MANAGEMENT DISCUSSION OF FINANCIAL AND OPERATING PERFORMANCE

for the nine months ended September 30, 2018

The objective of the following document is to assist in understanding and assessment of trends and material changes in the Group's operating and financial results. This overview is based on the Interim Condensed Consolidated Financial Statements of the Group and should be correlated with the Interim Condensed Consolidated Financial Statements and related notes. All financial data and their discussion are based on Interim Condensed Consolidated
Financial Statements prepared in accordance with International Financial Reporting Standards ("IFRS"). In accordance with the Group's accounting policy, investments into joint ventures and associated companies shall be equity-accounted, and therefore, are not consolidated line-by-line ("enterprises at equity").

All KZT amounts are in billions, except as expressly provided for herein. The figures are rounded, however, rates per unit are based on actual indicators before rounding.

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1. GENERAL INFORMATION

JSC NC "KazMunayGas" is a vertically integrated company that operates oil and gas geological exploration and production, as well as oil, gas and oil products transportation, refining, marketing and sale activities within and beyond Kazakhstan.

JSC NC "KazMunayGas" is the government-owned oil and gas company of the Republic of Kazakhstan incorporated based on Decree of the President of the Republic of Kazakhstan No.811 dated 20 February 2002 and Resolution of the Government of the Republic of Kazakhstan No.248 dated 25 February 2002. National Oil and Gas Company CJSC "Kazakhoil" and National Company "Oil and Gas Transportation" merged into JSC NC "KazMunayGas". All assets and liabilities, including shares in their enterprises, of the merged companies were transferred to JSC NC "KazMunayGas".

The KMG shareholders are JSC "Sovereign Wealth Fund "Samruk-Kazyna" (90% - 1 share) and the National Bank of Kazakhstan (10% + 1 share). The Group takes more than a quarter of the oil and gas condensate production market of the Republic of Kazakhstan and the dominant position in oil refining, oil and natural gas pipeline transportation in the country.

Today, the largest Companies within the Group (Group) are as follows:

- JSC "Exploration & Production "KazMunayGas" (oil and gas exploration and production)
- JSC "KazTransOil" (oil transportation)
- JSC "KazTransGas" (transportation and sale of gas)
- JSC "KazMunayTeniz" (sea oil operations)
- Atyrau Refinery LLP (oil refining)
- Pavlodar Oil Chemistry Refinery LLP (oil refining)
- KMG International N.V. (refining, marketing of oil and oil products in Romania and countries of Black Sea and Mediterranean basins).

Kazakhstan ranks 12^{th} in the world for confirmed reserves of oil and gas condensate, 22^{nd} - for natural gas reserves and 17^{th} - for oil and gas production.

Milestone Events during the Reporting Period

Production

In the nine months 2018, oil production in the Kashagan field has grown by 64% compared to the same period in 2017 and amounted to 9,325 Kt of oil (the NC KMG share is 787 Kt), or the average 271 kbpd. This growth was due to the commissioning of the raw gas re-injection system in August 2017, as well as an increase in the equipment operation factor.

Transportation

In January 2018, JSC NC "KazMunayGas" and PetroChina agreed to increase the export of Kazakh gas to China up to 10 bcmpa.

On 3 January 2018, the Consortium Agreement was signed between KMTF, KMG Systems & Services LLP and Professional Militarized Emergency Rescue Service RSE to provide 1, 2 and 3 category oil spill response services to Zhambyl Petroleum LLP at the ZT-2 appraisal well.

Within the KMTF's participation in the implementation of the TCO Future Growth Project, the construction of the MCV 854 "Sunkar" vessel was completed on 16 January 2018 in the VARD shipbuilding plant in Braila, Romania.

In May 2018, JSC "KazTransOil" and JSC "CPC-K" signed the service agreement to maintain CPC pipeline facilities in Kazakhstan for a 5-year period.

Refining

In January 2018, POCR and PKOP switched to K4 and K5 fuel emission standards.

Commissioning operations have been completed at Atyrau Refinery within modernization; process facilities are at the pilot production stage.

In September 2018, Shymkent Refinery completed commissioning operations for the second (final) process units modernization stage, the units are at the pilot production stage.

Financial and Corporate

In January and April 2018, in accordance with the supplementary agreement to the crude oil supply agreement, signed in December 2017, KMG received two additional prepayment tranches totaling USD 500 million excluding transaction costs.

In January 2018, 50% share of Union Field Group Ltd (British Virgin Islands) in the Authorized Capital of KMG Ustyurt LLP was sold.

In April 2018, NC KMG received dividends from TCO in the amount of USD 102 million.

On 10 May 2018, KMG EP announced about delisting from the London and Kazakhstan stock exchanges. As of today, NC KMG and KMG EP totally own approximately 99.6% of ordinary shares.

In May 2018, NC KMG completed the work within the liability management transaction with a full repayment of four series of Eurobonds with an aggregate nominal value of USD 3.1 billion, which was financed by issuing Eurobonds at the amount of USD 3.25 billion in three series consisting of USD 500 million with a coupon rate of 4.75% maturing in 2025, USD 1,250 million with a coupon rate of 5.375% maturing in 2030 and USD 1,500 million with a coupon rate of 6.375% maturing in 2048.

In June 2018, Philip John Dyer was elected a member of the Board of Directors of JSC NC “KazMunayGas” - an independent director.

2 July 2018 - Eurobonds in the amount of USD 1.6 billion from KMG’s own funds have been redeemed.

On August 6, 2018, in accordance with an amendment to Kashagan oil supply agreement signed in July 2018, KMG Kashagan B.V. received an additional tranche of USD 600 mln and repaid final debt tranche to consortium members for 8.44% stake in the North Caspian project in the amount of USD 844 mln;

In September 2018, additional dividends were received from TCO in the amount of USD 85 million.

In September 2018, KTG and WALTBAY LTD signed a sale and purchase agreement for a 100% share in KTG-Tbilisi in the amount of USD 40 million.

The transaction between KMG and CEFC China Energy on sale of 51% interest in KMGI was terminated. KMG will continue to own and operate KMGI with full consolidation of activities results;

2. KEY MACROECONOMIC FACTORS

Key factors, which have influenced the Company's performance, are as follows:
- fluctuations in the prices for crude oil and refined products and oil presales by the Company;
- effect of the exchange rate changes;
- changes in the tariffs for oil and gas transportation;
- taxation;

Below are macroeconomic indicators for 9 months of 2018, which influenced the group's operations.

Name	Unit	9 months 2018	9 months 2017	Change	
				abs	%
End-of-period inflation (CPI, in % to the corresponding months of the preceding year)	%	6.1	7.1	1.0	-14.1
Oil export customs duty	USD per ton	65	47	14	28.6
Monthly calculation index (MCI)	KZT	2,405	2,269	136	6.0
Minimum wage amount (MWA)	KZT	28,284	24,459	3,825	15.6

2.1. Change in Oil and Oil Products Market Price

The prices for crude oil and oil products on the international and Kazakhstan market have a significant impact on the Company's performance.

Change in world prices for crude oil (USD/bar)	9 months 2018	9 months 2017	Δ, %
Brent oil	72	52	38.5
Urals oil	69	51	35.3

Source: PLATT'S

In general, the change in raw material prices is based on a number of reasons not depending on the Company, and the Company's management is unable to predict the degree of volatility in oil prices.
The behavior of oil product prices on international and Kazakhstan markets depends on a number of factors, the most important of which are crude oil prices, the supply-and-demand balance for oil products, competition, remoteness of sales markets from enterprises that refine oil into finished or intermediate petroleum products, seasonal deficit in oil product supplies, particularly in urban areas, in connection with seasonal agricultural work and corresponding redistribution of supplies from urban to agricultural areas.

Average world prices for oil products	Unit	9 months 2018	9 months 2017	Δ, %
Fuel oil	USD per ton	408	311	31.2
Naphtha	USD per ton	621	488	27.2
Jet fuel	USD per ton	689	540	27.6
Vacuum gas oil	USD per ton	515	323	59.4
Gasoil 0,1	USD per ton	632	492	28.5

Source: PLATT'S

Average retail prices for oil product in the RoK	Unit	9 months 2018	9 months 2017	Δ, %
AI-95/96 Gasoline	(KZT per liter)	177	153	15.7
AI -92/93 Gasoline	(KZT per liter)	159	141	12.7
AI -80 Gasoline	(KZT per liter)	89	89	-
Diesel fuel	(KZT per liter)	170	139	22.3

2.2. Change in the Foreign Exchange Rate

The change of the exchange rate of KZT against USD has significantly affected, and most likely will continue to affect the consolidated results of the Company's operations, since a significant share of the Company's revenues from sales of crude oil and petroleum products is denominated in USD, while a significant part of the Company's expenses is denominated in KZT. Also, the most of the Company's borrowings and accounts payable are denominated in USD.

	Average rate for the period	As of the period end
For 9 months, as of September 30, 2018 (KZT per USD 1.00)	336.4	363.1
For 9 months, as of September 30, 2018 (KZT per USD 1.00)	323.3	341.2

Source: National Bank of the Republic of Kazakhstan

2.3. Oil and Gas Transportation Tariffs

Oil Transportation by Trunk Pipeline

Since most of the regions of oil production in Kazakhstan are located far from the main sales markets for oil and petroleum products, oil companies depend on transportation infrastructure development, as well as on its accessibility.

The Group transports high volumes of crude oil supplied for exports and domestic market by main pipelines in Kazakhstan owned by JSC “KazTransOil”, subsidiary company. Furthermore, the Group owns 20.75% of share capital in Caspian Pipeline Consortium, including 19% is owned by KMG and 1.75% by Kazakhstan Pipeline Ventures Ltd.

Crude oil is transported through trunk oil pipelines by JSC “KazTransOil” and its subsidiaries and jointly-controlled entities in accordance with the oil transportation services agreements concluded by them with consumers in accordance with the standard agreement approved by the order of the Minister of National Economy of the Republic of Kazakhstan No.266 dated March 27, 2015. These agreements stipulate oil transportation rights and obligations of the parties. The Group’s oil is transported through trunk oil pipelines of JSC “KazTransOil” Group of Companies to the domestic market and is exported mixed with oil of other producers.

Pursuant to amendments to the Law of the Republic of Kazakhstan “On Amendments to some Natural Monopolies and Regulated Markets Legislative Acts of the Republic of Kazakhstan” made in May 2015, transportation of oil, which transit through the territory of the Republic of Kazakhstan and is exported outside the Republic of Kazakhstan, is not any more a scope of natural monopolies. In February 2015, JSC “KazTransOil” approved (order No.46, order No.47) the following tariffs for oil transportation services by trunk oil pipelines:
- for export outside the Republic of Kazakhstan – KZT 6,398.92 per 1 ton per 1,000 km (excluding VAT) effective as of April 1, 2018;
- for transit through the territory of the Republic of Kazakhstan, through Kazakh section of the Tuimazy-Omsk-Novosibirsk-2 – KZT 4,292.4 per 1 ton per 1,000 km (excluding VAT) effective as of April 1, 2018, with an increase of KZT 2,565.3 per 1 ton per 1,000 km.

Cap tariffs 2015-2019 for oil transportation within the domestic market of the Republic of Kazakhstan by trunk pipelines of JSC “KazTransOil” have been approved, effective as of October 1, 2015, by the Committee on Regulation of Natural Monopolies and Protection of Competition (order No. 347-OD dated August 21, 2015) as follows:

- in 2015 – KZT 3,225.04 per ton per 1,000 km (excluding VAT);
- in 2016 – KZT 3,547.46 per ton per 1,000 km (excluding VAT);
- in 2017 – KZT 3,902.13 per ton per 1,000 km (excluding VAT);
- in 2018 – KZT 4,292.40 per ton per 1,000 km (excluding VAT);
- in 2019 – KZT 4,721.72 per ton per 1,000 km (excluding VAT).

Gas Transportation

Gas is transported by trunk gas pipelines and gas distribution systems of KazTransGas Group. Gas is transported by trunk pipelines of JSC “Intergas Central Asia” and Asian Gas Pipeline LLP, Beineu-Shymkent Gas Pipeline LLP joint ventures. Gas is transported by distribution systems by JSC “KazTransGas Aimak”.

Gas International Transit and Export Tariffs

Pursuant to the amendments to the Law on Natural Monopolies made in May 2015, gas transportation for export is not now subject to governmental regulation. Tariffs for gas transit and export are established on a contractual basis without approval of the Committee on Regulation of Natural Monopolies and Protection of Competition.

Tariffs for Domestic Gas Transportation by Trunk and Distribution Gas Pipelines

Tariffs for domestic gas transportation are subject to regulation by the Committee on Regulation of Natural Monopolies and Competition Protection as prescribed by law.

Tariffs for commercial gas transportation by trunk pipelines to consumers of the Republic of Kazakhstan were approved as follows:

- Intergas Central Asia JSC from January 1, 2017 – KZT 2,212.7 per TCM (thousand cubic meters) (excluding VAT);
- Asia Gas Pipeline LLP from March 1, 2016 – KZT 3,494.4 per TCM (excluding VAT);
- Beineu-Shymkent Gas Pipeline from March 1, 2016 – KZT 18,071 per TCM (excluding VAT).

2.4. Refining Tariffs

Since April 2016, three major Kazakhstan oil refineries (Atyrau Refinery, POCR, PKOP) use a new refining business model in their operations, according to which refineries provide only oil refining services at established tariffs, do not procure oil for refining and do not sell petroleum products. The latter is the scope of responsibility of oil suppliers', who undertake to sell end petroleum products. Based on this KMG Group vertically integrated structure and its new refining business model, each business line focuses on its specific direction, which contributes to operational performance enhancement of the entire KMG Group. The refining business model, as part of the KMG transformation from the strategic asset management to the operational management, helps refineries to focus only on operational issues, which contributes to refining activities enhancement and reduced costs.
Pursuant to the law "On Amendments to some legislative acts of the Republic of Kazakhstan on entrepreneurship in the Republic of Kazakhstan" No.376-V dated 29.10.15, starting from January 1, 2017, refining prices are not subject to government control.
Weighted average tariffs effective within 9 months 2018 and the same period of the last year are given below:

Plant	Unit	9 months 2018	9 months 2017
AR	KZT per ton	32,658*	22,991**
POCR	KZT per ton	17,250	15,193
PKOP	KZT per ton	18,444	11,454

* The weighted average tariff for the period, given its growth from KZT 31,473 per ton to KZT 37,436 per ton from August 1, 2018.
** The weighted average tariff for the period , given its growth from KZT 20,501 per ton to KZT 24,512 per ton from April 1, 2017.

2.5. Taxation

Below are the established tax rates used by the Group during the relevant periods:

Tax	30.09.2018	30.09.2017	Tax Base
Corporate income tax (CIT)	20%	20%	Taxable income
Value added tax (VAT)	12%	12%	Sale of goods, works, services
Property tax	1.50%	1.50%	average annual book value of taxable items, determined by the accounting data
Land tax	Variable Depends on the purpose and quality of the land plot	Variable Depends on the purpose and quality of the land plot	land plot area
Environmental emissions fee	Variable Depends on the purpose and quality of the land plot	Variable Depends on the purpose and quality of the land plot	actual volume of emissions within and (or) exceeding the standard emission
Export rent tax	0%-32% On a scale linked to the world oil price	0%-32%	crude oil and oil products export volume
Commercial discovery bonus	0.1%	0.1%	Cost of reserves (crude oil, gas condensate, natural gas), approved by an authorized governmental body
Mineral Tax (MT)	0%-18%	0%-18%	cost of produced crude oil, gas condensate and natural gas
Excess profits tax (EPT)	0%-60%	0%-60%	A part of the subsoil user net income, calculated as a difference between the total annual income and deductions (in terms of fixed assets - the amount of actual Capex) and CIT, exceeding 25% of these deductions.

Tax	30.09.2018	30.09.2017	Tax Base
			The EPT is calculated for each individual subsoil use contract.
Crude oil and gas condensate excise tax	KZT 0 per ton	KZT 0 per ton	Volume of produced, sold crude oil and gas condensate

Excise rates per 1 ton (in KZT) and duties					
	30.09.2018		30.09.2017		Tax Base
Oil products excise tax	Gasoline (except for jet fuel)	Diesel fuel	Gasoline (except for jet fuel)	Diesel fuel	volume of produced, sold and imported petroleum products
Wholesale of own gasoline (except for jet fuel) and diesel fuel by manufacturers (June - October)	10,500	9,300	10,500	9,300	
Wholesale of own gasoline (except for jet fuel) and diesel fuel by manufacturers (November - May)	10,500	540	10,500	540	
Wholesale of gasoline (except for jet fuel) and diesel fuel by individuals and legal entities	0	0	0	0	
Retailing of own gasoline (except for jet fuel) and diesel fuel by manufacturers, utilization for own operating needs (June - October)	11,000	9,360	11,000	9,360	
Retailing of own gasoline (except for jet fuel) and diesel fuel by manufacturers, utilization for own operating needs (November - May)	11,000	600	11,000	600	
Retailing of own gasoline (except for jet fuel) and diesel fuel by manufacturers, utilization for own operating needs	500	60	500	60	
Imports	4,500	540	4,500	540	
Transfer of excisable goods specified in Article 462 (5) of the Tax Code, which are the product of toll refining (June - October)	10,500	9,300	10,500	9,300	
Transfer of excisable goods specified in Article 462 (5) of the Tax Code, which are the product of toll refining (November - May)	10,500	540	10,500	540	
Crude oil export duty	On a scale linked to the world oil price		On a scale linked to the world oil price		Export volume

Mineral tax, rental export tax and export duty rates for oil and oil products depend on the world oil price and change accordingly. If crude oil and gas condensate is sold and (or) transferred within the domestic market of the Republic of Kazakhstan, including in kind, to pay mineral tax, rental export tax, royalties and production share of the Republic of Kazakhstan to the beneficiary on behalf of the State, or if used for own operating needs, a 0.5 decreasing factor is applied to the established rates.

Mineral tax rate for natural gas is 10 percent. When natural gas is sold in the domestic market, the mineral tax rates depend on the production volume for the relevant year.

In February 2016, the Ministry of National Economy of the Republic of Kazakhstan introduced a progressive export duties scale for crude oil. According to the new mode, export duties are calculated based on the average market price for crude oil established on the world Brent and Urals markets. Additionally, from March 1, 2016, export customs duties for residual oil were reduced to USD 30 per ton. Based on the oil prices scale, rate of export duties, given the world prices below USD 25 per barrel, is 0, while rate of export customs duties, given the world oil price above USD 25 per barrel, is determined in accordance with the scale.

Rental export tax is calculated based on the rate scale given the world oil price is above USD 40 per barrel.

3. GROUP'S OPERATING PERFORMANCE

Operating Results	For 9 months ended on 30.09.2018	For 9 months ended on 30.09.2017	Δ, (+/-)	Δ, %
Oil and condensate production, including share in joint ventures (Kt)	17,642	17,445	197	1
Gas production, including share in joint ventures (MCM)	6,067	5,930	138	2
Refining of oil at own refineries and refineries of joint ventures, including operating share (Kt)	14,947	13,416	1,531	11
Oil transportation by main pipelines (Kt)	50,716	50,461	255	1
Crude oil turnover (MMt*km)	46,959	47,084	-125	0
Transportation of oil by sea (Kt)	4,958	5,005	-47	-1
Gas transportation by trunk gas pipelines (MCM)	83,969	74,029	9,939	13
Gas transportation operations (BCM*km)	42,144	33,225	8,919	27

3.1. Oil and Condensate Production

Consolidated Oil and Condensate Production (Kt)	For 9 months ended on 30.09.2018	For 9 months ended on 30.09.2017	Δ, (+/-)	Δ, %
	17,642	**17,445**	**197**	**1**
Ozenmunaygas (100%)+KazGPZ (100%)	4,108	4,099	9	0
Embamunaygas (100%)	2,144	2,117	27	1
Kazakhturkmunay (100%)	283	296	-13	-4
KazTransGas (Amangeldy Gas) (100%)	14	15	-1	-4
Kazgermunay (65%)	1,352	1,414	-62	-4
Mangistaumunaygas (50%)	2,386	2,374	12	1
Karazhanbasmunay (50%)	809	801	8	1
Kazakhoil-Aktobe (50%)	220	263	-43	-16
PetroKazakhstan Kumkol Resources (33%)	361	390	-29	-7
Tengizchevroil (20%)	4,293	4,287	6	0
Turgai-Petroleum (16,5%)	59	70	-11	-16
Karachaganak Petroleum Operating B.V. (10%)	827	840	-13	-2
NCOC (8.44%)	787	480	307	64

Consolidated oil and condensate production for the reporting period was 17,642 Kt, which is 197 Kt more than the same period of the last year. Basically, the growth through a stable level of production of the Kashagan project even the production was limited until August 2017 as associated gas flaring was restricted and gas was not re-injected/utilized. This growth was partially counter-balanced because of decrease in production at PKI and KGM fields as reserves have been naturally depleted, production at KOA fields was limited since gas flaring in the reporting period was restricted (limit was increased from 27.09.2018) and formation pressure was declined because of low permeability and carbonate and fractured-wadded reservoirs.

3.2. Gas Production

During the reporting period, the Group's consolidated production of gas (associated and natural) was 6,067 MCM. Compared to the same period in 2017, it has grown by 138 MCM or 2%.

Consolidated gas production (associated and natural), MCM	For 9 months ended on 30.06.2018	For 9 months ended on 30.06.2017	Δ, (+/-)	Δ, %
	6,067	**5,930**	**138**	**2**
Ozenmunaygas (100%)+KazGPZ (100%)	471	466	5	1
Embamunaygas (100%)	164	148	15	10
Kazakhturkmunay (100%)	122	132	-10	-8
KazTransGas (Amangeldy Gas) (100%)	261	236	25	11
Kazgermunay (65%)	254	279	-25	-9
Mangistaumunaygas (50%)	293	280	13	5
Karazhanbasmunay (50%)	178	225	-47	-21
Kazakhoil-Aktobe (50%)	16	13	3	26
PetroKazakhstan Kumkol Resources (33%)	73	82	-9	-11
Tengizchevroil (20%)	2,349	2,377	-28	-1
Turgai-Petroleum (16,5%)	6	7	-1	-14
Karachaganak Petroleum Operating B.V. (10%)	1,422	1,407	15	1
NCOC (8.44%)	458	277	181	65

Growth, mainly in Kashagan, was caused by production limitation until August 2017 as associated gas flaring was restricted and gas was not re-injected/utilized, and in KTG, by pilot production of the Ayrakty field from September 2017 and new wells at the Amangeldy field. At the same time, the main decline occurred at KOA fields in connection with the gas flaring limit.

3.3. Oil Transportation by Trunk Pipelines

The main export routes for Kazakh oil by pipelines are as follows:
- Atyrau-Samara pipeline (KazTransOil - 100%);
- Atassu-Alashankou pipeline (KazTransOil - 50%);
- Caspian Pipeline Consortium (KazMunayGas - 20.75%).

KazTransOil provides oil transportation services to the domestic market, for export, as well as transit operations.

Consolidated oil transportation by trunk pipelines by companies (Kt)	For 9 months ended on 30.06.2018	For 9 months ended on 30.06.2017	Δ, (+/-)	Δ, %
	50,716	**50,461**	**255**	**1**
KazTransOil CC	33,911	34,522	-611	-2
MunaiTas North-West Pipeline Company (51%)	1,544	1,437	107	7
Kazakhstan-China Pipeline (50%)	5,953	6,148	-195	-3
Caspian pipeline consortium-C (20.75%)	9,309	8,353	956	11
Crude oil turnover (MMt*km)	**46,959**	**47,084**	**-125**	**0**
KazTransOil CC	28,540	29,306	-766	-3
MunaiTas North-West Pipeline Company (51%)	610	567	43	7
Kazakhstan-China Pipeline (50%)	5,450	5,767	-317	-5
Caspian pipeline consortium-C (20.75%)	12,360	11,444	916	8

Growth in oil transportation is mainly because of increased oil production at the Kashagan field.
Drop in oil transportation via KazTransOil trunk pipelines is associated with the redistribution of Kashagan oil to the CPC system. Drop in oil transportation via Kazakhstan-China Pipeline is associated with the redistribution of Aktobe oil to the MunaiTas pipeline system.

3.4. Oil Transportation by Sea

The main operational oil transportation routes by sea are as follows:
- the Caspian Sea Routes
- the Black and Mediterranean Seas Routes.

Consolidated volume of oil transportation by sea in terms of directions (Kt)	For 9 months ended on 30.06.2018	For 9 months ended on 30.06.2017	Δ, (+/-)	Δ, %
	4,958	**5,005**	**-47**	**-1**
Aktau-Baku		228	-228	-
Aktau-Makhachkala	1,443	378	1,065	282
Black Sea	1,287	2,223	-936	-42
Mediterranean Sea	1,365	1,105	260	24
Turkmenbashi-Baku		130	-130	-
Makhachkala-Baku	863	941	-78	-8

Drop by 47 Kt is because of:
- drop in the Black Sea direction casued by drop in oil supplies from KMG resources to refineries in Petromidia;
- no transportation in the Aktau-Baku, Turmenbashi-Baku directions in the reporting period, though it was last year;
- suspension of transportation in the Makhachkala-Baku direction since August of the current year because of five Caspian tankers transfer to bareboat charter because as there were no guaranteed contracts on oil transportation in the Caspian region.

3.5. Gas Transportation

Gas is transported in the following directions: international gas transit, gas transportation for export and gas transportation for domestic consumers.

Consolidated volume of gas transportation (MCM)	For 9 months ended on 30.06.2018	For 9 months ended on 30.06.2017	Δ, (+/-)	Δ, %
	83,969	**74,029**	**9,939**	**13**
International transit	52,649	50,267	2,382	5
Gas export transportation	19,257	11,997	7,260	61
Gas transportation for domestic consumers	12,063	11,765	298	3
Consolidated volume of gas transportation (MCM)	**83,969**	**74,029**	**9,939**	**13**
Intergas Central Asia JSC	60,749	56,374	4,375	8
KazTransGas-Aimak JSC	1,939	1,825	114	6
Asia Gas Pipeline LLP (50%)	18,442	14,688	3,754	26
Beineu-Shymkent Gas Pipeline LLP (50%)	2,838	1,142	1,696	148

The total volume of gas transportation increased by 9,939 MCM because of:
- growth in gas production in KMG Kashagan;
- growth in gas flows from Gazprom;
- growth in the volume of Central Asian gas supplies;
- growth in consumption in all RoK's regions.
- transportation to PRC, whereas this direction was not used in the previous period.

3.6. Raw Hydrocarbon Refining

- Pavlodar Oil Chemistry Refinery (100% share of KazMunayGas): the balanced refining capacity is 5.25 MMtpa, the refining depth in the reporting period was 79.37%;
- Atyrau Refinery (99.49% share of KazMunayGas): the designed refining capacity is 5.0 MMtpa, the refining depth in the reporting period was 69.4 %;

- Shymkent Refinery (PetroKazakhstan Oil Products, 49.73% share of KazMunayGas): project capacity is 5.25 MMtpa, the refining depth in the reporting period was 74%;
- CaspiBitum (50% share of KazMunayGas): a road bitumen plant that uses heavy Karazhanbas oil. Designed refining capacity is 1.0 MMtpa.
- KMG International N.V. (Rompetrol Rafinare) includes two refineries, Petromidia and Vega, and the Petrochemicals complex (PCC):
- Petromidia Refinery - (100% share of Rompetrol Rafinare S.A.). The project capacity is 5.0 MMtpa.
The PCC is integrated with Petromidia;
- Vega Refinery - (100% share of Rompetrol Rafinare S.A.), project capacity - 500 Ktpa. Vega is the only company in Romania focused on alternative raw materials (naphtha, heavy hydrocarbon fractions, fuel oil) processing.

Consolidated volume of raw hydrocarbon processing taking into account the operating share (Kt)	For 9 months ended on 30.06.2018	For 9 months ended on 30.06.2017	Δ, (+/-)	Δ, %
	14,947	**13,416**	**1,531**	**11**
Atyrau Refinery	3,943	3,408	535	16
Pavlodar Oil Chemistry Refinery	3,911	3,831	81	2
PetroKazakhstan Oil Products (50%)	1,714	1,652	62	4
CASPI BITUM (50%)	327	280	47	17
KMG International N.V. (Rompetrol Rafinare)	5,052	4,245	806	19

Growth in processing at KMG International N.V. (Petromidia and Vega) is caused by low volumes in 2017 because of: a drop in the Petromidia refinery capacity coming from weather conditions in the first quarter, shutdown of the Reforming Plant in February, and Refinery overhaul in May. Changed processed crude oil composition and implementation of refinery optimization initiatives in the reporting period also had an effect.
Grown refinery capacity at AR is associated with the postponement of the plant overhaul in 2018 from September to October, while in 2017 it was in August-September.
Grown refinery capacity POCR was caused by completion of modernization commissioning works, increased primary refining in 2018.

3.7. Oil and Gas Sales

Oil Sales

Kt	For 9 months ended on 30.06.2018	For 9 months ended on 30.06.2017	Δ, (+/-)	Δ, %
KMG International N.V. (100%), у т.ч. из ресурсов:	9,261	8,385	876	10
Ozenmunaygas	1,346	1,523	-176	-12
Embamunaygas	880	1,183	-303	-26
TH KMG N.V. (Karachaganak Petroleum Operating B.V.)	3,279	2,303	976	42
Mangistaumunaygas	1,476	1,575	-98	-6
Karazhanbasmunay	536	638	-102	-16
other	1,743	1,163	580	50
Kazakhturkmunay (100%)	55	109	-54	-50
Kazgermunay (65%)	1,349	1,503	-154	-10
Karazhanbasmunay (50%)	412	339	72	21
Mangistaumunaygas (50%)	1,623	1,560	62	4
Kazakhoil-Aktobe (50%)	144	168	-24	-14
PetroKazakhstan Kumkol Resources (33%)	353	390	-37	-9
Tengizchevroil (20%)	4,350	4,345	5	0
Turgai-Petroleum (16,5%)	58	70	-13	-18
Karachaganak Petroleum Operating B.V. (10%)	774	801	-27	-3
NCOC (8.44%)	602	338	263	78

Total oil sales	18,980	18,010	970	5

The main reason for the growth in sales volumes is the appointment of TH KMG N.V. as a "Trading Affiliate" of the Republic of Kazakhstan and KMG for oil procurement and sale from the Karachaganak field since July 2017.

Oil Product Sales

In the reporting period, oil products were sold by KazMunayGas, KazMunayGas EP, OMG-Onimderi, KazMunayGas-Aero, POCR and KMG International N.V.

Kt	For 9 months ended on 30.06.2018	For 9 months ended on 30.06.2017	Δ, (+/-)	Δ, %
Wholesale	**6,786**	**4,382**	**2,404**	**55**
Light oil products	3,346	2,637	710	27
Dark oil products	2,409	891	1,518	170
Petrochemistry	85	109	-24	-22
Compressed gas	214	184	29	16
Other	732	561	171	30
Retail sales	**1,784**	**1,648**	**136**	**8**
Light oil products	1,670	1,588	82	5
Liquefied gas	86	18	68	388
Other	28	42	-14	-34
Total oil product sales	**8,570**	**6,030**	**2,540**	**42**

The oil product wholesale volume increased because of growth in sales of dark oil products, in particular, fuel oil of KMG International N.V.

Gas Sales

Natural gas is mainly sold by KazTransGas. The company's functions include the wholesale purchase of natural gas for the domestic market, transportation of gas through regional gas distribution networks, operation of gas distribution facilities and networks and sale of natural gas in the domestic market.

Sales of KazTransGas gas * (MCM)	For 9 months ended on 30.06.2018	For 9 months ended on 30.06.2017	Δ, (+/-)	Δ, %
Gas export sales	7,177	3,068	4,109	134
Gas domestic sales	9,479	8,569	910	11
Total gas sales	**16,656**	**11,637**	**5,019**	**43**

Gas export sales have grown because of gas sales to PRC, though there were no sales in the same period last year, as well as growth gas sales to Kyrgyzstan and Russia. Domestic gas sales have grown because of the growing number of consumers and increased production in the regions.

4. GROUP'S FINANCIAL PERFORMANCE

Profit and loss (KZT mln)	For 9 months ended on 30.06.2018	For 9 months ended on 30.06.2017	Δ, (+/-)	Δ, %
Income from goods sales and rendering services	5,206,760	3,213,524	1,993,236	62
Cost price of products sold and services rendered	-3,966,300	-2,468,461	-1,497,839	61
Gross profit	1,240,460	745,063	495,397	66
General and Administrative Expenses	-175,316	-93,429	-81,887	88
Transportation and sales expenses	-481,660	-286,389	-195,271	68
Depreciation of fixed assets, exploration assets and intangible assets, net	-41,556	-4,186	-37,370	893
Income / (loss) from fixed assets retirement, net	-2,094	-1,507	-587	39
Miscellaneous income/(expenses)	-525	-2,597	2,072	-80
Operating profit	**539,309**	**356,956**	**182,353**	**51**
Foreign exchange gain, net	-21,392	82,648	-104,040	-126
Financial income	139,227	90,303	48,924	54
Financial expenses	-349,539	-219,827	-129,712	59
Impairment of investments in joint ventures and associated companies	0	14,686	-14,686	-100
Income (loss) from disposal of subsidiaries	18,359	-3,249	21,608	-665
Share in the profit/(losses) of the equity-accounted entities	**532,917**	**285,169**	**247,748**	**87**
Profit/(Loss) before taxes	**858,882**	**606,686**	**252,196**	**42**
Corporate income tax expenses	-202,974	-142,354	-60,620	43
Profit/(loss) from discontinuing activities	-7,682	-9,999	2,317	-23
Net income/(loss)	**648,226**	**454,332**	**193,894**	**43**

4.1. Revenues

(KZT mln)	For 9 months ended on 30.06.2018	For 9 months ended on 30.06.2017	Δ, (+/-)	Δ, %
Oil product sales	1,614,383	937,078	677,305	72
Crude oil sales (taking into account the crude oil quality bank)	2,493,923	1,536,818	957,105	62
Marketable gas sales	555,677	233,708	321,969	138
Oil transportation	115,718	119,727	-4,009	-3
Gas transportation	106,798	113,145	-6,347	-6
Hydrocarbon processing	128,619	96,913	31,706	33
Oilfield services	54,145	52,143	2,002	4
Other	137,497	123,991	13,506	11

Volumes of goods sold and services rendered	Unit	For 9 months ended on 30.06.2018	For 9 months ended on 30.06.2017	Δ, (+/-)	Δ, %
Oil product sales	Kt	8,570	6,030	2,541	42
Crude oil sales	Kt	13,647	12,872	776	6
Marketable gas sales	MCM	16,656	11,637	5,018	43
Oil transportation by trunk pipeline	Kt *km	27,636	28,221	-584	-2
Gas transportation	MCM * km	59,243	56,499	2,744	5
Oil refining	Kt	9,485	8,657	827	10

Average estimated prices	Unit	For 9 months ended on 30.06.2018	For 9 months ended on 30.06.2017	Δ, (+/-)	Δ, %
Oil product sales	KZT per ton	188,369	155,415	32,955	21
Crude oil sales	KZT per ton	182,740	119,396	63,344	53
Marketable gas sales	KZT per TCM	33,363	20,083	13,280	66
Oil transportation by trunk pipeline	KZT per ton	3,988	4,091	-104	-3
Gas transportation	KZT per TCM	1,803	2,003	-200	-10
Oil refining	KZT per ton	13,561	11,194	2,366	21

Crude oil sales take a large proportion in the revenue structure. Growth of revenue was caused by increased sale volumes and world oil prices for Brent in the reporting period (Brent price for the reporting revenue growth period is USD 71 per barrel, for 9 months 2017 - USD 52 per barrel) and a dollar exchange rate in the reporting period.
Growth in revenues from oil product sales is caused by growth of Platts' gasoline and diesel fuel quotations compared to the last year. It was also affected by an increase in sales volumes of Petromidia's oil products for KMG int., due to more favorable weather conditions, increased trading of oil products mainly in the Asian market because of higher demand.
Growth in revenues from commercial gas sales is due to gas sales to PRC in the reporting period, in the absence of sales last year, growth in sales volumes to Kyrgyzstan and Russia, growth in the number of consumers and production volumes in the regions in the domestic market.
Growth in hydrocarbon refining revenues is because of grown refining volumes that comply with the production plans approved by the RK ME, and grown tariffs for refining at POCR and AR.
Growth in oil transportation revenues was caused by raised transportation tariffs (tariff for export to the domestic market increased from KZT 5,817.2 to 6,398.9 per 1 ton per 1,000 km (excluding VAT), by 10% from January 1, 2018).

4.2. Expenditures

Cost of products sold and services rendered

Cost (KZT mln)	For 9 months ended on 30.06.2018	For 9 months ended on 30.06.2017	Δ, (+/-)	Δ, %
Materials and reserves	980,417	508,891	471,526	93
Crude oil, gas and gas products	2,259,431	1,263,350	996,081	79
Payroll expenses	226,225	224,533	1,692	1
Ageing, depletion and depreciation	175,122	153,400	21,722	14
Minerals tax	85,539	66,984	18,555	28
Overhaul and maintenance	25,689	23,844	1,845	8
Electric power	45,711	46,006	-295	-1
Other taxes	52,373	44,732	7,640	17
Transportation expenses	13,149	10,548	2,602	25
Miscellaneous	102,645	126,174	-23,529	-19
Total	**3,966,300**	**2,468,461**	**1,497,839**	**61**

Consolidated cost for the reporting period increased by 61% compared to quarter 3 2017. The main reasons of cost increase are as follows:
- expenses on materials and reserves have grown as procurement of oil products for resale in the Asian market expanded because of higher demand. Besides, KMG I expenses for procurement of oil to be refined increased as in the reporting period 2017 Petromidia was operating at minimum capacity (the Midia sea terminal was closed, transportation by train and highway was limited) because of bad weather conditions in January-February. Furthermore, quotations for gasoline and diesel fuel have grown compared to the last year;
- expenses on crude oil, gas and refined products have grown because of increased procurement of oil for resale and refining, as well as changed oil price (Brent price for the reporting period was USD 71 per barrel, for the first half 2017 - USD 52 per barrel). Trading operations have grown because in July 2017 TH KMG N.V. was decided to be a "Trading Affiliate" of the Republic of Kazakhstan and KMG to procure and sell Karachaganak oil;
- depreciation increased because of new operating systems acquisition and commissioning of new refinery facilities;
- mineral tax expenses have grown as the oil world price raised (Brent price for the reporting period was USD 71 per barrel, for the first half 2017 - USD 52 per barrel);

- other grown taxes include the accrual of expenses for Uzen-Karamandybas commercial discovery bonus in the amount of KZT 2.6 billion, which came from recalculation of the field reserves and excise expenses increase by KZT 3.4 billion as oil product sales in 2018 have grown compared with 2017;

Other expenditures reduced mainly because of compensation payments transfer to employees of OSC, OCC, OTC, MEM, MT oilfield service companies since employment contracts under the 5/50 program were terminated based on the parties mutual agreement.

General and Administrative Expenses

General and Administrative Expenses (KZT mln)	For 9 months ended on 30.06.2018	For 9 months ended on 30.06.2017	Δ, (+/-)	Δ, %
Payroll expenses	49,489	48,753	736	2
Impairment of VAT reclaimed	-795	-26,414	25,619	97
Consulting services	14,683	10,235	4,448	43
Depreciation and amortization	16,449	18,024	-1,575	-9
Taxes	8,574	6,114	2,460	40
Charity	881	686	195	28
Penalties, fines and charges	415	0	415	
Provision for impairment of trade accounts receivable	1,324	132	1,192	903
Provision for fines, penalties and tax provisions	24,110	-4,093	28,203	-689
Allowance for/(recovery of) impairment of other current assets	2,342	278	2,064	742
Provision for inventory depreciation	940	1,000	-60	-6
VAT that cannot be offset (proportional method)	1,514	3,085	-1,571	-51
Social payments, not included in LCF (including taxes and NPF contributions)	20,975	3,874	17,101	441
Miscellaneous	34,416	31,756	2,661	8
Total	**175,316**	**93,429**	**81,887**	**88**

General and administrative expenses for the reporting period came to KZT 175 billion, which is 88% more than the same period last year. The main reasons of general and administrative expenses growth are as follows:

- VAT reclaimed impairment expenses have been grown because KMG EP reversed VAT recovery provisions in the amount of KZT 30 billion based on tax audit report No.64 dated 28.06.2017.
- consultancy service expenses increased because of KMG EP delisting from the London Stock Exchange. Besides, KMG transformation program was implemented under KMG CC Core Business Functions Transformation and ERP Implementation Project.
- tax, fines and penalties provisions increased because of negative amount that came in 2017 from KMG EP, as the court of Astana satisfied an appeal of tax audit results 2009-2012, and reversal of CIT and EPT provisions. Besides, in the reporting period, fines and penalties provisions were generated for EMG as, based on RK CAO, for the period from 01.11.17 to 12.06.18 audited by Ecology Department, environmental violations were found. Furthermore, KMGO provision was additionally accrued in the reporting period as a result of complex audit 2012-2015 of Astana State Revenue Committee.
- provisions for trade receivables impairment have been grown mainly due to KTG - impairment of trade receivables as per the IFRS 9requirements (for gas KTG supplied in 2016 to the Bozoi UGSF for KRG).
- growth in social payments that are not included in the payroll is connected with accrual of compensations and the corresponding social tax to employees of oilfield service companies OSC, OCC, OTC, MEM, MT as employment contracts under the 5/50 program were terminated based on the parties mutual agreement, which was recorded in the GAE as per the auditors’ recommendation.
- growth in other expenses is associated with growth of expenses for KMG EP BD as consulting services on share redemption and Global Depositary Receipts, KMG EP delisting were procured for independent directors of KMG EP.

Selling Expenses

Selling Expenses (KZT mln)	For 9 months ended on 30.06.2018	For 9 months ended on 30.06.2017	Δ, (+/-)	Δ, %
Rent tax	111,464	53,726	57,738	107
Customs duties	94,480	75,658	18,822	25
Transportation	227,123	113,957	113,166	99

Selling Expenses (KZT mln)	For 9 months ended on 30.06.2018	For 9 months ended on 30.06.2017	Δ, (+/-)	Δ, %
Payroll expenses	11,821	11,042	779	7
Depreciation and amortization	8,949	10,213	-1,264	-12
Miscellaneous	27,823	21,793	6,030	28
Total	**481,660**	**286,389**	**195,271**	**68**

Consolidated transportation and sales expenses for the period increased by 68% mainly because of the grown transportation costs. This is because gas transportation to China through the Beineu-Shymkent trunk gas pipeline scaled up and oil products transportation costs raised mainly because of railway tariffs grown from August 1, 2017. Besides, rental tax and ECD expenditures increased because of the growing oil world price (the Brent price for the reporting period - USD 71 per barrel, for the first half 2017 - USD 52 per barrel). Pursuant to the laws of the Republic of Kazakhstan, the rates of ECD and rental tax vary depending on the Brent price. In addition, in the first half 2018 oil product ECD costs increased as a result of higher volumes of exported dark petroleum products.

Profit share in jointly-controlled organizations and associate companies

(KZT mln)	For 9 months ended on 30.06.2018	For 9 months ended on 30.06.2017	Δ, (+/-)	Δ, %
TengizchevrOil	338,574	207,286	131,288	63
Mangistau Investments B.V.	72,878	37,490	35,388	94
KazGerMunay	21,788	14,486	7,302	50
PetroKazakhstan Inc.	13,045	4,871	8,174	168
KazRosGas	5,724	14,181	-8,457	-60
Kazakhoil-Aktobe	6,009	-3,575	9,584	-268
Ural Group Limited	-12,020	-1,212	-10,808	-892
Beineu-Shymkent gas pipeline	6,744	-17,545	24,289	-138
Caspian Pipeline Consortium	36,871	34,165	2,706	8
KMG Kashagan B.V.	29,099	-12,712	41,811	-329
Valsera Holding B.V.	-10,163	3,140	-13,303	-424
Teniz Service	16,981	1,220	15,761	1,292
Miscellaneous	7,387	3,374	4,013	119
Total	**532,917**	**285,169**	**247,748**	**87**

Based on results of the 9 months 2018, a share of profit in joint ventures and associated organizations has increased by KZT 248 billion or by 87% from KZT 285 billion to KZT 533 billion compared to the same period 2017.
Growth in the profit share of Tengizchevroil, Mangistau Investments B.V., Kazakhoil-Aktobe was formed mainly as a result of an increase in the average price of oil in the reporting period 2018.
Profit share in BSGP increased because of the full recovery of the accumulated unrecognized share in BSGP loss in 2017 and impairment of the financial guarantee in 2017.
Increase in the KMG Kashagan B.V. profit share was caused by forced production in the reporting period as production was previously limited until August 2017 because of the restricted gas flaring and gas was not re-injected/utilized.
Increase in the Teniz Service profit share was driven by commissioning Cargo Transportation Route facilities and beginning of service rendering, as well as other projects increased production.
Increase in the loss share of UGL and Valsera is because of the adjusted capitalized costs on loans from the parent company (KMG CC and EP).

For 9 months 2018, KMG had received dividends from joint ventures and associated companies in the amount of KZT 137,059 million, which is KZT 66,478 million or 94% more than the same period last year.

(KZT mln)	For 9 months ended on 30.06.2018	For 9 months ended on 30.06.2017	Δ, (+/-)	Δ, %
Dividends received from joint ventures and associates, net	137,059	70,581	66,478	94

Income Tax Expenses

(KZT mln)	For 9 months ended on 30.06.2018	For 9 months ended on 30.06.2017	Δ, (+/-)	Δ, %
Current income tax:				
Corporate income tax	127,842	88,261	39,581	45
Excess profits tax	-3,405	1,957	-5,362	-274
Withholding tax on dividends and interest income	21,149	6,049	15,100	250
Deferred income tax:				
Corporate income tax	3,731	10,362	-6,631	-64
Excess profits tax	-7,931	-1,234	-6,697	-543
Withholding tax on dividends and interest income	61,587	36,964	24,623	67
Total	**202,974**	**142,360**	**60,614**	**43**

For the period ended on 30 September 2018, the income tax expense of the Company amounted to KZT 203 billion, which is 43% higher than the same period of 2017. The growth was caused by increased taxable income due to rise in the average world for Brent crude oil, gas sales volumes. Besides, KMG EP (EMG) fixed assets value was charged-off, the previously accrued EPT for 2017 was reversed in the amount of KZT 3,203 million. In the reporting period, the withholding tax was accrued and withheld from TCO dividends, from deposit interests, loans, as well as from capital interests and CTC-K additional tax in the amount of KZT 4,564 million. Because of assets/liabilities assessment time differences, the deferred income tax was changed, which includes recalculation of consolidated deferred withholding tax withheld from TCO dividends.

Profit/(Loss) from Discontinued Activities

This article gives the indicators of KMG Ustyurt, Kazakh-British Technical University, Kazmotransflot, net of intra-group transactions between the Group's companies. Loss from discontinued operations for 9 months 2018 came to KZT 7.7 billion, which is KZT 2.2 billion lower than the loss for 9 months 2017. The loss mainly reduced because of sale of a 50% share of Union Field Group Ltd (British Virgin Islands) in KMG Ustyurt equity in January of the reporting period.

4.3. Liquidity and Capital Expenditures

Debt Obligation

Group's net debt as of September 30, 2018 is KZT 2,198.27 billion compared to KZT 1,347.18 billion as of December 31, 2017. Net debt increased because the short-term bank deposits reduced due to redemption of KMG EP's own shares and TCO oil advance payment obligations.

Total Group's loans and borrowing liabilities as of the end of the reporting period was KZT 4,136.9 billion compared to KZT 4,301.3 billion as of the beginning of the reporting period. Total debt reduced because of the planned redemption of KMG Eurobonds in the amount of KZT 545.7 billion in July 2018 and repayment of KMG Group liabilities. This reduction was counter-balanced by total Eurobonds refinancing debt increase, attraction of a syndicated loan from KazTransGas JSC, existing credit lines disbursement for modernization refineries projects and regions gasification, as well as the exchange rate difference.

In the medium term, smooth debt reduction is possible due to generated free cash flow based on oil price dynamics.

(mln KZT)	As of 30.09.2018	As of 31.12.2017
Long-term part	3,642,220	3,417,112
Current part	494,648	884,140
Total debt	**4,136,868**	**4,301,252**

Cash and cash equivalents	1,552,353	1,266,605
Short-term bank deposits and part of long-term bank deposits	386,242	1,687,464
Net debt (Total debt–cash- short-term financial assets)	**2,198,274**	**1,347,184**

Liquidity

The Group's cash position for the reporting period decreased from KZT 2,951 billion (as of December 31, 2017) to KZT 1,928 billion (as of September 30, 2018). The main reason was the redemption of KMG EP's own shares and planned redemption of KMG Eurobonds for an aggregate amount of more than KZT 1.2 trillion.

Forecast Liquidity and Trends

The company is expecting that the forecast consolidated liquidity by the end of this year will not have significant changes. At the same time, in case oil price significantly drops, decision-making on new investment projects implementation and/or other significant events not provided in the Company's current plans, the forecast liquidity may tend to decline.

Capital Expenditures

The Group's capital expenditures include investment projects, expenditures to maintain the current production level and other expenditures (of an administrative and social nature). In the reporting period, capital expenditures were KZT 272 billion, which is KZT 162 billion less than expenditures of the same period in 2017.

Capital expenditures breakdown by key business areas:

(mln KZT)	For 9 months ended on 30.06.2018	For 9 months ended on 30.06.2017	Δ, (+/-)	Δ, %
Oil and gas exploration and production	111,945	92,962	18,983	20
Oil transportation	49,183	39,333	9,850	25
Gas transportation	21,777	112,051	-90,274	-81
Processing and sales of crude oil and oil products	63,098	191,525	-128,427	-67
Miscellaneous	26,132	12,917	13,215	102
Total capital expenditures	**272,135**	**448,787**	**-176,652**	**-39**

For 9 months 2018, capital expenditures in oil and gas exploration and production was KZT 112 billion, which is KZT 19 billion more than in the same period 2017. In general, growth is associated with the procurement of fixed assets, large production volumes and EMG and OMG exploration drilling. Expenses increased, inter alia, to maintain production assets as costs on operational gas restrictions release at Karachaganak Processing Complex (KPC), KPC oil treatment system modernization, CGTP-2 compressors modernization and the 4th Gas Reinjection Compressor increased.

Expenses in Oil Transportation have grown because of Construction of 3 (Three) MCV Class Barge-Sites for TCO Future Growth Project and Construction of 3 (three) Tugs for TCO Future Growth Project by KMTF. In addition, in the reporting period 2018, KTO procured special maintenance, repair and emergency response equipment for Caspian Pipeline Consortium – Kazakhstan to be used for its facilities; pipes on the Uzen-Atyrau-Samara trunk oil pipeline have been partially replaced.

Capital expenditures in Gas Transportation reduced because of the overhaul of the UPG Kozhasay - KS12 Shalkar trunk gas pipeline and Bukhara-Ural trunk gas pipeline, and Issyk AGDS Construction project was finished ahead of schedule.

Expenses in Crude Oil and Oil Product Refining and Sale were reduced mainly because the Atyrau and Pavlodar Refineries Modernization Projects were finished and main commissioning and construction-and-assembly works in 2017 were completed.

GLOSSARY

KMG Int.–KMG International N.V., an integrated Romanian oil and gas company
Fund - JSC “Sovereign Wealth Fund “Samruk-Kazyna”
ANS - Aktaunefteservis (ANS group: Oil Service Company LLP, Oil Construction Company LLP, Oil Transport Corporation LLP, Mangistauenergomunai LLP, Munaitelecom LLP)
AGP - Asia Gas Pipeline (trunk gas pipeline for transportation of the Central Asian gas to China)
AR - Atyrau Refinery
BGR-TBA - Bukhara Gas-bearing Region–Tashkent–Bishkek–Almaty
BBS – “Beineu-Bozoi-Shymkent” trunkline
Group - JSC “National Company “KazMunayGas” and the legal entities, where fifty or more percent of the voting shares (interest) are directly or indirectly owned or beneficially owned by JSC "National Company "KazMunayGas", and the legal entities whose operation KMG is entitled to control.
SDE - subsidiary dependent entity
SGI/SGP - Sour Gas Injection/Second Generation Plant
KTM - Kazakhturkmunay LLP
KRG - KazRosGas LLP
KMG, the Company - JSC “National Company “KazMunayGas”
KMG Karachaganak - KMG Karachaganak LLP
APC - aromatics production complex
KPIs - key performance indicators
KTG - JSC “KazTransGas”
CPC - Caspian Pipeline Consortium (trunk oil pipeline from transporting oil from the Tengiz field to the port of Novorossiysk on the Black Sea)
KTO - JSC “KazTransOil”
KMG O - KMG-Onimderi JSC
KMGAero - KazMunayGas-Aero LLP
KMG's CC - corporate centre, central office of JSC NC "KazMunayGas"
TOP – trunk oil pipeline
TGP – trunk gas pipeline
RoK’s MoE - Ministry of Energy of the Republic of Kazakhstan
MET - minerals extraction tax
EPT – excess profit tax
Refineries – oil refineries
WPCP/FGP - well-head pressure control project/future growth project of the Tengiz field
SUC – start-up complex
PKOP - PetroKazakhstan Oil Products JSC, the owner of the Shymkent Refinery
POCR – Pavlodar Oil Chemistry Refinery
DED - design-and-estimate documentation
KMG EP - KazMunayGas Exploration Production JSC
JCE – jointly-controlled entity
NCP - North-Caspian Project
CAWs - construction-and-assembly works
JV - joint venture
JUR - jack-up self-elevating drilling rig
PSA - production sharing agreement
TCO – Tengizchevroil LLP
HCs - hydrocarbons
RH – raw hydrocarbons
ECD – Export customs duty