

Report on the implementation of the approved tariff estimate and investment program for the provision of services for oil pumping through the Kenkiyak-Kumkol oil pipeline within the domestic market before consumers and other interested parties for the 1st half of 2023



ҚАЗАҚСТАН-ҚЫТАЙ ҚҰБЫРЫ

**KAZAKHSTAN-
CHINA PIPELINE**

КАЗАХСТАНСКО-КИТАЙСКИЙ ТРУБОПРОВОД

The report agenda

Objectives of the hearing:

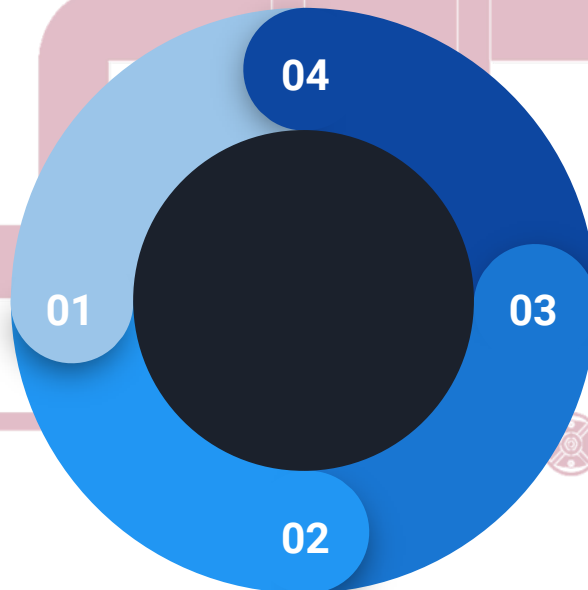
- provision of publicity, awareness;
- observance of the balance of interests of consumers and natural monopolies;
- ensuring transparency of the activities of natural monopolies to consumers and other interested parties.

Appointment

of the Hearing secretary from the Partnership staff to take minutes

A speech

of the first director in accordance with the annual report procedure



Summarization

and closing of the Hearing

Questions and opinions

of the Hearing participants with attachment of a written speech to the protocol

General information

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

Mission:

We provide safe and uninterrupted transportation of oil through main oil pipelines in order to obtain maximum benefits for the Republic of Kazakhstan and the People's Republic of China.

50%

KazTransOil JSC 50%

50%

China National Oil and Gas Exploration and Development Corporation

17.05.2004



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

17.05.2004

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)

20.12.2006

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

06.04.2013

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

Implementation of the investment program for the 1st half of 2023

By joint order of the Ministry of Energy of the Republic of Kazakhstan dated December 12, 2019 No. 410-OD and the Almaty Department of the Committee for the Regulation of Natural Monopolies of the Ministry of National Economy of the Republic of Kazakhstan dated October 30, 2019 No. 16-OD, the investment program of the Partnership for 2020-2024 was approved.

Also, by a joint order of the Ministry of Energy of the Republic of Kazakhstan dated February 28, 2023 No. 91 and DKREM dated February 17, 2023 No. 11-OD, the approved investment program of the Partnership was adjusted, taking into account changes for 2022-2023.

No. p / p	Activities	PLAN for 2023 thousand tenge	ACTUAL of 1st half of 2023 thousand tenge	Remark
1	Construction of crossings of Kenkiyak-Kumkol main pipeline	9 932.30	0	Tender procedures are underway to determine the contractor.
2	Reconstruction of OHL-10 kV of Kenkiyak-Kumkol main pipeline at section 0 - 602 km	144 882.04	0	Tender procedures are completed. The winner is the Consortium as part of ABROY Group KZ LLP together with Scientific and Production Company Munaigas Engineering Ltd. Contract No. 858618/2023/1 dated June 8, 2023.
3	Reconstruction of OHL-10 kV of Kenkiyak-Kumkol main pipeline at section 80 - 125 km	132 523.05	0	Tender procedures are underway to determine the contractor.
4	Complex inspection of Kenkiyak-Kumkol MP to determine corrosion and anti-corrosion protection	274 021.74	0	Tender procedures are underway to determine the contractor.
5	In-line diagnostics of Kenkiyak-Kumkol oil pipeline	941 850	0	Tender procedures are underway to determine the contractor.
6	Acquisition of fixed assets	26 143.34	0	Tender procedures are carried out for the acquisition of fixed assets, contracts for the supply of fixed assets are concluded. Execution is planned in 3-4 quarter. current year.
TOTAL:		1 529 351.46	0	

The source of financing for IP is depreciation deductions included in the tariff .

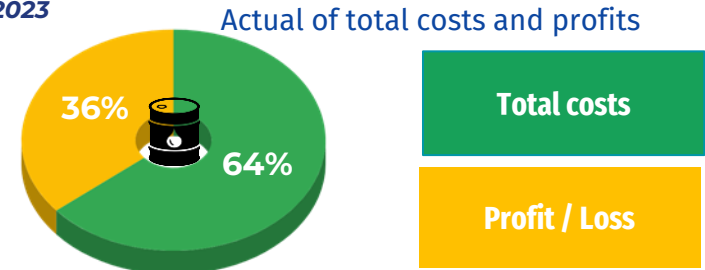
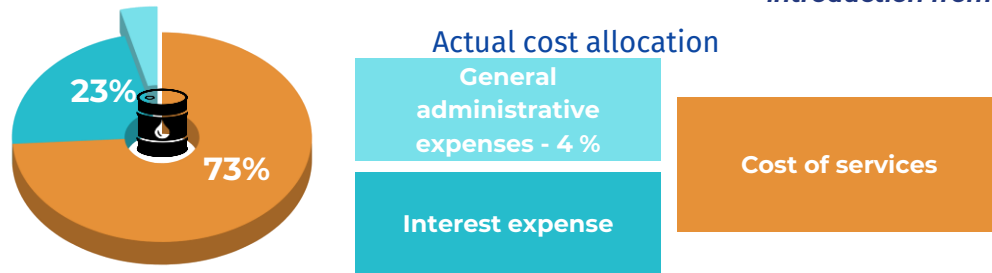
Tender procedures for the procurement of services, goods and works are being conducted for the activities of the investment program.

Full utilization of the planned amount is expected at the end of 2023.

Execution of the tariff estimate for the 1st half of 2023

Indicators	Measure unit	Provided for 2023	Actual of the 1 st half of 2023	Deviation	Deviation, %
Cost of services	thousand tenge	9 435 267	6 561 436	-2 873 831	-30,5%
Period expenses	thousand tenge	2 409 598	2 384 650	-24 948	-1,0%
<i>General administrative expenses</i>	<i>thousand tenge</i>	<i>676 205</i>	<i>368 942</i>	<i>-307 263</i>	<i>-45,4%</i>
<i>Interest expense</i>	<i>thousand tenge</i>	<i>1 733 394</i>	<i>2 015 708</i>	<i>282 314</i>	<i>16,3%</i>
Total costs	thousand tenge	11 844 866	8 946 086	-2 898 780	-24,5%
Profit/Loss	thousand tenge	18 138 328	5 110 178	-13 028 150	-71,8%
Income	thousand tenge	29 983 193	14 056 265	-15 926 928	-53,1%
Volume of services provided	thousand tons	7 954	3 785	-4 169	-52,4%
Cargo turnover	million t*km	6 225	2 918	-3 307	-53,1%
Unit tariff (without VAT)	tenge/per 1 ton per 1000 km	4 816,77	4 816,77	0	100,0%

By order of the Almaty DCRNM of the MNE RK dated December 31, 2019 No. 74-OD, a tariff was approved in the amount of 4 816.77 tenge / t per 1000 km for a regulated service for pumping oil through the Kenkiyak-Kumkol oil pipeline within the domestic market for 2023, with the introduction from 01.01.2023



Execution of cost items for the 1st half of 2023

No.	Indicators	Measure unit	Provided for 2023	Actual of the 1 half of 2023	Deviation %
1	Costs of goods and services	thousand tenge	9 435 267	6 561 436	-30,5%
1	<i>Material costs, total</i>	-//-	55 945	29 698	-46,9%
1.1	raw materials	-//-	14 997	3 760	-74,9%
1.2	energy	-//-	40 949	25 938	-36,7%
2	<i>Labor costs, total</i>	-//-	98 383	69 290	-29,6%
3	<i>Depreciation</i>	-//-	3 693 227	3 106 242	-15,9%
4	<i>Repair, total</i>	-//-	241 705	141 870	-41,3%
5	<i>Other costs, total</i>	-//-	5 346 006	3 214 336	-39,9%
5.1	private and fire protection	-//-	322 378	268 436	-16,7%
5.2	OTM services	-//-	2 400 962	2 139 336	-10,9%
5.3	metrology	-//-	2 885	2 293	-20,5%
5.4	maintenance of equipment and metering devices	-//-	23 924	17 950	-25,0%

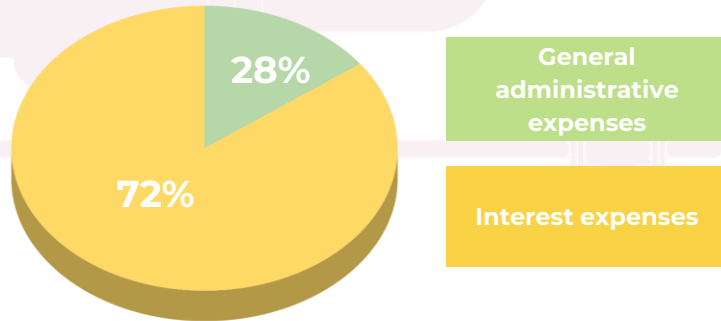
Execution of cost items for the 1st half of 2023

№	Indicators	Measure unit	Provided for 2023	Actual of the 1 half of 2023	Deviation %
5.5	maintenance of communication systems	-//-	114 149	71 082	-37,7%
5.6	tax payments and fees	-//-	812 454	593 381	-27,0%
5.7	monitoring and environmental protection	-//-	8 605	2 277	-73,5%
5.8	maintenance of hazardous production facilities in the oil and gas industry	-//-	20 713	18 213	-12,1%
5.9	costs for the maintenance of fire and security alarms	-//-	13 659	7 536	-44,8%
5.10	TM, TR of the pipeline protection system and TM, TR of video surveillance systems and the perimeter protection system of the main pipeline	-//-	36 156	12 446	-65,6%
5.11	transport services by company vehicles	-//-	35 969	27 578	-23,3%
5.12	TM and TR of office equipment, software and climate control systems	-//-	18 216	17 641	-3,2%
5.13	current repair and maintenance of oil metering units	-//-	35 023	10 358	-70,4%
5.14	communication services	-//-	16 258	12 833	-21,1%
5.15	accommodation and meals for shift workers	-//-	11 626	11 374	-2,2%
5.16	insurance	-//-	1 252	1 601	27,8%
5.17	training and professional development	-//-	2 214	0	-100%
5.18	technological costs (introduction of an anti-turbulent additive)	-//-	1 469 560	0	-100%

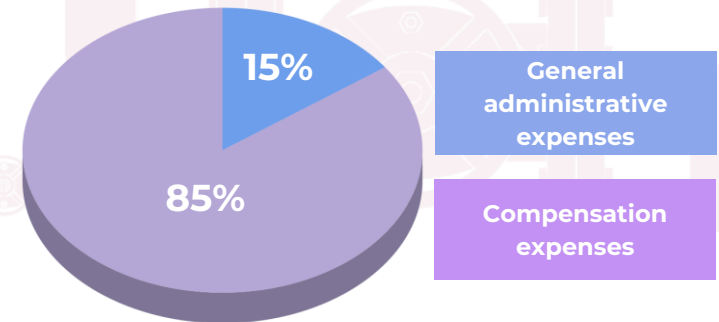
Execution of cost items for the 1st half of 2023

No.	Indicators	Measure unit	Provided in the approved tariff estimate	Actual indicators of the tariff estimate	Deviation, %
II	Expenses of the period, total	-//-	2 409 598	2 384 650	-1,0%
	<i>Including:</i>				
6	General and administrative costs	-//-	676 205	368 942	-45,4%
7	Costs for interest payment	-//-	1 733 394	2 015 708	16,3%

Planned cost allocation



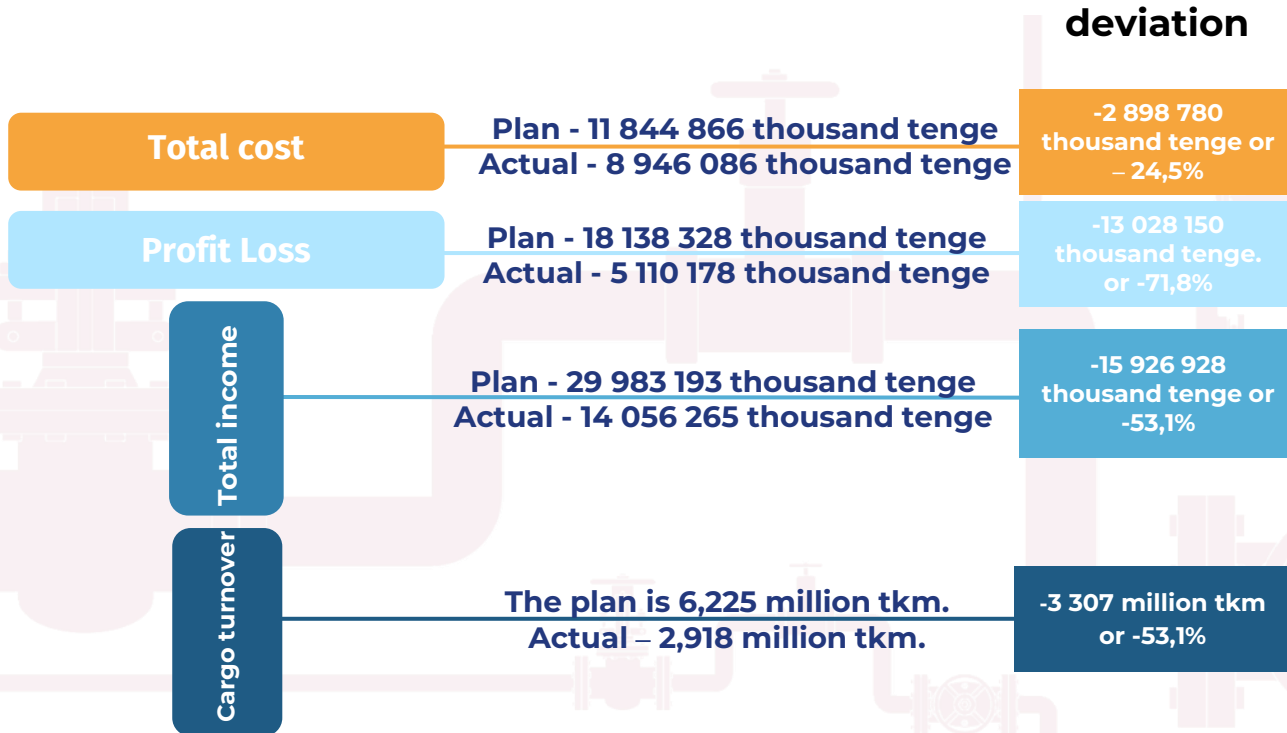
Actual cost allocation



Execution of general and administrative expenses for the 1st half of 2023

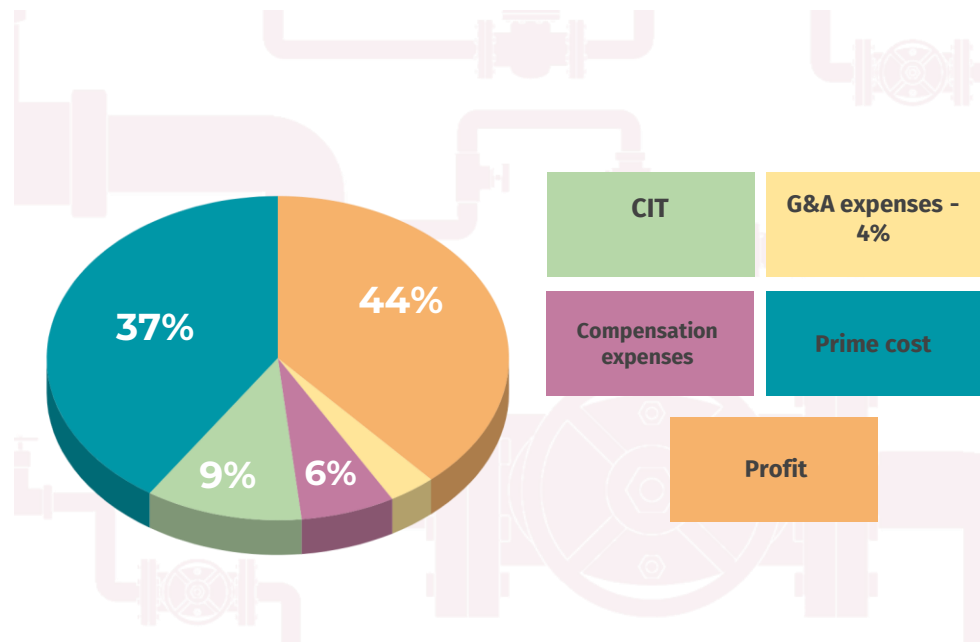
Nº	Indicators	Measure unit	Provided for 2023	Actual of the 1 half of 2023	Deviation %
6	General and administrative expenses	-//-	676 205	368 942	-45,4%
	including:	-//-			
6.1	administrative staff salaries	-//-	306 635	156 733	-48,9%
6.2	social tax	-//-	29 130	14 890	-48,9%
6.3	Bank services	-//-	1 404	873	-37,8%
6.4	depreciation	-//-	62 798	24 460	-61,0%
6.5	third party services, total	-//-	276 237	171 986	-37,7%
	including:				
6.5.1	raw materials	-//-	2 127	949	-55,4%
6.5.2	transport services by company vehicles	-//-	98 054	69 329	-29,3%
6.5.3	training and professional development	-//-	6 977	0	-100%
6.5.4	media announcements	-//-	569	1 071	88,2%
6.5.5	travel services	-//-	44 115	15 949	-63,8%
6.5.6	communication services	-//-	3 013	1 298	-56,9%
6.5.7	taxes	-//-	7 976	5 320	-33,3%
6.6	other expenses, total	-//-	113 406	78 071	-31,2%
7	Compensation expenses	-\\-	1 733 394	2 015 708	16,3%

The result of regulated services for 1 half year 2023



Financial and economic indicators of the Partnership for the 1st half of 2023 (according to operational data)

No.	Indicators	Unit	Price
1	Income from the sale of services	thousand tenge	42 797 610
2	Other income	-//-	1 006 588
3	Costs	-//-	23 490 790
4	Cost of sales of services	-//-	19 062 466
5	General and administrative expenses	-//-	1 729 466
6	Compensation expenses	-//-	2 624 911
7	Expenses from non-core activities	-//-	73 767
8	Income tax expense	-//-	3 874 940
9	Profit	-//-	16 438 467



Actual volume of provided regulated services

No.	Shippers	Pumping volume, thousand tons	Freight turnover, mln.t/km	No.	Shippers	Pumping volume, thousand tons	Freight turnover, mln.t/km
1	Mangistaumunaigas	1 085	862,03	21	Tasbulat Oil Corporation	14	10,74
2	CNPC-Aktobemunaigaz	953	757,24	22	ZHALGIZTOBEMUNAI	12	9,71
3	EmbaMunayGas	538	427,05	23	Meerbusch	12	9,63
4	Kazakhoil Aktobe	168	133,80	24	South-Oil	123	9,15
5	Kazakhturkmunai	152	120,79	25	Phystech II	11	8,40
6	KMK Munai	109	86,38	26	Sazankurak	10	7,64
7	Kozhan	90	71,61	27	Potential Oil	6	4,77
8	Alties Petroleum International B.V. Aktobe branch	69	54,59	28	Evrika Oleum	5	3,98
9	Sagiz Petroleum Company	58	45,97	29	Caspiy Oil TME	5	3,58
10	CNPC International (Buzachi) B.V. Branch of the Corporation in Aktau	50	39,33	30	AP-Nafta Operating	4	3,10
11	Nelson Petroleum Buzachi B.V. Kazakhstan branch	50	39,32	31	Oloreso Petroleum	2,3	1,83
12	Maten Petroleum	49	38,99	32	Arman Joint Venture	2,2	1,74
13	Firma Ada Oil	48	37,80	33	Aktau Transit	2,0	1,59
14	Total E & P Dunga GmbH branch in the Republic of Kazakhstan	38	30,17	34	Pricaspian Petroleum Company	2,0	1,59
15	5 A OIL	27	21,60	35	Varro Operating Group	1,7	1,35
16	KOM-MUNAY	22	17,42	36	KhamAd Partners	1,7	1,33
17	BNG Ltd (BiEng Ltd)	17	13,13	37	Ushkuyu	1,2	0,95
18	Karakudukmunai	17	13,13	38	IPC Munai	1,0	0,81
19	Urikhtau Operating	16	13,04	39	Tabynai	0,2	0,16
20	Nobilis Corp	16	12,73		TOTAL	3 785	2 918

39 contracts with consumers were concluded on the Kenkiyak-Kumkol main pipeline to the domestic market . At the same time, the volume of oil cargo turnover to the domestic market via the Kenkiyak-Kumkol oil pipeline for the 1st half of 2023 amounted to 3 785 million tons/km, with the approved indicators of 7 954 million tons/km in the tariff estimate, which is 52%.

Work with consumers and activity prospects

Work with consumers

- Daily processing of oil pumping data, daily record-keeping of oil balance, based on which the accounting of commercial oil transactions is monitored, and the interaction of the supplying and receiving parties is coordinated.
- Control over the quality and quantity of oil is carried out by the Partnership together with KazTransOil.

Prospects for the activities of Kazakhstan-China Pipeline LLP:

- Increasing economic efficiency by reducing the financial burden;
- Ensuring uninterrupted oil transportation, reliable and safe operation of oil pipeline facilities.

Thank you for your attention!

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