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 National Company KazMunaiGas JSC ("NC KMG" or the "Parent Company"), which represents the state's interests in the Kazakh oil and gas industry and which holds 63% of the Company's outstanding shares as at September 30, 2017 (December 31, 2016: 63%). The Parent Company is 90% owned by Samruk-Kazyna Sovereign Welfare Fund JSC ("Samruk-Kazyna SWF"), 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 "Ozenmunaigas" JSC and "Embamunaigas" JSC. 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, 2016.

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 September 30, 2017 and December 31, 2016 was 341.19 and 333.29 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 SWF.

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, 2016, except as discussed below.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning January 1, 2017:

- IAS 12 — *Income Taxes Recognition of Deferred Tax Assets for Unrealised Losses* (Amendments)
- IAS 7 — *Statement of Cash Flows Disclosure Initiative* (Amendments)

The adoption of these standards and amendments did not have any impact on the financial position or performance of the Company.

5. BUSINESS COMBINATION

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

KS EP Investments is a subsoil use right holder under the Contract for Exploration of Oil, Gas and Condensate at Karpovskiy Severniy contract area in the Western Kazakhstan region. The exploration license expired on June 30, 2017 and currently an extension is being negotiated with the Ministry of Oil and Gas of Kazakhstan.

The following table summarises the consideration paid for KS EP Investments and the amounts of the assets acquired and liabilities assumed at the acquisition date:

	Fair value as of 15 June, 2017
Other financial assets	**119**
Cash in banks	**181**
Total assets	**300**
Accrued liability	**(2,547)**
Withholding tax payable	**(981)**
Provisions	**(422)**
Trade payable	**(21)**
Other current liabilities	**(2)**
Total liabilities	**(3,973)**
Total identifiable net liabilities	**(3,673)**
Less:	
Fair value of previously held investment in 51% of KS EP Investments	–
Consideration paid	–
Total consideration transferred	–
Loss on acquisition	**(3,673)**
Other comprehensive income reclassified to profit and loss	**424**
Net loss on acquisition	**(3,249)**

The Company and MOL had a preexisting relationship with KS EP Investments in the form of a loan issued and expiring on June 30, 2017 with a 6.7% annual interest rate. At the moment the Company is in a process of loan restructuring. Total undiscounted outstanding balance of loan including interest accrued comprised 106,880 thousands US Dollars (33,950 million Tenge) at acquisition date.

Considering that the Company fully impaired its 51% share in loan receivable from KS EP Investments and acquired the right for 49% of loan receivable from KS EP Investments for 0.5 US Dollars, the fair value of 100% receivable from KS EP is valued at zero at the acquisition date. Accordingly, the loan payable of KS EP Investments was also valued at zero as of June 15, 2017, and the Company has recorded a loss on acquisition of a subsidiary in the amount of 3,249 million Tenge included in these accounts. As the investments in KS EP Investments were fully impaired, difference between consideration paid and net liabilities acquired was expensed to profit and loss.

The loss incurred by KS EP Investments for the period from June 15, 2017 till September 30, 2017 is 2,620 million Tenge and the amount of loss that would have been incurred if the acquisition took place at the beginning of 2017 is 1,341 million Tenge.

6. PROPERTY, PLANT AND EQUIPMENT

During the nine months ended September 30, 2017 the Company prepaid for and purchased property, plant and equipment with a cost of 71,401 million Tenge (nine months ended September 30, 2016: 67,107 million Tenge).

Property, plant and equipment with the net book value of 1,729 million Tenge were disposed by the Company during the nine months ended September 30, 2017, resulting in a net loss on disposal of 192 million Tenge (nine months ended September 30, 2016: 1,533 million Tenge and net loss of 532 million Tenge, respectively).

7. INVESTMENTS IN JOINT VENTURES

	Ownership share	September 30, 2017 Unaudited	December 31, 2016 Audited
Interest in JV Kazgermunai LLP ("Kazgermunai")	50%	**46,941**	71,634
Interest in JV Ural Group Limited BVI ("UGL")	50%	**74,054**	72,898
		120,995	144,532

Movement in investment in joint ventures during the period:

	Nine months ended September 30, 2017 Unaudited	Nine months ended September 30, 2016 Unaudited
Carrying amount at January 1	**144,532**	154,453
Share of total comprehensive income	**14,351**	2,963
Dividends declared	**(40,954)**	–
Foreign currency translation difference	**2,397**	(1,818)
Share in additional paid in capital	**669**	1,528
Carrying amount at September 30	**120,995**	157,126

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

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:

	September 30, 2017 Unaudited	December 31, 2016 Audited
Cash and cash equivalents	**16,936**	39,695
Other current assets	**19,317**	11,151
Non-current assets	**142,443**	153,839
	178,696	204,685
Other current liabilities	**54,097**	33,907
Non-current liabilities	**30,718**	27,510
	84,815	61,417
Net assets	**93,881**	143,268
Proportion of the company's ownership	**50%**	50%
Carrying value of the investment	**46,941**	71,634

	Nine months ended September 30, 2017 Unaudited	Nine months ended September 30, 2016 Unaudited
Revenue	**140,434**	112,602
Operating expenses	**(67,941)**	(92,250)
- *including depreciation and amortization*	***(20,566)***	*(28,454)*
- *including equity method accounting adjustments*	***(4,731)***	*(6,290)*
Profit from operations	**72,493**	20,352
Finance income	**1,192**	660
Finance cost	**(762)**	(815)
Profit before tax	**72,923**	20,197
Income tax expense	**(41,800)**	(12,242)
Profit and other comprehensive income for the period	**31,123**	7,955
Company's share of the comprehensive income for the period	**15,562**	3,978

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

7. INVESTMENTS IN JOINT VENTURES (continued)

UGL

On April 15, 2011 the Company acquired from Exploration Venture Limited (EVL) 50% of UGL common shares. 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.

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

	September 30, 2017	December 31, 2016
	Unaudited	Audited
Cash and cash equivalents	**57**	297
Other current assets	**28**	13
Non-current assets	**226,708**	215,892
	226,793	216,202
Current liabilities	**104**	1,743
Non-current financial liabilities	**66,747**	57,970
Non-current liabilities	**11,835**	10,694
	78,686	70,407
Net assets	**148,107**	145,795
Proportion of the company's ownership	**50%**	50%
Carrying value of the investment	**74,054**	72,898

	Nine months ended September 30,	
	2017	2016
	Unaudited	Unaudited
Revenue	–	6
Operating expenses	**(624)**	(492)
Loss from operations	**(624)**	(486)
Finance income	**7**	13
Finance cost	**(1,365)**	(1,205)
Loss before tax	**(1,982)**	(1,678)
Income tax expense	**(440)**	(352)
Loss and other comprehensive loss for the period	**(2,422)**	(2,030)
Company's share of the comprehensive loss for the period	**(1,211)**	(1,015)

During nine months ended September 30, 2017 the Company provided interest free loans in the amount of 2,913 thousand US Dollars (942 million Tenge) to UGL (nine months ended September 30, 2016: 7,350 thousand US Dollars or 2,538 million Tenge). On initial recognition, the loans are recognized at the fair value determined by discounting anticipated future cash flows. Investments in UGL are adjusted accordingly to recognize effect of discounting.

Carrying value of the loans from UGL totaled 99,873 thousand US Dollars (34,076 million Tenge) at September 30, 2017 (December 31, 2016: 88,927 thousand US Dollars or 29,638 million Tenge).

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

8. INVESTMENTS IN ASSOCIATE

	Ownership share	September 30, 2017 Unaudited	December 31, 2016 Audited
Interest in Petrokazakhstan Inc. ("PKI")	33%	**132,115**	135,633

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:

	Nine months ended September 30,	
	2017	**2016**
	Unaudited	**Unaudited**
Carrying amount at January 1	**135,633**	154,241
Share of the total comprehensive income/(loss)	**4,288**	(9,331)
Dividends declared	**(10,545)**	–
Foreign currency translation difference	**2,739**	(1,591)
Carrying amount at September 30	**132,115**	143,319

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

	September 30, 2017 Unaudited	December 31, 2016 Audited
Cash and cash equivalents	**90,604**	54,443
Other current assets	**40,792**	42,735
Non-current assets	**380,891**	433,384
	512,287	530,562
Current liabilities	**21,954**	20,300
Non-current liabilities	**89,985**	99,253
	111,939	119,553
Net assets	**400,348**	411,009
Proportion of the company's ownership	**33%**	33%
Carrying value of the investment	**132,115**	135,633

	Nine months ended September 30,	
	2017	**2016**
	Unaudited	**Unaudited**
Revenue	**98,903**	90,590
Operating expenses	**(86,061)**	(119,822)
- including depreciation and amortization	***(24,439)***	*(40,340)*
- including equity method accounting adjustments	***(17,864)***	*(25,373)*
Income/(loss) from operations	**12,842**	(29,232)
Share in profit of joint ventures	**19,381**	8,513
Finance income	**189**	198
Finance cost	**(2,403)**	(4,140)
Income/(loss) before tax	**30,009**	(24,661)
Income tax expense	**(18,429)**	(7,355)
Profit/(Loss) for the period	**11,580**	(32,016)
Other comprehensive income	**1,415**	3,740
Total comprehensive income/(loss)	**12,995**	(28,276)
Company's share of the comprehensive income/(loss) for the period	**4,288**	(9,331)

9. FINANCIAL ASSETS

Other financial assets

	September 30, 2017	December 31, 2016
	Unaudited	Audited
US Dollar denominated held to maturity deposits	**34,091**	33,276
Tenge denominated held to maturity deposits	**2,937**	2,682
Other	**3**	3
Total non-current	**37,031**	35,961
US Dollar denominated term deposits	**1,039,389**	980,958
Great Britain pound denominated term deposits	**2,511**	2,299
Total current	**1,041,900**	983,257
	1,078,931	1,019,218

As at September 30, 2017 the non-current US Dollar denominated held to maturity deposits include restricted deposits in the amount of 34,091 million Tenge (December 31, 2016: 33,276 million Tenge), which are kept in blocked accounts designated as a liquidation fund per requirements of subsoil use contracts.

Trade and other receivables

	September 30, 2017	December 31, 2016
	Unaudited	Audited
Trade receivables	**88,610**	73,348
Dividends receivable	**4,911**	670
Other	**1,111**	1,178
Allowance for doubtful receivables	**(1,263)**	(1,075)
	93,369	74,121

As at September 30, 2017 the Company's trade receivables included related party receivables from sales of crude oil to KazMunaiGaz Trading AG ("KMG Trading"), subsidiary of the Parent Company, amounting to 79,556 million Tenge (December 31, 2016: 57,503 million Tenge).

As at September 30, 2017 the Company's trade receivables also included related party receivables from sale of refined products to KazMunaiGas Onimdery LLP ("KMG Onimdery"), a subsidiary of Kazmunaigaz – Refining Marketing JSC ("KMG RM"), amounting to 5,501 million Tenge (December 31, 2016: 13,704 million Tenge).

None of the related parties receivables as of September 30, 2017 are overdue.

Cash and cash equivalents

	September 30, 2017	December 31, 2016
	Unaudited	Audited
US Dollar denominated term deposits with banks	**117,769**	34,957
Tenge denominated term deposits with banks	**26,879**	30,078
US Dollar denominated cash in banks and on hand	**143,069**	95,402
Tenge denominated cash in banks and on hand	**1,600**	1,467
Great Britain pound denominated cash in bank and on hand	**245**	187
	289,562	162,091

Tenge million unless otherwise stated

10. SHARE CAPITAL

Shares outstanding

During the nine months ended September 30, 2017 the weighted average number of all shares outstanding amounted to 68,375,341 shares (nine months ended September 30, 2016: 68,254,228 shares).

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 September 30, 2017 the amount per share outstanding is 30,639 Tenge (December 31, 2016: 28,240 Tenge).

Dividends declared

On May 23, 2017 the Company held an Annual General Meeting, where shareholders approved the annual dividend in the amount of 289 Tenge per one ordinary and preferred share (nine months ended September 30, 2016: 25 Tenge per one preferred share) with a record date of June 2, 2017.

11. PROVISIONS

	September 30, 2017	**December 31, 2016**
	Unaudited	**Audited**
Taxes and related fines and penalties	**30,733**	43,386
Environmental remediation	**23,293**	14,256
Asset retirement obligation	**21,319**	17,170
Employee benefit liability	**17,353**	16,414
	92,698	91,226

An obligation has been recognized for asset retirement costs associated with the approved plan to return depleted oil fields to the Government. The Company has recognized an additional provision for environmental remediation related to historical contamination at its oil and gas fields. The Company engaged external consultants to estimate the provisions.

12. REVENUE

	Three months ended September 30,		**Nine months ended September 30,**	
	2017	**2016**	**2017**	**2016**
	Unaudited	**Unaudited**	**Unaudited**	**Unaudited**
Export				
Crude oil	**175,886**	138,689	**487,648**	373,367
Refined products	**12,757**	21,051	**48,996**	37,750
Gas products	**–**	–	**125**	162
Domestic (Note 18)				
Refined products	**33,631**	36,927	**112,634**	75,288
Gas products	**2,996**	2,553	**7,556**	5,452
Crude oil	**2**	66	**6**	15,459
Other sales and services	**3,266**	2,054	**8,551**	7,228
	228,538	201,340	**665,516**	514,706

13. PRODUCTION EXPENSES

	Three months ended September 30,		**Nine months ended September 30,**	
	2017	**2016**	**2017**	**2016**
	Unaudited	**Unaudited**	**Unaudited**	**Unaudited**
Employee benefits	**41,618**	37,734	**122,293**	108,094
Refinery processing costs	**11,678**	15,853	**39,797**	31,823
Repairs and maintenance	**9,241**	7,180	**22,191**	16,962
Energy	**5,170**	5,113	**15,992**	15,534
Materials and supplies	**6,299**	4,052	**14,967**	13,141
Transportation services	**1,906**	1,446	**5,241**	3,900
Recognition of environmental remediation obligation (Note 11)	**8,871**	–	**8,871**	–
Asset retirement obligation on depleted oil fields (Note 11)	**1,570**	–	**1,570**	–
Change in crude oil balance	**(7,952)**	(1,505)	**(7,642)**	(419)
Other	**2,404**	2,282	**7,068**	6,329
	80,805	72,155	**230,348**	195,364

Tenge million unless otherwise stated

14. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	**2017**	2016
	Unaudited	**Unaudited**	**Unaudited**	**Unaudited**
Transportation expenses	**25,332**	22,826	**75,021**	68,779
Employee benefits	**5,231**	3,960	**13,862**	11,979
Consulting and audit services	**661**	1,865	**1,565**	2,919
Repairs and maintenance	**268**	494	**742**	901
Sponsorship	**322**	377	**564**	1,528
Agency fee (Note 18)	**–**	1,803	**–**	3,605
Net (reversal)/accrual of fines and penalties (Note 18)	**87**	(2,029)	**(2,804)**	(601)
Other	**1,708**	2,621	**3,862**	5,404
	33,609	31,917	**92,812**	94,514

15. TAXES OTHER THAN ON INCOME

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	**2017**	2016
	Unaudited	**Unaudited**	**Unaudited**	**Unaudited**
Export customs duty	**23,136**	22,067	**72,033**	55,530
Mineral extraction tax	**24,130**	7,394	**65,430**	39,661
Rent tax	**21,435**	3,768	**51,386**	13,411
Property tax	**1,692**	1,704	**4,819**	5,028
Other taxes	**4,255**	1,560	**7,966**	2,173
	74,648	36,493	**201,634**	115,803

16. INCOME TAX EXPENSE

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	**2017**	2016
	Unaudited	**Unaudited**	**Unaudited**	**Unaudited**
Corporate income tax	**22,596**	8,002	**36,144**	19,386
Excess profit tax/(benefit)	**1,810**	(922)	**1,235**	(914)
Current income tax	**24,406**	7,080	**37,379**	18,472
Corporate income (benefit)/tax	**(2,157)**	3,331	**(919)**	9,521
Excess profit tax benefit	**(1,009)**	–	**(797)**	–
Deferred income (benefit)/tax	**(3,166)**	3,331	**(1,716)**	9,521
Income tax expense	**21,240**	10,411	**35,663**	27,993

17. 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 SWF.

Sales and purchases with related parties during the nine months ended September 30, 2017 and 2016 and the balances with related parties at September 30, 2017 and December 31, 2016 are as follows:

	Nine months ended September 30,	
	2017	2016
	Unaudited	Unaudited
Revenue and other income		
Entities under common control	**575,890**	451,487
Joint ventures	**3,661**	3,348
Associate	**16**	23
Other state controlled entities	**6**	164
Purchases of goods and services		
Entities under common control	**73,175**	72,136
Other state controlled entities	**16,922**	16,056
Joint ventures	**1,034**	274
Salaries and other short-term benefits		
Members of the Board of Directors	**208**	226
Members of the Management Board	**425**	448
Share-based payments		
Members of the Management Board	**–**	914

	September 30, 2017	December 31, 2016
	Unaudited	Audited
Prepaid expenses and trade and other receivables		
Entities under common control	**98,590**	77,992
Joint ventures	**78,629**	64,626
Other state controlled entities	**2,552**	872
Associate	**6**	11
Trade and other payables		
Entities under common control	**2,588**	3,771
Joint ventures	**584**	684
Other state controlled entities	**471**	275

18. 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. The price for such supplies of crude oil prior to April 1, 2016, was subject to agreement with the Parent Company and this price could have been materially below international market prices. 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.

18. COMMITMENTS AND CONTINGENCIES (continued)

Local market obligation (continued)

Starting from April 1, 2016 the Company ceased sales of crude oil to KMG RM 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. On January 1, 2017 the Company ceased using KMG RM as its sales agent.

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 September 30, 2017.

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

2009-2012 Comprehensive tax audit

The Company sent an appeal for the amount of 13,486 million Tenge, which was fully provided for as at December 31, 2016, to the appropriate courts. In March 2017 the Court of Astana reduced the amount of principal from 7,012 million Tenge to 3,263 million Tenge. In June 2017, the Chamber for Appeal of the Supreme Court partially dismissed the decision of the Court of Astana and increased the principal amount of the claim from 3,263 million Tenge to 4,232 million Tenge and related penalty in the amount of 1,258 million Tenge. As per decision of Special Interdistrict Administrative court of Astana administrative fine is amounted to 1,044 million Tenge. The accompanying financial statements include provision for the entire claim balance.

VAT recoverability

As of September 30, 2017 "Ozenmunaigas" JSC collected 20,500 million Tenge of VAT and 5,573 million Tenge has been confirmed to be received before year end out of the 28,126 million Tenge applied for VAT recoverabilty. "Embamunaigas" JSC received 4,033 million Tenge out of the 6,039 million Tenge claimed. The accompanying financial statements include provision for VAT balances that were not confirmed recoverable, "Ozenmunaigas" JSC – 2,053 million Tenge, "Embamunaigas" JSC – 2,006 million Tenge.

Return of tax prepayments

In May 2017 the tax authorities returned previously required prepayments for CIT, EPT and MET related to the 2016 tax year in the amounts of 20,000 million Tenge, 1,399 million Tenge and 5,661 million Tenge, respectively.

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 11) 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.

18. 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 governental 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
2017 (remaining)	59,658	1,173
2018	10,931	4,583
2019	7,711	4,110
2020-2048	2,832	20,887
	81,132	**30,753**

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 September 30, 2017:

Year	Capital expenditures	Operational expenditures
2017 *(remaining)*	2,279	2,368

Commitments of UGL

The Company's share in the commitments of UGL is as follows as at September 30, 2017:

Year	Capital expenditures	Operational expenditures
2017 *(remaining)*	159	481

18. COMMITMENTS AND CONTINGENCIES (continued)

Commitments of PKI

The Company's share in the commitments of PKI is as follows as at September 30, 2017:

Year	**Capital expenditures**
2017 *(remaining)*	1,715

19. SUBSEQUENT EVENTS

Dividends declared by PKI

On October 11, 2017 the partners of PKI agreed to distribute 100 million US Dollars as a dividend payment (the Company's share is 33 million US Dollars).

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 November 7, 2017:

Chief Executive Officer	Iskaziyev K. O.
Chief Financial Officer	Abdulgafarov D. E.
Financial Director – Financial Controller	Drader Sh., CA
Chief Accountant	Zainelova A.A., CPA

Contact information

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