

Annual activity report of Kazakhstan-China Pipeline LLP for consumers and other concerned parties (based on operational data)

In accordance with the Law of the Republic of Kazakhstan "On natural monopolies" Kazakhstan-China Pipeline LLP provides the half-yearly progress report to consumers and other concerned parties in the form of a public hearing. The principles of the half-yearly progress report 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 2019	Actual in the 1 half year of 2019	Deviation in %
1	Construction of a tank farm at Aralsk PS, (Kyzylorda region; Aral region, section 424.385 km of Kenkiyak-Kumkol pipeline	thousand tenge	2 768 516,6	0	-100%
	Total:	thousand tenge	2 768 516,59	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-OJ 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 for the 1 half of 2019 as per attachment 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 for the 1st half of 2019(thousand tenge)
1	Revenue	38 127 915
2	Prime cost of services	-14 088 183
3	Gross profit	24 039 732
4	Administrative expenses	-1 447 935
5	Other income	1 688 252
6	Total operational profit	24 280 049
7	Financing expenses (balanced)	-6 288 103
8	Pre-tax income/(loss)	17 991 946
9	expenses on income tax	-3 755 199
10	Net loss	14 236 747

[Reference:](#) Profit and loss account in form 2, in accordance with the interim financial information as of 30.06.2019.

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

No.	Tariff estimate indicators	Measure unit	Allocated for 2019*	Actual for the 1st half of 2019	Deviation in %
1	Volume of transported oil	thousand tons	5 293	2 545	-52%
2	Cargo turnover	mln tons/km	3 944	1 961	-50%

* 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-OJ 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 1 961 million tons with 3 944 million tons approved in the tariff estimate, which is 50%. 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 KazTransOil JSC. In order to assess customer satisfaction, during the reporting period the Partnership annually surveys 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%.The next questionnaires is scheduled for the end of this year.

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

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	9 470 899	5 114 008	-46,0%
	including:				
1	Material costs, total	-//-	191 728	60 490	-68,5%
	including:				
1.1	raw and other materials	-//-	2 010	39 418	1861,1%
1.2	fuel and lubricants	-//-	1 440	733	-49,1%
1.3	energy	-//-	188 279	20 338	-89,2%
2	Labour costs, total	-//-	124 199	56 449	-54,5%
	including:	-//-	0	0	
2.1	salary	-//-	113 011	51 771	-54,2%
2.2	social tax	-//-	11 188	4 677	-58,2%
3	Amortization	-//-	5 220 510	2 409 528	-53,8%
4	Repair, total	-//-	78 316	121 813	55,5%
	including:		0	0	
4.1	major overhaul that does not increase the cost of fixed assets	-//-	78 316	121 813	55,5%
5	Other expenses, total	-//-	3 856 146	2 465 729	-36,1%
	including:		0	0	
5.1	security and fire protection	-//-	294 888	199 414	-32,4%
5.2	other expenses, total	-//-	3 561 258	2 266 315	-36,4%
	including:		0	0	
5.2.1	aircraft services	-//-	75 724	0	-100,0%
5.2.2	operation and maintenance services	-//-	1 807 902	1 454 323	-19,6%
5.2.3	metrology	-//-	3 889	5 296	36,2%
5.2.4	diagnostics	-//-	0	0	
5.2.5	maintenance of metering equipment and devices	-//-	21 130	13 410	-36,5%
5.2.6	maintenance of communication systems	-//-	80 769	69 074	-14,5%
5.2.7	taxes and fees	-//-	1 476 159	643 550	-56,4%
5.2.8	monitoring and protection of environment	-//-	4 287	2 892	-32,5%
5.2.9	costs for maintenance of security and fire alarm systems	-//-	33 789	24 423	-27,7%
5.2.10	repair and maintenance of vehicles	-//-	1 908	462	-75,8%
5.2.11	maintenance and repair of office equipment, software and climate control systems	-//-	11 291	11 356	0,6%
5.2.12	repair and maintenance of oil metering stations	-//-	20 759	21 016	1,2%
5.2.13	communication services	-//-	19 391	10 175	-47,5%
5.2.14	accommodation of shift	-//-	1 005	8 839	780,0%
5.2.15	insurance	-//-	2 009	1 499	-25,4%
5.2.16	training and qualification upgrade	-//-	1 246	0	-100,0%
II	period expenses, total	-//-	470 542	4 386 707	832,3%
	including:				
6	General and administrative expenses	-//-	470 542	289 777	-38,4%
	including:	-//-			
6.1	salary of administrative personnel	-//-	213 665	109 452	-48,8%
6.2	social tax	-//-	21 153	14 455	-31,7%
6.3	bank services	-//-	2 100	511	-75,7%
6.4	amortization	-//-	14 352	21 950	52,9%
6.5	third party services, total	-//-	3 154	1 550	-50,9%
	including:		0	0	
6.5.1	purchase of fuel and lubricants	-//-	1 422	973	-31,6%

6.5.2	transportation services	-//-	1 731	577	-66,7%
6.6	travel expenses	-//-	25 420	16 491	-35,1%
6.7	communication services	-//-	3 097	1 393	-55,0%
6.8	taxes	-//-	34 790	3 950	-88,6%
6.9	other costs, total	-//-	152 812	120 025	-21,5%
	including:		0	0	
6.9.1	audit services	-//-	3 865	4 072	5,4%
6.9.2	legal services	-//-	933	1 147	22,9%
6.9.3	notary services	-//-	364	297	-18,5%
6.9.4	consulting services	-//-	2 153	3 080	43,1%
6.9.5	maintenance of office equipment and software	-//-	2 355	5 122	117,6%
6.9.6	insurance	-//-	530	358	-32,4%
6.9.7	courrier services, mail	-//-	590	178	-69,8%
6.9.8	maintenance of administrative buildings		4 938	6 515	31,9%
6.9.9	financing expenses	-//-	137 084	99 255	-27,6%
7	Loan interest costs	-//-	0	4 096 930	
III	Total costs for provision of services	-//-	9 941 441	9 500 715	-4,4%
IV	Income (APM)	-//-	18 287 470	4 537 880	-75,2%
V	Total income	-//-	28 228 911	14 038 595	-50,3%
VI	Scope of services provided	thousand tons	5 293	2 545	-51,9%
VII	Normative technical losses	thousand tons	4,20	1,96	-53,3%
VIII	Cargo turnover	mln tons/km	3 944	1 961	-50,3%
IX	Domestic tariff (without VAT)	tenge/1 ton for 1000km	7 158,01	7 158,01	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) Submission of a request to the authorized body for approval of tariffs for the regulated service for 2020-2004.