

**Embamunaigas Joint Stock Company**

**Financial statements**

*For the year ended December 31, 2016  
with independent auditor's report*

## Independent auditor's report

To the Shareholder and Management of Embamunaigas Joint Stock Company

### Opinion

We have audited the financial statements of Embamunaigas JSC (the Company), which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of management and Board of Directors for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors is responsible for overseeing the Company's financial reporting process.

### ***Auditor's responsibilities for the audit of the financial statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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улучшаем мир

We communicate with The Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Ernst & Young LLP*

Jim Ducker  
Audit partner

Adil Syzdykov  
Auditor



Auditor qualification certificate No.  
MΦ-0000172 dated 23 December 2013

77/7 building, Al-Farabi Ave.  
050060, Almaty, Republic of Kazakhstan

10 March 2017

Gulmira Turmagambetova  
General director  
Ernst & Young LLP



State audit license for audit activities on the territory  
of the Republic of Kazakhstan: series MΦЮ-2  
No. 0000003 issued by the Ministry of finance of the  
Republic of Kazakhstan on 15 July 2005



## STATEMENT OF FINANCIAL POSITION

As at December 31, 2016

In thousands of Tenge

	Notes	2016	2015
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	164,010,870	135,994,437
Intangible assets	5	8,463,858	7,136,736
Other financial assets	6	33,599,222	31,433,151
Deferred tax asset	14	6,875,616	8,643,631
Advances paid for non-current assets		421,477	4,788,782
<b>Total non-current assets</b>		<b>213,371,043</b>	<b>187,996,737</b>
<b>Current assets</b>			
Inventories	7	6,464,322	7,439,874
Income taxes prepaid		11,635,163	8,421,790
Taxes prepaid and VAT recoverable		5,262,305	3,757,575
Advances paid and prepaid expenses		5,615,360	8,612,537
Trade and other receivables	6	33,336,070	26,617,227
Other financial assets	6	57,239,302	-
Cash and cash equivalents	6	51,900,431	101,296,508
<b>Total current assets</b>		<b>171,452,953</b>	<b>156,145,511</b>
<b>Total assets</b>		<b>384,823,996</b>	<b>344,142,248</b>
<b>Equity</b>			
Share capital	8	162,399,820	162,399,820
Retained earnings		162,758,744	121,699,270
<b>Total equity</b>		<b>325,158,564</b>	<b>284,099,090</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Historical obligations	9	3,844,378	5,989,790
Provisions	10	16,971,537	20,002,423
<b>Total non-current liabilities</b>		<b>20,815,915</b>	<b>25,992,213</b>
<b>Current liabilities</b>			
Historical obligations	9	2,428,817	2,473,853
Provisions	10	6,846,074	8,800,762
Mineral extraction tax and rent tax payable		8,570,501	6,074,413
Trade and other liabilities		21,004,125	16,701,917
<b>Total current liabilities</b>		<b>38,849,517</b>	<b>34,050,945</b>
<b>Total liabilities</b>		<b>59,665,432</b>	<b>60,043,158</b>
<b>Total liabilities and equity</b>		<b>384,823,996</b>	<b>344,142,248</b>

First Deputy General Director

Deputy General Director on Economy and Finance

Chief Accountant



Iskaziye K.O.

Tasmagambetova R.N.

Makhambetov N.Z.

The notes on pages 5-25 are an integral part of these financial statements.

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2016

In thousands of Tenge

	Notes	2016	2015
Revenue	11	243,517,132	198,112,584
Cost of sales	12	(95,771,814)	(94,991,131)
<b>Gross profit</b>		<b>147,745,318</b>	<b>103,121,453</b>
Selling, general and administrative expenses	13	(77,730,381)	(86,300,235)
Exploration expenses		(453,179)	(6,321)
Reversal of / (allowance for) VAT recoverable	18	7,875,557	(14,104,021)
Loss on disposal of property, plant and equipment		(379,464)	(863,206)
Finance income		2,726,955	2,263,318
Finance costs		(2,414,836)	(1,960,336)
Foreign exchange (loss)/gain, net		(206,343)	63,768,113
<b>Profit before tax</b>		<b>77,163,627</b>	<b>65,918,765</b>
Income tax expense	14	(15,803,401)	(20,457,172)
<b>Profit for the year</b>		<b>61,360,226</b>	<b>45,461,593</b>
<b>Other comprehensive loss for the period to be reclassified to profit and loss in subsequent periods</b>			
Actuarial loss, net of tax		(223,439)	-
<b>Total comprehensive income for the year, net of tax</b>		<b>61,136,787</b>	<b>45,461,593</b>

First Deputy General Director



Iskaziye K.O.

Deputy General Director on Economy and Finance

Tasmagambetova R.N.

Chief Accountant

Makhambetov N.Z.

## STATEMENT OF CASH FLOWS

For the year ended December 31, 2016

In thousands of Tenge

	Notes	2016	2015
<b>Cash flows from operating activities</b>			
Profit before tax		77,163,627	65,918,765
<b>Adjustments to add/(deduct) non-cash items</b>			
Depreciation, depletion and amortization		17,918,469	14,897,332
Loss on disposal of property, plant and equipment		379,464	863,206
Unrealized foreign exchange loss/(gain) on non-operating activities		4,352,824	(52,053,159)
Other non-cash income and expenses, net		154,165	568,354
(Reversal of) / allowance for VAT recoverable	18	(7,875,557)	14,104,021
Change in provisions		(6,705,163)	10,122,178
Add finance cost		2,414,836	1,960,336
Deduct finance income		(2,726,954)	(2,263,318)
<b>Working capital adjustments</b>			
Change in inventories		975,552	316,556
Change in taxes prepaid and VAT recoverable		6,370,825	4,900,501
Change in prepaid expenses		2,997,177	2,059,301
Change in trade and other receivables		(6,718,843)	3,207,647
Change in trade and other payables		3,538,446	597,424
Change in mineral extraction and rent tax payable		3,259,472	(10,331,652)
Income tax paid		(17,636,277)	(15,114,562)
<b>Net cash generated from operating activities</b>		<b>77,862,063</b>	<b>39,752,930</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(44,204,480)	(33,053,693)
Purchases of intangibles assets		-	(981,049)
Purchase of financial assets held to maturity		(60,992,550)	(502,096)
Interest received		440,397	1,507,281
<b>Net cash generated from investing activities</b>		<b>(104,756,633)</b>	<b>(33,029,557)</b>
<b>Cash flows from financing activities</b>			
Dividends	8	(20,007,658)	-
Payments of historical obligations		(2,127,977)	(1,240,827)
<b>Net cash used in financing activities</b>		<b>(22,135,635)</b>	<b>(1,240,827)</b>
<b>Net change in cash and cash equivalents</b>		<b>(49,030,205)</b>	<b>5,482,546</b>
Cash and cash equivalents at the beginning of the year		101,296,508	54,122,466
Net foreign exchange difference on cash and cash equivalents		(365,872)	41,691,496
<b>Cash and cash equivalents at the end of the year</b>	6	<b>51,900,431</b>	<b>101,296,508</b>

First Deputy General Director

Deputy General Director on Economy and Finance

Chief Accountant



Iskazyev K.O.

Tasmagambetova R.N.

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The notes on pages 5-25 are an integral part of these financial statements.



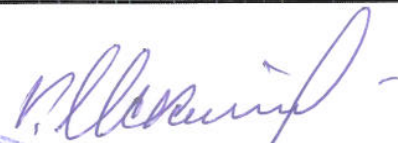
## STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2016

In thousands of Tenge

	Share capital	Accumulated loss	Total equity
<b>As at December 31, 2014</b>	162,399,820	76,237,677	238,637,497
Profit for the year	–	45,461,593	45,461,593
<b>Total comprehensive income</b>	–	45,461,593	45,461,593
<b>As at December 31, 2015</b>	162,399,820	121,699,270	284,099,090
Profit for the year	–	61,360,226	61,360,226
Other comprehensive income	–	(223,439)	(223,439)
<b>Total comprehensive income</b>	162,399,820	182,836,057	345,235,877
Transactions with shareholder (Note 8)	–	(69,655)	(69,655)
Dividends (Note 8)	–	(20,007,658)	(20,007,658)
<b>As at December 31, 2016</b>	162,399,820	162,758,744	325,158,564

First Deputy General Director

  
 Iskaziye K.O.

Deputy General Director on Economy and Finance


  
 Tasmagambetova R.N.

Chief Accountant

  
 Makhambetov N.Z.