

Report on implementation of the approved tariff estimates and investment program of Kazakhstan-China Pipeline LLP to provide regulated services to consumers and other interested parties for the first half of 2020 (according to the current data)

In accordance with the Law of the Republic of Kazakhstan "On Natural Monopolies" No. 204-VI dated 27.12.2018 , Kazakhstan-China Pipeline LLP carries out a report on the implementation of the approved tariff estimates and investment programs for provision of regulated services to consumers and other interested parties in the form of public hearing (hereinafter - the Hearing).

The purposes of this hearing are: ensuring transparency, awareness, balancing the interests of consumers and natural monopolies, ensuring transparency of the activities of natural monopolies to consumers and other interested parties.The report contains the following information:

1. General information about the entity of natural monopoly

Kazakhstan-China Pipeline LLP was established on July 6, 2004.
The Partnership was established in accordance with the Law of the Republic of Kazakhstan "On limited and additional liability partnerships" within the Framework Agreement on development of comprehensive cooperation in the field of oil and gas dated May 17, 2004, concluded between Government of the Republic of Kazakhstan and Government of the People's Republic of China, the Agreement on the basic principles of construction of Atasu-Alashankou pipeline dated May 17, 2004, concluded between National Company KazMunaiGas JSC and China National Petroleum Corporation (CNPC).
The Partnership was established for designing, construction and operation of the pipelines.
The shareholders of the Partnership are KazTransOil JSC 50% and China National Oil and Gas Exploration and Development Corporation (CNODC) 50%.The charter capital of the Partnership is 13 milliard tenge.

Attachment 5
To the Rules of activity by the entity of natural monopolies

Form 1											
No	Information on the planned and actual volumes of regulated services						Report about incomes and material losses*	Amount of the investment program			
	Regulated services and serviced territory	Activity	Measuring unit	Quantity in natural values		The period of services providing under the investment program		Plan	Fact	Deviation	Reasons of deviation
				plan	fact						
1	2	3	4	5	6	7	8	9	10	11	12
1	Oil pumping through the pipeline system. (Kenkiyak-Kumkol pipeline)	Construction of the facilities crossings of Kenkiyak-Kumkol pipeline						9 932 300	0	-9 932 300	The implementation of par No. 1 is planned for the III quarter of 2020.
2	Oil pumping through the pipeline system. (Kenkiyak-Kumkol pipeline)	Modernization of station facilities to ensure their compliance with the requirements for the anti-terrorism protection system at the facilities of Kenkiyak-Kumkol pipeline						280 466 890	0	-280 466 890	The implementation of activity is planned in the 4th quarter of 2020.
3	Oil pumping through the pipeline system. (Kenkiyak-Kumkol pipeline)	Repair of buildings and structures of Aralsk IERC of the facilities of Kenkiyak-Kumkol pipeline						14 480 150	0	-14 480 150	The implementation of par.No. 3 is planned for the III quarter of 2020.

4	Oil pumping through the pipeline system. (Kenkiyak-Kumkol pipeline)	Reconstruction of OQMS at Kenkiyak IPS and Kumkol IPS of Kenkiyak-Kumkol pipeline	тыс.тонн	5 760	2 173	365 календарных дней		535 413 000	0	-535 413 000	The work was planned for May 2020. But due to the worldwide pandemic, the equipment manufactured in USA and Italy that were necessary for implementation of this par. were not purchased, which caused a delay.
5	Oil pumping through the pipeline system. (Kenkiyak-Kumkol pipeline)	Inspection of underwater crossings of Kenkiyak-Kumkol pipeline						2 900 000	0	-2 900 000	The implementation of activity is planned in the 4th quarter of 2020.
6	Oil pumping through the pipeline system. (Kenkiyak-Kumkol pipeline)	Purchase of fixed assets						50 011 810	0	-50 011 810	The purchase of fixed assets is carried out as required according to the request of Procurement Department. Deadline is the IV quarter of 2020.
Total:								893 204 150	0	-893 204 150	

Information on actual conditions and amounts of financing the investment program, thousand tenge				Information on comparison of actual performance indicators of the investment program with indicators approved in the investment program **								Clarification of the deviation reasons of the achieved actual indicators from the indicators in the approved investment program	Assessment of improving quality and reliability of the regulated services provided
Own funds		Borrowed funds	Budget funds	Improvement of production indicators,%, by years of implementation, depending on the approved investment program		Decreasing of depreciation of (physical) fixed assets (assets),%, by years of implementation, depending on the approved investment program		Decreasing loss ,%, by years of implementation, depending on the approved investment program		Decreasing accidents, by years of implementation, depending on the approved investment program			
Depreciation	Revenue			fact of the last year	fact of the current year	fact of the last year	fact of the current year	план	fact	fact of the last year	fact of the current year		
13	14			15	16	17	18	19	20	21	22		
893 204 150	0	0	0	0	0	41	0	0,1	0,1	0	0		
Total:				0	0	41	0	0	0	0	0	0	0

* Indicators of the Partnership Investment Program for 2020 - 2024, approved by a joint order of the Ministry of Energy of the Republic of Kazakhstan No. 410 dated December 12, 2019 and Department of Committee for Regulation of Natural Monopolies of the Ministry of National Economy of the Republic of Kazakhstan in Almaty No. 16-OD dated October 30, 2019

3. Report on implementation of the tariff estimate for the regulated service for oil pumping through Kenkiyak-Kumkol pipeline of Kazakhstan-China Pipeline LLP to the domestic market

Attachment 1 Form 5
To Rules of establishing tariffs, approved by the order of the Minter of National Economy of the Republic of Kazakhstan
No 90 dated November 19, 2019

No	Indicators	Measuring unit	Provided in the approved tariff estimate	actually prevailing indicators of tariff estimates	Deviation percent	Reasons of deviation
1	2	3	4	5	6	7
I	The costs for producing goods and providing services	thous.tenge	10 230 728	4 702 877	-54,03%	
	including:					
1	Material costs, total	-//-	56 316	19 722	-64,98%	
	including:					
1.1	raw materials	-//-	17 588	2 008	-88,58%	
	including:					
1.2	power	-//-	38 728	17 713	-54,26%	
2	Labor costs, total	-//-	113 445	51 855	-54,29%	
	including:	-//-				
2.1	Salary	-//-	103 602	47 273	-54,37%	
2.2	social tax	-//-	9 842	4 582	-53,44%	
3	Depreciation	-//-	4 799 769	2 286 013	-52,37%	
4	Repair, total	-//-	280 061	87 016	-68,93%	
	including:					
4.1	Full repair that don't increase the costs of FA	-//-	280 061	87 016	-68,93%	
5	Other costs, total	-//-	4 981 136	2 258 272	-54,66%	
	including:					
5.1	private and fire protection	-//-	400 131	203 291	-49,19%	
5.2	OTM services	-//-	2 933 623	1 325 660	-54,81%	
5.3	metrology	-//-	3 581	0	-100,00%	
5.4	maintenance of equipment and metering devices	-//-	29 724	13 462	-54,71%	
5.5	maintenance of the information and analytical Pipeline Integrity Management System (PIMS)	-//-	23 329	0	-100,00%	
5.6	Communication system service	-//-	141 680	62 087	-56,18%	
5.7	tax payments and fees	-//-	1 211 654	558 389	-53,92%	
5.8	environmental monitoring and protection	-//-	10 681	2 431	-77,24%	
5.9	maintenance of hazardous production facilities of the oil and gas industry		24 000	8 134	-66,11%	
5.10	maintenance costs for fire alarm systems	-//-	16 953	6 646	-60,80%	
5.11	TR, TR of the pipeline protection system and TM, TR of video surveillance systems and the perimeter protection system of the main pipeline	-//-	39 595	17 595	-55,56%	
5.12	transportation services with office vehicles (current repair and maintenance of vehicles	-//-	44 645	20 010	-55,18%	
5.13	TM and TR of office equipment, software and climate control systems	-//-	22 610	10 633	-52,97%	
5.14	current repair and maintenance of oil metering station	-//-	39 506	11 627	-70,57%	
5.15	communication service	-//-	20 394	8 749	-57,10%	
5.16	accommodation and meals for shift employees	-//-	14 864	8 788	-40,88%	
5.17	страхование	-//-	1 601	771	-51,86%	
5.18	training and advanced training	-//-	2 565	0	-100,00%	
5.19	technological costs (DRA injection)	-//-	0			
II	Expenses of the period, total	-//-	6 593 737	2 923 976	-55,66%	
	including:					
6	General and administrative costs:	-//-	602 769	221 464	-63,26%	
	including:	-//-				
6.1	salary for administrative staff	-//-	277 607	107 564	-61,25%	
6.2	social tax	-//-	26 373	9 332	-64,61%	
6.3	bank services	-//-	1 148	401	-65,06%	

6.4	depreciation	-//-	33 115	11 839	-64,25%	
6.5	third party services, total	-//-	264 526	92 329	-65,10%	
	including:					
6.5.1	raw materials:	-//-	2 115	1 363	-35,57%	
6.5.2	transport services with office vehicles (transport services)	-//-	92 410	39 253	-57,52%	
6.5.3	training and advanced training	-//-	7 003	0	-100,00%	
6.5.4	advertisement in mass media	-//-	569	339	-40,50%	
6.5.5	business trip services	-//-	44 280	6 569	-85,16%	
6.5.6	communication services	-//-	2 730	1 006	-63,15%	
6.5.7	taxes	-//-	8 631	3 498		
6.6	other expenses, total	-//-	106 787	40 301	-62,26%	
	including:					
6.6.1	Notary Services	-//-	704	228	-67,55%	
6.6.2	information services	-//-	9 992	4 496	-55,00%	
6.6.3	costs for ISO		1 341	0	-100,00%	
6.6.4	stationery	-//-	1 341	542	-59,57%	
6.6.5	office equipment and software maintenance	-//-	9 974	3 751	-62,39%	
6.6.6	Insurance	-//-	810	468	-42,17%	
6.6.7	courier services, mail	-//-	702	32	-95,48%	
6.6.8	administrative building maintenance	-//-	31 313	14 168	-54,75%	
6.6.9	services for outsaffing	-//-	50 610	16 615	-67,17%	
7	costs for payment of allowance	-//-	5 990 969	2 702 512	-54,89%	
III	Total costs for services	-//-	16 824 465	7 626 853	-54,67%	
IV	Income	-//-	13 940 079	3 833 415	-72,50%	
VI	total of income	-//-	30 764 544	11 460 268	-62,75%	
VII	Volume of services provided	thous.ton	5 760	2 173	-62,28%	
VIII	Regulatory Technical Losses	thous.ton	4	1,626	-62,17%	
IX	Cargo turnover	million tkm	4 298	1 626	-62,17%	
X	Specific tariff (without VAT)	tenge for 1 ton for 1000km.	7 158	7 158	0,00%	

4. On the main financial and economic performance indicators for the reporting period (operational data)

No	Name	fact of the 1 half of 2020 (thous. tenge)
1	Returns	36 901 504
2	Cost of services	-15 466 456
3	Gross return	21 435 048
4	Admiinistrative expenses	-1 376 831
5	Other income from side activities	59 579 271
6	Total operating income	79 637 488
7	Finance costs	-4 468 581
8	Other expenses from side activities	-66 929 107
9	Income /(loss) before tax	8 239 800
10	Income tax expense	-1 647 260
11	Net income (loss)	6 592 540

5. On volumes of regulated services provided for the reporting period

No	indicators of tariff estimates	Measuuring unit	provided for 2020 *	fact for the 1 half of 2020	deviation in%
1	Oil pumping volume	thous. ton	5 760	2 173	-62,28%
2	Cargo turnover	mln tkm	4 298	1 626	-62,17%

* Indicators of the tariff estimate for the regulated service of oil pumping through Kenkiyak-Kumkol pipeline of Kazakhstan-China Pipeline LLP to the domestic market, approved by the order of the Department of the Committee for Regulation of Natural Monopolies of the Ministry of National Economy of the Republic of Kazakhstan in Almaty No. 74-OD dated December 31, 2019

6.On ongoing work with consumers of regulated services

For the reporting period, 18 contracts with consumers were concluded on Kenkiyak-Kumkol pipeline to the domestic market. At the same time, the volume of oil cargo turnover to the domestic market through Kenkiyak-Kumkol pipeline amounted to 1,626 million tons / km with the approved rates of 4298 million tons / km in the tariff estimate, which is 38%. Every day oil balance is maintained , pumping data is processed, on the basis of which the accounting of oil commercial operations is controlled, and the interaction of the issuing and receiving parties is coordinated. The quality and quantity of oil is controlled by the Partnership together with KazTransOil JSC.

7. About the prospects of activity (development plans)

1) Increasing the economic efficiency of the Partnership by reducing the financial loading ;