

Annual activity report of Kazakhstan-China Pipeline LLP for consumers and other concerned parties

In accordance with the Law of the Republic of Kazakhstan "On natural monopolies" Kazakhstan-China Pipeline LLP provides the annual activity report to consumers and other concerned parties in the form of a public hearing. The principles of annual reports are the publicity, transparency of activities of a natural monopoly entity (NME), as well as balancing the interests of consumers and natural monopoly entities. The annual report includes the following information:

1) on execution of investment programs and (or) investment projects, including those approved by an authorized body

No.	Investment program activities	Measure unit	Allocated* for 2018	Actual in 2018	Deviation in %
1	Construction of PS Shalkar	thousand tenge	1 616 512,5	0	-100%
2	Construction of PS-4	thousand tenge	1 190 668,16	0	-100%
3	Reconstruction of PS Aralsk		152 678,82		
3	Construction of external power supply	thousand tenge	805 576,22	0	-100%
	Total:	thousand tenge	3 765 435,7	0	-100%

* Figures from the Investment Program of the Partnership for 2015-2019 approved by the joint order of the Committee for Regulation of Natural Monopolies and Competition Protection No.129-ОД dated March 30, 2015 and of the Ministry of Energy of the Republic of Kazakhstan No.267 dated April 2, 2015

[Reference:](#) Information of NME on execution of the investment program as per attachment 3 of the Rules for approval of investment programs (projects) of a natural monopoly entity, their adjustment, and analysis of their execution, approved by order No.194 of the Minister of National Economy of the Republic of Kazakhstan dated December 30, 2014

2) on the main financial and economic performance indicators for the reporting period

No.	Item	Actual (thousand tenge)
1	Revenue	60 886 186
2	Prime cost of services	-28 105 791
3	Gross profit	32 780 395
4	Administrative expenses	-3 541 761
5	Other income	2 602 968
6	Total operational profit	31 841 602
7	Financing expenses (balanced)	-12 596 141
8	Non-operating expenses (forex loss)	-27 740 665
9	Pre-tax income/(loss)	-8 495 204
10	Saving/(expenses) on income tax	1 043 122
11	Net loss	-7 452 082

[Reference:](#) Profit and loss statement as per the form approved by the order No.404 of the Minister of Finance of the Republic of Kazakhstan dated June 28, 2017

3) on the scope of regulated services provided in the reporting period

No.	Tariff estimate indicators	Measure unit	Allocated*	Actual	Deviation in %
1	Volume of transported oil	thousand tons	5 661	4 515	-20%
2	Cargo turnover	mln tons/km	4 227	3 488	-17%

* Figures of the tariff estimate for the regulated service of oil transportation through Kenkiyak-Kumkol pipeline of Kazakhstan-China Pipeline LLP within the domestic market, approved by order No.343-ОД of the Chairman of the Committee for Regulation of Natural Monopolies and Competition Protection dated August 20, 2015

4) on work conducted with consumers of regulated services

In the reporting period there were 12 contracts signed with the consumers with respect to Kenkiyak-Kumkol pipeline. At that the cargo turnover at Kenkiyak-Kumkol pipeline was 3 488 million tons with 4 227 million tons approved in the tariff estimate, which is 83%. There is a daily oil balance count, processing of pumping data, based on which the accounting of commercial oil operations is monitored, the interaction of the delivering and receiving parties is coordinated. Control over the quality and quantity of oil is carried out by the Partnership with involvement of a third-party organization, KazTransOil JSC. In order to assess customer satisfaction, during the reporting period the Partnership conducted a questionnaire survey of consumers to improve the quality of services provided. The questionnaires were sent to the consumers. The questionnaires received from all consumers showed a high quality of services provided by the Partnership and amounted to 99% out of 100%.

[Reference:](#) Questionnaires for consumers of Kazakhstan-China Pipeline LLP

5) on item-by-item execution by an approved authority of the tariff estimate for the reporting period

Execution of the tariff estimate for the regulated service of oil transportation through the Kenkiyak-Kumkol pipeline of Kazakhstan-China Pipeline LLP within the domestic market in 2018

No.	Tariff estimate indicators	Measure unit	Included in the approved tariff estimate	Actual tariff estimate figures	Deviation in %
I	Costs for production of goods and provision of services	thousand tenge	10 740 503	10 713 642	-0,3%
	including:				
1	Material costs, total	-//-	196 486	61 590	-68,7%
	including:				
1.1	raw and other materials	-//-	2 110	22 698	975,7%
1.2	fuel and lubricants	-//-	1 512	1 733	14,7%
1.3	energy	-//-	192 864	37 158	-80,7%
2	Labour costs, total	-//-	127 224	140 364	10,3%
	including:	-//-			
2.1	salary	-//-	115 763	128 623	11,1%
2.2	social tax	-//-	11 461	11 741	2,5%
3	Amortization	-//-	5 826 633	4 369 320	-25,0%
4	Repair, total	-//-	80 223	232 446	189,8%
	including:				
4.1	major overhaul that does not increase the cost of fixed assets	-//-	80 223	232 446	189,8%
5	Other expenses, total	-//-	4 509 937	5 909 922	31,0%
	including:				
5.1	security and fire protection	-//-	291 679	368 669	26,4%
5.2	other expenses, total	-//-	4 218 258	5 541 254	31,4%
	including				
5.2.1	aircraft services	-//-	77 568	86 771	11,9%
5.2.2	operation and maintenance services	-//-	1 880 341	2 758 860	46,7%
5.2.3	metrology	-//-	3 984	3 552	-10,8%
5.2.4	diagnostics	-//-	479 279	1 133 351	
5.2.5	maintenance of metering equipment and devices	-//-	21 645	27 490	27,0%
5.2.6	maintenance of communication systems	-//-	82 736	130 840	58,1%
5.2.7	taxes and fees	-//-	1 574 690	1 250 116	-20,6%
5.2.8	monitoring and protection of environment	-//-	4 391	9 739	121,8%
5.2.9	costs for maintenance of security and fire alarm	-//-	34 612	48 495	40,1%
5.2.10	repair and maintenance of vehicles	-//-	1 955	2 657	35,9%
5.2.11	maintenance and repair of office equipment, software and climate control systems	-//-	11 566	21 642	87,1%
5.2.12	repair and maintenance of oil metering stations	-//-	21 264	27 965	31,5%
5.2.13	communication services	-//-	19 863	19 832	-0,2%
5.2.14	accomodation of shift	-//-	1 029	15 576	1413,8%
5.2.15	insurance	-//-	2 058	2 901	41,0%
5.2.16	training and qualification upgrade	-//-	1 276	1 467	15,0%
II	period expenses, total	-//-	840 542	8 692 793	934,2%
	including:				
6	General and administrative expenses	-//-	474 926	1 039 597	118,9%
	including:	-//-			
6.1	salary of administrative personnel	-//-	218 869	249 203	13,9%
6.2	social tax	-//-	21 668	28 903	33,4%
6.3	bank services	-//-	2 151	1 224	-43,1%
6.4	amortization	-//-	17 939	35 480	97,8%
6.5	third party services, total	-//-	3 230	6 602	104,4%
	including:				
6.5.1	purchase of fuel and lubricants	-//-	1 457	2 119	45,4%
6.5.2	transportation services	-//-	1 774	4 483	152,8%
6.6	travel expenses	-//-	26 039	38 120	46,4%
6.7	communication services	-//-	3 173	3 225	1,6%
6.8	taxes	-//-	33 306	26 765	-19,6%

6.9	other costs, total	-//-	148 551	650 075	337,6%
	including:				
6.9.1	audit services	-//-	3 960	6 924	74,9%
6.9.2	legal services	-//-	956	1 998	109,1%
6.9.3	notary services	-//-	355	509	43,4%
6.9.4	consulting services	-//-	2 205	5 491	149,0%
6.9.5	maintenance of office equipment and software	-//-	2 412	6 745	179,7%
6.9.6	insurance	-//-	543	820	51,1%
6.9.7	courrier services, mail	-//-	605	650	7,4%
6.9.8	maintenance of administrative buildings		5 058	12 786	152,8%
6.9.9	financing expenses	-//-	132 458	614 151	363,7%
7	Loan interest costs	-//-	365 616	7 653 196	1993,2%
III	Total costs for provision of services	-//-	11 581 045	19 406 435	67,6%
IV	Income (APM)	-//-	15 922 464	3 291 487	-79,3%
V	Total income	-//-	27 503 508	22 697 922	-17,5%
VI	Scope of services provided	thousand tons	5 661	4 515	-20,2%
VII	Normative technical losses	thousand tons	4,49	3,52	-21,8%
VIII	Cargo turnover	mln tons/km	4 227	3 488	-17,5%
IX	Domestic tariff (without VAT)	tenge/1 ton for 1000km	6 507,28	6 507,28	0,0%

6) Business prospects (development plans), including potential changes of tariffs for regulated services

- 1) Increase of economic efficiency of the Partnership activities through reduction of financial burden;
- 2) Optimization of business processes through automation;
- 3) Submission of a request to the authorized body for approval of tariffs for the regulated service for 2020-2004.