## Report on the implementation of the approved investment program of the tariff estimate of Kazakhstan-China Pipeline LLP for the provision of regulated services to consumers and other interested parties for 2023

In accordance with the Law of the Republic of Kazakhstan "On Natural Monopolies" dated December 27, 2018 No. 204-VI, Kazakhstan-China Pipeline LLP reports on the implementation of the approved tariff estimate and investment program for the provision of regulated services to consumers and other interested parties in the form public hearing (hereinafter referred to as the Hearing). **The purposes of this Hearing are:**ensuring transparency, awareness, maintaining a balance of interests of consumers and natural monopolies, ensuring transparency of the activities of natural monopolies for consumers and other interested parties. The report contains the following information:

# 1. General information about the subject of natural monopoly

Kazakhstan-China Pipeline LLP was created on July 6, 2004. The Partnership was formed in accordance with the Law of the Republic of Kazakhstan "On Limited and Additional Liability Partnerships" within the framework of the Framework Agreement on the development of comprehensive cooperation in the field of oil and gas dated May 17, 2004, concluded between the Government of the Republic of Kazakhstan and the Government of the People's Republic of China, the Agreement on the basic principles of construction of the Atasu-Alashankou oil pipeline dated May 17, 2004, concluded between JSC National Company "KazMunayGas" and China National Petroleum Corporation (CNPC). The Partnership was formed to carry out engineering, construction and operation of oil pipelines. The founders of the Partnership are KazTransOil JSC 50% and China National Oil and Gas Exploration and Development Corporation (CNODC) 50%. The authorized capital of the Partnership is 13 billion tenge.

Appendix 1 Form 21 to the Tariff Rules, approved by order of the Ministry of National Economy of the Republic of Kazakhstan dated November 19, 2019 No. 90

## 2. Information on the implementation of the approved investment program of Kazakhstan-China Pipeline LLP based on the results of 2023

			Investment program amount (thousand tenge)								
No.	Regulated services and serviced territory	Activity	Unit		physical terms	Period of service provision under the investment program	Profit and loss statement	Plan	Actual	Deviation	Reasons of deviation
	regulated services and serviced territory	1202713	Cim	Plan	Actual	Terror of service provision under the investment program				Deviation	
1	2	3	4	5	6	7	8	9	10	11	12
1		Construction of crossings for the Kenkiyak – Kumkol main line	thousand tons	7 954	7 622	365 calendar days	Profit and loss statement in the form approved by order of the Minister of Finance of the Republic of Kazakhstan dated June 28, 2017 No. 404	41 980	41 478		Based on the concluded agreement No. 873352/2023/1 dated August 08, 2023, the contractor "AKTAYLAK-S" LLP completed civil works.
2		Reconstruction of 10 kV overhead line of Kenkiyak-Kumkol MP at the section from 80 km to 125 km						176 358	252 744	76 385	Based on the concluded agreement No. 911966/2023/1 dated November 14, 2023 with ABROY Group KZ LLP, work on the first and second stages of construction "Reconstruction of OHL-10 kV at the section from 80 to 134.6 km of the Kenkiyak- Kumkol oil pipeline.
3	Oil pumping through the main pipeline system	Comprehensive examination of the Kenkiyak-Kumkol oil pipeline to determine corrosion and the state of anti-corrosion protection						332 888	332 888	0	The Partnership signed agreement No. 866555/2023/1 dated July 28, 2023 with Kazakhstan Max Cooper OilTech LLP. The work has been completed in full.
4		In-line diagnostics of the Kenkiyak-Kumkol oil pipeline						164 739	164 739	0	The scope of work was completed by Neftegazdiagnostika-Kazakhstan LLP for the amount of 164,738.880 tenge. Full completion of the work is expected in 2024 because this activity was postponed to 2024 for reasons beyond the control of the Partnership.
5		Acquisition of fixed assets						36 275	37 065	790	Due to production needs, fixed assets were purchased to replenish the emergency stock.
	Total:			7 954	7 622			752 240	828 914	76 674	

Information on the actual conditions and amounts of financing of the investment program, thousand tenge				Information on comparison of actual performance indicators of the investment program with indicators approved in the investment program							E. J. of a chi		
internal funds												Explanation of the reasons for the	
Depreciation	Profit	Borrowed funds	Budget resources	Reducing the consumption of raw materials, materials, fuel and energy in physical terms, depending on the approved investment program		Reduction in wear and tear (physical) of fixed assets, %, by year of implementation, depending on the approved investment program		Reduction of losses, %, by year of implementation, depending on the approved investment program		Reduction of accidents, by year of implementation, depending on the approved investment program			Evaluation of improvement of the quality and reliability of the provided
					actual of last year	actual of the current year	actual of last year	actual of the current year	plan	actual	actual of last year	actual of the current year	approved investment program
13	14	15	16	17	18	19	20	21	22	23	24	25	26
828 914	0	0	0	-	-	-	-			0	0	-	-
Total:	0											-	-

# 3. Report on the implementation of the tariff estimate for the regulated service of oil pumping through the Kenkiyak-Kumkol main pipeline in the domestic market for 2023

No.	Indicators	Unit	Provided for in the approved tariff estimate	Actual indicators of the tariff estimate	Deviation in percentage	Reasons of deviation
1	2	3	4	5	6	7
I	Costs of goods and services including	thousand tenge	12 925 392	13 220 555	2,3%	
1	Material costs, total	-//-	100 348	150 119	49,6%	
1.1	including: raw materials	-//-	47 370	94 951	100,4%	Represented by the costs of writing off basic materials and bought-in products for the production process, special clothing for production personnel, as well as write-off of emergency stock. The excess costs are due to a large write-off of emergency stock for production purposes.
1.2	energy	-//-	52 978	55 168	4,1%	The adjusted tariff estimate provided for electricity consumption of 2,260,915 kWh. at a cost of 23.4 tenge/kWh. without VAT. Actual electricity consumption was 2,325,989 kWh. The increase in costs is due to actual electricity consumption of 65,074 kWh.
2	Labor costs, total	-//-	131 470	135 064	2,7%	Labor costs are represented by the actual labor costs of production personnel (19 people), taking into account social tax. Overrun due to increasing the cost distribution base from 95.7% to 96.7%.
3	Depreciation	-//-	6 108 116	6 101 532	0%	Depreciation is represented by wear and tear of the production fixed assets of the Kenkiyak-Kumkol main pipeline facilities.
4	Repair, total	-//-	237 632	240 178	1,1%	Expenses are represented by work on the maintenance and current repairs of service and access roads of the Kenkiyak-Kumkol main pipeline facilities in the Kyzylorda and Aktobe regions on an annual basis, through the involvement of subcontractors, with a total length of 456.6 km. Overrun is due to increase in the cost distribution base from 95.7% to 96.7%.
5	Other costs, total	-//-	6 347 826	6 593 662	3,9%	
5.1	including: security and fire protection	-//-	531 937	535 847	0,7%	Actual costs are presented as expenses in accordance with the agreement for security services at the linear part and stationary structures of the Kenkiyak-Kumkol oil pipeline from the terms of patrolling/security of facilities/premises/property/people/linear part and stationary structures of the Kenkiyak-Kumkol oil pipeline and the agreement for fire extinguishing/ fires prevention at ERC Aralsk. Security services for the Kenkiyak-Kumkol oil pipeline consist of:  - 15 mobile teams to protect the linear part; - 12 security posts, including 3 stationary security posts (Checkpoint ERC Aralsk, AB Kenkiyak, AB Kumkol) and 9 roving security posts (ERC Aralsk - 4 bypasses, COMS Kenkiyak - 3, COMS Kumkol - 2). Fire protection is provided by creating a fire department with mobile fire fighting equipment in the amount of at least 2 tank trucks in constant (24-hour) readiness of personnel. Overrun is due to increase in the cost distribution base from 95.7% to 96.7%.
5.2	O&M services	-//-	4 239 577	4 443 795	4,8%	Actual costs are represented by costs under the agreement with KazTransOil JSC for operation and maintenance of the Kenkiyak-Kumkol oil pipeline. Overrun is due to an increase in the cost of services, according to additional agreement No. 1 dated December 28, 2023. to Agreement No. 16/452-2022/OS36/2022 dated December 15, 2022 for the operation of the Kenkiyak-Kumkol oil pipeline.
5.3	metrology	-//-	2 885	8 268	186,6%	Costs are represented by actual costs for verification of measuring instruments installed at the facilities of the Kenkiyak-Kumkol oil pipeline. Overrun is due to an increase in the cost of services for verification of instruments measuring the quantity and quality of oil and additional costs for verification of emergency reserves, as well as due to an increase in the cost distribution base from 78% to 96.7%.
5.4	maintenance of equipment and metering devices	-//-	44 635	55 302	23,9%	Costs are represented by production and operational costs for the operation and maintenance of 10/6 kV overhead lines and cells, distribution points, and 35/10/6 kV converter substations of the Kenkiyak-Kumkol main oil pipeline. Overrun is due to the current repair work of the operating current control cabinet of the Aralsk distribution center and the elimination of defects in the 35/10 kV power transformer of the 35/10 kV Tokabay substation for a total amount of 10.3 million lenge.
5.5	communication systems maintenance	-//-	140 100	143 832	2,7%	Represented by the costs of maintenance and current repairs of equipment for industrial communication systems (ICS) of the Kenkiyak-Kumkol main oil pipeline. The ICS system includes 40 technological objects and consists of: fiber optic lines, transport network equipment SDN, BOY, SPD, PABX, VSC, IPB, VSAT, TRS, CCTV, KOPS, HVAC Systems, OPS and ASP. Overrun is due to ongoing repair work of communication equipment at the Kenkiyak-Kumkol main line for 4.9 million tenge.
5.6	taxes	-//-	1 146 163	1 149 781	0%	Costs are represented by actual tax payments (property tax; land tax and fees for the use of land; fees for emissions into the environment; fees for the use of the radio frequency spectrum), in accordance with the Tax Code of the Republic of Kazakhstan.
5.7	environmental monitoring and protection	-//-	8 605	11 408	32,6%	Represented by expenses for industrial monitoring of the environment, as well as the removal of hazardous waste (oil sludge) from PTS-5, PTS PS-4, PTS-3, PTS Shalkar of Kenkiyak-Kumkol MP. Overrun is due to an increase in the cost of oil sludge removal services (from 85 thousand tenge to 119 thousand tenge per 1 ton) and due to an increase in the cost distribution base from 78% to 96.7%.
5.8	servicing hazardous production facilities in the oil and gas industry		36 093	36 480	1,1%	Represented by professional emergency rescue services at ERC Aralsk of the Kenkiyak-Kumkol main oil pipeline. Overrun is due to increase in the cost distribution base from 95.7% to 96.7%.
5.9	costs of maintaining fire and security alarm systems	-//-	14 935	20 316	36,0%	Expenses are represented by actual expenses, according to agreements for maintenance and current repair of security and fire alarm systems and automatic gas fire extinguishing systems. The excess costs are due to ongoing repair work in the amount of 5.3 million tenge.

	M&CR of oil pipeline security					Expenses are represented by services: 1) maintenance and current repair of the oil
5.10	systems and M&CR of video surveillance systems and perimeter security systems of the main oil pipeline	-//-	36 156	39 809	10,1%	pipeline security system; 2) maintenance and repair of video surveillance systems and perimeter security systems. Increase in costs due to an increase in the cost distribution base (from 78% to 96.7%).
5.11	transport services	-//-	54 652	55 237	1,1%	Represented by the costs of maintenance of 4 vehicles serving the production facilities of the Kenkiyak-Kumkol oil pipeline. Excess costs due to an increase in the cost distribution base from 95.7% to 96.7%.
5.12	maintenance and repair of office equipment, software and climate control systems	-//-	25 331	25 892	2,2%	Represented by the actual costs of maintenance and current repair of air conditioning and climate control systems. Excess costs due to an increase in the cost distribution base from 95.7% to 96.7%.
5.13	current repair and maintenance of oil metering units	-//-	25 458	25 838	1,5%	Represented by the costs of maintenance and current repair of the oil quantity and quality measuring systems, in order to ensure the constant operability of the OQMS Kenkiyak and OQMS Kumkol. Excess costs due to an increase in the cost distribution base from 95.7% to 96.7%.
5.14	communication services	-//-	25 359	25 625	1,1%	Costs are represented by services: 1) telephone communications at the Kenkiyak- Kumkol main oil pipeline; 2) satellite communication services in the field; 3) Internet access for the Kenkiyak-Kumkol main pipeline. Excess costs due to an increase in the cost distribution base from 95.7% to 96.7%.
5.15	accommodation and meals for shift workers	-//-	10 924	11 041	1,1%	Represented by catering services for workers (rotation workers) in the administrative buildings Kenkiyak and Kumkol of the Partnership. Excess costs due to an increase in the cost distribution base from 95.7% to 96.7%.
5.16	insurance	-//-	3 361	3 509	4,4%	Insurance payments include: 1) compulsory insurance of the employee against accidents at work; 2) civil liability insurance of facility owners; 3) environmental insurance. The increase in expenses is due to an increase in the cost of civil liability insurance for property owners and environmental insurance according to contracts concluded in November 2023.
5.17	training and advanced training	-//-	1 656	1 681	1,5%	Represented by the costs of training production personnel: 1) for the operation of main pipelines (3 people): 2) on industrial safety, in accordance with subparagraph 17, paragraph 3, Article 16 of the Law of the Republic of Kazakhstan "On Civil Protection" (4 people).
5.18	technological costs (injection of drag-reducing agent)	-//-	0			
II	Expenses of the period, total	-//-	4 371 505	4 455 515	1,9%	
6	including:  General and administrative expenses	-//-	742 831	778 448	4,8%	
	including:	-//-				
6.1	administrative staff salaries	-//-	306 635	308 929	0,7%	AMP's wages include the payroll, taking into account income tax and contributions to the pension fund, and vacation pay. Costs are represented by costs for the actual average number of employees - 135. Excess costs due to an increase in the cost distribution base (from 30% to 35%).
6.2	social tax	-//-	29 130	29 348	0,7%	Social tax is represented by actual costs in accordance with the Tax Code of the Republic of Kazakhstan. Excess costs due to an increase in the cost distribution base (from 30% to 35%).
6.3	bank services	-//-	1 404	1 671	19,0%	Represented by the actual costs of banking services for settlement transactions in tenge and foreign currency, purchase and sale of foreign currency, statements of movement and balances on a bank account. Excess costs due to an increase in the cost distribution base (from 30% to 35%).
6.4	depreciation	-//-	49 479	52 314	5,7%	Expenses are represented by accrual of depreciation of the involved non-production fixed assets and intangible assets, according to the actual "Statement of Depreciation of Intangible Assets" (according to 1C). Excess costs due to an increase in the cost distribution base.
6.5	services of third parties, total including:	-//-	356 182	386 186	8,4%	
6.5.1	materials	-//-	2 127	2 419	13,7%	Represented by write-off costs: 1) purchase and write-off of drinking water at the head office. 2) special clothing, special shoes and other personal protective equipment; 3) first aid kits and other essential items. Excess costs due to an increase in the cost distribution base (from 30% to 35%).
6.5.2	transport services	-//-	132 668	136 092	2,6%	Represented by actual costs for the purchase of transport services for the administrative and managerial personnel of the Partnership. Excess costs due to an increase in the cost distribution base (from 34% to 35%).
6.5.3	training and advanced training	-//-	3 539	5 271	49,0%	Represented by expenses for training and advanced training of AMP of the Partnership. Excess costs due to an increase in the number of employees of the Partnership who undergo training.
6.5.4	advertisements in the media	-//-	1 832	1 875	2,4%	The cost item is represented by services for publication of information materials in the media distributed on the territory of the Republic of Kazakhstan. Excess costs due to an increase in the cost distribution base (from 34% to 35%).
6.5.5	travel services	-//-	30 041	46 909	56,2%	Expenses are presented as actual expenses in accordance with the provisions of the Regulation "On business trips of employees of the Partnership (CS IMS 17/4-01-018), approved by the Supervisory Board of KCP dated August 27, 2018 No. 1. Increase in expenses due to an increase in the cost of services and the number of trips.
6.5.6	communication services	-//-	2 524	2 592	2,7%	Represented by the actual costs of international and long-distance communication services, Internet access services, and monthly payments for intra-corporate telephone connections. Excess costs due to an increase in the cost distribution base (from 34% to 35%).
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6.5.7	taxes	-//-	10 173	10 437	2,6%	Taxes are represented by actual mandatory payments in accordance with the Tax Code of the Republic of Kazakhstan. Excess costs due to an increase in the cost distribution base (from 34% to 35%).

7	Interest expenses	-//-	3 628 674	3 677 066	1,3%	Represented by expenses for the payment of interest under the loan agreement dated June 27, 2018 in the amount of USD 540 million with ICBC Limited, obtained through refinancing of existing loans in order to reduce the financial burden and ensure the financial stability of the Partnership, as well as expenses for loan arrangement - deferred expenses incurred in 2018, for arrangement of financing in the amount of 0.9 percent of the amount of the loan agreement for 540 million US dollars (4,860,000 US dollars) and legal support costs in the amount of 150,000 US dollars, which are written off monthly in equal shares during the loan term. Excess costs due to an increase in the cost distribution base from 95.7% to 96.7%.
III	Total costs of services	-//-	17 296 897	17 676 070	2,2%	
IV	Profit	-//-	12 686 297	10 650 053	-16,1%	The decrease in profit by 2,036,244,000 tenge is due to a shortfall in income by 1,657,071,000 tenge associated with a decrease in the volume of regulated services for reasons beyond the control of the natural monopoly entity, as well as due to an increase in costs by 379,173,000 tenge mainly due to increased cost of services.
VI	Total income	-//-	29 983 193	28 326 122	-5,5%	Lost revenue of 1,657,071,000 tenge due to a reduction in the volume of regulated services provided for reasons beyond the control of the Partnership.
VII	Volume of services provided	thousand tons	7 953,6	7 621,7	-4,2%	Reduction in the volume of regulated services provided for reasons beyond the control of the Partnership.
VIII	Standard technical losses	thousand tons	4,9	5,9	21%	
IX	Freight turnover	million tkm	6 224,7	5 880,7	-5,5%	Reduction in the volume of regulated services provided for reasons beyond the control of the Partnership.
X	Unit tariff (excluding VAT)	tenge/1 ton per 1000 km	4 816,77	4 816,77	0%	

#### 5. On the volumes of regulated services provided during the reporting period

No.	Tariff estimate indicators	Unit	Provided for 2023*	Actual of 2023	Deviation %
1	Oil pumping volume	thousand tons	7 954	7 622	-4%
2	Freight turnover	million tkm	6 225	5 881	-6%

<sup>\*</sup> Indicators of the tariff estimate of Kazakhstan-China Pipeline LLP for regulated services of pumping oil through the main pipeline system for 2023, approved by order of the Almaty Department of the Committee for the Regulation of Natural Monopolies of the Ministry of National Economy of the Republic of Kazakhstan dated November 10, 2023 No. 131-OD.

### 6. On the ongoing work with consumers of regulated services

During the reporting period, the Partnership concluded 51 contracts for domestic transportation via the Kenkiyak-Kumkol main oil pipeline, of which 46 shippers transported oil. At the same time, the cargo turnover of the Kenkiyak-Kumkol main oil pipeline in the domestic market in 2023 amounted to 5,881 million tons/km, with the approved plan of 6,225 million tons/km, execution is 94.5%. A daily balance of oil is recorded, data on pumping is processed, on the basis of which the accounting of commercial oil transactions is controlled, and the interaction of the shipping and receiving parties is coordinated. Control over the quality and quantity of oil is carried out by the Partnership together with KazTransOil JSC.

### 7. On the prospects of activity (development plans)

- 1) Increasing economic efficiency by reducing the financial burden.
- $2) \ Ensuring \ uninterrupted \ oil \ transportation, \ reliable \ and \ safe \ operation \ of \ oil \ pipeline \ facilities;$
- 3) Timely submission of an application for approval of the tariff for regulated services of oil pumping through the Kenkiyak-Kumkol oil pipeline system in the domestic market of the Republic of Kazakhstan for 2025-2029.