

Embamunaigas Joint Stock Company

Financial statements

*For the year ended December 31, 2018
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 2018, 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 2018 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



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 2019



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

For the year ended December 31, 2018

In thousands of tenge

	Notes	At December 31,	
		2018	2017
Assets			
Non-current assets			
Property, plant and equipment	4	187,656,191	173,028,945
Intangible assets	5	20,686,194	15,045,692
Other financial assets	6	38,005,431	32,258,446
Deferred tax asset	14	10,380,026	10,415,904
Advances paid for non-current assets		2,154,102	1,670,720
Total non-current assets		258,881,944	232,419,707
Current assets			
Inventories	7	10,944,113	7,272,093
Income tax prepaid		3,968,337	772,876
Taxes prepaid and VAT recoverable		15,899,345	12,244,843
Advances paid and deferred expenses		3,507,440	2,819,251
Trade and other accounts receivable	6	30,838,853	35,948,751
Other financial assets	6	–	31,884,021
Cash and cash equivalents	6	111,445,891	73,423,065
Total current assets		176,603,979	164,364,900
Total assets		435,485,923	396,784,607
Equity			
Share capital	8	162,399,820	162,399,820
Retained earnings		153,032,636	157,246,242
Total equity		315,432,456	319,646,062
Liabilities			
Non-current liabilities			
Historical obligations	9	5,806,806	1,807,468
Provisions	10	24,151,252	23,530,091
Total non-current liabilities		29,958,058	25,337,559
Current liabilities			
Historical obligations	9	1,573,568	2,623,489
Provisions	10	36,329,095	8,413,484
Mineral extraction and rent tax payable		23,287,080	17,947,342
Trade and other accounts payable		28,905,666	22,816,671
Total current liabilities		90,095,409	51,800,986
Total liabilities		120,053,467	77,138,545
Total liabilities and equity		435,485,923	396,784,607

Chairman of the Board

Zhaksybekov A.Y.

Deputy Chairman of the Management Board on Economy and Finance

Tasmagambetova R.N.

Chief accountant

Makhambetov N.Zh.

The accounting policies and explanatory notes on pages 5 to 26 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

In thousands of tenge

	Note	For the year ended December 31,	
		2018	2017
Revenue	11	433,436,224	309,746,803
Cost of sales	12	(137,184,051)	(121,289,769)
Gross profit		296,252,173	188,457,034
Selling expenses	13	(155,497,031)	(102,991,446)
General and administrative expenses	14	(45,098,205)	(11,140,231)
Exploration expenses		(2,742,279)	(1,274,476)
Reversal of provision for VAT recoverable, net		-	2,518,795
Loss on disposal of property, plant and equipment		(651,970)	(1,463,005)
Finance income		1,406,614	2,239,174
Finance costs		(2,582,521)	(1,778,313)
Net foreign exchange difference		21,868,468	980,842
Profit before taxation		112,955,249	75,548,374
Income tax expenses	15	(29,566,260)	(19,425,344)
Profit for the year		83,388,989	56,123,030
Actuarial loss, net of taxes	10	(1,758,050)	(280,880)
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods		(1,758,050)	(280,880)
Total comprehensive income for the year, net of tax		81,630,939	55,842,150

Chairman of the Board



Zhaksybekov A.Y.

Deputy Chairman of the Management Board on Economy and Finance

Tasmagambetova R.N.

Chief accountant

Makhambetov N.Zh.

STATEMENT OF CASH FLOWS

In thousands of tenge

	Note	For the year ended December 31,	
		2018	2017
Cash flows from operating activities			
Profit before tax		112,955,249	75,548,374
Adjustments to add/(deduct) non-cash items			
Depreciation, depletion and amortization		21,734,163	20,034,822
Loss on disposal of property, plant and equipment	4	651,970	1,463,005
Foreign exchange gain		(14,836,862)	(1,501,616)
Other non-cash income and expense		1,798,561	2,937,922
Reversal of provision for VAT recoverable, net		—	(2,518,795)
Change in provisions		25,773,853	6,727,970
Plus finance costs		2,582,521	1,778,313
Less finance income		(1,406,613)	(2,239,174)
Working capital adjustments			
Change in inventories		(3,771,519)	(932,617)
Change in taxes prepaid and VAT recoverable		(3,654,502)	(4,463,743)
Change in advances paid and deferred expenses		(688,189)	2,796,111
Change in trade and other receivables		5,109,898	(5,589,160)
Change in trade and other accounts payable		3,591,308	1,296,039
Change in mineral extraction and rent tax payable		5,129,738	12,876,841
Income tax paid		(33,267,857)	(15,278,611)
Net cash flows from operating activities		121,701,719	92,935,681
Cash flows from investing activities			
Purchase of property, plant and equipment		(30,692,389)	(27,158,204)
Purchase of intangible assets		(7,139,258)	(8,721,672)
Withdrawal of term deposits		30,117,107	23,840,345
Interest received		1,406,301	2,195,633
Net cash flows used in investing activities		(6,308,239)	(9,843,898)
Cash flows from financing activities			
Dividends paid to the Company's shareholder	8	(85,844,545)	(61,354,652)
Payments on historical obligations		(2,564,224)	(2,371,325)
Net cash flows used in financing activities		(88,408,769)	(63,725,977)
Net change in cash and cash equivalents		26,984,711	19,365,806
Cash and cash equivalents, beginning		73,423,065	51,900,431
Net foreign exchange difference on cash and cash equivalents		11,038,115	2,156,828
Cash and cash equivalents, ending	6	111,445,891	73,423,065

Chairman of the Board



Zhaksybekov A.Y.

Deputy Chairman of the Management Board on Economy and Finance

Tasmagambetova R.N.

Chief accountant

Makhambetov N.Zh.

The accounting policies and explanatory notes on pages 5 to 26 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

In thousands of tenge unless otherwise indicated

	Share capital	Retained earnings	Total equity
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 income	-	(280,880)	(280,880)
Total comprehensive income	-	55,842,150	55,842,150
Dividends (Note 8)	-	(61,354,652)	(61,354,652)
At December 31, 2017	162,399,820	157,246,242	319,646,062
Profit for the year	-	83,388,989	83,388,989
Other comprehensive income	-	(1,758,050)	(1,758,050)
Total comprehensive income	-	81,630,939	81,630,939
Dividends (Note 8)	-	(85,844,545)	(85,844,545)
At December 31, 2018	162,399,820	153,032,636	315,432,456

Chairman of the Board



Zhaksybekov A.Y.

Deputy Chairman of the Management Board on Economy and Finance

Tasmagambetova R.N.

Chief accountant

Makhambetov N.Zh.