



## PRESENTATION

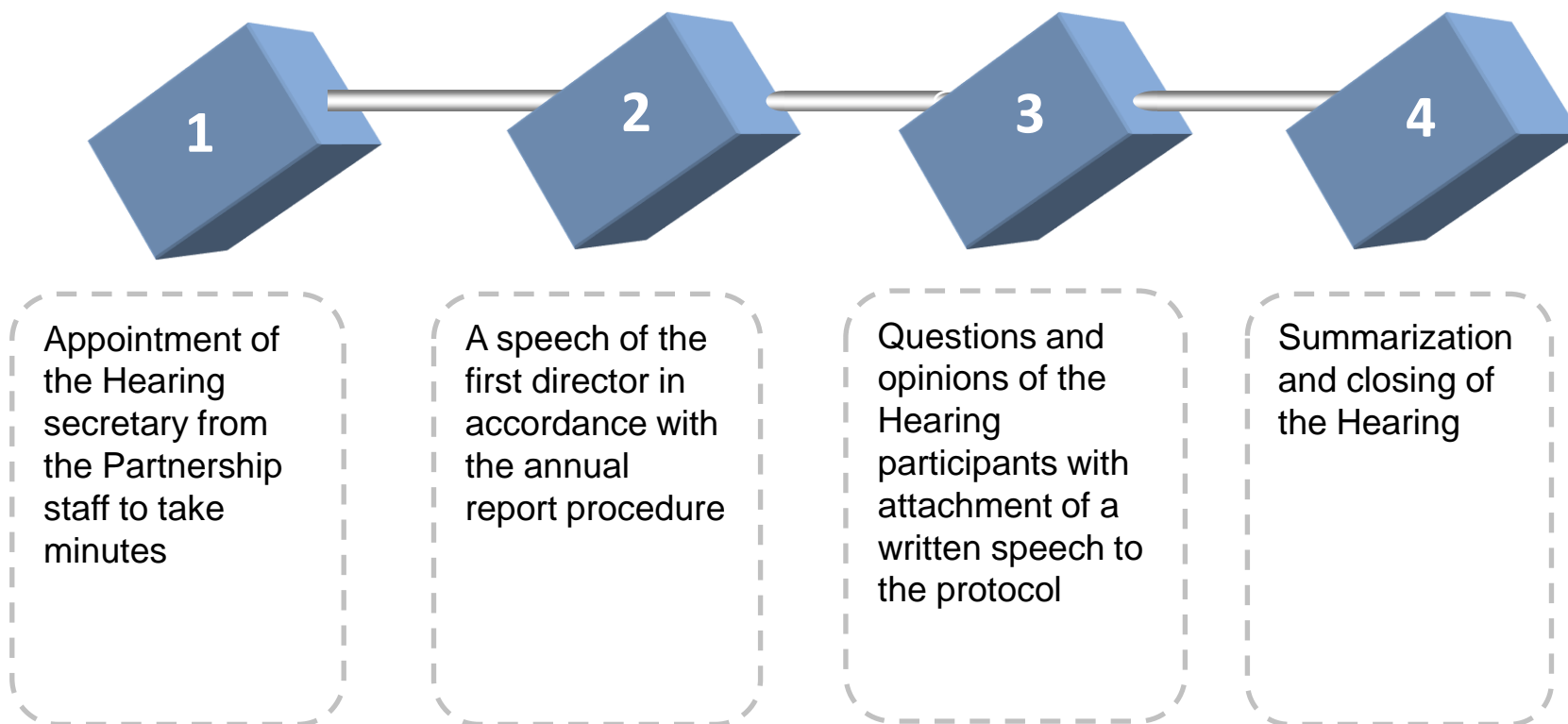
for the hearing of the annual report on activity of Kazakhstan-China Pipeline LLP for 2019 on provision of a regulated service – transportation of oil through Kenkiyak-Kumkol pipeline within the domestic market, for consumers and other interested persons

Tariff Regulation Department  
May 28 2020

# Agenda

The objectives of the hearing on the execution of reports on the approved tariff estimates and investment program of Kazakhstan-China Pipeline LLP for 2019 on the provision of regulated services for pumping oil through the Kenkiyak-Kumkol trunk pipeline to the domestic market to consumers and other interested parties (hereinafter – Hearings) are:

- provision of publicity, awareness;
- observance of the balance of interests of consumers and subjects of natural monopolies;
- ensuring transparency of the activities of natural monopolies to consumers and other interested parties.



Kazakhstan-China Pipeline LLP was established on July 6, 2004 and operated within the framework of:

Frame agreement between the Governments of the Republic of Kazakhstan and People's Republic of China on development of comprehensive cooperation in the field of oil and gas dated May 17, 2004

Agreement on the main principles of construction (AMPC) of Atasu-Alashankou pipeline dated May 17, 2004 signed between KazMunaiGas and China National Petroleum Corporation (CNPC)

AMPC of the second stage of Kazakhstan-China pipeline dated December 20, 2006 signed between KazMunaiGas and CNPC to increase capacity of Atasu-Alashankou pipeline to 20 million tons a year

AMPC for expansion and operation of Kazakhstan-China pipeline dated April 6, 2013 between KazMunaiGas and CNPC to increase capacity of Kenkiyak-Kumkol pipeline to 20 million tons a year

The maximum level of tariffs for a regulated service of oil transportation via the Kenkiyak-Kumkol pipeline of the Partnership within the domestic market for 2015-2019:

Indicator	Unit of measure	2015	2016	2017	2018	2019
Domestic tariff (excl. VAT)	tenge/1 ton for 1000 km	4 889,02	5 377,92	5 915,71	6 507,28	7 158,01



# Investment program

The investment program of the Partnership was approved by a joint order of the Committee for regulation of natural monopolies and competition protection of the Ministry of National Economy of the Republic of Kazakhstan dated March 30, 2015 No. 129-OD and the Ministry of Energy of the Republic of Kazakhstan dated April 2, 2015 No. 267

Actual (x1000 tenge)

Reconstruction of PS Kenkiyak – 0  
Reconstruction of PS Kumkol – 0  
Construction of PS Aralsk – 0

Construction of PS Shalkar – 0  
Construction of PS 4 – 0  
Construction of external power supply – 0  
Reconstruction of PS Aralsk – 0

Plan (x1000 tenge)

2015

Reconstruction of PS Kenkiyak – 57 943  
Reconstruction of PS Kumkol – 47 462  
Construction of PS Aralsk – 4 056 095

**4 161 499**

2016

Reconstruction of PS Kenkiyak – 354 024  
Reconstruction of PS Kumkol – 405 442  
Construction of PS Aralsk – 19 845 035

**20 604 501**

2017

Construction of PS Shalkar – 11 835 242  
Construction of PS 4 – 6 548 675  
Construction of power supply – 4 430 669

**22 814 586**

2018

Construction of PS Shalkar – 1 616 512  
Construction of PS 4 – 1 190 668  
Reconstruction of PS Aralsk – 152 679  
Construction of power supply – 805 576

**3 765 435**

2019

Construction of a tank farm at PS Aralsk – 2 768 517

**2 768 516**

Total capital expenditures in the Investment program for 2015–2019 are 54 114 539 thousand tenge.



# Use of own funds

In accordance with paragraph 637 of paragraph 4 of Chapter 13 of the Rules for the formation of tariffs approved By the order of the Ministry of National Economy of the Republic of Kazakhstan of November 19, 2019 Number 90

Investments are made by natural monopolies using own and (or) borrowed funds

Sources of own funds are profit (net income) and depreciation charges

Borrowed funds are repaid using profit (net income) and (or) depreciation charges

Until June 27, 2018, two loans - The first loan in the amount of 1.03 billion US dollars was attracted to finance the construction of the Kenkiyak-Kumkol oil pipeline. A second loan worth \$ 300 million was raised to refinance obligations on bonds issued to finance the construction of the Atasu-Alashankou oil pipeline. Two loans are refinanced by attracting a new loan. On June 27, 2018, an ICBC Limited loan agreement of \$ 540 million was concluded.

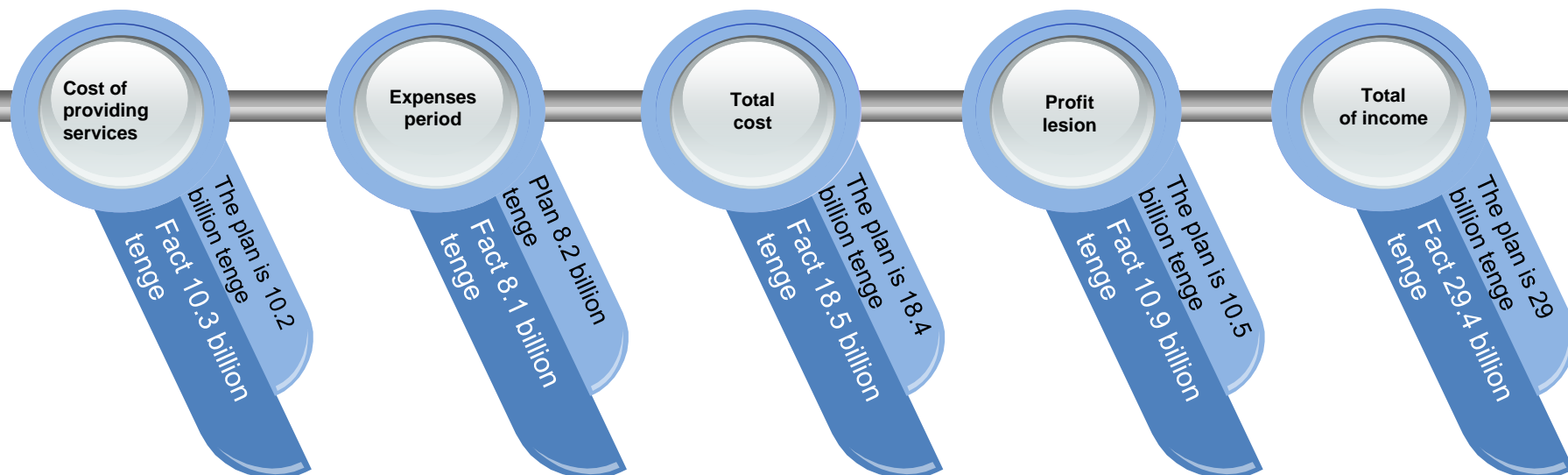
No	Name	Measure	2015 year	2016 year	2017 year	2018 year	2019 year
1	Depreciation of production fixed assets	1000 tenge	3 680 780,56	4 483 847,50	4 234 916,34	4 404 799,55	4 936 745,45
2	Net income (loss) to the domestic market	-/-	3 682 699,70	-199 586,01	2 304 624,19	3 291 486,87	10 928 068,35
3	Repayment of principal	-/-	-17 749 644,09	-15 823 512,67	-14 094 888,87	-10 885 140,87	-18 643 815,99
4	Balance	-/-	-10 386 163,83	-11 539 251,18	-7 555 348,35	-3 188 854,46	-2 779 002,19

Conclusion: The Partnership lacks the funds not only for implementation of the investment program, but also for repayment of borrowed funds, which is caused by the reduction in the volume of the regulated service of oil transportation and changes in the exchange rate of tenge against the US dollar.

In addition, due to the lack of a resource base, the Partnership Participants (decision of the Investment Committee of JSC NC "KazMunaiGas" dated April 23, 2015 No. 7-15) suspended the realization of the Investment project.

# Tariff estimate

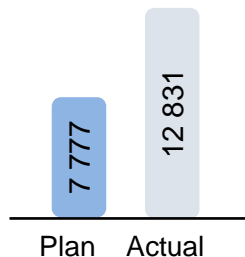
№	Name of indicators of tariff estimates	Measure	Provided in the tariff estimate	Tariff estimate fact	Deviation, absolute	Deviation, %
1	Cost of providing services	1 000,00	10 224 108	10 331 202	107 094	1%
2	Expenses of the period	tenge	8 269 675	8 173 877	-95 797	-1%
2.1	General and administrative expenses	-//-	609 746	689 339	79 593	13%
2.2	Interest expense	-//-	7 659 929	7 484 539	-175 390	-2%
3	Total cost	-//-	18 493 782	18 505 079	11 297	0%
4	Profit Loss	-//-	10 555 965	10 928 068	372 104	4%
5	Total income	-//-	29 049 747	29 433 147	383 400	1%
6	Volume of services provided	тыс. тонн	5 293	5 365	72	1%
7	Cargo turnover	млн. ткм	4 058	4 112	54	1%
8	Unit tariff (without VAT)	тенге тонну/ 1000км	7 158,01	7 158,01	0	0%



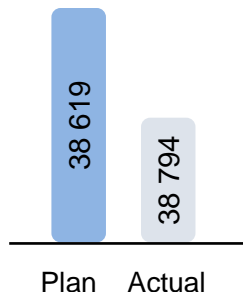


# Service provision costs (I)

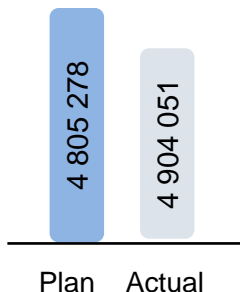
Retirement of materials and purchased products, workwear and spare parts



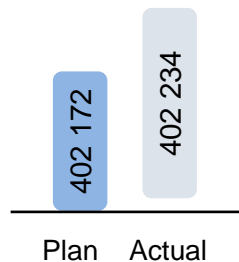
Electricity for pipeline facilities, adopted as per the norms of the Authorized body



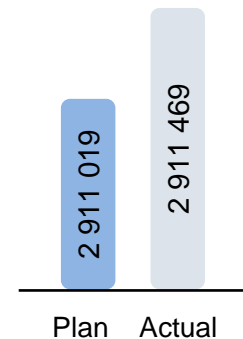
Wear of fixed production assets and IA of pipeline facilities



Security for the linear section, stationary facilities and fire safety



Operation and maintenance of the pipeline



Maintenance and repair of power lines and cells at substations feeding the pipeline facilities

raw materials

fuel

power

labor costs

amortization

repair

security and fire protection

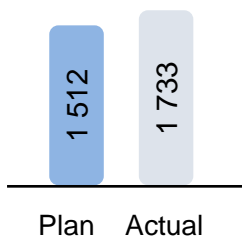
air services

O&M services

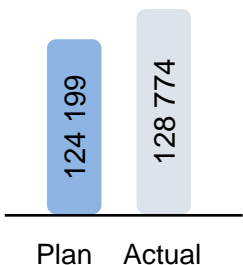
metrology

Maintenance and repair of instruments

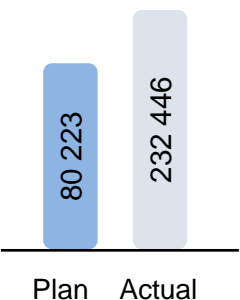
Purchase of fuel for company cars



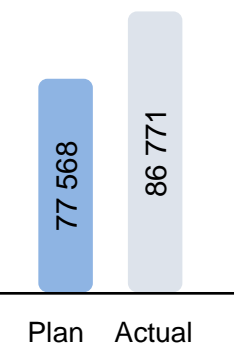
Labor compensation for production personnel with deductions, adopted as per the norms of the Authorized body



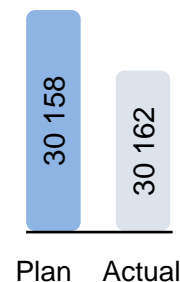
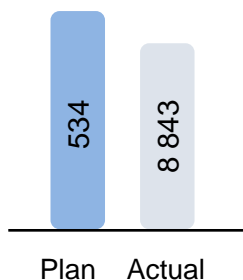
Repair of service roads other repairs



Air patrolling and rotation of KazTransOil staff



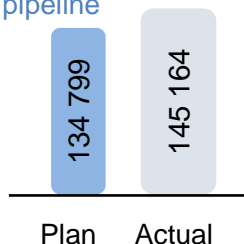
Calibration of instruments installed at the pipeline facilities



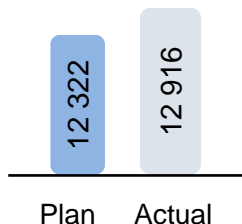


# Service provision costs (II)

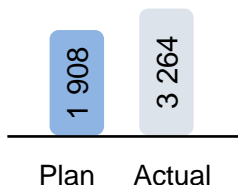
Technical Inspection and Technical Repair of equipment of industrial-technological communication systems of the oil pipeline



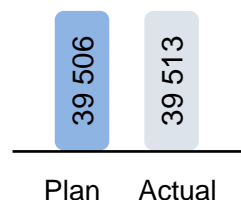
Industrial monitoring of the state of the environment at oil pipeline facilities



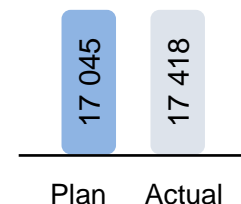
Technical Inspection and Technical Repair of office production vehicles fixed at sites and PSP



Technical Inspection and Technical Repair of the system for measuring the quantity and quality indicators of oil at Kenkiyak PS and Kumkol PS

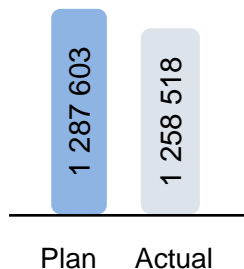


Accommodation and meals for shift workers of production personnel

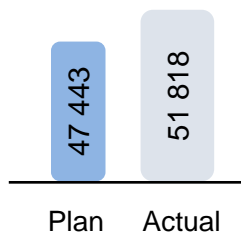


Training and advanced training and travel expenses for training production personnel

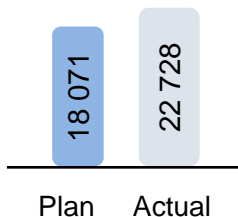
Property tax, land tax, emissions and use of the radio frequency spectrum



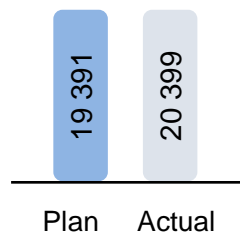
Technical inspection and technical repair of perimeter security alarm and video surveillance, fire alarm



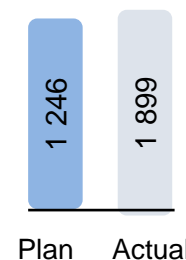
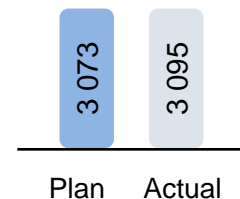
Testing temperature conditions, unit diagnostics, cleaning filters and drainage system



International, long-distance communication, Internet, equipment rental and satellite communications on the highway



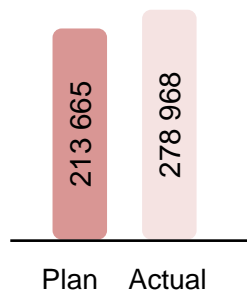
GPO insurance for property owners and for environmental damage resulting from accidental pollution



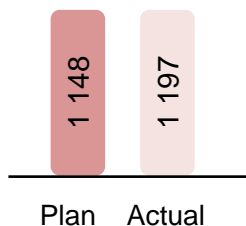


# General and administrative costs (I)

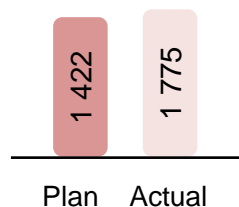
Payroll including income tax and pension deductions, vacation pay



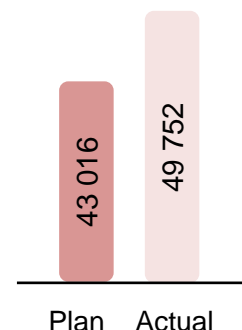
Banking services for settlement operations in tenge and foreign currency, purchase and sale of foreign currency, balance statements



Purchase of fuel for company cars used by administrative and managerial personnel



Business trip costs as per the norms of the Regulation «On business trips»



Taxes according to the RK Tax Code and tax payments in PRC

labor costs

social tax

bank services

amortization

POL

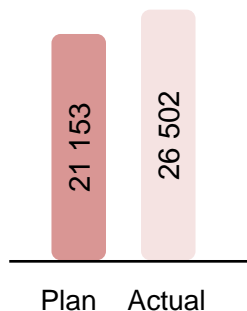
transportation services

business trip services

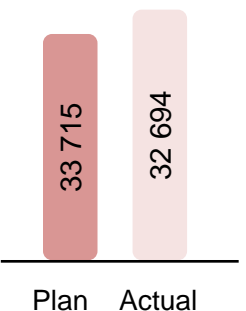
telecom services

taxes

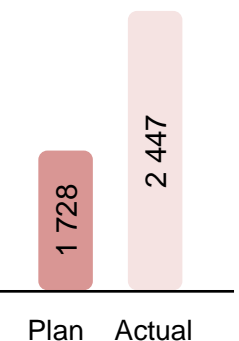
Social deductions according to the RK Tax Code



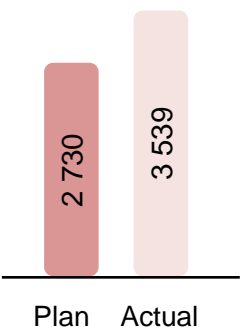
Amortization of non-production fixed assets and intangibles



Maintenance and repair of cars used by the administrative and managerial personnel

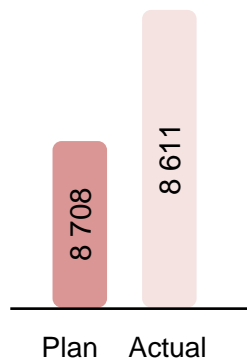


International, long-distance calls, Internet, intracorporate calls

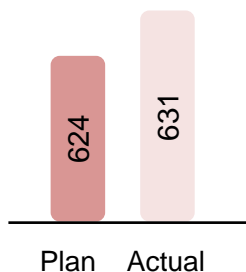


# General and administrative costs (II)

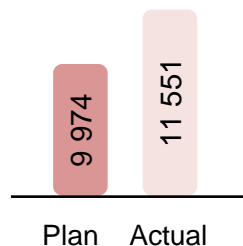
Annual audits of financial statement of the Partnership



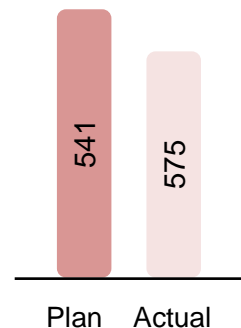
Notary actions calculated based on fixed rates set by the RK Tax Code



Repair and diagnostics of office equipment, maintenance of servers, cartridge refill, purchase and installation of software



Dispatch of mail and cargo



Bank fees, legal services, agent fee, insurance fee including withholding income tax

audit services

legal services

notary services

consulting services

Servicing and repair of office equipment, software

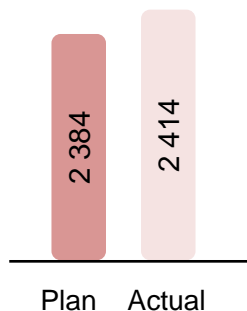
insurance

courier service, mail

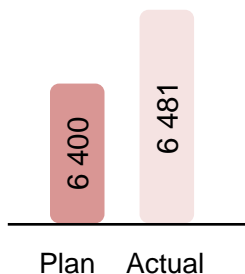
maintenance of administrative buildings

financing costs

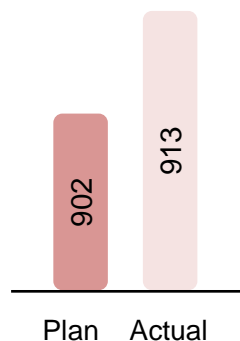
Access to the information system «Paragaph»



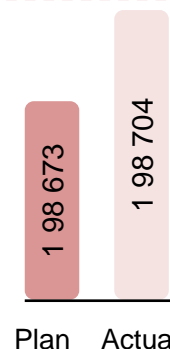
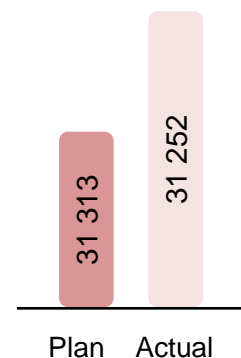
Unified catalogue of goods, works and services, map of local content monitoring, electronic procurement information system



Employer's liability and mandatory car insurance



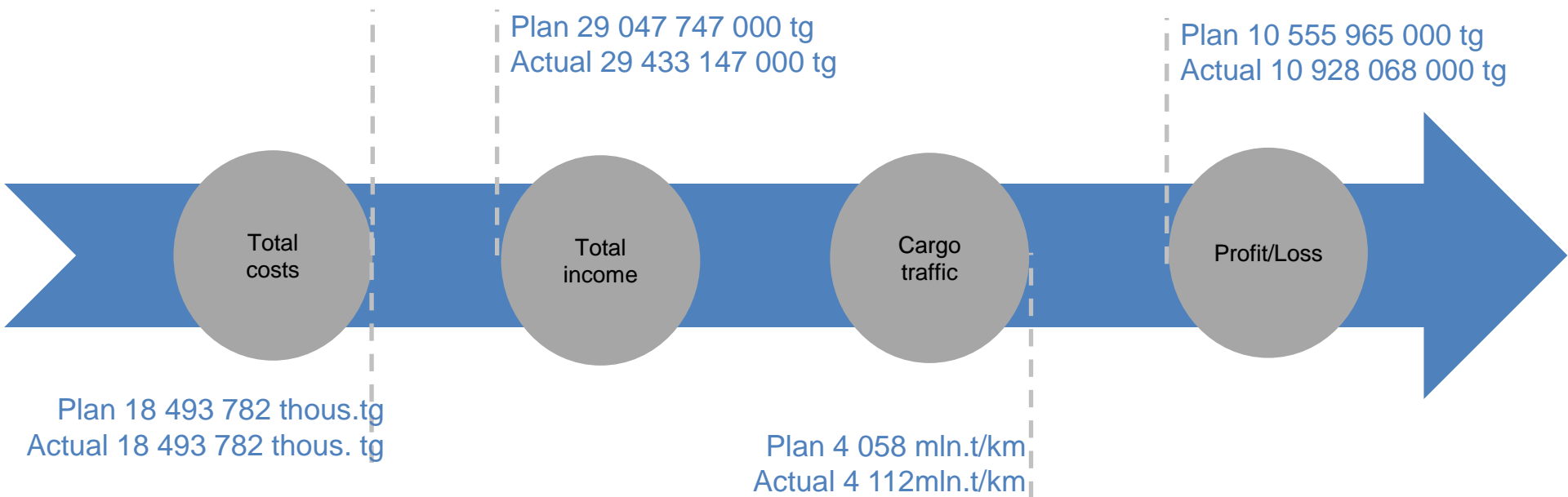
Utilities, office and administrative building maintenance in Almaty



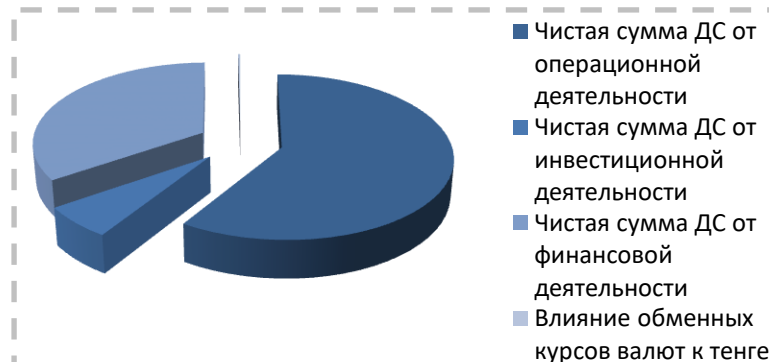
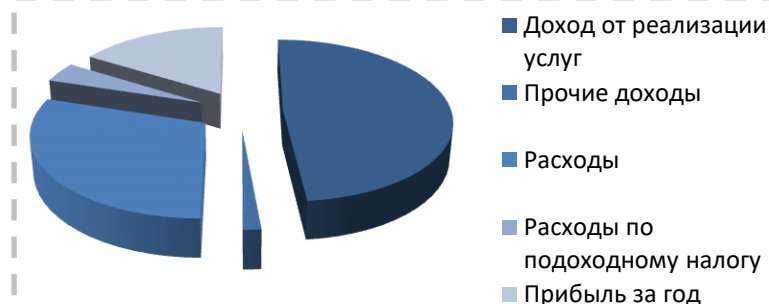
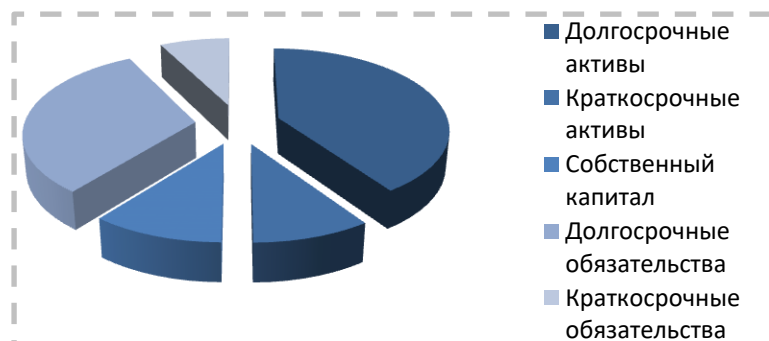


# Activity results and perspectives

The results of Kazakhstan-China Pipeline activities for provision of regulated services of oil transportation via the Kenkiyak-Kumkol pipeline within the domestic market in 2019:



No	Indicators	Measure	Cost
1	long term assets	1000 tenge	224 207 489
1.1	Fixed assets	-/-	222 132 262
2	Short-term assets	-/-	53 304 101
3	Equity capital	-/-	59 134 807
4	long term liabilities	-/-	176 354 916
5	Short-term liabilities	-/-	42 021 867
No	Indicators	Measure	Cost
1	Income from services	1000 tenge	76 186 256
2	Other incomes	-/-	2 323 292
3	Costs	-/-	46 834 998
4	Prime costs of services	-/-	29 806 466
5	General and administrative costs	-/-	3 710 297
6	Costs of interest repayment	-/-	11 661 643
7	Costs non-coreactivity (loss from depreciation)	-/-	1 656 592
8	Income tax costs	-/-	6 282 785
9	Profit for the year	-/-	25 391 765
No	Indicators	Measure	Cost
1	Net cash from operating activity	1000 tenge	47 015 197
1.1	Inflow	-/-	80 930 610
1.2	Outflow	-/-	33 915 413
2	Net cash from investments	-/-	-5 007 501
2.1	Inflow	-/-	34 506 809
2.2	Outflow	-/-	39 514 310
3	Net cash from financial activity	-/-	-27 398 157
3.1	Inflow	-/-	0
3.2	Outflow	-/-	27 398 157
4	Forex rate impact	-/-	-181 321
5	Cash reduction / increase	-/-	14 428 218

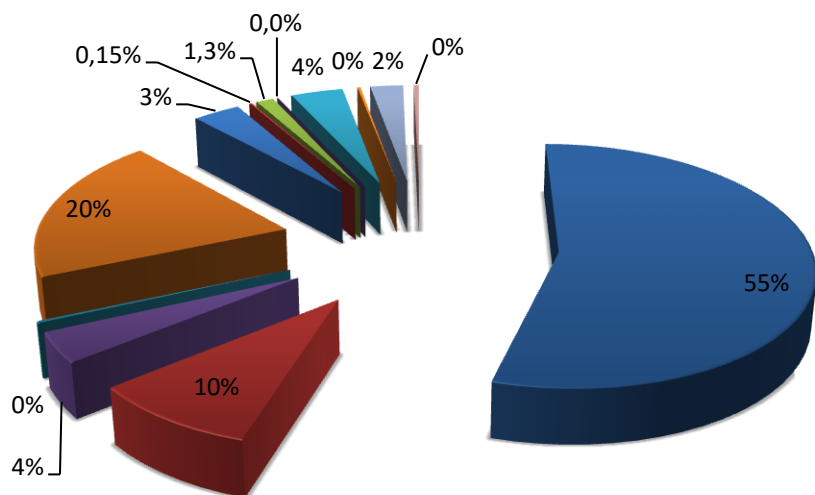


# Volume of services for 2019

№	Shippers	Pumping volume, thous.tons		Cargo turnover, mln.T/KM	
		Plan	Actual	Plan	Actual
1	JSC "SNPS Aktobemunaigas"	2 923	2 935	2 389	2 331
2	JSC Kazakhoil Aktobe	413	511	338	406
3	JSC "Ozenmunaygaz"	0	2	0	2
4	JSC KMK Munay	110	215	90	171
5	AO Caspian Oil TME	44	14	36	11
6	JSC MangistauMunaiGas	960	1 053	785	837
7	Alties Petroleum	158	187	129	148
8	Lines Jump LLP	0	8	0	6
9	Firma Ada Oil LLP	112	69	92	55
10	Embamunaigas	0	0	0	0
11	SouthOil KU LLP No. 29	361	208	28	15
12	Aral Petroleum Capital LLP	53	12	43	9
13	Kazakhturkmunai	60	131	49	104
14	JSC "Maten Petroleum"	0	21	0	16
15	LLP "Kazakhmys Petroleum"	85	0	69	0
16	TOO SP FIAL	14	0	11	0
TOTAL		5 293	5 365	4 058	4 112

In 2019, the volume of oil through the Kenkiyak-Kumkol pipeline to the domestic market amounted to 4 122 million tons / km with the approved indicators of 4 058 million tons / km, which is 101%

## Объем перекачки



АО "СНПС Актобемұнайгаз"

АО "Озеньмұнайгаз"

АО Каспий Нефть ТМЕ

Алтиес Петролеум

ТОО Фирма Ада Ойл

ТОО СаутсОйл КУ № 29

"Казактуркмунай"

АО Казахойл Актобе

АО КМК Мұнай

АО МангистауМұнайГаз

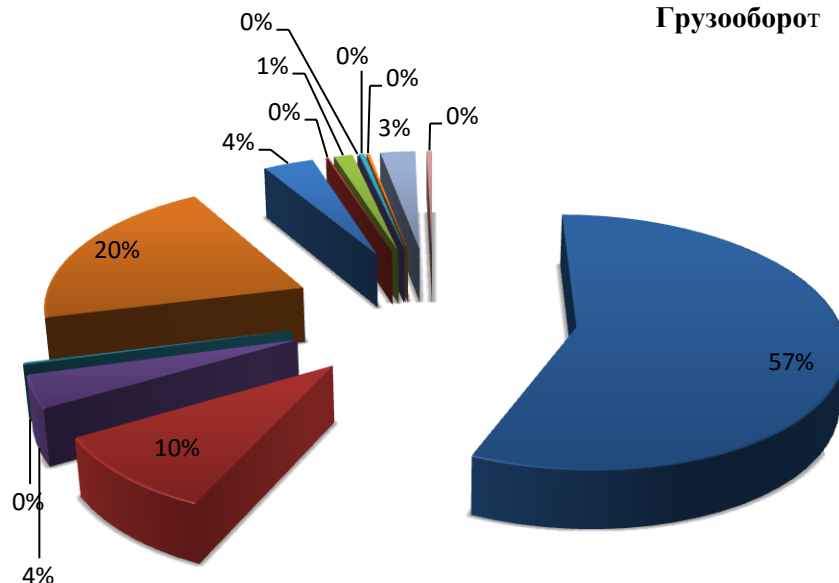
ТОО Лайнз Джамп

Эмбамұнайгаз

ТОО Арал Петролеум Кэпитал

АО "Матен Петролеум"

## Грузооборот





# Work with consumers and prospects

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In order to assess customer satisfaction in the reporting period, the Partnership consumer surveys were conducted to improve the quality of services provided. Questionnaires were sent to consumers to fill out. The result of the profiles received from all consumers showed a high indicator of the quality of services provided by Partnerships and accounted for 99%

## **Prospects for the activities of Kazakhstan-China Pipeline LLP:**

- increase economic efficiency by reducing the financial burden.**

Thank you for  
attention!