

Report on execution of the approved tariff estimates and investment program of Kazakhstan-China Pipeline LLP for 2019 on provision of regulated services to consumers and other interested parties for pumping oil through the main pipeline Kenkiyak-Kumkol to domestic market

In accordance with the Law of the Republic of Kazakhstan "On natural monopolies" dated December 27, 2018, Kazakhstan-China Pipeline LLP provides the annual progress report on execution of tariff estimate and investmet program of rendering regulated service to consumers and other concerned parties in the form of a public hearing (Hearing). Objectives of this Hearing are: ensuring transparency, awareness, balance of interests of consumers and natural monopolies, ensuring transparency of activities of natural monopoly entities before consumers and other interested parties. The report contains the following information:

1) on execution of approved investment program

№	Information on planned and actual volumes of rendered regulated services						Income and loss report*	Sum of investment program, th. tenge				Information on acutal terms and sizes of financing the investment program, th. tenge				Information on comparison of actual performance indicators of the investment program with indicators approved in the investment program**								Clarification of the reasons for deviation of the achieved actual indicators from the indicators in the approved investment program	Assessment of improving the quality and reliability of regulated services and operational efficiency
	Name of regulated services (goods, works) and territory of rendering the services	actions	measure unit	Quantity in natural figures		Period of rendering the services within the frames of investment program		Plan	Actual	Variance	Variance reasons	Own funds		Loans	Budget funds	Reduced consumption of raw materials, materials, fuel and energy in natural values depending on the approved investment program		Depreciation of (physical) fixed assets (assets),%, by years of implementation, depending on the approved investment program		Loss reduction,%, by years of implementation, depending on the approved investment program		Accident reduction, by years of implementation, depending on the approved investment program			
				Plan	Actual							Amortization	Profit			Last year actual	Current year actual	Last year actual	Current year actual	Plan	Actual	Last year actual	Current year actual		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26
1	Oil pumping service through the main pipeline system	Oil pumping through the main pipeline system	th. tons	5 293	5 365	365 calendar days	Profit and loss statement in the form approved by order of the Minister of Finance of Republic of Kazakhstan dated June 28, 2017 No. 404	2 768 517	0	-2 768 517	Due to the lack of the resource base, the Partnership has not realized capital investments in the amount of 2 768 517 th. tenge	0	0	0	0	0	0	38	41	0,1	0,1	0	0	-	-

\*volumes of rendering regulated services are considered in the approved tariff estimate of 2019 for domestic market

2) item-based execution of the approved tariff estimate

№	Indicator of tariff estimate	Measure unit	Provided in the tariff estimate	Actual indicators of the tariff estimate	Variance в %
I	Cost of goods and services	th. tenge	10 224 108	10 331 202	1,0%
	including				
1	Material costs, total	-//-	47 836	53 114	11,0%
	including:				
1.1	raw and other materials	-//-	7 777	12 831	65,0%
1.2	fuel and lubricants	-//-	1 440	1 489	3,4%
1.3	energy	-//-	38 619	38 794	0,5%
2	Labour costs, total	-//-	124 199	128 774	3,7%
	including:	-//-			
2.1	salary	-//-	113 011	117 316	3,8%
2.2	social tax	-//-	11 188	11 458	2,4%
3	Amortization	-//-	4 805 278	4 904 051	2,1%
4	Repair, total	-//-	267 800	267 841	0,0%
	including:				
4.1	major overhaul that does not increase the cost of fixed assets	-//-	267 800	267 841	0,0%
5	Other expenses, total	-//-	4 978 994	4 977 421	0,0%
	including:				
5.1	security and fire protection	-//-	402 172	402 234	0,0%
5.2	other expenses, total	-//-	4 576 823	4 575 187	0,0%
	including				
5.2.1	aircraft services	-//-	47 973	47 981	0,0%
5.2.2	operation and maintenance services	-//-	2 911 019	2 911 469	0,0%
5.2.3	metrology	-//-	5 264	8 843	68,0%
5.2.4	diagnostics	-//-	0	0	
5.2.5	maintenance of metering equipment and devices	-//-	30 158	30 162	0,0%
5.2.6	maintenance of communication systems	-//-	134 799	145 164	7,7%
5.2.7	taxes and fees	-//-	1 287 603	1 258 518	-2,3%

5.2.8	monitoring and protection of	-//-	12 322	12 916	4,8%
5.2.9	costs for maintenance of security and fire alarm systems	-//-	47 443	51 818	9,2%
5.2.10	repair and maintenance of vehicles	-//-	1 908	3 264	71,0%
5.2.11	maintenance and repair of office equipment, software and climate control systems	-//-	18 071	22 728	25,8%
5.2.12	repair and maintenance of oil metering stations	-//-	39 506	39 513	0,0%
5.2.13	communication services	-//-	19 391	20 399	5,2%
5.2.14	acomodation of shift workers	-//-	17 045	17 418	2,2%
5.2.15	insurance	-//-	3 073	3 095	0,7%
5.2.16	training and qualification upgrade	-//-	1 246	1 899	52,4%
II	period expenses, total	-//-	8 269 675	8 173 877	-1,2%
	including:				
6	General and administrative expenses	-//-	609 746	689 339	13,1%
	including:	-//-			
6.1	salary of administrative personnel	-//-	213 665	278 968	30,6%
6.2	social tax	-//-	21 153	26 502	25,3%
6.3	bank services	-//-	1 148	1 197	4,2%
6.4	amortization	-//-	33 715	32 694	-3,0%
6.5	third party services, total	-//-	3 150	4 223	34,0%
	including:				
6.5.1	purchase of fuel and lubricants	-//-	1 422	1 775	24,8%
6.5.2	transportation services	-//-	1 728	2 447	41,6%
6.6	travel expenses	-//-	43 016	49 752	15,7%
6.7	communication services	-//-	2 730	3 539	29,6%
6.8	taxes	-//-	31 648	31 331	-1,0%
6.9	other costs, total	-//-	259 519	261 133	0,6%
	including:				
6.9.1	audit services	-//-	8 708	8 611	-1,1%
6.9.2	legal services	-//-	2 384	2 414	1,3%
6.9.3	notary services	-//-	624	631	1,2%
6.9.4	consulting services	-//-	6 400	6 481	1,3%
6.9.5	maintenance of office equipment and software	-//-	9 974	11 551	15,8%
6.9.6	insurance	-//-	902	913	1,2%
6.9.7	courier services, mail	-//-	541	575	6,4%
6.9.8	maintenance of administrative buildings		31 313	31 252	-0,2%
6.9.9	financing expenses	-//-	198 673	198 704	0,0%
7	Loan interest costs	-//-	7 659 929	7 484 539	-2,3%
III	Total costs for provision of services	-//-	18 493 782	18 505 079	0,1%
IV	Income (APM)	-//-	10 555 965	10 928 068	3,5%
V	Total income	-//-	29 049 747	29 433 147	1,3%
VI	Scope of services provided	th. tons	5 293	5 365	1,4%
VII	Normative technical losses	th. tons	4,2	4,1	-1,9%
VIII	Cargo turnover	mln. Km.	4 058	4 112	1,3%
IX	Domestic tariff (without VAT)	tenge/1 ton per 1000 km.	7 158,01	7 158,01	0,0%

3) on main financial and economic indicators of activity in the reported period

№	name	line code	year finished on 31.12.2019
	Revenue	15	76 186 256
	Cost of sales	16	-29 806 466
	Gross profit (line 010-011)		46 379 790
	Administrative expenses	17	-3 710 298
	Other operation (costs)/income, net	18	-139 287
	Impairment loss	6	-318 867
	Operating profit		42 211 338
	Financial income	19	1 124 855
	Financial expenses	19	-11 661 643
	Earnings /(loss) before tax		31 674 550
	Income tax expenses	20	-6 282 785
	Net income / (loss)		25 391 765

Reference: Report on gross income in accordance with financial reporting as of 31.12.2019

4) on scopes of rendered regulated services

№	Indicator of tariff estimate	Measure unit	Provided in the approved tariff estimate	Actual indicators of tariff estimate	Variance in %
1	Oil transportation volume	th. tons	5 293	5 365	1%
2	Turnover	mln. t. km.	4 058	4 112	1%

\* Indicators of the adjusted tariff estimate for the regulated service for pumping oil through the Kenkiyak-Kumkol trunk pipeline of the Kazakhstan-China Pipeline LLP to the domestic market, approved by Order No. Almaty of the Ministry of National Economy of the Republic of Kazakhstan on November 28, 2019 No. 35-OD

5) on work conducted with consumers of regulated services

During the reporting period, 14 contracts with consumers were concluded on Kenkiyak-Kumkol main pipeline to the domestic market. At the same time, the volume of oil turnover to domestic market through Kenkiyak-Kumkol pipeline amounted to 4 112 mln. tons / km with the approved indicators of 4 058 mln. tons / km. Oil pumping data is processed daily, a daily oil balance is maintained, on the basis of which the accounting of oil commercial transactions is controlled, and the interaction between the supplying and receiving parties is coordinated. The quality and quantity of oil are controlled by the Partnership together with KazTransOil JSC. In order to assess customer satisfaction in the reporting period, the Partnership conducted a survey of consumers with a view to improving the quality of services provided. Questionnaires were sent to consumers to fill out. The result of the questionnaires received from all consumers showed a high indicator of the quality of the services provided by the Partnership and amounted to 99% of 100%.

6) on perspectives of activity (development plans), including possible changes of tariffs for regulated services

1) Increasing economic efficiency of the Partnership through reduction of financial burden.