

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economics



Bachelor Thesis

**Economic analysis of oil producing companies in
Kazakhstan**

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BACHELOR THESIS ASSIGNMENT

Duman Ali

Economics and Management

Thesis title

Economic analysis of oil producing companies in Kazakhstan

Objectives of thesis

The main aim of this study is to show how oil production is important for the economy of Kazakhstan. This means that certain oil companies in Kazakhstan will be researched, compare them with another oil companies abroad, go through the impact of oil on the economy, employment and international relations. The Bachelor thesis is divided into main parts: theoretical and practical.

Methodology

Theoretical part (Literature) will contain introduction, body, implication of researches and conclusion.

Practical part (Analysis) will include tables, graphs. Will be done by comparative methods and also by financial analysis.

The proposed extent of the thesis

40 – 60 pages

Keywords

Kazakhstan, oil and gas, Increase, decrease of price of oil, Tengiz, horizontal analysis, technical analysis, financial analysis

Recommended information sources

Bantekas, I. and Paterson, J. (2004). Oil and gas law in Kazakhstan. 1st ed. The Hague: Kluwer Law International.
Mills, R. (2008). The myth of the oil crisis. 1st ed. Westport, Conn.: Praeger.
NAMATOVAGULMIRA. (2014). KAZAKHSTAN OIL ECONOMY. 1st ed. [S.l.]: LAP LAMBERT ACADEMIC PUBL.
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Zhumagulov, B., Monakhov, V. and Nigmatulin, R. (2001). The fluid dynamics of oil production. 1st ed. Almaty: Republic of Kazakhstan Ministry of Education and Science.

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Finally, I would like to express my gratitude to my father Zeinelkhabdin Ali and mother Dariga Berdigaliyeva and siblings for supporting any my choice and special thanks to my groupmates.

Declaration

I declare that I have worked on my bachelor thesis titled “Economic research of oil producing companies in Kazakhstan” by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break copyrights of any third person.

In Prague on 14th March 2018

_____Duman Ali

Economic analysis of oil producing companies in Kazakhstan

Summary

This bachelor thesis is a general explanation of Kazakhstan's international and domestic oil producing companies, also included some information about oil itself, oil in use and methods of oil refining. Here is description about how oil industry is important for not only Kazakhstan growth but also included some information about export of crude oil by destination points.

There are 3 oil companies chosen for research one of them is domestic Joint-Stock company KazMunaiGas (JSC KMG), Chevron and ExxonMobil. For researching these 3 companies were used Horizontal, Technical analysis, also Return on Assets and Equity ratios.

First step of the thesis explains the history of crude oil, how it was used in past, before it became an industry, who started to use the oil as an energy resource, etc. Will be a general history about the situation of Kazakhstan after USSR's drop, because oil industry was the first sphere which Kazakhstan started to develop, improve and invest not only domestic money, but also capital from foreign countries and companies.

On the second part of the thesis is an analytics and analytical explanation of the methods abovementioned. The aim of the practical part is to show how the situation of the chosen companies can be fluctuating under different circumstances. Alternative aim of the practical part is the comparison of these 3 companies.

In conclusion explained theoretically the statement of the companies at present time, their recent successes and the answer of the main question of methodology. Also, included some recommendations for JSC KazMunaiGas for future growth, which are opinion of the author.

Key words: Kazakhstan, oil and gas, Increase, decrease of price of oil, Tengiz, market value, consumption, financial analysis

Ekonomická analýza společností vyrábějících ropu v

Kazachstánu

Souhrn

Tato bakalářská práce je obecným vysvětlením kazašských mezinárodních a tuzemských společností produkujících ropu, včetně některých informací o ropě samotném, o ropě a metodách rafinace ropy. Zde je popis, jak je ropný průmysl důležitý nejen pro růst Kazachstánu, ale také obsahuje některé informace o vývozu ropy podle cílových bodů.

Pro výzkum jsou vybrány tři ropné společnosti, z nichž jedna je tuzemská akciová společnost KazMunaiGas (JSC KMG), Chevron a ExxonMobil. Při zkoumání těchto 3 společností byla použita horizontální, technická analýza, také poměr návratnosti aktiv a vlastního kapitálu.

První krok práce vysvětluje historii ropy, jak byl v minulosti používán, dříve, než se stal průmyslem, který začal používat ropu jako energetický zdroj atd. Bude to obecná historie o situaci Kazachstánu po SSSR kvůli tomu, že ropný průmysl byl první sférou, do níž Kazachstán začal vyvíjet, zlepšovat a investovat nejen domácí peníze, ale i kapitál ze zahraničí a společností.

V druhé části práce je analytické a analytické vysvětlení výše uvedených metod. Cílem praktické části je ukázat, jak může situace vybraných společností kolísat za různých okolností. Alternativním cílem praktické části je srovnání těchto tří společností.

Závěrem bylo teoreticky vysvětleno prohlášení společností, jejich nedávné úspěchy a odpověď na hlavní metodologickou otázku. Také zahrnovala několik doporučení pro JSC KazMunaiGas pro budoucí růst, které jsou názorem autora.

Klíčová slova: Kazachstán, ropa a plyn, růst, pokles cen ropy, Tengiz, tržní hodnota, spotřeba, finanční analýza

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1. Introduction

The Republic of Kazakhstan is a young independent republic, which has 9th biggest country territory in the world and situated in the center of Eurasia. With the possibility to drill the oil within the country, Kazakhstan grew its economy due to oil and other energy industries. The Energy industry is the main key factor of economic growth which includes production of: crude oil, natural gas, coal, uranium, etc.

As an oil producing country, Kazakhstan has its own national company Joint-Stock Company (JSC) KazMunaiGas, which considered as the ruling company in oil production sphere. The company is supported by national funds and government and makes profits for the whole country every year, for instance solves the troubles with unemployment and supports the national treasury by exporting thousands of tons of oil. This diploma thesis illustrates the difference between international giant oil companies and the domestic one. JSC KazMunaiGas has a high prospect to become an international leveled company, therefore all analysis of the thesis focused on the indicators of these companies.

The theoretical part of the thesis explains the history of oil production and how it had arrived in the territory of modern Kazakhstan, also will be touched a role of the oil industry for the growth of the country. Types of drilling which are used around the world and the history of fresh established Republic of Kazakhstan after the collapse of Soviet Union. Will be explained an economic growth after establishment, which was caused by foreign investments to the large oil field in West Kazakhstan. The companies which were chosen for research are: JSC KazMunaiGas, Chevron and ExxonMobil.

Practical part of the thesis will include analysis of these 3 companies, which have the biggest shares of oil fields on the territory of Kazakhstan. Also, will be described different types of estimations of their indicators including the year of 2015, which is saved in the history of oil companies as “Dramatic oil price drop”. And finally the comparison of domestic with international companies.

2. Objectives and methodology

2.1. Objectives

The objective of the diploma thesis is to demonstrate an economic analysis of the chosen Oil producing companies: Chevron, ExxonMobil and Joint-Stock Company (JSC) KazMunaiGas. Here are two international oil producing companies, which operates in Kazakhstan's oil market and one domestic company for comparison. The purpose the bachelor thesis is to perform the economic situation of these oil companies in Kazakhstan's market.

The main point of theoretical part of the bachelor thesis is to gather an information of the basic techniques of economic analysis methods.

The aim of the practical part is to research the economic situation of abovementioned oil producing companies operating in Kazakhstan's market.

2.2. Methodology

Methodological approach of the bachelor thesis has fundament of analysis of secondary data, scientific researches, books, blogs and data from annual reports of the chosen companies in Kazakhstan's oil produce market. Data has been gathered based on economic analysis of companies and are explained in practical part of the thesis. The fundament of the bachelor thesis is quantitative and qualitative analysis of Chevron, ExxonMobil and JSC KazMunaiGas. As basic approach was used Financial Analysis such as: Horizontal, Vertical and Profitability analysis to demonstrate the financial situation of the companies.

The key feature of the thesis is a comparison of the domestic oil company with one of the largest companies in the world, to show the increases and falls of these companies during the periods of oil price decreases.

The question of the thesis is: Is it possible for JSC KazMunaiGas be a competitor in oil industry for such some giant companies as Chevron or ExxonMobil?

3. Theoretical part

Oil is formed from the stockpiling of hydrocarbons. Hydrocarbons stockpile naturally thousands of meters under the Earth surface, from the decaying of organic stuff for instance plants and sea animals, which vanished in the Paleozoic Era (during 245 and 544 million years ago). Under the Earth surface and huge pressure with enormous temperatures, these hydrocarbons were pressed and by the time turned into crude oil. Crude oil is an aggregate, liquid component which can be naturally occurred. It contains mostly hydrocarbons, but moreover also includes compounds of oxygen, sulfur, nitrogen. Crude oil also called as a “black gold” in a lot of oil producing countries.

Oil happens normally in the earth in permeable rock, discovered somewhere in the range of thousands of meters underground the distance to the world’s surface. The permeable layer of shale ordinarily lies between two nonporous layers, so oil does not stream out of its reservoir. In most cases, water and additionally gaseous petrol happen alongside oil in the stone. Oil can be removed from the stone by sinking a pipe into the earth until it infiltrates the soaked permeable shale. As a rule, oil will then start to stream freely out of the stone and into the pipe.

3.1. History of crude oil

The primary oil directs begun to bore the wells in China about the fourth century AD. The Chinese utilized just bamboo columns for penetrating that wells. They were acquiring dark, sticky fluid material which they utilized as a wellspring of fuel and artillery. Afterward the accompanying oil field was found in Asia and Europe, in the end, it could be found in a characteristic oil pool over the Earth surface.

The present oil creation took its begin amidst the nineteenth century. The 27th of August, 1859, the date of the revelation of the main oil underground in North America around Pennsylvania, the well was bored around 21 meters (69 feet) profound, it was determining in a simple manner, additionally was agreeable to work with and for cleansing, which is a kind of oil called as a paraffin unrefined petroleum. Before long, oil begun to pull in the consideration of mainstream researches and relationship, after a few

analysts, researchers concocted differing qualities of items which were enhanced by utilizing unrefined petroleum, for example, lamp oil which was utilized for warming was one of the primary items gotten from the raw petroleum. The mechanical blast of the oil moved toward becoming toward the finish of the nineteenth century when vehicles were designed. The request was greatly expanded for running the motors.

The early Greece, Persia, and India were general population who found the petroleum. Around 2500 years prior the oil was perceived as a work material by Chinese.

3.2. Geopolitics

With regards to ware or crude material markets, oil is a standout amongst the most political staple items that exchange. This is because interest for raw petroleum is omnipresent while supplies are packed in the absolute most turbulent political districts on the planet. Over portion of the world's oil supplies are in the Middle East.

OPEC, the Organization of the Petroleum Exporting Countries, has the biggest piece of crude oil around the world.

” OPEC is a cartel, which is an association of manufacturers or suppliers with the purpose of maintaining prices at a high level and restricting competition. At the end of 2014, OPEC reported reserves of 1.206 trillion barrels of oil, which is 81% of total world reserves. Of those reserves, Saudi Arabia, Iran, Iraq, Kuwait, the United Arab Emirates, Qatar and Libya have 67.6% within their borders. Between the period of June 2014 and July 2015, crude oil was in a bear market -- the price of the energy commodity moved from over \$100 per barrel to under \$50 based on the active month NYMEX oil futures contract. OPEC's mission is to "...ensure the stabilization of oil markets in order to secure an efficient, economic and regular supply of petroleum to customers, a steady income to producers and a fair return on capital to those investing in the petroleum industry." (1)

As unrefined petroleum costs have moved lower, the oil cartel did not cut creation despite the fact that it is in the cartel's enthusiasm to keep up costs at an abnormal state.

Rather, the cartel has given the value a chance to fall so as to enable higher cost creation to end up plainly uneconomic. OPEC kept up their creation roof at 30 million

barrels for every day. Be that as it may, as costs moved lower numerous individuals from the cartel endured financial hardship as they got less income for their oil generation.

Many have endeavored to pitch more oil to compensate for the money related shortage. In July 2015, OPEC was creating and offering around 32 million barrels of unrefined every day, which is over the expressed roof level. The cost of oil moved lower for an accumulation of reasons incorporating a stoppage in the worldwide economy, a solid U.S. dollar and expanding creation from non-OPEC individuals.

The world watches the cost of unrefined petroleum. When it moves lower, there are victors and failures on a monetary premise. The victors are shoppers. As oil is an essential cost of products sold segment for some organizations, benefits tend to ascend for these buyers as their vitality costs diminish. An incredible case of this is the carrier business. Fly fuel, an oil item, is maybe the single biggest cost part of running an aircraft. As the cost of oil moved lower in mid 2015, the cost of numerous aircraft stocks rose reflecting expanding benefits from declining fuel costs. This is only one case of an industry that advantages from falling oil costs. People have likewise profited, bring down oil costs implies it cost less each time a customer tops off their vehicle at the service station or warms their homes amid frosty climate periods.

Oil is a profoundly unpredictable item. In 2008, the cost of rough exchanged on the NYMEX division of the Chicago Mercantile Exchange (CME) topped at over \$147 per barrel. Because of the worldwide budgetary emergency, the value tumbled to \$32.48 in a six-month time span. This is only one case of the instability of the cost of this vitality product. In 1990 when Iraq attacked Kuwait, the cost of raw petroleum multiplied from \$20 per barrel to \$40 overnight. Today, the Middle East keeps on being a turbulent district - flimsiness in Iraq and pressures amongst Iran and Saudi Arabia have prompted brutality.

3.3. Geopolitics of Kazakhstan

Located between the mainland estimated forces of Russia and China, Kazakhstan has turned into the financial frontier in a fight for influence. In any case, while geopolitics and normal assets may characterize the extent of its future on the world stage, just a sly remote

approach and honest to goodness eagerness to seek after liberal majority rules system can give Kazakhstan the chance to satisfy its guarantee and turn into the heartland of Eurasia.

As far as geopolitical clout, Kazakhstan actually remains far over its lastingly immature Central Asian neighbors. The nation's GDP surpasses that of Kyrgyzstan, Uzbekistan, Turkmenistan, and Tajikistan consolidated. At seventy-five percent the span of Western Europe, it remains the world's ninth biggest nation: twofold the extent of whatever remains of Central Asia. Albeit landlocked, it sits serenely on the Caspian Sea, where oil, gas, and hydrocarbons proliferate. Its Tengiz field, which lies on the bank of the Caspian, may contain double the oil of the Alaskan Northern Slope, and plans for oil and gas pipelines to both China and the West will guarantee its future as a noteworthy player in worldwide vitality markets.

However instead of depending on its considerable vitality part, Kazakhstan has effectively broadened its normal asset potential: it is one of the biggest makers of uranium, and it holds a portion of the world's biggest stores of lead, zinc, chromium, manganese, copper, coal, iron, and gold. In addition, the administration's blundering initiative has demonstrated itself fit for changing over these assets into unmistakable advantages for the nation's progressing monetary modernization, even as it bows to outside interests to finish its elevated objectives.

Central Asia outskirts the incessantly temperamental Chinese district of Xinjiang, where the local Turkic Uyghurs have interminably aggravated Beijing with challenges and mobs. In the event that exclusive for the reality of geology alone, China looks to secure the centralization of Beijing's control of its far-flung regions by guaranteeing stable fringes with Central Asia. Thusly, since the crumple of the Soviet Union, China has put vigorously in the area. From 1992 to 2009, the exchange between the two rose fiftyfold to \$25.9 billion, and China has to facilitate reinvested \$25 billion, to a limited extent to fund basic framework ventures. It has solely financed the development of an expressway extending two thousand miles over Kazakhstan's generally empty scene, alongside an oil pipeline stretching out from the Caspian Sea to Xinjiang; a noteworthy stride toward reining in the boisterous area.

Russia absolutely observes the geopolitical advantages of bringing Kazakhstan once more into its range of prominence, yet generally, it is frail to oppose China's

significantly more compelling procedure. China is winning the financial fight on two fronts: it is picking up the high ground in getting Kazakhstan's regular assets, and it is a much more alluring speculation accomplice than Russia, which appears to be similarly grating and controlling. Be that as it may, numerous Kazakhstanis stay nostalgic for the former days of the Soviet Union, and a large portion of Kazakhstan's political tip top has a Soviet foundation. Russian impact in the district might fade more quickly than Moscow accepts, however the interior flow of Kazakhstan exhibit that China will have a geopolitical challenge for a long time to come.

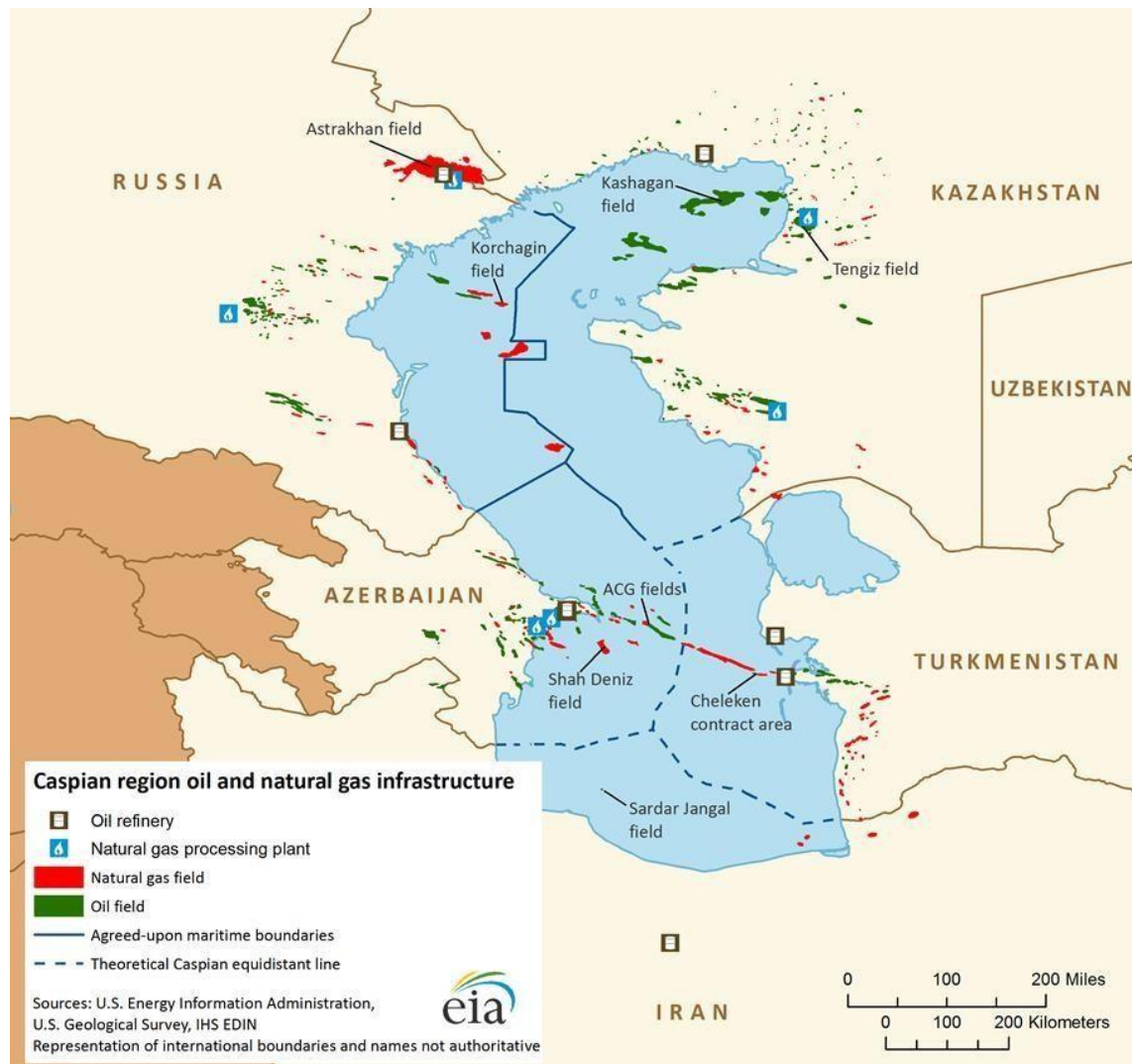
3.4. Crude oil in Kazakhstan.

Kazakhstan is a cross-country nation which is arranged in northern Central Asia and Eastern Europe, and the greatest nation which has no passageway to the sea. Kazakhstan is the ninth world's the greatest nation with range number of 2.7 million km square, likewise, rules financially in the country of Central Asia, creates 60% of the nation's GDP, which is the consequence of oil and gas enterprises. In any case, it has additionally completely all components of Mendeleev table inside the nation.

A standout amongst the most sensible points of interest of Kazakhstan in the area, it has its fringes with Russia in the north and China in the east, which are one of the biggest monetary nations on the planet. Additionally, in the south Kazakhstan fringes with Kyrgyzstan, Uzbekistan, Turkmenistan, which are the accomplices in oil and gas businesses. In the west, it fringes with Azerbaijan by means of the Caspian Sea, which takes the primary spot in oil generation of Central Asia nations.

Kazakhstan used to be an individual from Soviet Union for quite a while and took its freedom in 1991, then affirmed constitution in 1993. Today, Kazakhstan is the multinational nation with the number of inhabitants in 18 050 488 (as per populace registration in January 2017) and 63% of them are Kazakhs (natives).

Figure 1. Caspian region oil and natural gas infrastructure



Source: U.S Energy Information Administration.

Kazakhstan is a great oil producing country. Among of ex republics of Soviet Union, Kazakhstan was estimated as the second biggest oil producer also the deposits of oil and other liquids production after Russia. The production estimated around 1.76 million barrels daily. The most important reason of the growth in oil production is the development of the giant oilfields: Tengiz (Atyrau region), Karachaganak (West Kazakhstan region), and Kashagan (on Caspian Sea) fields. The country is in top 20 oil producers and was evaluated as largest producer from Caspian Sea region, according to researches Kazakhstan is going to develop their influence on Caspian in the following years.

Most part of oil savings of Kazakhstan are concentrated in the west part of the country, it is the owner of over 60% of oil fields in the Caspian. The collapse of Soviet Union was a

start of attraction of foreign investments into the country. Due to hard economical and sociological situation within the country, the government of Kazakhstan accepted suggestions from international companies: Chevron, ExxonMobil, BP, Royal Dutch Shell, Eni, etc.

3.5. Oil production in Kazakhstan

In the 70s of 20s century, several salted reservoirs were found out as a huge discovery, Karachaganak and Tengiz are not excluded. Unfortunately for that time it wasn't the expansion of oil production because of lack development of technology, high-pressure wells. These fields became a sort of foundation of the country production of liquid petrol since international companies started to invest their labor in Kazakhstan's oil sphere, also, at that time salted wells became commercially valuable.

By the time, Kazakhstan is still the second largest country which specializes in petroleum production in among of Former Soviet Union countries. The future of Kazakhstan's petroleum production is dependent from fields of Karachaganak, Tengiz, Kashagan, and their expansion and development, because the share of country production of Tengiz estimated as 35% and Karachaganak 15% in 2016. In October 2016 Kashagan took its start of production which achieved full capacity and made additional 10% for the oil production of the country and in combined reached 60%.

July 2016 was a date of making final investment decision by the partner of Tengiz to work on with the Future Growth Project, which is planning to be finished by 2022, drilling about 260, 000 b/d (barrels per day) of extra oil production from Tengiz. This project of expansion was also established for Karachaganak but cause of low stage of planning it was cancelled and removed for following years.

Kashagan field is the largest oil field in Middle east and takes the 5th place in the world upon the number of reserves. It's situated in the West part of Kazakhstan near north part of Caspian Sea close to the city of Atyrau. The deposits of Kashagan field are estimated at 7 to 13 billion barrels of liquid petroleum.

Figure 2. Oil companies operating in Kazakhstan's fields

Field Name	Companies	Start year	Liquids production	Natural gas production
Tengiz (& Korolev)	Chevron, ExxonMobil, KazMunaiGaz, and Lukoil	1991	570,000 b/d petroleum and other liquids production in 2016 Expansion project to add 260,000 b/d of crude production beginning in 2022	274 Bcf dry marketed gas production in 2016
Karachaganak	BG, Eni, Chevron, Lukoil, KazMunaiGaz	1984	206,000 b/d total liquids production in 2016 An expansion project is under consideration, but potential production volumes are uncertain	About 300 Bcf wet marketed gas production in 2016
Kashagan	KazMunaiGaz, Eni, ExxonMobil, Shell, Total, China National Petroleum Corporation, Inpex	2016	370,000 b/d liquids processing capacity with current development	Over 100 Bcf gas production capacity

Source: Data from annual report of JSC KazMunaiGas.

3.6. Oil producing companies in Kazakhstan

In 1992, the organization and the nation marked the essential terms for a joint dare to build up the Tengiz field, and on April 6, 1993, they consented to a 40-year arrangement on the development of Tengizchevroil

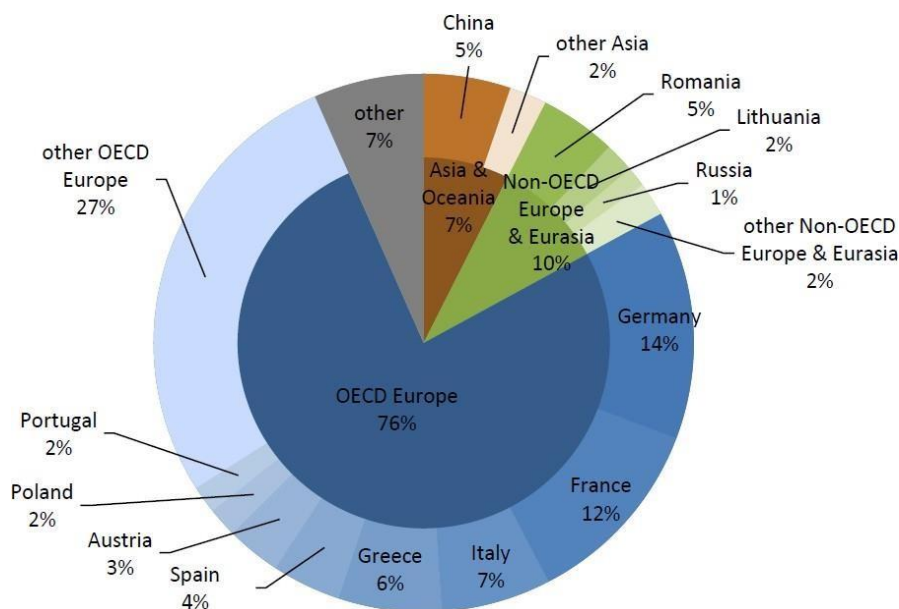
This is the means by which Chevron, one of the biggest oil organizations on the planet, situated in California, USA, and stemming generally from the outstanding organization, Standard Oil, was the main major remote organization to be given the chance to work in Kazakhstan. The youthful sovereign state, shaped after the fall of the Soviet Union in 1991, was extremely engaging Chevron for its vast stores of oil and gas, which earned the nation positioning among the biggest oil-creating nations of the world. Presently, Kazakhstan is the gem in the crown of Chevron, containing 21% of the organization's demonstrated saves on the planet. On the event of the commemoration, festivities devoted to Chevron in the urban communities of Astana also, Atyrau, the authority and oil capital of the nation, separately, broadcasted a "feeling of social

obligation and moral standards, regarding the law and supporting general human rights, securing the earth and profiting the general population of the locale". Be that as it may, in a surge of complimentary talks and recognitions of "how everything started," some way or another, various realities also, occasions were overlooked, without which the picture of the 'organization of respect' would be deficient. The motivation behind this report is to fill in these crevices and to help the partners to remember another side of Chevron's association in Kazakhstan, one that is not found in the pages of the triumphant reports about the organization.

3.7. Exports

The main types of liquid petroleum which uses for exports are light and sweet oil. In 2017, there were exported 1.3 million b/d of crude oil and condensate, due to EIA accounts according to data from Global Trade Tracker and Lloyd’s List Intelligence (APEX). The majority of crude oil delivers to European market by going around of crossing the Caspian Sea, more over an extra 5% of oil goes to Chinese market via pipeline.

Figure 3. Export of crude oil by destination



Source: U.S. Energy Information Administration based on APEX tanker data and on Kazakh export statistics and partner-country import statistics from Global Trade Tracker.

Export of oil grades Kazakhstan as of now has four principle trade oil reviews: the CPC Blend, Tengiz, Karachaganak condensate, and Kumkol. With the beginning of

creation at the Kashagan field, the Kashagan review will turn out to be a piece of the export blend.

CPC Blend is a light (45.3° Programming interface), sweet rough (0.56% sulfur), and it is esteemed for its high return of fuel and light distillates. Tengiz review represents around 45% of the CPC blend. 8 Different parts incorporate some Russian evaluations, for example, Siberian Light, and additionally Kumkol and Karachaganak condensate, alongside an assortment of other Russian and Kazakh grades.

Tengiz review is a mix of crudes from the Tengiz and Korolev fields, and, with a Programming interface gravity of 46.42° and 0.51% sulfur content, it is fundamentally the same as in quality to Saudi Arabia's Middle Easterner Light. Tengiz has been accessible as a review since 2007, when the generation at Tengiz field extended past the abilities of the CPC pipeline. Most Tengiz review unrefined ventures through rail auto, in any event for the primary leg of its journey.⁹

Karachaganak condensate, starting from the Karachaganak petroleum gas and condensate field close to the Russian outskirt, is primarily sent out as a major aspect of the CPC Mix. Remaining amounts are traded by means of the Uzen-Atyrau-Samara pipeline, or sold as condensate in nearby markets in Kazakhstan and Russia.¹⁰ Karachaganak fluids go from 36° to 44° Programming interface and are exceptionally harsh with a sulfur substance of 0.9%.¹¹

Kumkol review (41.2° Programming interface, 0.11% sulfur) begins from an assortment of fields in focal Kazakhstan. This review is a waxy rough prized by numerous European refiners. It is sent out both as a mix (through the Kazakhstan-China pipeline) and as a particular review (by means of the Dark Ocean port of Batumi in Georgia), albeit quite a bit of it is refined locally, giving oil items to southern Kazakhstan.

3.7.1. Export routes

Kazakhstan's pipeline system proceeds approximately 3400 miles of length of the pipeline which is controlled by the subsidiary of KazMunaiGas – KazTransOil. Kazakshtan is still using the Soviet Union oil export infrastructure because of its landlocked situation, which means an export related with Caspian export routes which

connects the region. For 25 years of independence the export's capability had significantly expanded itself. The biggest pipelines of Kazakhstan: Caspian Consortium, Kazakhstan-China, Uzen-Atyrau-Samara which flows to Russia.

Figure 4. Caspian export routes.



Source: Data from U.S. Energy Information Administration

Also, the alternative ways of export in Kazakhstan are by railways and by ships via Caspian Sea. At the port of Aktau or smaller one which is Atyrau, oil contains into tankers or barges and being shipped through the Caspian Sea, where it takes a road to Baku-Tbilisi-Ceyhan pipelines or takes the road to the North Route which is Baku-Novorossiysk, for following transportation to Europe. One of the big advantage of Kazakhstan is their railways, which are well extended and are being used for domestic delivers and also for exports. The continuity of the developing the production of crude oil is the key of the future of Kazakhstan's industry, because crude oil must be diversified.

Another potential fare course for Caspian raw petroleum by means of swaps with Iran. For a considerable length of time, Kazakhstan and other Central Asia nations conveyed

their raw petroleum to Iran's Caspian Sea port of Neka. From that point the raw petroleum was conveyed to refineries in Tehran and Tabriz, with the refined items dispersed and expended in northern Iran. In return, Iran sent out equivalent volumes of unrefined oil from its Persian Gulf port for the benefit of Kazakhstan. Swap volumes have shifted throughout the years, with practically zero swaps since 2011. Sanctions against Iran allegedly convoluted swap game plans, particularly the promoting of the raw petroleum sent out in Persian Gulf, which had been finished by the Iranians. Since 2013, Iran and Kazakhstan have been examining resumption of the swap course of action and have intermittently declared their expectations to resume swaps, however no swaps had happened as of the finish of 2016.

3.8. Crude oil in use

In the ancient world, the crude oil was used for building, getting from the surface of the reservoirs. This type of using the oil took its start in the 15th century in Syria, but the real beginning of developing the mechanical drilling of wells of oil started in 1859 in the USA. For the hundred years of building up the ones of fields had depleted and others were found, the adequacy of creation has been expanding, however the structure of mining the fuel is changed.

Oil purging it calls the way toward evacuating the undesirable segments in raw petroleum, which impacts adversely for abuse property. There are 2 sorts of oil purging: Compound, Adsorptive. The compound filtration is completed with assistance of solvents. Polar solvents propane and butane are utilized to expel oil and fragrant hydrocarbons from the preparing deposits deasphalting process. Polar solvents for example phenol are utilized to evacuate polycyclic sweet-smelling hydrocarbons with short side chains, sulfur and nitrogen mixes from oil distillates.

Adsorptive refinement Oil items are expelled unsaturated hydrocarbons, saps, acids, and so forth adsorption sanitization is completed by reaching warmed air with adsorbents or by sifting item through the grain of the adsorbent. From oil convey a distinction of things that have the best importance. At to begin with, decayed hydrocarbons are separated. In the wake of isolating off the undesirable hydrocarbons, with few carbon particles in the molecule, having a for the most part low bubbling level. As the temperature of the mix rises, hydrocarbons with a higher bubbling level are refined. Thusly, it is

possible to gather isolate oil mixes. Much of the time is this refining, three essential divisions are obtained, which then experience the accompanying extracting. Nowadays, numerous goods are gotten from oil. The essential social affairs are liquid fills. Vaporous energizes, solid energies, oil and phenomenal oils, paraffin and ceresin, oil acids and their salts.

The vitality business of oil is yet a standout amongst the most critical circles of vitality around the globe. The oil vitality's offer on the planet takes 46%.

The biggest stores of petroleum are situated on the domain of Russia, Iran, the USA, Canada and the nations of Persian Gulf. Among the nations of the previous USSR, petroleum stores are claimed by Kazakhstan, Uzbekistan, Azerbaijan, Turkmenistan. The oil lies at a profundity of 1000 to 6000 meters, it is extricated with the assistance of unique wells.

3.9. Methods of the analysis

3.9.1. Balance sheet.

A balance sheet is a statement of company's financial position that includes assets, equity and liabilities.

Table 1. Basic Structure of Balance sheet

Assets(Property)	Liabilities andEquity
Fixed Assets	Equity
CurrentAssets	Long-Termlabilities
	Currentliabilities

Source: Data from Management Mania. (2018)

The formula of the Balance sheet is:

$$Assets = Equity + Liability$$

Assets, liabilities and investors' equity are each contained a smaller record that separate the specifics of an organization's funds. These records shift generally by industry, and similar terms can have distinctive implications relying upon the idea of the business. Extensively, in any case, there are a couple of normal segments financial specialists are probably going to go over.

3.9.2. Income statement

The Income statement measures an organization's monetary performance over a accounting period. Financial performance is surveyed by giving a Summary of how the business brings about its incomes and costs through both working and non-working exercises. It additionally demonstrates the net profit or loss caused over an accounting period, normally finished a monetary quarter or year. The income statement is otherwise called the "profit and loss statement" or "statement of income and cost."

Figure 5. Income statement scheme.

Multi-Step Format	Single-Step Format
Net Sales	Net Sales
Cost of Sales	Materials and Production
Gross Income*	Marketing and Administrative
Selling, General and Administrative	Research and Development
Expenses (SG&A)	Expenses(R&D)
Operating Income*	Other Income & Expenses
Other Income & Expenses	Pretax Income
Pretax Income*	Taxes
Taxes	Net Income
Net Income (after tax)*	--

Source: Data from Investopedia.

3.9.3. Profitability analysis

Profitability means ability to make profit from all the business activities of an organization, company, entity, firm, or an enterprise. It shows how efficiently the management can make profit by using all the resources available in the market. According

to Harward & Upton, “profitability is the ‘the ability of a given investment to earn a return from its use.’”

3.9.4. Technical analysis

Technical analysis is a financial type of analysis which can be used for learning the stock prices and charts. It involves also forecasts for future pricing. To demonstrate the use of technical analysis investors or analytics starts with learning first of all the charts, prices, market value, trading volume and other securities.

4. Practical part

For practical part there were chosen 3 the most influencing oil companies in Kazakhstan, which are:

- KazMunaiGas – As domestic established company
- Chevron
- ExxonMobil

However only KazMunaiGas is traded on the local stock market, cause of its basis. That’s why other companies had been researched by global analysis.

Based on data from theoretical part of the thesis, there were general researches of the actual oil status in Kazakhstan. In practical part there will be Financial, Statistical, Technic researches of chosen companies and comparisons.

4.1. JSC (Joint Stock Company) KazMunaiGas

Former National Company (NC) and today's JSC KazMunaiGas was created on 16th of March in 2004. The company was created with the target of increasing the petroleum industry of Kazakhstan and provide with rational and effective operation of hydrocarbons, which will be used for social and economic expansion and successfully join Kazakhstan to world economy. Also, the rebranding of former NC KazMunaiGas brought possibilities for expansion of ownership.

Today JSC KazMunaiGas is the third biggest oil producing company in Kazakhstan and has a share in almost every oil and gas production projects in the country since 2000. The amount of the employees exceeds forty thousand people and reported 877,96 million USD of revenue in 2017.

Table 2. Revenue of JSC KMG based on sales and transportations

(KZT million)	1H 2017	1H 2016	Δ, (+/-)	Δ, %
Sale of oil products	146 787	126 836	19 951	16%
Sale of crude oil*	527 841	170 106	357 735	210%
Sale of commercial gas	163 304	132 222	31 082	24%
Transportation of oil	82 927	80 324	2 603	3%

Source: Management Discussion and Analysis of Results of Operations and Financial Performance

This table illustrates the fluctuation of the revenue level of the JSC KazMunaiGas. It was recovering from the Global Economic Crisis in 2009 and was growing well from 2011 till 2015. In 2015, it was a dramatic fall of crude oil value from 93 USD per barrel to less than 50 USD per barrel, which also tanged to economy of JSC KazMunaiGas and the revenue of the company decreased by 38%. In 2017 JSC KazMunaiGas finally straightened their economy and started to bring the surplus. The reasons for these good outcomes are the increase of price of Brent oil and efficient job of refineries. According to NASDAQ data in December 2017 the price of Brent Oil achieved 63 USD per barrel.

4.2. Chevron and Tengizchevroil (TCO)

Chevron is the biggest private oil producer in Kazakhstan, it has the shares in 2 largest oil fields – Tengiz and Karachaganak.

The field of Tengiz is considered as the deepest and giant oil field in the world. The reserves of the field are situated about 3600 m below the ground. Chevron acquired 50% of the interest of TCO which is also a subsidiary company, moreover it holds 18% of Karachaganak oil field.

Chevron within Kazakhstan operates mostly via TCO which develops Tengiz and Korolev oil fields. The average production of these 2 fields are 263 000 barrels of crude oil, according to data from 2016. A big share of these productions TCO exports through Caspian Sea's Pipelines.

In 2016 Chevron's revenue was estimated as still-decreasing and took its place in the level of 110,26 billion USD.

Table 3. 2017 financial highlights of Chevron Corporation

Earnings	\$2.0 billion
Earnings per diluted share	\$1.03
Earnings / EPS excluding special items and FX*	\$1.6 billion / \$0.85
Cash flow from operations / excluding working capital	\$5.4 billion / \$4.9 billion
Debt ratio (as of 9/30/2017)	22.2%
Dividends paid	\$2.0 billion

Source: Data from Chevron's conference call transcript. 2017 financial highlights

On the graph, it can be easily seen 2 most powerful impacts of crisis. The first one takes its place in 2009, which is the year of Global Economic Crisis and the second accident happened in 2015, when the price of crude oil dropped down from 93 USD per barrel to less than 50 USD per barrel. Chevron announced their drop of earnings by 90% which means they have lost around 4 billion USD.

4.3. ExxonMobil

ExxonMobil considers as one of the oldest and biggest international oil company. It takes its start from Standard Oil founded by J. Rockefeller. The company is involved in all aisles of oil and gas industry: Production, exploration, manufacturing, distributing, marketing etc.

ExxonMobil belongs to top 5 oil company in Central Asia. In Kazakhstan, the company holds 25% of share of TCO joint venture, which they acquired in 1996 and uses Tengiz fields oil and gas for producing and exporting. Today the average production of ExxonMobil about 300 000 barrels per day. The company also solves a big part of unemployment within the country: more than 2500 employees and the number of contractors is exceeded 5000 Kazakh citizens.

Table 4. 2017 financial highlights of ExxonMobil

Earnings	8.4
Earnings Per Share – Diluted (<i>dollars</i>)	1.97
Shareholder Distributions	3.3
CAPEX	9.0
Cash Flow from Operations and Asset Sales ¹	8.8
Cash	3.2
Debt	42.3
<i>Billions of dollars unless specified otherwise</i>	

Source: Data from ExxonMobil’s conference call transcript. 2017 financial highlights

On the graph, 2 most dramatic periods of time had not avoided ExxonMobil. At the beginning of XX century companies’ revenue was intensively increasing due to high worldwide demand of crude oil and the price of it, which was also increasing. In 2010 ExxonMobil recovered extremely fast, but from 2011 the price for crude oil started to go down and in 2015 they have made 4,2 billion USD in revenue. In compare with previous year ExxonMobil earned 8,8 billion USD.

4.4. Balance sheet. Horizontal analysis of companies.

Balance sheet is financial statement of a company or business which holds the assets, liabilities, equity in a particular period of time.

Balance sheet is the way of illustration the business's net worth.

4.4.1. Chevron

Table 5. Chevron's Horizontal analysis. Indicator of Assets

Long-term Investments	2017	2016	2015	2014
Long-Term investments	\$ 35418	\$ 32735	\$ 29522	\$ 29729
Goodwill	\$ 4531	\$ 4581	\$ 4588	\$ 4593
Fixed Assets	\$ 179 020	\$ 186 305	\$ 189 845	\$ 183 173
Deferred Asset Charges	\$ 6793	\$ 6838	\$ 6155	\$ 6299
Total Assets	\$ 255 160	\$ 260 078	\$ 264 540	\$ 266 026
Cash and cash Equivalents	\$ 6641	\$ 6988	\$ 11022	\$ 12785
Net Receivables	\$ 14124	\$ 14092	\$ 12860	\$ 16736
Inventory	\$ 5761	\$ 5419	\$ 6334	\$ 6505
Other Current Assets	\$ 2859	\$ 3107	\$ 3904	\$ 5784
Total Current Assets	\$ 29 398	\$ 29 619	\$ 34 430	\$ 42 232

Source: Own table. Data from Nasdaq

Current assets are a balance sheet account that represents the value of all assets that can reasonably expect to be converted into cash within one year. Current assets include cash and cash equivalents, accounts receivable, inventory, marketable securities, prepaid expenses. and other liquid assets that can be readily converted to cash.

Given table provides with data about Assets of Chevron company by Horizontal analysis point of view. The highest amount of Total Assets and Total Current Assets are observed in the 4th quarter of 2014. The decrease of the amount in Assets had happened due to oil price fall in 2015. On that period of time Chevron's earnings were cut more than half of it. In comparison of 2017 and 2014 the Total Current Assets reduced by 31% and since 2014 it is reducing by 17% each year. A decrease in one asset is the influence of increase of another asset. In comparison of the last 2 years, Chevron started to develop their amount of inventory, this is the main reason of cash reduction.

Table 6. Chevron's Horizontal analysis. Indicator of Equity and Liability

Stock Holders' Equity	2017	2016	2015	2014
Common Stocks	\$ 1832	\$ 1832	\$ 1832	\$ 1832
Capital Surplus	\$ 16745	\$ 16595	\$ 16630	\$ 16041
Retained Earnings	\$ 173 035	\$ 173 046	\$ 181 578	\$ 184 987
Treasury Stock	\$ 41237	\$ 41834	\$ 42493	\$ 42733
Other Equity	\$ 3662	\$ 4083	\$ 4531	\$ 5099
Total equity	\$ 146 713	\$ 145 556	\$ 152 716	\$ 155 028
Total Liabilities & Equity	\$ 255 160	\$ 260 078	\$ 264 540	\$ 266 026
Account Payable	\$ 20326	\$ 20945	\$ 20540	\$ 28136
Short-Term Debt	\$ 7897	\$ 10840	\$ 4927	\$ 3790
Total Current Liabilities	\$ 28 223	\$ 31 785	\$ 25 467	\$ 31 926
Long-Term Debt	\$ 34075	\$ 35286	\$ 33622	\$ 24028
Other Liabilities	\$ 6683	\$ 7216	\$ 7935	\$ 8412
Deferred Liabilities Charges	\$ 38268	\$ 39069	\$ 43630	\$ 45469
Minority Interest	\$ 1198	\$ 1166	\$ 1170	\$ 1163
Total Liabilities	\$ 108 447	\$ 114 522	\$ 111 824	\$ 110 998

Source: Own table. Data from Nasdaq

To the group of Liabilities considers such items as debts payments which demonstrates the property of the company. Equity illustrates the investments which were made by equity owners. The increase in equity can be expected when company gains money during regular way of business and owners are not worried to move their equities to business operations. One of the way of expecting the decrease in equity is when owner would like to withdraw money, another way of loss is unusual event in environment such as natural disasters, when owners charged to invest equity in replacing assets.

In the 4th quarter of 2017, Chevron was investing money into reconstructions after "Harvy hurricane". In 2017 the Total Liabilities of Chevron decreased by 6% in comparison with previous year and in 2016 they gained 3% higher Total liabilities than in 2015.

4.4.2. ExxonMobil

Table 7. Balance sheet of ExxonMobil. Indicator of Assets.

Current Assets	2017	2016	2015	2014
Cash/cash Equivalents	\$ 4266	\$ 3657	\$ 3705	\$ 4658
Net Receivables	\$ 23263	\$ 21394	\$ 19875	\$ 28009
Inventory	\$ 16743	\$ 15080	\$ 16245	\$ 16678
Other Current Assets	\$ 1480	\$ 1285	\$ 2798	\$ 3565
Total Current Assets	\$ 45752	\$ 41416	\$ 42623	\$ 52910
Long-Term investments	\$ 37649	\$ 35102	\$ 34245	\$ 35239
Fixed Assets	\$ 255556	\$ 244224	\$ 251605	\$ 252668
Other Assets	\$ 1047	\$ 9572	\$ 8285	\$ 8676
Total Assets	\$ 349427	\$ 330314	\$ 336758	\$ 349493

Source: Own table. Data from Nasdaq

Table illustrates a bigger amount of Total Current Assets which refers to a large company or corporation. In spite of a big reduce in 2015 by 20% of Total Current Assets, ExxonMobil started to stabilize their internal economy and in the 4th quarter of 2017 they gained 10% higher Total Current Assets amount in compare with the outcome from the 4th quarter in 2016.

A big amount of cash on the balance sheet allows protection from slow down periods and can provide more ways for increases in future.

The Total Assets amount in the 4th quarter of 2017 had significantly went up and achieved almost the indicator which ExxonMobil had in the 4th quarter of 2014. Despite of dramatic oil price fall, the company stabilized their economy efficiently.

Table 8. Balance sheet of ExxonMobil. Indicator of Equity and Liability

Current Liabilities	2017	2016	2015	2014
Account Payable	\$ 38036	\$ 33808	\$ 35214	\$ 47165
Short-Term Debt	\$ 15741	\$ 13830	\$ 18762	\$ 17468
Total Current Liabilities	\$ 53 777	\$ 47 638	\$ 53 976	\$ 64 633
Long-Term Debt	\$ 29872	\$ 34056	\$ 25342	\$ 16978
Other Liabilities	\$ 42150	\$ 40749	\$ 43812	\$ 47588
Deferred Liabilities				
Charges	\$ 34430	\$ 34041	\$ 36818	\$ 39230
Minority Interest	\$ 6922	\$ 6505	\$ 5999	\$ 6665
Total Liabilities	\$ 167 151	\$ 162 989	\$ 165 947	\$ 175 094
Common Stocks	\$ 14783	\$ 12157	\$ 11612	\$ 10792
Capital Surplus	\$ -	\$ -	\$ -	\$ -
Retained Earnings	\$ 409 449	\$ 407 831	\$ 412 444	\$ 408384
Treasury Stock	\$ 225 305	\$ 230 424	\$ 229 734	\$ 225820
Other Equity	\$ 16651	\$ 22239	\$ 23511	\$ 18957
Total equity	\$ 182 276	\$ 167 325	\$ 170 811	\$ 174 399
Total Liabilities & Equity	\$ 349 427	\$ 330 314	\$ 336 758	\$ 349 493

Source: Own table. Data from Nasdaq

According to Table 7, in the 4th quarter of 2017 ExxonMobil had exceeded the amount of Total Liabilities' indicator of 4th quarter 2015. Also, the amount of Total Equity had increased almost by 9% in compare with the indicator of the previous year. The amount of Total Liabilities and Equity went up by 6,5% in compare with previous year and the indicator of 3rd quarter of 2017 is the highest achievement of ExxonMobil for the last 3 years.

4.4.3. JSC KazMunaiGas (JSC KMG)

Table 9. Balance sheet of JSC KMG. Indicator of Assets.

Current Assets	2017	2016	2015	2014
Cash/Cash Equivalents	\$ 289 562,00	\$1145348,00	\$ 237 310,00	\$ 180 245,00
Net Receivables	\$1331462,00	\$ 145 348,00	\$1071222,00	\$ 715 758,00
Inventory	\$ 34 446,00	\$ 24 774,00	\$ 23 102,00	\$ 26 357,00
Other Assets	\$ 145 248,00	\$ 91 738,00	\$ 114 265,00	\$ 68 920,00
Total Current Assets	\$ 1549 675,00	\$ 1372 383,00	\$ 1297 145,00	\$ 905 374,00

Source: Own table. Data from Amigobulls

The increase in Total Current Assets leads to stabilizing internal economy of the JSC KMG. The advantage of JSC KMG is that the company is much smaller than companies abovementioned, global crisis does not affect so much, cause the company is specialized within one country and well provided by government of Kazakhstan. After accident in 2015 JSC KMG started to run a new project concerned to purchasing more inventories, so this is the main reason of reduction in Cash and Cash Equivalents in the 4rd quarter of 2017. JSC KMG also increased the amount of Total Current Assets by 12% in comparison with previous year and the indicator of 4rd quarter of 2017 is the highest indicator for the last 4 years.

Table 10. Balance sheet of JSC KMG. Indicator of Equity and Liability.

Current Liabilities	2017	2016	2015	2014
Account Payable	\$ 39 977,00	\$ 67669,00	\$ 49 549,00	\$ 59514,00
Short-Term Debt	\$ 5 768,00	\$ 5 483,00	-	-
Total Current Liabilities	\$ 169 045,00	\$ 127 682,00	\$ 147 406,00	\$ 105 016,00
Long-Term Debt	\$ 2 393,00	\$ 3 844,00	-	-
Other Liabilities	\$ 123 300,00	\$ 45300,00	\$ 51 254,00	\$ 39147,00
Deferred Liabilities Charges	\$ 138,00	\$ 138,00	\$ 240,00	\$ 569,00
Total Liabilities	\$ 228 516,00	\$ 176 964,00	\$ 198 900,00	\$ 144 732,00
Stock Holders' Equity	2017	2016	2015	2014
Common Stocks	\$ 165 412,00	\$ 165 343,00	\$1811849,00	\$ 1 339 116,00
Retained Earnings	\$1592975,00	\$1444351,00	\$1311759,00	\$ 1 098 170,00
Other Equity	\$ 339 403,00	\$ 323 818,00	\$1311759,00	\$ 1 098 170,00
Total equity	\$2097790,00	\$1933512,00	\$1811849,00	\$ 1 339 116,00
Total Liabilities & Equity	\$2326306,00	\$2110476,00	\$2010749,00	\$ 1 483 848,00

Source: Own table. Data from Amigobulls

The amount of Total Liabilities of JSC KMG has been growing up since 2014. Despite of a little fall in 2016 by 12%, JSC KMG increased their Liabilities in the 4rd quarter of 2017 by 28% and achieved 228 516 million USD.

The amount of Total Equity has been growing since 2014 without any falls. The increase each year estimates around 5 – 10%. By the 4rd quarter of 2017 the total amount of Equity reached 2 097 790 million USD and the sum of Total Liabilities & Equity is equal 2 326 306 million

4.5. Income statement

The **Income statement** is a financial accounting statement reports a firm's **income** or **earnings** for a given time period. The statement shows the period's incoming revenues, together with expenses that are goes out.

4.5.1. Chevron

Table 11. Income statement of Chevron.

12 months ended	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014	Dec 31, 2013
Sales and other operating revenues	134 674	110 215	129 925	200 494	220 156
Purchased crude oil and products	-75 765	-59 321	-69 751	-119 671	-134 696
Operating expenses	<u>-19 437</u>	<u>-20 268</u>	<u>-23 034</u>	<u>-25 285</u>	<u>-24 627</u>
				-144	
Cost of operating revenues	-95 202	-79 589	-92 785	956	-159 323
Excise, value-added and similar taxes	<u>-7 189</u>	<u>-6 905</u>	<u>-7 359</u>	<u>-8 186</u>	<u>-8 492</u>
Gross profit	32 283	23 721	29 781	47 352	52 341
Selling, general and administrative expenses	-4 448	-4 684	-4 443	-4 494	-4 510
Exploration expenses	-864	-1 033	-3 340	-1 985	-1 861
Depreciation, depletion and amortization	-19 349	-19 457	-21 037	-16 793	-14 186
Payroll taxes	-378	-397	-431	-445	-423
Taxes on production	<u>-321</u>	<u>-265</u>	<u>-281</u>	<u>-579</u>	<u>-581</u>
Taxes other than on income, excluding excise, value-added and similar taxes	-5 142	-4 763	-4 671	-4 354	-4 571
Operating income (loss)	2 480	-6 216	-3 710	19 726	27 213
Income from equity affiliates	4 438	2 661	4 684	7 098	7 527
Other income	2 610	1 596	3 868	4 378	1 165
Interest and debt expense	<u>-307</u>	<u>-201</u>	<u>—</u>	<u>—</u>	<u>—</u>
Income (loss) before income tax expense	9 221	-2 160	4 842	31 202	35 905
Income tax (expense) benefit	<u>48</u>	<u>1 729</u>	<u>-132</u>	<u>-11 892</u>	<u>-14 308</u>
Net income (loss)	9 269	-431	4 710	19 310	21 597
Net income attributable to noncontrolling interests	<u>-74</u>	<u>-66</u>	<u>-123</u>	<u>-69</u>	<u>-174</u>
Net income (loss) attributable to Chevron Corporation	9 195	-497	4 587	19 241	21 423

Source: Own table. Data from annual report of Chevron

Data from table 11 were taken from report of Chevron for 2017 and demonstrates that the company straightens their position in the worldwide oil market. Sales and other operating revenues increased by 19% in the period of 2016-2017 and reached 134 674 million USD. The best indicator in sales revenue Chevron had in 2013 when they reached 220 156 million USD, which is higher than 2017 by 49%. The Cost of operating revenues had decreased by 13% in the period of 2016-2017 and reached (-95 202) million USD. Gross Profit of the company is also increased by 27% and was indicated as 32 283 million USD in the fourth quarter of 2017. Income before tax procedure went up in 2017, while it was in negative sign in 2016, (-6216) million USD, at the end of 2017 Chevron straightened their situation and achieved 2 480 million USD. At the end of 2017 the Net Income of Chevron corporation achieved 9 269 million USD. Attributable net income to Chevron estimated as 9 195 million USD, which is the result of exclusion Net income attributable to noncontrolling interests.

4.5.2. ExxonMobil

Table 12. Income statement of ExxonMobil

12 months ended	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014	Dec 31, 2013
Sales and other operating revenue	237 162	218 608	259 488	394 105	420 836
Crude oil and product purchases	-128 217	-104 171	-130 003	-225 972	-244 156
Production and manufacturing expenses	-34 128	-31 927	-35 587	-40 859	-40 525
	-162	-136	-165	-266	-284
Cost of operating revenues	345	098	590	831	681
Sales-based taxes	–	-21 090	-22 678	-29 342	-30 589
Gross profit	74 817	61 420	71 220	97 932	105 566
Selling, general and administrative expenses	-10 956	-10 799	-11 501	-12 598	-12 877
Depreciation and depletion	-19 893	-22 308	-18 048	-17 297	-17 182
Exploration expenses, including dry holes	-1 790	-1 467	-1 523	-1 669	-1 976
Other taxes and duties	-30 104	-25 910	-27 265	-32 286	-33 230
Operating income	12 074	936	12 883	34 082	40 301
Income from equity affiliates	5 380	4 806	7 644	13 323	13 927
Other income	1 821	2 680	1 750	4 511	3 492
Interest expense	-601	-453	-311	-286	-9
Income before income taxes	18 674	7 969	21 966	51 630	57 711
Income taxes	1 174	406	-5 415	-18 015	-24 263
Net income including noncontrolling interests	19 848	8 375	16 551	33 615	33 448
Net income attributable to noncontrolling interests	-138	-535	-401	-1 095	-868
Net income attributable to ExxonMobil	19 710	7 840	16 150	32 520	32 580

Source: Own table. Data from annual report of ExxonMobil

In case of ExxonMobil the part of sales revenue is higher and estimated as 237 162 million USD, which is higher than previous year by 8%. The highest sales revenue ExxonMobil had also in 2013 when it was estimated as 420 836 million USD. Cost of operating revenue also raised up from (-136 098 million USD) to (162 345 million USD) in the period of 2016-2017. Gross profit achieved 74 817 million USD, which is higher than previous year by 18% and less than best year (2013) by 38%. Operating income grew up in 2017 and reached 12 074 million USD. Net income including noncontrolling interests achieved 19 848 million USD and after excluding (-138 million USD) from Net income attributable

to noncontrolling interests, ExxonMobil received 19 710 million USD of Net income attributable

4.5.3. JSC KazMunaiGas

Table 13. Income statement of JSC KazMunaiGas

12 months ended	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014	Dec 31, 2013
Sales and other operating revenue	2,92	2,14	2,44	4,70	5,35
Change of sales in %	36,44	-12,49	-48,09	-12,05	0,63
Gross profit on sales	1,82	1,22	1,29	3,18	3,89
Gross profit on sales change in %	48,91	-5,29	-59,35	-18,39	-2,19
Operating income	530,00	457,00	-92,00	781,00	1,25
Operating income change in %	15,94	-5,98	-11,17	-37,36	-18,60
Income before tax	672,00	532,00	1,80	8,00	979,00
Income before tax change in %	26,21	-7,46	23,35	-9,90	-21,18
Income after tax	595,00	387,00	1,12	262,00	929,00
Income after tax change in %	54,02	6,55	32,90	-7,10	-13,38

Source: Own table. Data from annual report of JSC KazMunaiGas

According to annual report of income statement of JSC KazMunaiGas it is clear that the company earned in sales 2.92 million USD in 2017, which increased by 26% in comparison with the indicator from 2016. The estimation from 2017 is twice less than sales from 2013 which was the year of highest sales in the last 5 years. Gross profit reached 1.82 million USD. Operating income achieved 530 thousand USD which is also twice less than 5 years ago estimation. The company went into negative sign in 2015 cause of Oil price drop. Income after tax procedure in 2017 is higher than previous year by 35%.

4.6. Profitability analysis

A **profitability ratio** is a measure of profitability, which is a way to measure a company's performance. Profitability is simply the capacity to make a profit, and a profit is what is left over from income earned after you have deducted all costs and expenses related to earning the income. The formulas you are about to learn can be used to judge a company's performance and to compare its performance against other similarly-situated companies.

4.6.1. Return on Assets

Return on assets (ROA) is an indicator of how profitable a company is relative to its total assets. ROA gives a manager, investor, or analyst an idea as to how efficient a company's management is at using its assets to generate earnings. Return on assets is displayed as a percentage and its calculated as:

$$ROA = \text{Net Income} / \text{Total Assets}$$

4.6.1.1. Chevron

Table 14. Return on Assets. Chevron.

Profitability	2017	2016	2015	2014	2013	2012	2011
ROA	2,52%	-0,19%	1,72%	7,4%	8,8%	11,83%	13,64%

Source: Own table. Data from Nasdaq

After Global Economic Crisis, Chevron achieved 13,64% in ROA, which is higher by 3% in comparison with previous year (10,97% in 2010). Chevron got a big impact in the end of 2014 and the ratio fell till 1,72%. The following year happened worse and company started to lose their assets, because of low net income from previous years in 2016 Chevron fell to -0,19%. According to increased assets and income in the nd quarter in 2017, the company increased their ration till the end of 4rd quarter and reached 2,52%.

4.6.1.2. ExxonMobil

Table 15. Return on Assets. ExxonMobil.

Profitability	2017	2016	2015	2014	2013	2012	2011
ROA	3,78%	2,35%	4,71%	9,34%	9,57%	13,5%	12,96%

Source: Own table. Data from Nasdaq

This table illustrates the fluctuation of the ratio of ExxonMobil. Due to surplus in net income and assets they were increasing their ratio despite of Global Economic Crisis. The decrease started in 2013 when the price of crude oil started diminishing. In the 4rd quarter of 2017 they gained 3,78% in ROA, which is higher than the previous year.

4.6.1.3. JSC KazMunaiGas

Table 16. Return on Assets. JSC KMG

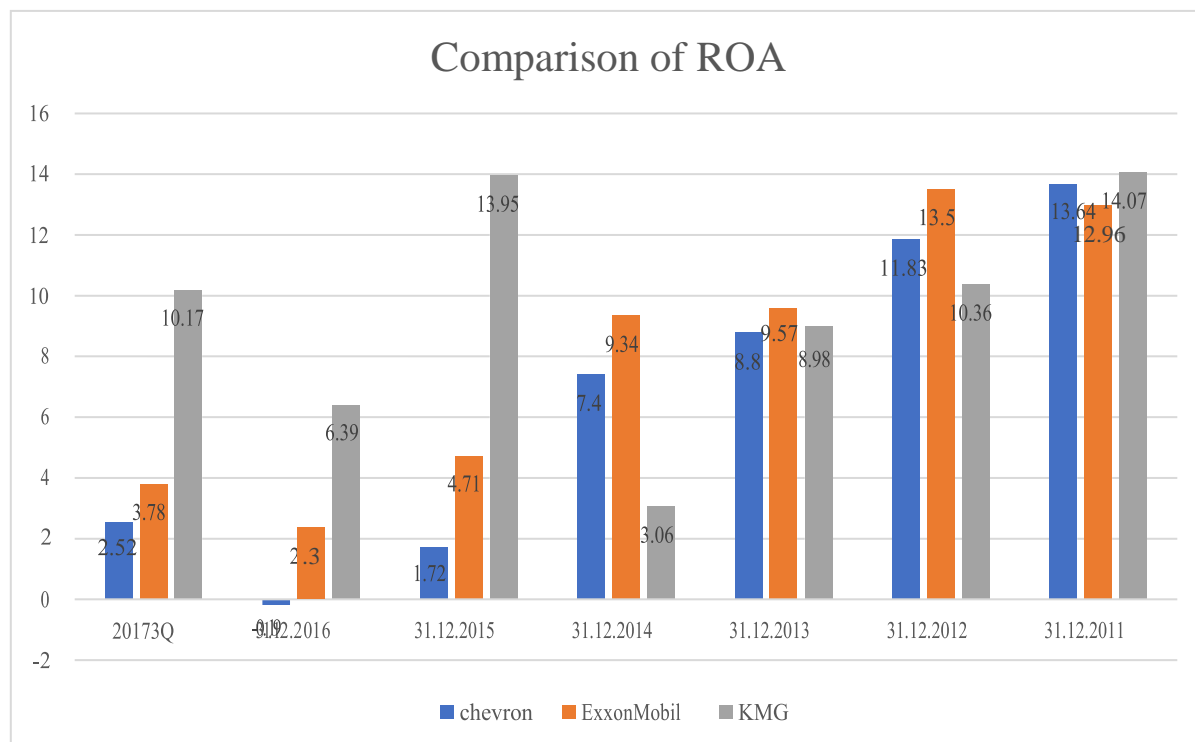
Profitability	2017	2016	2015	2014	2013	2012	2011
ROA	10,17%	6,39%	13,95%	3,06%	8,98%	10,36%	14,07%

Source: Own table. Data from Amigobulls

The biggest fall in amount of ROA for JSC KMG had happened in 2014 and raised extremely up in the following year. In the 4rd quarter of 2017 the ROA of JSC KMG was estimated as 10.17% which is higher by 3.78% than the indicator of 2016

4.6.1.4. Comparison of ROA

Figure 6. Comparison of ROA.



Source: Own figure. Data taken from Nasdaq

Figure 6 is the comparison of all 3 companies in ROA. On the figure can be seen the reduction of Chevron and ExxonMobil, both companies operate almost by the same structure and volume and the main factors of reduction are increase of cost production and decrease of revenue due to oil price drop and international currency value decrease. At the same time JSC KazMunaiGas operates only within the country and could remain a quite good position in ROA.

4.6.2. Return on Equity

Return on equity (ROE) is the amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.

ROE is expressed as a percentage and calculated as:

$$ROE = \text{Net Income} / \text{Shareholder's Equity}$$

4.6.2.1. Chevron

Table 17. Return on Equity of Chevron

Profitability	2017	2016	2015	2014	2013	2012	2011
ROE	4,43%	-0,33%	2,98%	12,65%	15%	20,3%	23,75%

Source: Own table. Data from Nasdaq

Given table shows the fluctuating situation of all 3 companies in ROE. Chevron was on 2nd position by its ratio in 2011 which was equal to 23.75% and in the following year the ROE had decreased by 3%. From 2011 till 2014 ROE of Chevron was decreasing by 3.5% in average and in 2015 a big fall, the ration was estimated as 2.98% after the oil price drop, which became the reason of negative sign in ROE in 2016.

ROE of Chevron estimated as 4.43% in the 4rd quarter of 2017.

4.6.2.2. ExxonMobil

Table 18. Return on Equity of ExxonMobil

Profitability	2017	2016	2015	2014	2013	2012	2011
ROE	7,37%	4,64%	9,36%	18,67%	19,17%	28%	27,26%

Source: Own table. Data from Nasdaq

ExxonMobil was leading in 2011, when the percentage of ROE achieved 27.26%. The following year they had increased till 28%. When the oil price started to diminish, there were a cut of ROE by almost 10% and started a route of decreases till 2016. In 2016 ExxonMobil had better position than Chevron and remained in positive sign 4.64%.

ROE of ExxonMobil estimated as 7.37% in the 4rd quarter of 2017

4.6.2.3. JSC KazMunaiGas

Table 19. Return on Equity of JSC KMG

Profitability	2017	2016	2015	2014	2013	2012	2011
ROE	11,27%	7,03%	15,47%	3,47%	10,46%	12,33%	17,38%

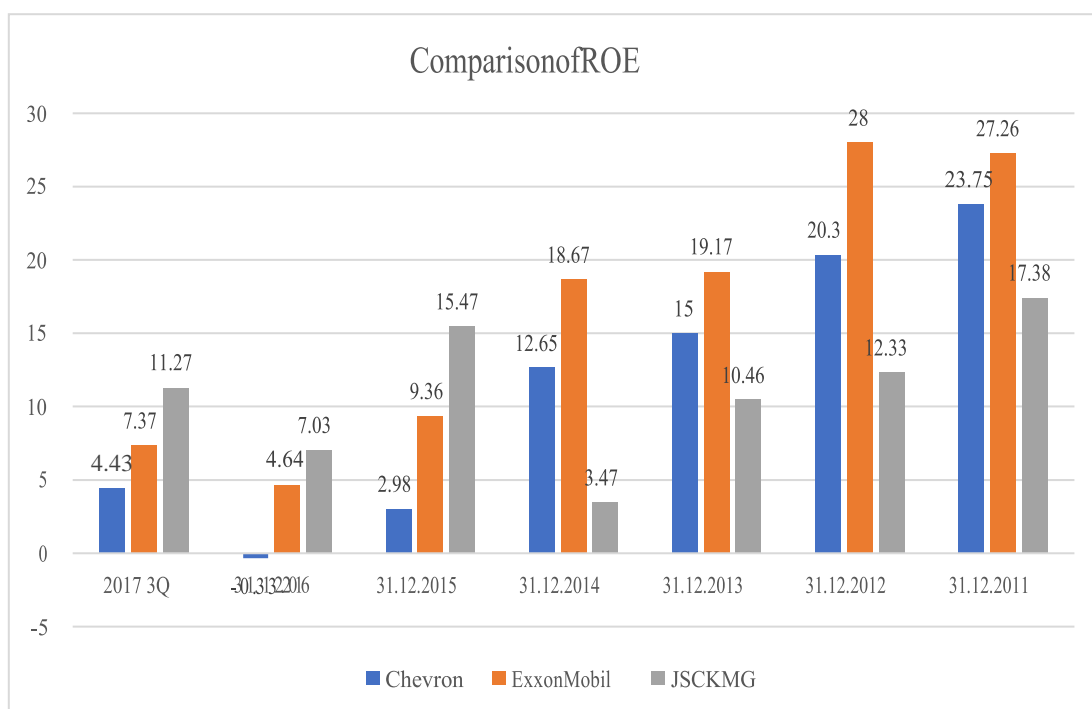
Source: Own table. Data from Amigobulls

ROE of JSC KMG at the end of 2011 was calculated as 17.38% and had a route of diminish. In 2014 they had visible decrease, it was a hard for the company due to national currency fall by 80-90% and expire of contracts with government. After this estimation JSC KMG finally signed a new contract of cooperation with government and received a huge support, which lead to increase in ROE and achieve 15.47%. The shut-down of Arabic oil production for whole world decreased the oil price and it tanged also JSC KMG and ROE took its place at the level of 7.03%.

ROE of JSC KMG estimated as 11.27% in the 3rd quarter of 2017.

4.6.2.4. Comparison of ROE

Figure 7. Comparison of ROE



Source: Data taken from Nasdaq

Figure 7 is the comparison of all 3 companies in ROE. In the period of 2011-2017 can be seen continuous reduction of all companies. ExxonMobil was leading at the beginning of the period but by the end of 2015 was replaced by JSC KazMunaiGas. The main reason of reduction is a decrease in price of sales. In 2017 all 3 companies remained in a positive position.

4.6.3. Gross Profit Margin

Gross margin illustrates the profitability of company's goods and services. It shows how much it costs to company to produce the product. It is calculated by dividing gross profit by net sales and multiplying the quotient by 100:

$$\text{Gross Margin} = \text{Gross Profit} / \text{Net Sales} * 100$$

4.6.3.1. Chevron

Table 20. Gross Profit Margin of Chevron

Profitability	2017	2016	2015	2014	2013	2012	2011
Gross Profit Margin	38,3%	38,9%	40,9%	37,6%	35,4%	36,7%	34,7%

Source: Own table. Data from Finbox

Chevron's operated at median Gross Profit Margin of 36.7% from fiscal years ending Dec, 2012 to 2017.

Chevron's Gross Profit Margin for fiscal years ending Dec, 2012 to 2016 averaged 37%. Chevron's Gross Profit Margin increased in 2014 (37.6%, +2.2% from previous year) and in 2016 was decreased (38.9%, -2% from previous year) and increased in 2015 (40.9% +3.3% from previous year).

4.6.3.2. ExxonMobil

Table 21. Gross Profit Margin of ExxonMobil

Profitability	2017	2016	2015	2014	2013	2012	2011
Gross Profit Margin	21,8%	20,4%	21,4%	20,3%	20,5%	23%	21,8%

Source: Own table. Data from Finbox

ExxonMobil's operated at median Gross Profit Margin of 20.7% from fiscal years ending Dec, 2012 to 2017.

ExxonMobil's Gross Profit Margin for fiscal years ending Dec, 2012 to 2016 averaged 21.2%. ExxonMobil's Gross Profit Margin decreased in 2014 (20.3%, -0.2% from previous year) and 2016 (20.4%, -1% from previous year) and increased in 2015 (21.4%, +1.1% from previous year)

4.6.3.3. JSC KazMunaiGas

Table 22. Gross Profit Margin of JSC KazMunaiGas

Profitability	2017	2016	2015	2014	2013	2012	2011
Gross Profit Margin	64,72%	62,22%	57,52%	74,95%	80,16%	82,39%	100%

Source: Own table. Data from Finbox

Median in Gross Profit Margin of JSC KazMunaiGas 74.95% from fiscal years ending Dec, 2012 to 2017.

JSC KazMunaiGas's Gross Profit Margin decreased in 2014 (74.95%, -5.20%) and in 2016 increased (62.22% +4.7% from previous year) and decreased in 2015 (57.52%, -17.43% from previous year)

4.6.4. Operational margin

Operating margin considers the costs of producing the product or services that are unrelated to the direct production of the product or services, such as overhead and administrative expenses. It is calculated by dividing operating profit by net sales and multiplying the quotient by 100:

$$\text{Operating Margin} = \text{Operating Profit} / \text{Net Sales} * 100$$

4.6.4.1. Chevron

Table 23. Operational Margin of Chevron

Profitability	2017	2016	2015	2014	2013	2012	2011
Operational Margin	6,72%	-1,71%	3,5%	14,72%	15,69%	19,15%	18,78%

Source: Own table. Data from Finbox

Chevron's Operating Margin started to significantly decrease from 2014, when operating margin estimated as 14.72%. In 2015 Chevron had a drop by 11% and at the end of 2016 went to negative sign (-1.71%). In 2017 Chevron straightened their position by 7% of increase in operating margin.

4.6.4.2. ExxonMobil

Table 24. Operational Margin of ExxonMobil

Profitability	2017	2016	2015	2014	2013	2012	2011
Operational Margin	7,89%	4,05%	8,94%	12,6%	13,17%	16,45%	15,11%

Source: Own table. Data from Finbox

ExxonMobil's Operating Margin had decreased in the period of 2015-2016 by 4.89%. In the period of 2016-2017 improved its position and had a growth by 3.84%. The top year of ExxonMobil's Operating Margin was 2012 when it reached 16.45%, which is higher than 2017 by 8.56%.

4.6.4.3. JSC KazMunaiGas

Table 25. Operational Margin of JSC KazMunaiGas

Profitability	2017	2016	2015	2014	2013	2012	2011
Operational Margin	23,78%	19,87%	67,97%	-7%	21,63%	31,4%	34,43%

Source: Own table. Data from Finbox

The highest value in operating margin JSC KazMunaiGas had in 2015, 67.97%, which happened before the largest loss till negative sign (-7%). In the period of 2015-2016 the company had decrease by 48.1% and in the following period started to recover and improved its position by the increase of 3.9%

4.7. Technical analysis of companies.

Technical analysis is a trading tool employed to evaluate securities and attempt to forecast their future movement by analyzing statistics gathered from trading activity, such as price movement and volume. Unlike fundamental analysts who attempt to evaluate a security's intrinsic value, technical analysts focus on charts of price movement and various analytical tools to evaluate a security's strength or weakness and forecast future price changes.

4.7.1. Chevron

4.7.1.1. Chevron Moving Average

Figure 8. Technical analysis of Chevron



Source: Figure from Amigobulls

Moving Average appear the average cost of Chevron stock over a set time and offer assistance dealers see the overall trend by smoothing out everyday variety in cost development. The 20 days moving average of \$125.75 is underneath the final closing cost

of \$132.01 and the 50 days moving the average of \$120.74 is underneath the final closing cost of 132.01. The 10-20 day periods can create a forecast of short-term moving trends.

4.7.1.2. Chevron Moving Average Convergence divergence/MACD

Is a technical measurement which useful for estimating the stock price trend, it can be very helpful for evaluating the strength, direction and momentum of the stock price. The Chevron MACD line is above the signal line

4.7.1.3. Chevron Relative Strength Index

The RSI is a momentum generator. It assimilates how fast the change in price movements. 83.72 is the RSI value for Chevron stock

4.7.2. ExxonMobil

4.7.2.1. ExxonMobil Moving Average

Moving Average appear the average cost of ExxonMobil stock over a set time and offer assistance dealers see the overall trend by smoothing out everyday variety in cost development. For instance, the signal for long term trend for ExxonMobil can be 200 day moving averages which will work for long term traders

Figure 9. Technical analysis of ExxonMobil.



Source: Figure from Amigobulls

4.7.2.2. ExxonMobil Moving Average Convergence divergence/MACD

Is a technical measurement which useful for estimating the stock price trend, it can be very helpful for evaluating the strength, direction and momentum of the stock price. When MACD indicator changes the trend status to “bullish” that means the MACD have rose above the signal line and stock prices will probably increase. The ExxonMobil MACD line has bullish status

4.7.2.3. ExxonMobil Relative Strength Index (RSI)

If the RSI of ExxonMobil exceeds 70 it will lead to overbought condition, if the line goes to 30 and less that will be oversold position.

4.7.3. JSC KazMunaiGas

4.7.3.1. JSC KMG Moving Average

The 20 days moving average is underneath the final closing cost of \$12.90 and the 50 days moving the average is underneath the final closing cost of \$12.90. the 10-20 day periods can create a forecast of short-term moving trends.

4.7.3.2. JSC KMG Moving Average Convergence Divergence/MACD

In case of JSC KMG, the report for January 2018 demonstrated that the company's status is "bullish" at the moment.

Figure 10. Technical analysis of JSC KMG



Source: Data taken from London stock exchange

4.8. Missions of the Companies

4.8.1. Chevron's mission

Diversity and Inclusion

The company learn from and regard the societies in which they work. Chevron has a comprehensive work environment that values the uniqueness and differing qualities of personal abilities, encounters, and ideas.

High-performance

Chevron is energetic approximately conveying comes about, and endeavor to persistently progress. The company holds itself responsible for activities and results. they apply demonstrated forms in a fit-for-purpose way and continuously see for inventive and spray solutions.

Strategies

Our techniques direct our activities to provide industry-leading comes about and prevalent shareholder esteem in any trading environment: Upstream, Midstream, Downstream

Growth

Grow benefits and returns by utilizing their competitive advantages execution Deliver comes about through restrained operational fabulousness, capital

4.8.2. ExxonMobil

Exxon Mobil Organization is committed to being the world's head petroleum and petrochemical company. To that conclusion, we must ceaselessly accomplish predominant money related

EMPLOYEES

The exceptional quality of the workforce is an important competitive edge. To construct this advantage, ExxonMobil will endeavor to enlist and hold the most

qualified individuals accessible and maximize their openings for victory through preparing and improvement. The company is committed to keeping up a secure work environment enhanced by differences and characterized by open communication, believe, and reasonable treatment.

SHAREHOLDERS

ExxonMobil is committed to improving the long-term esteem of the venture dollars endowed to us by their shareholders. By running the commerce productively and capable the company anticipates shareholders to be remunerated with predominant returns. This commitment drives the administration of the company.

CUSTOMERS

Success depends on their capacity to reliably fulfill ever-changing client inclinations. ExxonMobil promise to be imaginative and responsive while advertising high-quality items and administrations at competitive prices.

COMMUNITIES

ExxonMobil vow to be a great corporate citizen in all the places they work around the world. The company will keep up the most elevated moral guidelines, comply all pertinent laws and controls, and regard nearby and national societies. Over all other destinations, they are committed to running secure and ecologically capable operations. To be effective, ExxonMobil must be at the driving edge of competition in each angle of its trade. This requires that the Corporation's significant assets – money related, operational, innovative, and human – be utilized shrewdly and assessed regularly.

4.8.3. JSC KazMunaiGas

The mission of JSC KMG is to maximize the profit of the company for the economic, social and environmental growth of Kazakhstan.

The core activities include:

- development and production

- operation of oil and gas infrastructure
- recycling
- transportation and operation of oil and gas pipelines
- implementation and marketing, R & D in the field of oil and gas
- geological and geophysical research
- design and construction of oil and gas pipelines and oil and gas infrastructure
- drilling

The implementation of the asset restructuring program will ensure the profit from the sale of equity stakes and shareholdings of subsidiaries and affiliates, will reduce administrative costs for monitoring and monitoring existing assets, will provide additional opportunities and resources for the development of promising projects.

5. Conclusion

During the last few years of 21st century, the world oil market has had many different changes. Different kind of circumstances as Global Economic crisis in 2009, Dramatic oil price drop in 2015, nevertheless there happened also an increase of oil demand in Asia-Pacific regions.

After the collapse of Soviet Union, the Republic of Kazakhstan accepted an enormous amount of foreign investments especially toward development of oil and gas sector. One of the first international companies were Chevron and ExxonMobil. The main sector in Kazakhstan is energy sector to support the economic growth of the country. Due to acceptance of foreign investments, the country has been intensively improving the oil and gas production fields, thereby accelerating the economic growth process and reducing the unemployment. In comparison with 2010 when the annual drilling was estimated on the level of 79.7 million tons of crude oil by all international and domestic companies in Kazakhstan, in 2017 the drilling raised up and was indicated around 120 million tons, which is higher than 37%.

According to data from theoretical part and analysis data of JSC KazMunaiGas which represents highly promising prospects and richness of Kazakhstan's oil fields, it can be easily seen that Kazakhstan prepares for a big step into a new market level by promoting

the domestic oil companies, since the oil and other energy consumption is growing every year. Nowadays the aim of the energy sector of Kazakhstan is to become top 10 largest oil providers in the world, so far, the country took its place at the end of top 20.

Fiscal year of 2017 was phenomenal for JSC KazMunaiGas supporting by great financial represents and acquisitions that promoted the growth of the company's strategy, also significant expansion of possibilities in the world pipeline market. The revenue is up by 46% which is 1.716 bln KZT (5.306 mln USD) in compare with previous year, corrected EBITDA achieved 49% of growth which is 940 bln KZT (2.908 mln USD) and the Net profit increased by 104% and estimated as 444bln KZT (1.37 mln USD).

The Operational highlights of JSC KazMunaiGas also had had significant changes as oil condensate production raised up to 4% which is 17 445 thousand tones in comparison with previous year, an increase in oil transportation indicated 73.9 bln cubic meters. Also, the process of refining volumes reached 3 282 thousand tones in 2017.

For ExxonMobil the fiscal 2017 year ended up successful as well. The official amount of earnings is 19.7 billion USD or 4.63 USD per share including dilution, which lead to increase in earnings by 151% in comparison with 7.8 billion USD from 2016. Cash flow processes reached 33.2 billion USD and oil production represents 4 million barrels per day which decreased by 3% 130 000 barrels daily from previous year.

The earnings from production and exploration reached 1.6 billion USD with 618 million USD from U.S. tax amendments. Now according to new strategy of merging refining and marketing operations ExxonMobil Fuels & Lubricants Company will be helpful to understand the needs of a potential customer. The further the same kind of integration will just increase the company's income.

The full year earnings of Chevron Corp. estimated as 9.2 billion USD with a decrease by 497 million in compare with prior year. 20.5 billion USD reached by cash flow operations, which is higher than 8 billion USD compared with previous year.

In operating sphere Chevron reached 2.74 million barrels per day, higher by 5 % compared 2.59 million barrels from 2016, assuming the average price of the company of crude oil was 57 USD in the last quarter in 2017, while it was just only 44 USD in prior year.

There is an increase in crude oil refinery by 16% 834 000 barrels daily higher than the year earlier. In 2016 the increase in crude oil refinery was not so significant only 3% higher than previous year, this happened due to missed turnaround activity at Richmond refinery, El Segundo and the influence of hurricanes.

In conclusion it can be easily seen the indicators of 3 different oil producing companies. However, JSC KazMunaiGas can live through the crisis or oil price drops thanks to governmental support. Seizing the support from government and also attracting domestic and foreign investments Kazakhstan can solve the long-lasting problem with unemployment for many decades in advance, also the country's place in global oil market will be higher.

The answer for the question in Methodology "Is it possible for JSC KazMunaiGas be a competitor in oil industry for such some giant companies as Chevron or ExxonMobil?", the answer is "No" so far. The capability of JSC KazMunaiGas is not accessible for becoming an oil company of international level, but it is very possible for them to dominate in Middle Asia, to become a main exporter for its neighbor countries and increase the annual income. This is needs to be the next step for JSC KazMunaiGas to become the international level company.

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