OPERATING AND FINANCIAL REVIEW

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 condensed consolidated interim financial statements of the Company and should be read in conjunction with those statements and the accompanying notes. All the financial data and discussions thereof are based on condensed consolidated interim financial statements prepared in accordance with IFRS.

Overview

KazMunaiGas Exploration Production Joint Stock Company ("the Company" or "KMG EP") is engaged in the exploration, development, production, processing, export of hydrocarbons and the acquisition of oil and gas assets. The Company's core operations are oil and gas properties located in the Pre-Caspian, Mangistau and Southern Torgai basins. The Company's 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 conducts its core production activities at 47 oil and gas fields, including JSC "Ozenmunaigas" ("OMG"), which consists of 2 fields, JSC "Embamunaigas" ("EMG"), which consists of 40 fields and "Kazakh Gas Refinery" LLP which consists of 5 fields. The Company also has a 50% interest in joint venture Kazgermunai LLP, CCEL, Ural Group Limited BVI ("UGL") and a 33% interest in its associate PetroKazakhstan Inc.

The Company is carrying out onshore exploration in the areas of Liman, Taisoigan, R-9, Karaton-Sarkamys, Uzen-Karamandybas, Novobogatinsk Western, Fedorovskiy block ("UGL"), Karpovskiy Severniy ("Karpovskiy Severnyi JSC"), Temir, Teresken, Zharkamys Eastern -1 ("KMG EP Exploration assets") and also holds a 35% interest in the license to farm-in into a BG Group operated license in the United Kingdom Central North Sea – a production license which contains the White Bear prospect.

The Company's total oil production for 9m 2012, together with the share of its joint ventures and its associate companies, was approximately 9,108k tonnes or 246kbopd. This includes oil derived from its 50% share in JV Kazgermunai LLP, its 50% share in CCEL and its 33% stake in PetroKazakhstan Inc. OMG and EMG produced 156kbopd with a further 40 kbopd from PetroKazakhstan Inc., 32 kbopd from JV Kazgermunai LLP and 19 kbopd from CCEL.

Further details of the above joint ventures and associate are given in the section entitled: Overview of Associate and Joint Ventures Operations. Elsewhere in this Operating and Financial Review the discussion is limited to the core assets of the Company (OMG, EMG and 100% subsidiaries) unless indicated otherwise.

Business Environment and Outlook

Macroeconomic factors affecting the Company's financial performance for the 9m 2012 under review include movements in crude oil prices, domestic inflation, and foreign exchange rates, particularly the Tenge-US dollar rate.

Business Environment for 9m 2012

The average Brent price in 9m 2012 was US$112.24 per barrel, which is almost the same as in the 9m 2011.

Q3 2012	Q2 2012	Q3 2011	Q3 on Q3 change		9m 2012	9m 2011	Change
	(US$ /bbl)		%		(US$ /bbl)		%
109.50	108.29	113.41	-3%	Brent (DTD)	112.24	111.89	0%

Most of the Company's revenues, financial assets and borrowings are denominated in US dollars, while most of the Company's operating expenses are denominated in Tenge. The Company manages currency risk by reducing or increasing the share of financial instruments denominated in US dollars in its portfolio.

Tenge-US dollar exchange rates and domestic inflation, as measured by the consumer price index ("CPI") were as follows:

Q3 2012	Q2 2012	Q3 2011	Q3 on Q3 change		9m 2012	9m 2011	Change
149.67	148.18	146.55	2%	Average US$ vs KZT	148.66	146.19	2%
1.2%	1.6%	1.1%	9%	CPI	3.9%	6.2%	-37%
149.86	149.42	147.87	1%	US$ vs KZT at balance sheet date	149.86	147.87	1%

Source: National Bank of Kazakhstan

The Tenge weakened against the US dollar from average 146.19 KZT/US$ in 9m 2011 to 148.66 KZT/US$ in 9m 2012. The inflation rate in 9m 2012 was 3.9% compared to 6.2% in 9m 2011.

Production Activity

Production of crude oil from core assets in 9m 2012 was 5,795k tonnes which was 2% lower than in 9m 2011.

Q3 2012	Q2 2012	Q3 2011	Q3 on Q3 change		9m 2012	9m 2011	Change
1,232	1,231	1,056	17%	OMG	3,699	3,788	-2%
720	701	721	0%	EMG	2,096	2,103	0%
1,952	**1,932**	**1,777**	**10%**	**Total production**	**5,795**	**5,891**	**-2%**

As previously reported, decrease in production in comparison with the previous year equivalent period was due to increase of idle wells, low turnaround time and non-execution of geological and technical measures creating a backlog from the crude oil production plan. It was also related to poor quality and late delivery of underground equipment and spare parts, the worn out surface and underground infrastructure of wells, problems in the preparation of the seawater and waste water for injection, problems with application of chemicals to oil production facilities, well plugging issues, downtime of underground well repair teams (URW) in anticipation of machinery and equipment, as well as poor discipline and organization of work during the URW. These factors have affected the quality and frequency of URW and underground equipment repairs, leading to an increase in idle wells, and as a consequence, non-compliance with the adopted program for production plan. Factors such as disruptions in electricity supply during 9m 2012 and adverse weather conditions (temperatures below minus 20 degrees centigrade, heavy snowfall, storms and flooding) led to a sharp decline in oil production and a lag from the approved production plan.

As of October 1, 2012, the Company operated a total of 6,026 production and 1,666 injection wells: 3,715 production and 1,204 injection wells at OMG and 2,311 production and 462 injection wells at EMG. The majority of the Company’s existing oil fields are at a mature stage of development, characterized by high water content and declining oil production. The Company engages in production drilling, work-over operations and enhanced recovery operations in order to mitigate the natural production decline and achieve its oil production targets.

In 9m 2012 OMG drilled and put into operation 141 wells (82 oil producing, 59 injection), 4 more wells than in 9m 2011. Oil production generated by new wells was 78k tonnes compared to 105k tonnes in 9m 2011. The workover of 435 wells provided an incremental production of 121k tonnes. In 9m 2012 at OMG as a result of 60 well operations for hydro-fracturing, an additional 73k tonnes were produced.

In 9m 2012 EMG drilled and put into operation 51 wells (48 oil producing, 3 injection), 4 wells more than in 9m 2011. Oil production generated by new wells rose to 47k tonnes compared to 38k tonnes in 9m 2011. The workover of 236 wells provided an incremental production of 50k tonnes.

In order to ensure this increase and compensate for the natural production decline, the Company is planning to drill a total of 161 oil producing wells and 77 injections wells in 2012. In addition to well workovers, the Company will apply bottomhole treatment and will bring some inactive wells back on line.

It is expected that 2012 production plan for OMG, set in 2011 at 5,800k tonnes, will not be fully executed due to facts mentioned above. At the date of the report issue annual production at OMG is expected to be about 4,900k tonnes. Thus, it is expected that the total volume of the oil produced at OMG and EMG in 2012 will be 7,700k tonnes.

Exploration Activity

In Q3 2012 the Company continued exploration works on the blocks Liman, Taisoigan, Karaton-Sarkamys, Uzen-Karamandybas, Novobogatinsk Western, Temir, Zharkamys Eastern-1, Fedorovskiy, Karpovskiy Severniy and White Bear area and appraisal works in the S. Nurzhanov, Prorva Western and Eastern Makat fields.

Detailed plans for the exploration program for 2012 were disclosed in the document "Operating and Financial Results for 2011" (see Company website).

Exploration works

At Liman block drilling of well G-2 on Novobogat SE (subsalt) with a projected depth of 1500m was has been completed. The testing of the first object is underway.
Drilling of well G-5 on Novobogat SE with a projected well depth of 1500m is in process. As of September 30, 2012 the

50m has been drilled.
Also the installation of drilling rig on exploration well PR-1 at Novobogat SE (postsalt) with projected depth of 2500m is in process.

At Taisoigan block, the drilling of exploratory well U-1 was completed. Production casing was lowered to a depth of 1,313m. Preparations for the first test are underway.
In addition, 86 sq km 3D-MOGT seismic works have been conducted on the Bazhir block and the seismic data is being processed.

At Karaton-Sarkamys block, 86 sq km 3D-MOGT seismic works have been conducted on the structures S. Nurzhanov and Bulatai and the seismic data is being processed. Magnetotelluric sounding and reprocessing of 1,360 sq km of 3D-MOGT data on Kenaral and Dosmuhambetovskoe structures is also taking place.

At Uzen Karamandybas block exploration works are suspended, the analysis of geological and geophysical studies is being carried out in order to determine further activity of the Company on the territory adjacent to Uzen and Karamandybas.

At Novobogatinsk Western field, the drilling of exploratory well G-20 with a projected depth of 2,600m has commenced. As of September 30, 2012 1,920m has been drilled.

At Zharkamys Eastern I, the drilling of exploration well RA-2-T commenced on the structure of the subsalt deposits at Tuskum, with a depth of 4,500m. As of September 30, 2012, 3,951m had been drilled. The drilling continues.

At Temir block, the development of the technical project for construction of the exploration well at Temir block, with a projected depth of 6,500m, is being carried out. Gravimetric studies have been carried out on 3,500 sq km; processing and interpretation of the data has started.

At Teresken field the analysis and generalization of 2D-MOGT seismic works results are being carried out in order to determine further activity of the Company at the exploration block.

In the reporting period, on the block Karpovskiy Severniy, drilling of exploration well SK-1 on the structure "Melovaya" has started. As of September 30, 2012 1,380m has been drilled. Preparatory works started for the drilling of the second exploration well SK-2 on the "Orlovskaya" structure.
In July 2012, the Company announced a purchase agreement with MOL Hungarian Oil and Gas Plc. («MOL») to implement the 49% stake in "Karpovskiy Severniy" LLP. As a result of this transaction will be a joint venture between KMG EP and MOL for further exploration work on the block "Karpovskiy Severniy "

At Fedorovskiy block, reprocessing of 952 sq km of 3D seismic data (747 sq km. at the areas Zhaiyk, Rubezhinskaya, Rozhkovskaya and 205 sq.km at Chinarevskaya area) has continued. The drilling works on well U-26 with a projected depth of 4,500m have started. As of September 30, 2012 47m has been drilled. The mobilization of a drilling rig for well U-23 has commenced.

At White Bear block, drilling of an exploration well continued, with a projected depth of 5,900m in the North Sea. As of September 30, 2012 5,868m has been drilled.

Appraisal works

The works on the reprocessing and interpretation of 3D seismic data, synchronous inversion and litho-fluid models of S.Nurzhanov, Eastern Makat, West Prorva, Novobogat SE and Kenbai fields have been completed.

The drilling of exploration well 401P on the Western Prorva field with a planned depth of 3,500m has commenced. Drilling of the well was completed at a depth of 3,510m and currently is at the final set of GIS.

Drilling of exploration well 701 on the S. Nurzhanov field with a projected depth of 2,000m is in process. As of September 30, 2012 627m has been drilled.

Also drilling of exploration well 104 on the field Eastern Makat with a projected depth 1,550m continues. As of September 30, 2012 1,150m has been drilled.

Results of Operations

The Company prepares financial statements in Tenge, amounts shown in US dollars are included solely for the convenience of the user of information at the average exchange rate over the applicable period. Assets and liabilities are translated at the closing rate. Income and expenses are translated at the average exchange rate. See "Business Environment and Outlook".

Key Figures

3Q 2012	2Q 2012	3Q 2011	Change %		9m 2012	9m 2011	Change %
(KZT millions, unless otherwise stated)					(KZT millions, unless otherwise stated)		
206,099	**191,690**	**145,688**	**41%**	**Revenue**	**604,642**	**545,747**	**11%**
33,087	39,781	25,149	32%	Production expenses	103,820	87,847	18%
29,684	25,339	17,163	73%	Selling, general and administrative expenses	75,162	76,427	-2%
74,570	69,091	56,128	33%	Taxes other than on income	218,842	217,999	0%
731	3,028	1,951	-63%	Exploration expenses	5,057	2,629	92%
14,178	13,022	11,308	25%	Depreciation, depletion and amortization	39,770	32,892	21%
1,408	248	1,269	11%	Loss on disposal of fixed assets	1,808	3,398	-47%
52,441	**41,181**	**32,720**	**60%**	**Profit from operations**	**160,183**	**124,555**	**29%**
51,371	**46,247**	**50,311**	**2%**	**Net income**	**172,836**	**164,649**	**5%**
2,302	2,798	1,923	20%	Production expenses (KZT per bbl) (1)	2,434	2,026	20%
15.38	18.88	13.12	17%	Production expenses (USD per bbl) (1)	16.37	13.86	18%
30,329	33,772	20,914	45%	Capital expenditure (2)	76,311	67,471	13%

Transport Routes

The Company delivers its crude oil through three principal routes: export markets via the pipeline owned by Caspian Pipeline Consortium (CPC), the Uzen-Atyrau-Samara pipeline (UAS) owned by KazTransOil JSC (in Kazakhstan) and the domestic market, as outlined in the following table:

Q3 2012	Q2 2012	Q3 2011		9m 2012	9m 2011
			Exports sales via UAS		
1.04	0.82	0.64	Volume of crude oil (in million tonnes)	2.66	2.66
55%	41%	37%	% total crude oil sales volume	45%	46%
61%	48%	48%	% total sales value of crude oil	53%	56%
			Exports sales via CPC		
0.57	0.70	0.50	Volume of crude oil (in million tonnes)	1.97	1.71
30%	34%	30%	% total crude oil sales volume	34%	30%
34%	42%	41%	% total sales value of crude oil	40%	37%
			Other sales		
0.28	0.50	0.50	Volume of crude oil (in million tonnes)	1.24	1.41
15%	25%	33%	% total crude oil sales volume	21%	24%
5%	10%	11%	% total sales value of crude oil	8%	7%

The relative profitability of the two export routes depends on the quality of oil in the pipeline, the prevailing international market prices and the relevant pipeline tariffs. Specifically, CPC tends to be the more advantageous route owing to the higher quality of crude oil in the CPC pipeline in a higher price oil environment, even after taking into account quality bank payments. 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 Oil and Gas of the Republic of Kazakhstan; the Company's ability to allocate export volume to different pipelines is, therefore, limited.

(1) Converted at 7.36 barrels per tonne of crude oil.
(2) According to purchases of PPE and intangible assets in interim consolidated statement of cash flows for the period ending September 30, 2012 (see Company website for a copy

Revenue

The following table shows sales volumes and realized prices:

3Q 2012	2Q 2012	3Q 2011	Change		9m 2012	9m 2011	Change
(KZT millions, unless otherwise stated)			%		(KZT millions, unless otherwise stated)		%
				Export sales of crude oil			
				UAS pipeline			
123,431	90,458	69,692	77%	Net sales	312,371	297,906	5%
1,042	819	638	64%	Volume (in thousand tonnes)	2,657	2,658	0%
118,415	110,453	109,318	8%	Average price (KZT/tonne)	117,568	112,061	5%
109.43	103.10	103.17	6%	Average price (US$/bbl)	109.38	106.03	3%
				CPC pipeline			
68,368	78,581	57,707	18%	Net sales	235,581	199,269	18%
571	696	484	18%	Volume (in thousand tonnes)	1,967	1,707	15%
119,783	112,927	119,345	0%	Average price (KZT/tonne)	119,770	116,752	3%
110.69	105.40	112.63	-2%	Average price (US$/bbl) (1)	111.43	110.46	1%
191,799	169,039	127,399	51%	Total sales of crude oil-exported	547,952	497,175	10%
				Domestic sales of crude oil			
10,839	19,167	14,788	-27%	Net domestic sales of crude oil	46,591	39,175	19%
279	503	536	-48%	Volume (in thousand tonnes)	1,236	1,409	-12%
38,874	38,134	27,564	41%	Average price (KZT/tonne)	37,682	27,805	36%
35.93	35.59	26.01	38%	Average price (US$/bbl) (1)	35.06	26.31	33%
				Total sales			
202,638	188,206	142,186	43%	Total net sales of crude oil	594,543	536,350	11%
1,892	2,018	1,658	14%	Total volume (in thousand tonnes)	5,860	5,774	1%
107,107	93,243	85,783	25%	Average price (KZT/tonne)	101,453	92,888	9%
98.98	87.03	80.96	22%	Average price (US$/bbl) (1)	94.39	87.89	7%
3,461	3,483	3,502	-1%	Other sales	10,099	9,397	7%
206,099	**191,690**	**145,688**	**41%**	**Total revenue**	**604,642**	**545,747**	**11%**

Export – UAS Pipeline
Sales of crude oil exported via the UAS pipeline in 9m 2012 increased by 5% to KZT312 billion due to an increase of the average realized price by 5% to KZT117,568 per tonne.

Export – CPC Pipeline
In 9m 2012 sales of exported crude oil via the CPC pipeline increased by 18% to KZT236 billion in comparison with 9m 2011. This is due to an increase in the average realized price by 3% to KZT119,770 per tonne and by a 15% increase in volume exported via the CPC. The growth of crude oil sales on this route is due to the fact that in January 2012 sales were realized from 2 tankers of a volume of 127k tonnes, which were to be shipped in December 2011, but were not shipped due to adverse weather conditions.

Domestic Market – Sales of Crude Oil
Domestic sales of crude oil in 9m 2012 increased by 19% to KZT47 billion, compared to 9m 2011, due to a 36% increase in the average sales price and was partially offset by decrease in sales volume by 12% or 175k tonnes.

(1) Average sales price under financial statement (realized price), converted at 7.23 barrels per tonne of crude oil.

The following table shows the Company's realized sales prices adjusted for crude oil transportation and other expenses:

3Q 2012	2Q 2012	3Q 2011	Change %		9m 2012	9m 2011	Change %
	(US$/bbl)				(US$/bbl)		
				UAS			
109.50	108.29	113.41	-3%	Benchmark end-market quote[1]	112.24	111.89	0%
109.40	102.97	109.18	0%	Sales price	109.17	106.15	3%
0.02	0.13	(0.18)	-109%	Premium of bbl difference	0.15	(0.12)	-232%
109.42	**103.10**	**109.00**	**0%**	**Realized price**	**109.32**	**106.03**	**3%**
(22.69)	(22.74)	(25.92)	-12%	Rent tax	(23.73)	(24.78)	-4%
(5.35)	(5.52)	(5.53)	-3%	Export customs duty[2]	(5.46)	(5.10)	7%
(7.31)	(7.51)	(7.86)	-7%	Transportation	(7.55)	(7.70)	-2%
-	(0.02)	(0.07)	100%	Sales commissions	(0.03)	(0.07)	-59%
74.06	**67.31**	**69.63**	**6%**	**Netback price**	**72.55**	**68.38**	**6%**
				CPC			
109.50	108.29	113.41	-3%	Benchmark end-market quote[1]	112.24	111.89	0%
108.68	104.22	112.75	-4%	Sales price	109.97	110.40	0%
(6.67)	(7.14)	(9.86)	-32%	Quality bank	(7.32)	(9.28)	-21%
8.65	8.20	9.75	-11%	Premium of bbl difference	8.82	9.34	-5%
110.66	**105.28**	**112.63**	**-2%**	**Realized price**	**111.47**	**110.46**	**1%**
(23.08)	(22.74)	(25.92)	-11%	Rent tax	(24.03)	(24.84)	-3%
(4.72)	(5.08)	(5.53)	-15%	Export customs duty	(4.98)	(5.10)	-2%
(7.54)	(6.87)	(7.37)	2%	Transportation	(7.14)	(7.55)	-6%
-	(0.02)	(0.07)	100%	Sales commissions	(0.03)	(0.07)	-59%
75.31	**70.57**	**73.74**	**2%**	**Netback price**	**75.29**	**72.90**	**3%**
				Domestic			
35.89	35.59	26.01	38%	Sales price[2]	35.06	26.31	33%
(0.83)	(1.15)	(1.21)	-31%	Transportation	(1.05)	(1.36)	-23%
35.05	**34.44**	**24.80**	**41%**	**Netback price**	**34.01**	**24.95**	**36%**
68.86	**60.55**	**56.74**	**21%**	**Average Netback price**	**65.63**	**59.45**	**10%**

The difference between the benchmark quote and the realized price of sales mainly comprises freight expenses, port charges, customs fees, certain sales commissions and averaging effects. Averaging effects usually appear because of the difference between the average mean of the quoted price on the sale date and the average published price over the whole period. This difference may be significant on account of the high volatility of oil prices.

Production expenses

The following table presents a breakdown of the Company's production expenses (in KZT millions):

Q3 2012	Q2 2012	Q3 2011	Change %		9m 2012	9m 2011	Change %
20,517	20,502	16,014	28%	Employee benefits	60,272	48,808	23%
3,097	3,605	2,445	27%	Materials and supplies	10,074	8,593	17%
3,314	3,122	2,249	47%	Energy	9,295	7,632	22%
5,251	3,438	5,155	2%	Repairs and maintenance	10,802	14,914	-28%
1,514	1,440	1,487	2%	Transportation service	4,177	3,386	23%
-	138	208	-100%	Processing expenses	250	784	-68%
(2,178)	4,908	(4,012)	-46%	Change in crude oil balance	3,754	(88)	-4365%
1,572	2,628	1,603	-2%	Other	5,196	3,818	36%
33,087	**39,781**	**25,149**	**32%**		**103,820**	**87,847**	**18%**

Production expenses in 9m 2012 increased by 18% or KZT15.9 billion compared to 9m 2011. This is primarily due to increased expenses for employee benefits, materials and supplies and as well as energy, while repairs and maintenance expenses have decreased.

Employee benefits expenses for 9m 2012 increased by 23% compared to 9m 2011 mainly due to an indexation of basic tariffs for production personnel by 9% starting from January 2012 according to the collective agreement, also due to creation of two service companies (PSB UBR and LLP UTTiOS).

Repairs and maintenance expenses during 9m 2012 decreased by 28% compared to 9m 2011 mainly due to the reduced number of repair operations by 156 well/operation and hydraulic fracturing from 124 to 70 well/operation according to the production program and due to adverse weather conditions at the beginning of the year. The materials expense mainly rose because of an increase in cost of materials and also due to increase in expenses for workwear of production personnel according to the collective agreement.

(1) The Brent (DTD) quoted price is used as benchmark
(2) Average realized price by financial report converted at 7.23 barrels per tonne of crude oil

Energy expenses increased during 9m 2012 mainly due to the increase in tariffs for electricity consumption.

Selling, general and administrative expenses

The following table presents a breakdown of the Company's selling, general and administrative expenses (in KZT millions):

Q3 2012	Q2 2012	Q3 2011	Change %		9m 2012	9m 2011	Change %
13,838	12,777	9,365	48%	Transportation expenses	39,679	37,207	7%
4,469	3,673	3,388	32%	Employee benefits	12,455	9,846	27%
6,751	76	791	753%	Sponsorship	7,131	5,251	36%
2,565	5,412	(1,056)	-343%	Fines and penalties	8,210	12,311	-33%
263	243	396	-34%	Consulting and audit services	668	913	-27%
486	1,441	2,160	-78%	Management fees and commissions	3,164	6,567	-52%
303	390	218	39%	Repairs and maintenance	754	513	47%
1,009	1,327	1,901	-47%	Other	3,101	3,819	-19%
29,684	**25,339**	**17,163**	**73%**		**75,162**	**76,427**	**-2%**

Selling, general and administrative expenses decreased in 9m 2012 by 2% or KZT1.3 billion compared to 9m 2011. This is primarily due to decrease in fines and penalties and management fees and commissions and was partially offset by increased expenses for transportation, employee benefits and sponsorship.

The decrease in fines and penalties is due to accrual of fines for export customs duty of the amount of KZT2.3 billion in 9m 2011 and an environmental fine that totaled KZT2.9 billion during 9m 2011.

The decrease in management fees and commissions expenses is mainly explained by a decrease in management fee amount.

The growth in transportation expenses is explained by the increase in volumes shipped for CPC export route by 15%. The growth of crude oil sales on this route is due to the fact that in January 2012 sales were realized from 2 tankers of a volume of 127k tonnes, which were to be shipped in December 2011, but were not shipped due to adverse weather conditions.

Employee benefits expenses, including general and administrative personnel for 9m 2012 increased by 27% compared to 9m 2011 due to hiring personnel for two newly established service companies in the Zhanaozen and Aktau citites (PSB UBR and LLP UTTiOS). Another factor was an indexation of basic tariffs for general and administrative personnel of OMG and EMG by 9% starting from 2012 in accordance with the collective agreement.

Sponsorship expenses in 9m 2012 increased mainly due to the financing of resettlement of Baychunas and Eskine inhabitants in Atyrau region for total amount of KZT5.4 billion.

Taxes other than on income

The following table presents a breakdown of the Company's taxes other than on income (in KZT millions):

Q3 2012	Q2 2012	Q3 2011	Change %		9m 2012	9m 2011	Change %
41,091	38,379	29,443	40%	Rent tax	123,088	114,440	8%
22,928	19,146	16,714	37%	Mineral extraction tax	63,552	58,230	9%
9,208	8,968	6,281	47%	Export customs duty	27,047	38,740	-30%
1,073	1,223	942	14%	Property tax	3,163	2,514	26%
270	1,375	2,748	-90%	Other taxes	1,992	4,074	-51%
74,570	**69,091**	**56,128**	**33%**		**218,842**	**217,999**	**0%**

Taxes other than on income in 9m 2012 are at a similar level to 9m 2011.

Rent tax expense is higher in 9m 2012 compared with 9m 2011 due to higher volumes of exported oil.

Mineral Extraction Tax expense is higher in 9m 2012 comparing with 9m 2011 due to an increase in volumes of exported oil, where the tax base is significantly higher compared with the tax base of oil sold to the domestic market.

The decrease in export customs duties is explained by the recognition in 9m 2011 of KZT15.2 billion of principal for export customs duty in accordance with the decision of the Supreme Court of RK.

Share of Income in Associate and Joint Ventures

The Company's income from its share in associate and joint ventures in 9m 2012 was KZT63.03 billion compared to KZT69.8 billion in 9m 2011. This decrease was mainly due to reallocation of volumes of crude oil for export sales to the domestic market. Share of income from JV Kazgermunai LLP and PetroKazakhstan Inc. was KZT30.6 billion and KZT32.8 billion respectively. For further details please refer to section*:* Overview of Associate and Joint Ventures Operations.

Income Tax Expense

3Q 2012	2Q 2012	3Q 2011	Change %		9m 2012	9m 2011	Change %
(KZT millions, unless otherwise stated)					(KZT millions, unless otherwise stated)		
80,611	72,988	64,498	25%	Profit before tax	247,448	211,762	17%
58,486	57,831	43,313	35%	Profit before tax (net of JV's and associates results)	184,417	141,998	30%
29,241	26,740	14,187	106%	Income tax	74,612	47,114	58%
36%	**37%**	**22%**	**65%**	Effective tax rate	**30%**	**22%**	**36%**
50%	**46%**	**33%**	**53%**	Effective tax rate (net of JV's and associates results)	**40%**	**33%**	**22%**

The main reasons for income tax expense and effective tax rate increase in 9m 2012 compared with 9m 2011 is a significant capital gain on the disposal of OMG fixed assets, and also the growth of taxable income due to sales of higher volumes of crude oil for export. In addition, in a preliminary assessment of the CIT for the 9m 2012 included non-deductible expenses for sponsorship and employee benefits (tickets for children and the change of estimates for actuarial liabilities).

Profit for the Period

As a result of the factors mentioned above, in 9m 2012 the Company's profit for the period increased by 5% to KZT172.8 billion compared with 9m 2011.

Overview of Associate's and JVs Operations

PetroKazakhstan Inc.

PetroKazakhstan Inc.'s key financial and operational indicators are shown below:

3Q 2012	2Q 2012	3Q 2011	Change		9m 2012	9m 2011	Change
1,064,216	896,463	1,382,262	-23%	Revenue, US$ thousands	3,045,004	3,995,878	-24%
(623,825)	(477,618)	(838,566)	-26%	Operating expenses, US$ thousands	(1,673,882)	(2,496,774)	-33%
(6,602)	(6,980)	(5,199)	27%	Finance cost, US$ thousands	(19,199)	(10,986)	75%
(129,984)	(196,064)	(179,086)	-27%	Income tax expense, US$ thousands	(501,510)	(492,110)	2%
303,805	215,801	359,411	-15%	Net income, US$ thousands	850,413	996,008	-15%
(114,206)	(78,977)	(87,717)	30%	Capital expenditure, US$ thousands	(261,658)	(241,727)	8%
1,407	1,406	1,479	-5%	Crude oil production, th. tonnes	4,237	4,310	-2%
1,545	1,355	1,853	-17%	Crude oil and oilproducts sales, th. tonnes	4,307	5,620	-23%
561	387	618	-9%	Export via KCP (PKKR + Kolzhan 100%)	1,298	2,024	-36%
274	194	293	-7%	Export via KCP (KGM 50%)	672	797	-16%
113	32	110	3%	Export Aktau (KGM 50%)	208	300	-31%
49	49	55	-11%	Export Uzbekistan (TP 50%)	137	182	-25%
127	114	180	-30%	Export via KCP(TP 50%)	368	519	-29%
423	579	598	-29%	Domestic sales - thousand tonnes	1,624	1,797	-10%

Crude oil production of PetroKazakhstan Inc. in 9m 2012 was 4,237k tonnes (33% share of Company is 1,398k tonnes). For 9m 2012 the Company recognized share income from its investment in PetroKazakhstan Inc. (33% share) of KZT32.8 billion (US$ 220 million), which is KZT6.6 billion (US$ 50 million) less than in 9m 2011. The decrease was mainly due to reallocation of volumes of crude oil for export sales to domestic market during 9m 2012. The decline in crude oil and oil products sales in 9m 2012 is due to late signing of the contract for additional volumes of crude oil bought from third parties to replace the shipments to domestic market during 9m 2012.
Capital expenses in 9m 2012 were KZT38.6 billion (US$259.7 million).

JV Kazgermunai LLP

JV Kazgermunai LLP's (Kazgermunai) key financial and operational indicators are shown below:

3Q 2012	2Q 2012	3Q 2011	Change		9m 2012	9m 2011	Change
634,402	460,944	659,355	-4%	Revenue, US$ thousands	1,670,041	1,792,377	-7%
(351,990)	(234,750)	(414,765)	-15%	Operating expenses, US$ thousands	(856,574)	(1,028,668)	-17%
(535)	(598)	(2,903)	-82%	Finance cost, US$ thousands	(1,793)	(4,446)	-60%
(108,827)	(96,690)	(122,131)	-11%	Income tax expense, US$ thousands	(312,644)	(268,892)	16%
173,050	128,908	119,556	45%	Net income, US$ thousands	499,030	490,371	2%
(22,198)	(12,725)	(21,573)	3%	Capital expenditure, US$ thousands	(36,797)	(29,150)	26%
748	754	767	-3%	Crude oil production, th. tonnes	2,304	2,217	4%
838	667	806	4%	Crude oil sales, th. tonnes	2,278	2,215	3%
226	64	219	3%	Export via Aktau	416	601	-31%
547	388	587	-7%	Export via Kazakh-Chinese pipeline	1,344	1,594	-16%
65	215	-	100%	Domestic market	518	20	2490%

Kazgermunai oil production in 9m 2012 was 2,304k tonnes (50% share of Company is 1,152k tonnes). The Company's share in income from the joint venture included in the consolidated financial statements of the Company for 9m 2012 is KZT30.6 billion (US$ 206 million). Capital expenditure for the period was KZT5.5 billion (US$36.8 million).
The increase of the domestic sales in 9m 2012 compared to 9m 2011 is due to late signing of the contract for additional volumes of crude oil bought from third parties to replace shipments to the domestic market during 9m 2012.

CCEL

CCEL's key financial and operational indicators are shown below:

3Q 2012	2Q 2012	3Q 2011	Change		9m 2012	9m 2011	Change
356,492	389,501	384,076	-7%	Revenue, US$ thousands	1,124,962	1,060,835	6%
(267,871)	(307,491)	(300,408)	-11%	Operating expenses, US$ thousands	(856,347)	(777,647)	10%
(4,957)	(4,817)	(2,753)	80%	Finance cost, US$ thousands	(14,816)	(8,281)	79%
(22,454)	(14,311)	(21,171)	6%	Income tax expense, US$ thousands	(68,959)	(72,349)	-5%
61,210	62,882	59,744	2%	Net income, US$ thousands	184,840	202,558	-9%
(13,507)	(7,760)	(20,852)	-35%	Capital expenditure, US$ thousands	(39,581)	(41,573)	-5%
522	510	495	5%	Crude oil production, th. tonnes	1,526	1,471	4%
507	558	528	-4%	Crude oil sales, th. tonnes	1,575	1,512	4%
263	372	322	-18%	Export via Novorossiysk	962	978	-2%
182	123	160	14%	Export via Primorsk	434	375	16%
-	-	-	0%	Export via Gdansk	-	24	-100%
64	63	47	35%	Domestic market	179	136	32%

Crude oil production of CCEL in 9m 2012 was 1,526k tonnes (50% share of Company is 763k tonnes). The increase in operating expenses is mainly due to an increase in tax payments. Capital expenses in 9m 2012 were KZT5.9 billion (US$39.6 million).

As of September 30, 2012 the Company has KZT18.7 billion (US$125 million) as a receivable from CCEL, a jointly controlled entity with CITIC Group. The Company has accrued KZT2.05 billion (US$13.8 million) of interest income in 9m 2012 related to the US$26.87 million annual priority return from CCEL.

Liquidity and Capital Resources

Summary of Cash Flows

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

3Q 2012	2Q 2012	3Q 2011		9m 2012	9m 2011	Change
(KZT millions, unless otherwise stated)				(KZT millions, unless otherwise stated)		%
4,355	23,082	23,614	Net cash generated from operating activities	95,079	109,977	-14%
78,334	(110,902)	49,602	Net cash generated from/ (used in) investing activities	(85,760)	2,648	-3339%
(123,954)	(11,658)	(36,558)	Net cash (used in) from financing activities	(143,389)	(69,160)	107%

In 9m 2012 net cash generated from operating activities was KZT95.1 billion and decreased by KZT14.9 billion compared to 9m 2011. This change is mainly due to changes in working capital, including trade receivables for export sales, as a result of change in payment terms for crude oil export sales.

Net cash outflow from investing activities amounted to KZT85.8 billion in 9m 2012. The increase in outflow is mainly due to opening of new HTM deposits.

Net cash outflows from financing activities in 9m 2012 were KZT143.4 billion. This was mainly associated with the full repayment of remaining principal of the KMG PKI Finance notes and also by payment of dividends to shareholders for 2011 in 3Q 2012.

Borrowings and Cash Position

The table below shows the Company's net cash:

	As at September 30, 2012	As at December 31, 2011	As at September 30, 2011	September to December change
	(KZT thousands, unless otherwise stated)			%
Current portion	2,497	54,931	53,730	-95%
Non-current portion	4,999	33,034	32,972	-85%
Total borrowings	**7,496**	**87,965**	**86,703**	**-91%**
Cash and cash equivalents	72,348	206,512	142,705	-65%
Other current financial assets	556,970	321,890	357,232	73%
Non-current financial assets	1,068	188,803	188,067	-99%
Total financial assets	**630,476**	**717,205**	**688 003**	**-12%**
US$-denominated cash and financial assets, %	**81%**	**72%**	**81%**	**12%**
Net cash	**622,980**	**629,239**	**601,301**	**-1%**

As of September 30, 2012 total borrowings were KZT7.5 billion. On July 5, 2012 the Company fully repaid remaining principal and accrued interest of the KMG PKI Finance notes in the amount KZT80.5 billion and KZT2.9 billion respectively.

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Predictive Statements

This document includes statements that are or may be deemed to be ‘‘predictive statements’’ These statements can be identified by the use of predictive terminology including such terms as ‘‘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 goal future events or intentions. These predictive statements include all matters that are not historical facts. They include statements regarding the Company’s intentions beliefs and current expectations regarding the Company’s operations financial condition liquidity prospect growth potential acquisitions and strategies or concerning the industries in which the Company operates. By their nature predictive statements involve risk and uncertainty because they relate to future events and circumstances that may or may not occur. They are not guarantees of future performance and the actual results of the Company’s operation. 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 predictive statements contained in this document. The Company does not intend and does not assume any obligation to update or revise any predictive statements or industrial information set out in this document whether as a result of new information, future events or anything else. The Company does not issue any undertaking guarantee or promise that the results anticipated by such predictive statements will be achieved.