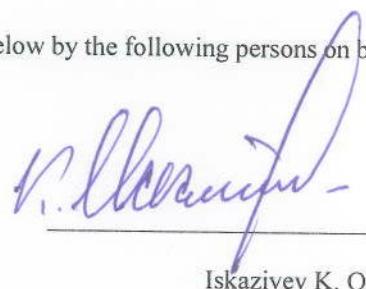
On April 12, 2018, the Board of Directors has recommended not to pay dividends on common shares related to 2017 financial results. In accordance with the Company's Charter, an annual minimum guaranteed dividend in an amount of 25 Tenge per share was approved for preferred shares. This decision is subject to approval by the shareholders at the Annual General Meeting of Shareholders set for May 22, 2018.

Dividends declared by PKI

On April 9, 2018 the partners of PKI agreed to distribute 100 million US dollars as a dividend payment (the Company's share is 33 million US dollars).

These condensed consolidated interim financial statements have been signed below by the following persons on behalf of the Company and in the capacities indicated on April 26, 2018:

Chief Executive Officer



Iskaziye K. O.

Chief Financial Officer



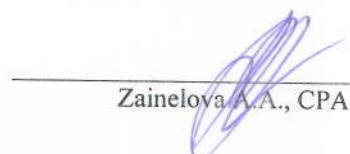
Abdulgafarov D.E.

Financial Director – Financial Controller



Drader S.A., CA

Chief Accountant



Zainelova A.A., CPA

Contact information

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