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COMPARATIVE FINANCIAL ANALYSIS OF OIL INDUSTRY CORPORATIONS OF KAZMUNAYGAS

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JSC NC "KazMunayGas" is a highly efficient and competitive integrated oil and gas company that corresponds the highest safety standards of operations.

The subsidiary company of KazMunayGas, KazMunayGas Exploration Production (KMG EP) holds about 58% of the total amount of shares. KMG EP was established on March, 2004 by the alliance of two companies such as Uzenmunaygas(UMG) and Embamunaygas (EMG). In the period of 2007 and 2011 KMG EP took place about 41 fields, in which the largest was Uzen in KMG EP portfolio that has been working since 1965. At the end of 2011, reserves of oil were the core of UMG and EMG assets that was amounted about 1.7 billion barrels. KMG EP has the warranted access to pipeline of Uzen-Atyrau-Samara, which is the main part of export of the company, and has the access to the Caspian Pipeline Consortium (CPC), considering as the most profitable route for KMG EP. The sale of oil products, which is amounted about 76 % in 2011 is still delivered by KMG EP to the domestic market [3].

The company is engaged to oil reserves, production, exploration and transportation and sales. Presently, the production on the main fields are existing in the stable level, and are applied the new technologies in order to increase oil production. One of the main objectives of the company is to support and provide the level of production in the main fields with help of more effective ways of oil production and new technologies. The lack of financing and economic difficulties at the beginning and the mid of 90s led company to fall in volume of production in the fields of KMG EP. Nevertheless, at the end of 90s the company made a progress and stopped to drop in production, hence increased to 80 % from 1998 to 2006. The good results were due to new drilling, repair of oldcattle's and new technologies such as hydro-fracturing[2].

KMG EP has the primary access to reserves of carbons in Kazakhstan due to special mutual relations with parent company, KazMunayGas. These privileges allow the company to fulfill its portfolio of exploration assets in Kazakhstan, which is competitive over the largest transnational oil corporations. The company convinced that Kazakhstan saves the powerful potential exploration and production of oil and gas not only in the Caspian region[4].

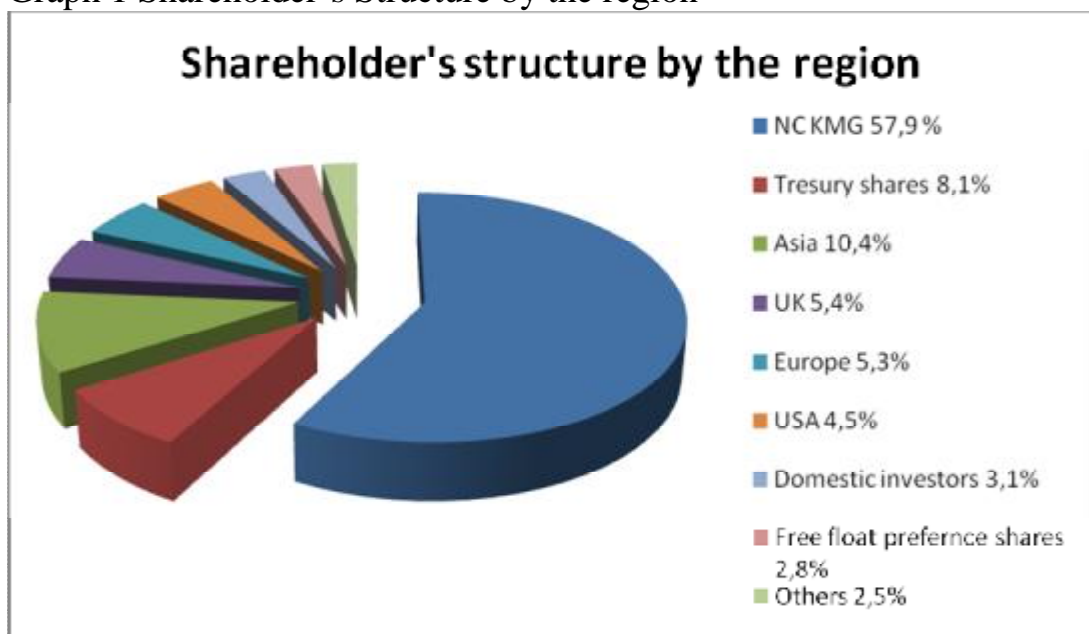
Kazakhstan is almost surrounded by dry land, therefore transportation is the main question of modernization. The close relations with parent company provided KMG EP to have reliable access to pipeline infrastructure. For KMG EP the largest

supplier is Atyrau. The pipeline, Kazgermunai delivers the crude oil through Kazakhstan -Chinese pipeline. The pipeline Uzen-Atyrau-Samara provides the biggest part of export in this company to Russia. The Caspian pipeline, which exports to Black sea region is the most profitable route to deliver the crude oil. Therefore, KMG EP aims to increase the amount of supply through this region. Thus, the relations of KMG EP with parent company allow the company to have warranted access to transportation infrastructure. In 2008, KMG EP exported about 78% volume of production on the basis of UMG and EMG assets. The company is planning to optimize the using of existing exporting transport routes, increasing the economic effectiveness of delivery to domestic market.

Shareholder's Structure by the region

This graph illustrates the structure of shareholders according to region. Most of shares NC KMG holds 60% out of 100 %, thus, showing the strong position of the company[3].

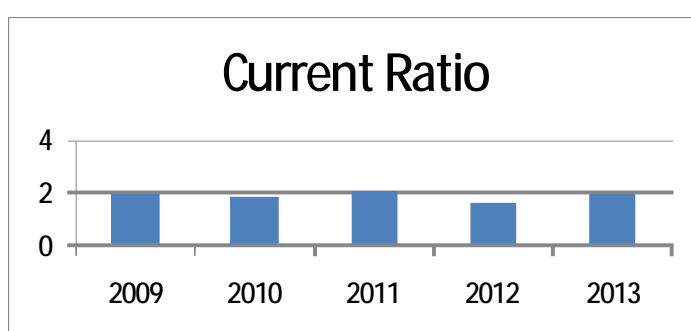
Graph 1 Shareholder's Structure by the region



Source: Based on data from the Annual Report, 2013

UK, Europe and USA owned the minimum shares that are no more than 5.4 %. Countries in Asia region hold 10.4%, which is the highest amount of shares in comparison with European and Western regions. The lowest amount of shares at 3.1 % holds domestic investors.

Graph2 Current Ratio of KazMunayGas



Current ratio of Kazmunaigas showed a steady growth during 2009 - 2013 with slight decrease in 2012. In 2009 current ratio had the lowest result due to comparatively low value of current assets due to negative effect of global financial crisis. Generally, short-term liquidity of Kazmunaigas during 2009-2013 advocates that the company was able to cover each 1 tenge of liabilities with more than 1.66 tenge of liquid assets available starting from 2010 to 2013[1].

It should be noted that financial crisis influenced on financial performance of the selected companies during 2009-2013. It was shown under review in 2009 in the bottom of recession, indicating a significant reduction in the values of all ratios. It should be concluded that two European companies in the same region have the same effects on financial performance due to world economic recession. To sum up, it is important to note that these companies overcame the peak of financial crisis, as the world is still recovering after consequences of recession.

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