

Embamunaigas Joint Stock Company

Financial statements

*For the year ended December 31, 2017
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 2017, 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 2017 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.

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. МФ – 0000172 dated 23 December 2013

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

28 February 2018


Gulmira Turmagambetova
General Director
Ernst & Young LLP



State Audit License for audit activities on
the territory of the Republic of Kazakhstan:
series МФЮ-2, No. 0000003 issued by the
Ministry of Finance of the Republic of
Kazakhstan on 15 July 2005

STATEMENT OF FINANCIAL POSITION

In thousands of Tenge

		As at December 31,	
	Notes	2017	2016
Assets			
Non-current assets			
Property, plant and equipment	4	173,028,945	164,010,870
Intangible assets	5	15,045,692	8,463,858
Other financial assets	6	32,258,446	33,599,222
Deferred tax asset	14	10,415,904	6,875,616
Advances paid for non-current assets		1,670,720	421,477
Total non-current assets		232,419,707	213,371,043
Current assets			
Inventories	7	7,272,093	6,464,322
Income taxes prepaid		772,876	11,635,163
Taxes prepaid and VAT recoverable		12,244,843	5,262,305
Advances paid and prepaid expenses		2,819,251	5,615,360
Trade and other receivables	6	35,948,751	33,336,070
Other financial assets	6	31,884,021	57,239,302
Cash and cash equivalents	6	73,423,065	51,900,431
Total current assets		164,364,900	171,452,953
Total assets		396,784,607	384,823,996
Equity			
Share capital	8	162,399,820	162,399,820
Retained earnings		157,246,242	162,758,744
Total equity		319,646,062	325,158,564
Liabilities			
Non-current liabilities			
Historical obligations	9	1,807,468	3,844,378
Provisions	10	23,530,091	16,971,537
Total non-current liabilities		25,337,559	20,815,915
Current liabilities			
Historical obligations	9	2,623,489	2,428,817
Provisions	10	8,413,484	6,846,074
Mineral extraction tax and rent tax payable		17,947,342	8,570,501
Trade and other liabilities		22,816,671	21,004,125
Total current liabilities		51,800,986	38,849,517
Total liabilities		77,138,545	59,665,432
Total liabilities and equity		396,784,607	384,823,996

Chairman of the Board



Zhaksybekov A.E.

Deputy Chairman of the Board on Economy and Finance

Tasmagambetova R.N.

Chief Accountant

Makhambetov N.Z.

The notes on pages 5-24 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

In thousands of Tenge

		For the year ended December 31,	
	Notes	2017	2016
Revenue	11	309,746,803	243,517,132
Cost of sales	12	(121,289,769)	(95,771,814)
Gross profit		188,457,034	147,745,318
Selling, general and administrative expenses	13	(114,131,677)	(77,730,381)
Exploration expenses		(1,274,476)	(453,179)
Net reversal of allowance on VAT recoverable, net	18	2,518,795	7,875,557
Loss on disposal of property, plant and equipment		(1,463,005)	(379,464)
Finance income		2,239,174	2,726,955
Finance costs		(1,778,313)	(2,414,836)
Foreign exchange gain/(loss), net		980,842	(206,343)
Profit before tax		75,548,374	77,163,627
Income tax expense	14	(19,425,344)	(15,803,401)
Profit for the year		56,123,030	61,360,226
Other comprehensive loss for the period not to be reclassified to profit and loss in subsequent periods			
Actuarial loss, net of tax		(280,880)	(223,439)
Total comprehensive income for the year, net of tax		55,842,150	61,136,787

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Deputy Chairman of the Board on Economy and Finance

Chief Accountant



Zhaksybekov A.E.

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STATEMENT OF CASH FLOWS

In thousands of Tenge

		For the year ended December 31,	
	Notes	2017	2016
Cash flows from operating activities			
Profit before tax		75,548,374	77,163,627
Adjustments to add/(deduct) non-cash items:			
Depreciation, depletion and amortization		20,034,822	17,918,469
Loss on disposal of property, plant and equipment		1,463,005	379,464
Foreign exchange (gain)/loss		(1,501,616)	4,352,824
Other non-cash income and expenses, net		2,937,922	154,165
Net reversal of allowance on VAT recoverable	18	(2,518,795)	(7,875,557)
Change in provisions		6,727,970	(6,705,163)
Add finance cost		1,778,313	2,414,836
Deduct finance income		(2,239,174)	(2,726,955)
Working capital adjustments			
Change in inventories		(932,617)	975,553
Change in taxes prepaid and VAT recoverable		(4,463,743)	6,370,825
Change in advances paid and prepaid expenses		2,796,111	2,997,177
Change in trade and other receivables		(5,589,160)	(6,718,843)
Change in trade and other payables		1,296,039	3,538,446
Change in mineral extraction and rent tax payable		12,876,841	3,259,472
Income tax paid		(15,278,611)	(17,636,277)
Net cash generated from operating activities		92,935,681	77,862,063
Cash flows from investing activities			
Purchases of property, plant and equipment		(27,158,204)	(44,204,480)
Purchases of intangibles assets		(8,721,672)	-
Withdrawal/(placement) of term deposits		23,840,345	(60,992,550)
Interest received		2,195,633	440,397
Net cash generated from investing activities		(9,843,898)	(104,756,633)
Cash flows from financing activities			
Dividends paid to the Company's shareholder	8	(61,354,652)	(20,007,658)
Payments of historical obligations		(2,371,325)	(2,127,977)
Net cash used in financing activities		(63,725,977)	(22,135,635)
Net change in cash and cash equivalents		19,365,806	(49,030,205)
Cash and cash equivalents at the beginning of the year		51,900,431	101,296,508
Net foreign exchange difference on cash and cash equivalents		2,156,828	(365,872)
Cash and cash equivalents at the end of the year	6	73,423,065	51,900,431

NON-CASH TRANSACTIONS

Non-cash transactions, including the following, has been excluded from the statement of cash flows:

Offset of Excess Profit Tax with Rent tax

During the year ended December 31, 2017 the Company offset rent tax liabilities in the amount 3,500,000 thousand Tenge against excess profit tax prepaid.

Chairman of the Board

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STATEMENT OF CHANGE IN EQUITY

In thousands of Tenge

	Share capital	Accumulated loss	Total equity
As at December 31, 2015	162,399,820	121,699,270	284,099,090
Profit for the year	-	61,360,226	61,360,226
Other comprehensive loss	-	(223,439)	(223,439)
Total comprehensive income	-	61,136,787	61,136,787
Transactions with shareholder	-	(69,655)	(69,655)
Dividends (Note 8)	-	(20,007,658)	(20,007,658)
As at December 31, 2016	162,399,820	162,758,744	325,158,564
Profit for the year	-	56,123,030	56,123,030
Other comprehensive loss	-	(280,880)	(280,880)
Total comprehensive income	-	55,842,150	55,842,150
Dividends (Note 8)	-	(61,354,652)	(61,354,652)
As at December 31, 2017	162,399,820	157,246,242	319,646,062

Chairman of the Board



 Zhaksybekov A.E.

Deputy Chairman of the Board on Economy and Finance


 Tasmagambetova R.N.

Chief Accountant


 Makhambetov N.Z.