STRATEGICAL REPORT


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Economic environment overview

In 2017, the volume of refining at refineries amounted to 14.9 million tons of oil or 102.8% to 2016.

Kazakhstan is a huge and rapidly developing state. The area of the country exceeds 2.7 million km^2, and the population is 18 million people. Oil and gas areas occupy more than 60% of the country's territory. There are 172 oil fields in Kazakhstan, the oil reserves of which amount to about 1.8% of the world's proven reserves. More than 90% of Kazakh oil reserves are accumulated at 15 largest oil fields.

According to the Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan, the volume of the gross domestic product produced in January-December 2017 (according to recent reports) amounted to 51.6 trillion tenge and increased by 4% in real terms as compared to the corresponding period of the previous year.

The main macroeconomic factors that affect the Company's financial position include: the behavior of oil prices, inflation rates, exchange rate fluctuations, in particular, KZT/USD exchange rate.

	2015	2016	2017	Deviation
Brent average price (DTD)	52.39	43.73	54.192	24%
Inflation rate – Kazakhstan (%)	13.60	8.50	7.10	–16
Average exchange rate (KZT/USD)	222,25	341.76	326	–5%

In 2017, a positive situation was observed in world markets. The average price for Brent crude oil increased by 24% for the year. An important positive factor in the medium term was the agreement of OPEC countries for the limitation of production. Another important factor was the events in the Middle East.

According to the Ministry of Energy of the Republic of Kazakhstan, oil production in Kazakhstan in 2017 amounted to 86.2 million tons, or 110.5% to the level of 2016 and 102% against the plan. Data for three largest projects: Kashagan – 8.3 million tons, TCO – 28.7 million tons (104.1% to the level of 2016) and Karachaganak – 12.5 million tons (109.5% to the level of 2016). In 2018, it is planned to produce 87 million tons of oil.

Oil exports in 2017 reached the level of 69.8 million tons and increased by 12.4% against the level of 2016. The key destinations of Kazakh oil supply are given in the Table below.

Oil supply destinations in 2017

Destination	Thousand tons	% to 2016
Atyrau-Samara	15,368.0	106.9
Orenburg Gas Processing Plant	624.20	83
Caspian Pipeline Consortium (CPC)	49,636.3	121.6
Atasu – Alashankou	2,291.0	74.6
Sea Port	1,192.3	54.3
Railway	670.0	75.4

In 2017, the volume of refining at refineries amounted to 14.9 million tons of oil or 102.8% to 2016 and 102.6% to the plan for the past year. In 2018, the volume of oil refining is planned at the level of 15.8 million tons.

The volume of gas production amounted to about 52.9 bcm, which is 114% to the level of 2016 or 110% to the plan for 2017. In 2018, the planned volume of gas production is 53.4 bcm.

Exports of the republican gas amounted to 17.3 bcm or 126.3% against the level of 2016. In 2017, Kazakhs gas was exported for the first time to China. The volume of supplies amounted to 1.1 bcm. In 2018, it is planned to expand economic cooperation between Kazakhstan and China and increase gas exports to 10 bcm.

Kazakhstan produced 2.9 million tons of liquefied gas (108.2% to 2016) and 31.6 bcm of commercial gas (110.9% to 2016).

Operating results

Oil production

EMG has eight contracts for oil exploration and production at 43 fields, of which 33 oil and gas fields are at the development stage and nine fields are yet to be developed (Tazhigali, Iskine, Dossor, Makat, Tyulyus, Komsomolsky, Sagiz, Bek-Beke, Tanatar), one field is under the pilot development.

The operating well stock as of January 1, 2018 amounted to 2,237 wells, including 2,107 operating wells, 65 non-operating wells, 60 wells waiting for physical abandonment and five wells at the stage of development. The operating injection well stock as of January 1, 2018 was composed of 455 wells, including 410 operating wells, 37 non-operating wells and eight wells waiting for physical abandonment.

The plan provides for the commissioning of 45 new oil wells. In fact, 41 oil wells were put into operation in full. As of January 1, 2018, two wells were under development (No. 534, No. 538 named after S. Nurzhanov), two wells were completed by drilling. Oil production at new wells for 2017 amounted to 51.96 thousand tons with a plan of 69.175 thousand tons. Non-fulfillment of the plan was due to the late start of operations and prolongation of the period of well development.

286 wells were overhauled. Well heads of 54 wells were re-equipped.

Most of the Company's fields are at a late stage of development, and a share of hard-to-recover deposit reserves is constantly growing. Stabilization of the oil production level in recent years has been achieved through the use of a set of measures: new well drilling, overhaul and current repair of wells, systemic operation of the well stock, increasing the operating factor, increasing a well workover interval, introduction of advanced technologies and optimization of the field development system.

Today, in order to increase the oil recovery factor, Embamunaygas JSC, along with traditional methods of increasing oil recovery, applies new technologies with the involvement of leading Kazakhstan research institutes. New technologies are actively introduced to increase a well workover interval.

Oil production within Embamunaygas JSC was planned for 2017 in the amount of 2,840,000 tons, and the actual production reached the level of 2,840,015 thousand tons (100% fulfillment). 0.015 thousand tons of oil were produced above the plan. At the same time, an average daily oil production rate amounted to 7.780 thousand tons/day. Oil delivery for 2017 was fulfilled by 100%: 2,805,867 tons of oil were delivered with the plan of 2,805,850 thousand tons. 0.017 thousand tons of oil were delivered above the plan.

Oil production in Embamunaygas JSC, thousand tons

Transfer and acceptance point	2015 Fact	2016 Fact	2017 Plan	2017 Fact	2017 Deviation
Embamunaygas JSC	**2,823.04**	**2,832,008**	**2,840.00**	**2,840.02**	**0.015**
Including oil and gas production departments:					
Zhaiykmunaygas	960,335	954,171	955.8	953,679	–2.121
Zhylyoimunaygas	962.6	989.14	1 029.20	1,034.93	5.725
Dossormunaygas	411.75	404,283	376	371,531	–4.469
Kainarmunaygas	488,355	484,414	479	479.88	0.877

As you can see from the Table above, the oil production plan for Zhaiykmunaygas OGPD (S. Balgimbayev, South-East Kamyshitoviy, Zhanatalap) and Dossormunaygas OGPD (V. Makat and Botakhan fields) was not fulfilled. The main deviation was caused by the excess of the fall in the base production rate and the delay in the schedule for implementing geological and technical measures due to the late performance of tender procedures and late commencement of drilling operations.

Associated gas production

Associated gas production is carried out at 25 fields of Embamunaygas JSC.

Associated gas production, bcm

Indicator	2015 Fact	2016 Fact	2017 Plan	2017 Fact	2017 Deviation
Associated gas production	187,916	191,649	199,737	199,755	0.18

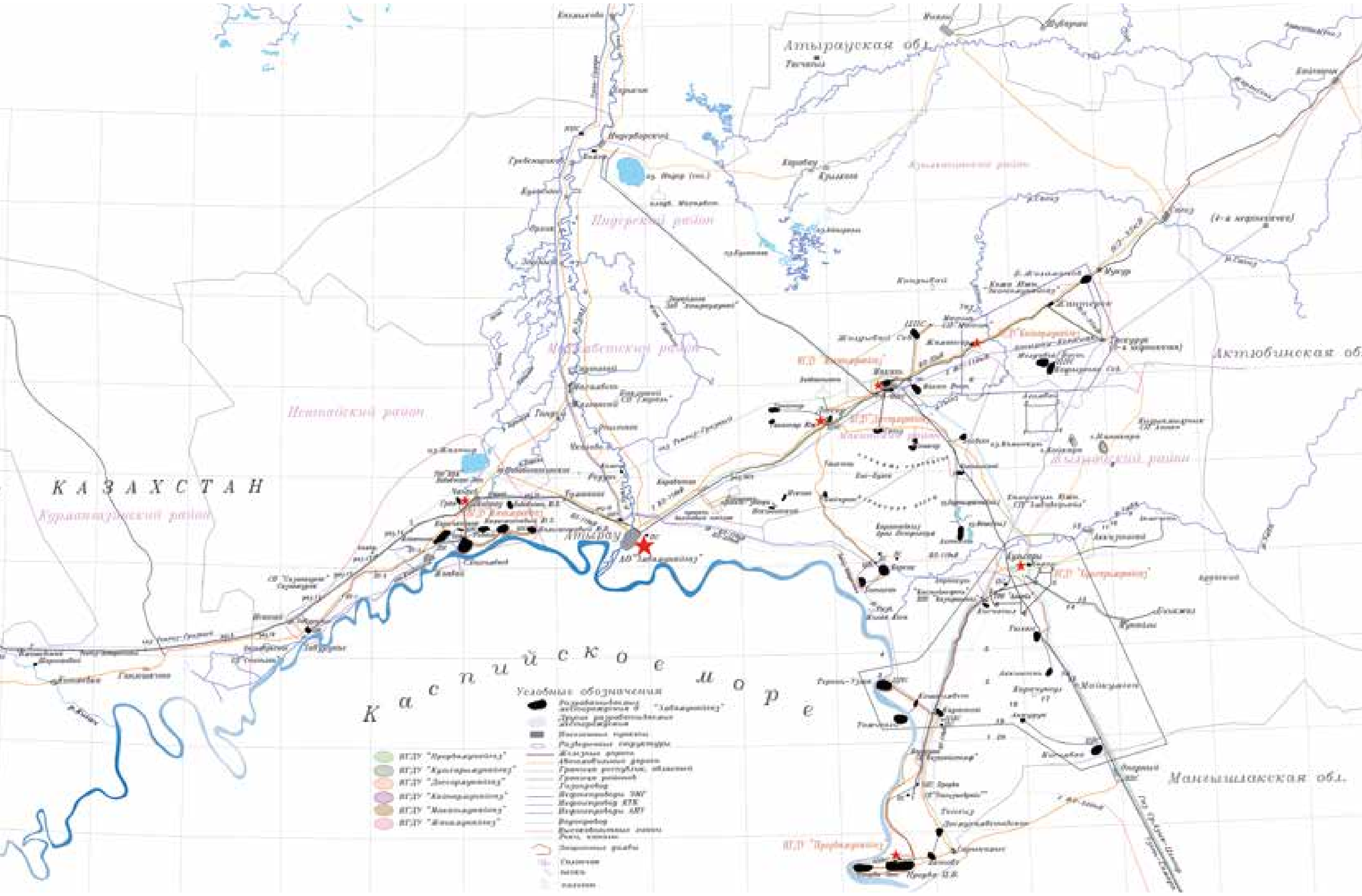
Geological exploration

Currently, the basic area of activities for EMG JSC is to strengthen the resource base through geological exploration. The Company works on a systematic basis to analyze data for the performance of geological exploration operations at promising above-salt and sub-salt sites.

In the reporting year, the Company continued performing geological exploration on the licensed areas of Taisoigan, Liman, Karaton-Sarkamys, which revealed a number of promising structures for prospecting and exploratory drilling for the purpose of searching for hydrocarbon deposits in Cretaceous, Jurassic, Triassic and deep sub-salt sediments. Also, supplementary exploration operations are being performed at existing fields with the aim to expand oil-bearing contours based on 3D seismic and well drilling data, identify overlooked horizons based on GIS data, as well as transfer hydrocarbon reserves from C2 category to C1 category.

Area of operations of Embamunaygas JSC

In the course of its activities, EMG JSC actively applies new technologies, uses advanced developments in the field of geology and geophysics (seismic data processing using Multifocusing technology, ES360, a complex of geological and geophysical studies, geochemical studies, etc.). The use of innovative technologies increases the efficiency of geological exploration operations. Today, with the help of new computer technologies, geological models are created for well planning (design), estimation of hydrocarbon reserves, evaluation of uncertainties and risks, and preparation of a basis for hydrodynamic modeling.



In the reporting year, EMG drilled 13 exploratory wells with a total interval of 28,354 meters. As a result of drilling U–23 and U–26 wells, the oil-bearing capacity of the Middle Triassic deposits on the northeastern wing of Taisoigan structure was established. When testing 1025–1028, 1003–1005 and 984–986-meter intervals of U–23 well and 943–945-meter interval of U–26 well, water-free oil and gas flow to surface was received.

In 2016, the oil-bearing capacity of Triassic deposits on the northwestern wing of S. Nurzhanov field was established by drilling a directional exploratory well of NSV–1 block of Karaton-Sarkamys area: an oil flow to surface at the rate of 132 m^3/day with a 7-mm choke was obtained from the 3291–3304 m interval (T-II-A horizon).

In 2017, the NSV–2 block was drilled, in which an oil flow to surface from the 3258–3269 m interval (T-II-A) was also obtained. Following the results of work performed, an operational evaluation of hydrocarbon reserves was carried out and the deposit was put into trial operation.

Two deposits were discovered on Liman contract area: Novobogat South-East and Central Novobogatinskoye. Hydrocarbon reserves of these deposits have been included in the State Register of Mineral Reserves. The deposits are in trial operation.

Overview of capital expenditures

In 2017, capital expenditures of EMG JSC exceeded 38 billion tenge. More than 30% of investments were spent on construction work in connection with the implementation of strategic projects. Approximately 20% of expenditures were accounted for each of the following activities: operational drilling, procurement of fixed and intangible assets as well as prospecting and exploration.

Capital expenditures, million tenge

Expenditure item	2013	2014	2015	2016	2017
Construction work	13,749	12,333	10,685	30,989	12,618
Operational drilling	13,232	13,279	9,213	8,253	8,632
Procurement of fixed and intangible assets	5,004	4,556	5,564	3,536	8,375
Prospecting and exploratory drilling	3,792	3,225	2,163	4,620	8,118
Other	740	15,606	549	1,271	304
Total CAPEX	**36,518**	**48,999**	**28,174**	**48,669**	**38,047**

In the period of 2014–2017, a major investment project was implemented – construction of a complex facility for treatment of associated petroleum gas from Prorva group of fields with a capacity of 150 million m^3 of gas per year, totaling to 35 billion tenge.

The constructed facility is intended for associated gas utilization at Prorva group of fields (S. Nurzhanov field, West Prorva, Aktobe, Dosmukhambetovskoye fields) in Zhylyoi district of Atyrau region.

This project has allowed the Company to completely eliminate gas flaring and increase oil production of Zhylyoimunaygas OGPD at Prorva cluster.

Commercial gas is transported through the field gas pipeline of Tolkyn gas treatment plant – gas gathering station; stable gas condensate is used for own needs.

More than 500 temporary jobs were created during the construction of the gas treatment plant. After the plant was put into operation, Embamunaygas JSC created a new gas treatment and sulphur production shop of the Production Department for the development of Prorva group of fields of Zhylyoimunaygas OGPD with a staff number of more than 100 new permanent jobs.

Innovation

The New Technique and Technology Department (NTTD) was established in August 2015 on the basis of the previously existing new technique and technology division of the oil and gas production department. This Department first tests and then approves the introduction of new types of machinery and oil and gas production technologies implemented for the first time in Embamunaygas JSC, which have high technical and economic characteristics and are well proven in operation in conditions similar to those existing at the Company's fields, whether they are the results of applied developments of research organizations, legal entities and individuals, serial types of machinery and equipment or the introduction of innovation technologies.

The main objectives of the New Technique and Technology Department are:

- ensuring the fulfillment of tasks for the introduction of new technique and advanced technologies in the field of oil production, well construction and workover;
- improvement of technological preparation of production.

To ensure sustainable growth of production, it is required to introduce new methods of operation, new production and well drilling technologies for mature fields, as well as to invest time and efforts in modernization of onshore facilities. Much of what is applied in EMG JSC to solve specific technological tasks and problematic issues arising as the fields are operated has been introduced upon the recommendation of the NTTD.

Over the past period, the Department performed:

- in 2016 – 16 pilot tests were carried out, 10 of which had positive results and were recommended for use in production;
- in 2006, 13 pilot tests were planned, 8 of which have a positive result, three pilot tests are in progress under monitoring, two pilot tests are negative.

All pilot tests of prototype models of equipment, technical devices and rationalization proposals are carried out according to the test program, which is based on technical conditions developed by the inventors.

Engineers and geologists from oil and gas production departments, specialists of EMG JSC and KazMunayGas Research and Development Institute of Production and Drilling Technology are working together to improve water flooding technology, increase well productivity, reduce the idle well stock and increase the time between overhauls, well cleaning interval and mean time between failures of mechanized extraction systems.

The New Technique and Technology Department is working to increase the profitability of fields under development, which are at the last stages of productive formation exploitation, by applying modern technology and by constant striving to increase economic efficiency and obtain additional production.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Procurement activities

The Company carries out procurement activities in accordance with the Rules for procurement of goods, works and services of Samruk-Kazyna Sovereign Welfare Fund (hereinafter – the Holding) and organizations, fifty or more percent of voting shares (participatory interests) of which are directly or indirectly owned by Samruk-Kazyna JSC on the right of ownership or trust management. The Rules determine the procedure for procurement by customers of goods, works and services at the cost of their own funds.

Procurement of goods, works and services is based on the following principles:

- publicity and transparency of the procurement process;
- optimal and efficient application of funds for procurement;
- acquisition of goods, works and services of good quality;
- provision all potential suppliers with equal opportunities to participate in the procurement process providing support to organizations of disabled persons (individuals with disabilities who carry out entrepreneurial activities) included in the Register of organizations of disabled persons (individuals with disabilities who carry out entrepreneurial activities) of the Holding;
- fair competition among potential suppliers;
- assistance in procurement between organizations included in the Holding with the aim to develop cooperation within the Holding;
- control and responsibility for decisions made;
- minimization of intermediaries' participation in the procurement process;
- effective implementation of strategical investment projects.

The procurement process includes the development and approval of the procurement plan(s), selection of suppliers, conclusion and execution of the procurement contract.

Procurement volume in 2017, million tenge excluding VAT

Indicator	Amount	% of execution	
Amount of the procurement plan for 2017,	**82,052.92**	**100**	
including:			
goods	*8,123.94*	*9.9*	
works	*30,437.67*	*37.1*	
services	*43,491.31*	*53.0*	
Amount of procurement, for which suppliers have been determined,	**82,052.92**	**100**	**Local content share**
including:			
goods	*8,123.94*	*100.0*	*69.0%*
works	*30,437.67*	*100.0*	*76.9%*
services	*43,491.31*	*100.0*	*87.1%*
Saving under contracts,	**4,327.21**	**5**	
including:			
goods	*488.94*	*6.0*	
works	*469.41*	*1.5*	
services	*3,368.86*	*7.7*	

In 2017, the Company's revenue grew by 27 % against the level of 2016 or 13 % to the planned figure.

Overview of financial performance

This section is based on the audited financial statements of the Company.

Basic financial indicators, million tenge

Indicator	2013	2014	2015	2016	2017			
	Fact	Fact	Fact	Fact	Plan	Fact	Deviation	%
Oil production, thousand tons	*2 841*	*2 823*	*2 823*	*2 832*	*2 840*	*2 840*	*0*	*0*
Revenue (income)	330 098	344 675	198 113	243 517	274 016	309 747	35 731	13
Cost of sales	–96 443	–119 229	–94 991	–95 772	–119 333	–121 290	–1 957	2
Gross income	233 655	225 446	103 121	147 745	154 683	188 457	33 774	22
General and administrative expenses	–5 190	–15 738	–24 542	58	–10 391	–9 896	–794	8
Transportation and sales expenses	–120 443	–135 071	–75 869	–70 366	–95 171	–102 991	–8 120	9
Profit (loss) from operating activities	108 022	74 638	2 711	77 437	49 121	75 570	26 448	54
Net financial income/(expenses)	–1 045	–2 714	303	312	–2 446	461	–1985	–81
Other net income /(loss)	–135	20 538	62 905	–586	0	–482	–482	0
Income/(loss) before tax	106 841	92 462	65 919	77 164	46 675	75 548	28 873	62
Corporate income tax expenses	–31 854	–20 225	–20 457	–15 803	–11 698	–19 425	–7 727	66
Income for the year	74 987	72 237	45 462	61 360	34 977	56 123	21 146	60

In 2017, the Company's revenue grew by 27% against the level of 2016 or 13% to the planned figure. Overachievement of the revenue targets is mainly due to the growth of exports, which in turn is associated with an increase in world oil prices (compared to the target level, on average, by 20.4%). The revenue growth was observed despite a decline in the USD exchange rate by 9.4% against the indicator envisaged in the calculation of the planned values (326 tenge per US dollar with the planned figure of 360 tenge per US dollar).

At the same time, net profit exceeded the planned values by 60% and amounted to 56.1 billion tenge by the end of 2017.

Sales

Oil sales volume and sales prices

Indicator	2013	2014	2015	2016	2017
Export oil sales					
KTO					
Sales, million tenge	231,099.26	236,808.79	118,432.35	126,832.45	187,983.24
Volume, thousand tons	1,970.32	1,920.20	1,571.33	1,225.76	1,526.40
Average selling price, thousand tenge/ton	117.29	123.33	75.37	103.47	123.15
CTC					
Sales, million tenge	97,110.31	106,151.97	60,766.98	92,944.40	101,250.01
Volume, thousand tons	811.98	816.30	766.25	859.51	791.65
Average selling price, thousand tenge/ton	119.60	130.04	79.30	108.14	127.90
Total oil exports, million tenge	328,209.57	342,960.76	179,199.33	219,776.85	289,233.25
Total oil exports, thousand tons	2,782.30	2,736.50	2,337.58	2,085.27	2,318.05
Oil sales to the domestic market					
PPCP					
Sales, million tenge	–	–	7,783.32	18,549.09	13,582.94
Volume, thousand tons	–	–	210.36	609.05	357.96
Average selling price, thousand tenge/ton	–	–	37.00	30.46	37.95
Atyrau Refinery					
Sales, million tenge	–	–	9,805.00	3,731.72	4,601.52
Volume, thousand tons	–	–	265.00	117.00	121.00
Average selling price, thousand tenge/ton	–	–	37.00	31.90	38.03
Crude oil					
Sales, million tenge	38.84	12.21	5.52	8.99	6.39
Volume, thousand tons	0.86	0.26	0.10	0.10	0.10
Average selling price, thousand tenge/ton	45.21	47.09	58.00	58.00	62.00
Total sales to the domestic market, million tenge	38.84	12.21	17,593.84	22,289.80	18,190.85
Total sales to the domestic market, thousand tons	0.86	0.26	475.46	726.21	479.06
All selling destinations, million tenge	328,248.41	342,972.97	196,793.17	242,066.65	307,424.10
All selling destinations, thousand tons	2,783.16	2,736.76	2,813.04	2,811.48	2,797.11

Oil is sold both for the domestic market and for export. According to the Rules of the Ministry of Energy of the Republic of Kazakhstan, oil is primarily delivered to domestic refineries, namely Pavlodar and Atyrau Refineries. Oil is exported along two main routes: through the Caspian Pipeline Consortium and Uzen – Atyrau – Samara pipelines. These pipelines lead to Novorossiysk sea port, the Krasnodar Territory, the Russian Federation, while CPC transports


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oil to the CPC sea terminal in South Ozereyevka village (Novorossiysk, RF), and Uzen – Atyrau – Samara pipeline leads to the Sheskharis transshipment complex (Novorossiysk, RF). Upon completion of transportation to the terminals, oil is loaded onto tankers for dispatch to customers.

In 2017, the volume of sales in all directions decreased by an insignificant 1% and amounted to 2.8 million tons. At the same time, the volume of sales in monetary terms increased by 27% due to the price factor and reached the level of 307 billion tons.

The volume of exports in physical terms increased by 11%, in monetary terms – by 32%. In the past year, 66% of exports accounted for KTO; the average selling price in this direction increased by 19% and amounted to 123.15 thousand tenge/ton. 34% of export sales accounted for CPC. The average cost of sales increased by 18% to 127.9 thousand tenge/ton.

In 2017, export deliveries were increased due to the improvement in the global market environment. The volume of sales in the domestic market in 2017 decreased by 34% in physical terms and by 18% in monetary terms.

Commercial gas sales

Sales of commercial gas of EMG JSC are carried out in accordance with Article 15 of the Law of the Republic of Kazakhstan No. 532-IV dated January 9, 2012 “On Gas and Gas Supply”. The pre-emption right of the state is exercised through the national operator, KazTransGas JSC. In accordance with the Order of the Minister of Energy of the Republic of Kazakhstan No. 121 dated November 13, 2014 “On approval of the Rules for determining the price for sour and commercial gas acquired by the national operator under the pre-emption right of the state”, the Company sold commercial gas to the national operator at prices not exceeding the limit approved by the Ministry of Energy of the Republic of Kazakhstan. Embamunaygas JSC carries out gas treatment at two gas treatment plants and one complex gas treatment plant. Two gas treatment plants located at S. Balgimbayev and East Makat fields are used to treat commercial gas that meets the natural gas needs of the population of Isatay, Kzylkogy and Makat regions of Atyrau region. Commercial gas from Prorva gas treatment plant (Prorva group of fields) is transported to the Central Asia-Center main gas pipeline.

No.	Destination	Unit of measurement	2015	2016	2017	2018* plan
1	KazTransGas JSC	thous. m^3	5,142.08	5,360.69	8,482.24	93 204,69

Cost

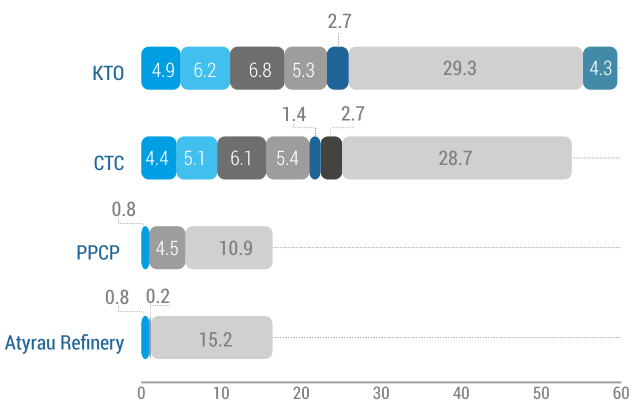
Cost analysis, million tenge

Indicator	2017	2016	Change, %
Employee benefits	45,474	42,572	7
Mineral extraction tax	27,544	18,871	46
Depreciation, depletion and amortization	16,987	16,879	1
Repair and maintenance services	10,622	9,140	16
Change in the provision for environmental obligation	6,270	–	–
Materials and inventories	3,393	3,150	8
Electric energy	2,705	2,705	0

Indicator	2017	2016	Change, %
Transport expenses	1,810	1,392	30
Property tax	1,471	1,484	–1
Commercial discovery bonus	–49	–945	–95
Reduction in assets retirement obligations exceeding the capitalized asset amount	–778	–3,733	–79
Other	6,510	3,662	78
Total cost	**121,290**	**95,772**	**26,6**

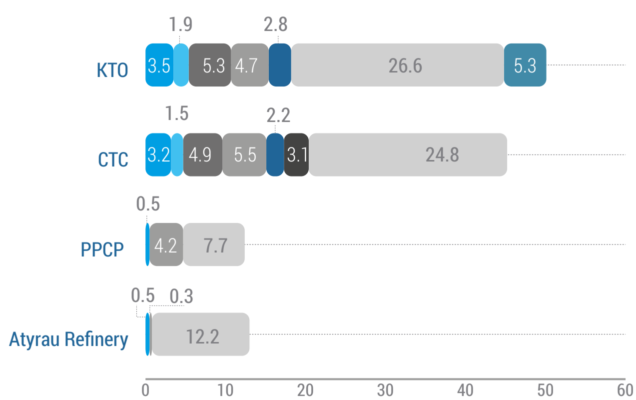
The cost of sales in 2017 increased by 26.6% to the level of 2016 or by 25.5 billion tenge. The growth was caused by an increase in mineral extraction tax expenses by 8.7 billion tenge and an increase in employee benefits by 2.9 billion tenge. In addition, in 2017 the Company recognized an additional environmental obligation to clean oil contaminated areas at oil fields for a total amount of 6.3 billion tenge. The amount of provision is equal to the present value of estimated future expenses of 9.1 billion tenge with a discount rate of 10% and a term up to 2023. In general, the cost level in 2017 was practically within the planned values.

Netback analysis for 2017, USD per barrel[1]



[1] *Average price Brent 54.192*

Netback analysis for 2016, USD per barrel [2]



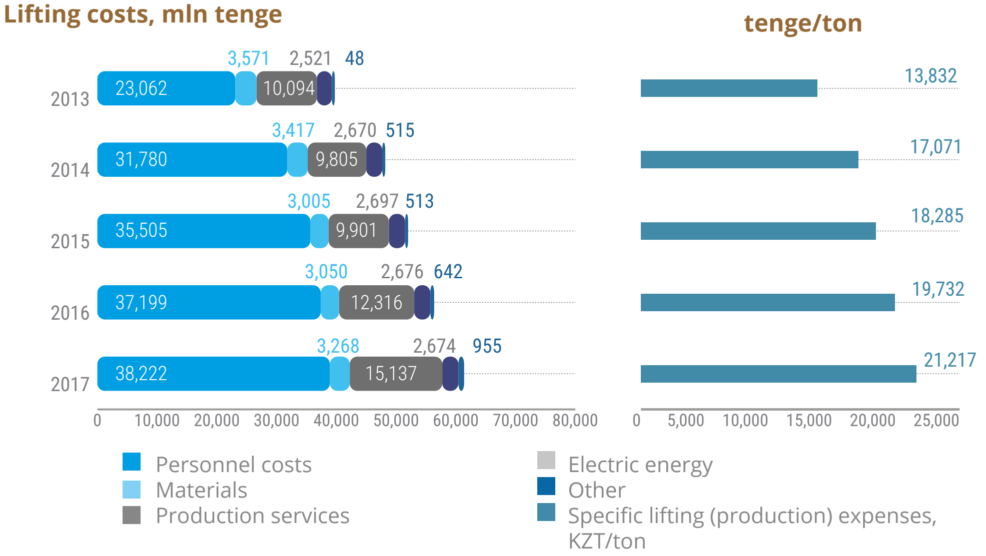
[2] *Average price Brent 43.73*

- MET
- Rental tax
- ECD
- Transportation
- Discounts
- Quality bank
- Netback
- Barrelization Prize

Lifting

In 2017, specific lifting, which is calculated as a ratio of operating costs to production, amounted to 21.2 thousand tenge per ton and increased by about 7,5% to 2016. 63% of operating costs for 2017 are personnel costs, 25% – costs for production services, 5% – material costs, 4% – electricity costs.

The specific cost of one ton of oil in 2017 amounted to 41.9 thousand tenge and increased by 25% against the level of 2016.



Selling expenses, general and administrative expenses

Selling expenses, general and administrative expenses, million tenge

Indicator	2017	2016	Change, %
Export customs duty	36,586	27,573	33
Transport expenses	33,907	33,438	1
Rent tax	32,584	9,396	247
Employee benefits	4,018	3,858	4
Depreciation, depletion and amortization	3,048	1,016	200
Repair and maintenance services	432	364	19
Sponsorship	324	288	12
Agency fee for sales	214	232	–7
Consulting and auditing services	106	61	72
Fines and penalties	47	–165	–129
Property tax	39	40	–2
Reversal/provision for doubtful accounts receivable	–144	573	–125
Other	2,972	1,055	182
Total expenses	**114,132**	**77,730**	**47**

Selling and administrative expenses in 2017 increased by 47% or by 36.4 billion tenge. The growth was affected by an increase in rental tax by 23.2 billion tenge and the growth of export customs duties by 9 billion tenge. Transportation costs, which account for almost 30% of selling and administrative expenses, remained practically unchanged in 2017 having increased by 1%. Employee benefits increased by 4%.

Taxation

Tax expenses, except for income tax, million tenge

Indicator	2017	2016	Change, %
Rent tax	32,584	9,396	247
Export customs duty	36,586	27,573	33
Mineral extraction tax	27,544	18,871	46
Property tax	1,510	1,525	–1
Environmental pollution tax	708	613	15
Other taxes	201	–756	–127
Total taxes, excluding corporate income tax	**99,133**	**57,222**	**73**

Income tax expenses, million tenge

Indicator	2017	2016	Change, %
Income before tax	75,548	77,164	–2
Income tax expenses	19,425	15,803	23
Effective tax rate	26%	21%	24

In 2017, the volume of taxes, except for corporate income tax, increased by 70% and exceeded 102 billion tenge. Rent tax increased more than three times and amounted to 32.6 billion tenge, export customs duty increased by 33% to 36.7 billion tenge, mineral extraction tax expenses increased by 46% to 27.5 billion tenge. The growth of taxes was affected by an increase in exports and rise in oil prices.

Income tax expenses in 2017 increased by 23% to 19.4 billion tenge. The growth was associated with income tax savings in 2016, while profit before tax in 2017 decreased by 2%. The effective tax rate reached the level of 26%.

Capital and liquidity

Statement of financial position, million tenge

Indicators	As of December 31, 2017	As of December 31, 2016	Change, %
Assets			
Long-term assets			
Fixed assets	**173,028.95**	164,010.87	5
Intangible assets	**15,045.69**	8,463.86	78
Other financial assets	**32,258.45**	33,599.22	–4
Deferred tax assets	**10,415.90**	6,875.62	51
Advances paid for long-term assets	**1,670.72**	421.48	296
Total long-term assets	**232,419.71**	213,371.04	9
Current assets			
Inventories	**7,272.09**	6,464.32	12
Income tax prepayment	**772.88**	11,635.16	–93
Prepayment for taxes and VAT recoverable	**12,244.84**	5,262.31	133
Advances paid and expenses of future periods	**2,819.25**	5,615.36	–50
Trade and other accounts receivable	**35,948.75**	33,336.07	8
Other financial assets	**31,884.02**	57,239.30	–44
Cash and cash equivalents	**73,423.07**	51,900.43	41
Total current assets	**164,364.90**	171,452.95	–4
Total assets	**396,784.61**	384,824.00	3

Indicators	As of December 31, 2017	As of December 31, 2016	Change, %
Capital			
Authorized capital	**162,399.82**	162,399.82	0
Retained earnings	**157,246.24**	162,758.74	–3
Total capital	**319,646.06**	325,158.56	–2
Liabilities			
Long-term liabilities			
Historical liabilities	**1,807.47**	3,844.38	–53
Reserves	**23,530.09**	16,971.54	39
Total long-term liabilities	**25,337.56**	20,815.92	22
Current liabilities			
Historical liabilities	**2,623.49**	2,428.82	8
Reserves	**8,413.48**	6,846.07	23
Mineral extraction tax and rent tax payable	**17,947.34**	8,570.50	109
Trade and other accounts payable	**22,816.67**	21,004.13	9
Total current liabilities	**51,800.99**	38,849.52	33
Total liabilities	**77,138.55**	59,665.43	29
Total liabilities and capital	**396,784.61**	384,824.00	3

In 2017, the Company's assets increased by 3% and amounted to 396.8 billion tenge. The volume of long-term assets is 59% of the total balance. In the structure of liabilities, equity accounts for 81%, while liabilities amount to 19% of the total balance, including current liabilities – 13%.

In 2017, the Company's financial assets were represented by accounts receivable (35.9 billion tenge), cash and cash equivalents (73.4 billion tenge) and other financial assets in the amount of 64.1 billion tenge. Financial liabilities were represented by historical obligations (5.4 billion tenge) and accounts payable (22.8 billion tenge). The Company needs financial resources for maintaining operating activities and making investments. To date, the Company has the necessary liquidity cushion and its financial position is assessed as sustainable.

In 2017, the Company's assets increased by 3% and amounted to **396.8 billion tenge.**