



ҚАЗАҚСТАН-ҚЫТАЙ ҚҰБЫРЫ

**KAZAKHSTAN-
CHINA PIPELINE**

КАЗАХСТАНСКО-КИТАЙСКИЙ ТРУБОПРОВОД

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.

The objectives of the hearing

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.

Appointment of
the Hearing
secretary from
the Partnership
staff to take
minutes

01

A speech of the
first director in
accordance with
the annual report
procedure

02

Questions and
opinions of the
Hearing
participants with
attachment of a
written speech to
the protocol

03

Summarization
and closing
of the Hearing

04

General information

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 shareholders :



KazTransOil JSC 50%

China National Oil and Gas Exploration and Development Corporation (CNODC) 50%.



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.

The tariff for 2020 is 6,456.0 tenge / per 1 ton per 1000 km, with the entry into force from 01/01/2020.

The approved tariff for 2020 is 7,158.01 tenge / per 1 ton per 1000 km, with the entry into force from 01.02.2020.

Approved Investment programme for 2020-2024

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 Economy of the Republic of Kazakhstan in Almaty No. 16-OD dated by October 30, 2019, and for 2020 the amount is 893.2 million tenge.

№ п/п	Name of events	Total (million tenge not excluding VAT)	Capital investments from own funds by periods				
			2020	2021	2022	2023	2024
1	Construction of the facilities crossings of K- K pipeline	39,7	9,9	9,9	9,9	9,9	9,9
2	Modernization with anti-terrorism protection system on K-K pipeline	280,5	280,5				
3	Repair of buildings and structures of Aralsk IERC	14,5	14,5				
4	Reconstruction of the SIKN at the Kenkiyak OPS and the OPS	535,4	535,4				
5	Inspection of underwater crossings of MP K-K	2,9	2,9				
6	Video surveillance system modernization	187,6		36,1	151,5		
7	Reconstruction of 10kV overhead lines MP K-K (0-602km)	409,0			140,0	144,9	124,2
8	Comprehensive examination of MN	274,0				274,0	
9	In-tube diagnostics	941,9				941,9	
10	Tank diagnostics	2,3					2,3
11	Purchase of fixed assets	153,9	50,0	28,2	23,7	26,1	25,9
	TOTAL:	2 851,6	893,2	74,3	325,0	1 396,8	162,3

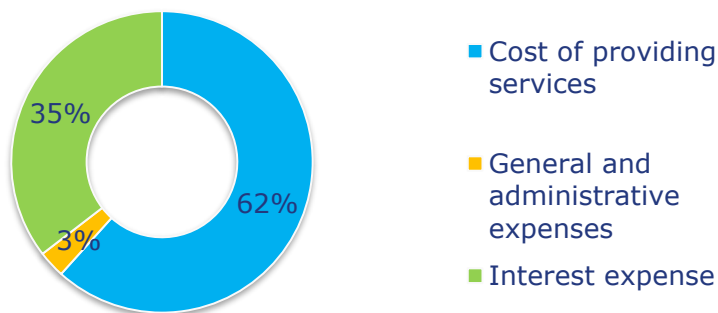
The implementation of the activities of the Investment Program for 2020 is planned to be completed by the end of this year.

Implementation of the tariff estimate for the 1st half of 2020

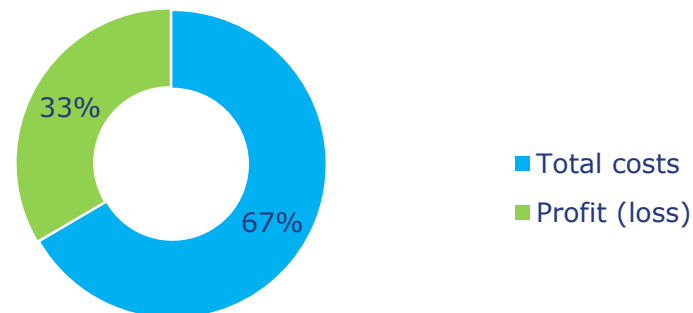
Name of indicators of tariff estimates	Measuring unit	Provided in the approved tariff estimate	actually prevailing indicators of tariff estimates	Deviation	Deviation , %
Cost of providing services	thsd tenge	10 230 728	4 702 877	-5 527 851	-54%
Expenses of the period	thsd tenge	6 593 737	2 923 976	-3 669 761	-56%
General and administrative expenses	thsd tenge	602 769	221 464	-381 304	-63%
Interest expense	thsd tenge	5 990 969	2 702 512	-3 288 457	-55%
Total cost	thsd tenge	16 824 465	7 626 853	-9 197 612	-55%
Profit Loss	thsd tenge	13 940 079	3 833 415	-10 106 664	-73%
Total income	thsd tenge	5 760	2 173	-3 588	-62%
Volume of services provided	thsd tenge	30 764 544	11 460 268	-19 304 276	-63%
Cargo turnover	mln.t*km	4 298	1 626	-2 672	-62%
Unit tariff (without VAT)	tng/1 ton for 1000 km	7 158,01	7 158,01		

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 , with entry into force from February 1, 2020.

Actual cost allocation



The fact of all costs and benefits



Execution of cost items for the provision of services

№ п/п	Indicators	Measuring unit	Provided in the approved tariff estimate	Actually prevailing indicators of tariff estimates	Deviation percent
I	The costs for producing goods and providing services	тыс. тенге	10 230 728	4 702 877	-54,03%
1	Material costs, total	-//-	56 316	19 722	-65%
1.1	raw materials	-//-	17 588	2 008	-89%
1.2	power	-//-	38 728	17 713	-54%
2	Labor costs, total	-//-	113 445	51 855	-54%
3	Depreciation	-//-	4 799 769	2 286 013	-52%
4	Repair, total	-//-	280 061	87 016	-69%
5	Other costs, total	-//-	4 981 136	2 258 272	-55%
5.1	including:	-//-	400 131	203 291	-49%
5.2	private and fire protection	-//-	2 933 623	1 325 660	-55%
5.3	OTM services	-//-	3 581	0	-100%
5.4	metrology	-//-	29 724	13 462	-55%
5.5	maintenance of equipment and metering devices	-//-	23 329	0	-100%
5.6	maintenance of the information and analytical Pipeline Integrity Management System (PIMS)	-//-	141 680	62 087	-56%
5.7	Communication system service	-//-	1 211 654	558 389	-54%
5.8	tax payments and fees	-//-	10 681	2 431	-77%
5.9	environmental monitoring and protection	-//-	24 000	8 134	-66%
5.10	maintenance of hazardous production facilities of the oil and gas industry	-//-	16 953	6 646	-61%
5.11	maintenance costs for fire alarm systems	-//-	39 595	17 595	-56%
5.12	TM, TR of the pipeline protection system and TM, TR of video surveillance systems and the perimeter protection system of the main pipeline	-//-	44 645	20 010	-55%
5.13	transportation services with office vehicles (current repair and maintenance of vehicles	-//-	22 610	10 633	-53%
5.14	TM and TR of office equipment, software and climate control systems	-//-	39 506	11 627	-71%
5.15	current repair and maintenance of oil metering station	-//-	20 394	8 749	-57%
5.16	communication service	-//-	14 864	8 788	-41%
5.17	accommodation and meals for shift employees	-//-	1 601	771	-52%

Execution of general and administrative costs

№ п/п	Indicators	Measuring unit	Provided in the approved tariff estimate	Actually prevailing indicators of tariff estimates	Deviation percent
6	General and administrative costs:	-//-	602 769	221 464	-63%
	including:	-//-			
6.1	salary for administrative staff	-//-	277 607	107 564	-61%
6.2	social tax	-//-	26 373	9 332	-65%
6.3	bank services	-//-	1 148	401	-65%
6.4	depreciation	-//-	33 115	11 839	-64%
6.5	third party services, total	-//-	264 526	92 329	-65%
	including:				
6.5.1	raw materials:	-//-	2 115	1 363	-36%
6.5.2	transport services with office vehicles (transport services)	-//-	92 410	39 253	-58%
6.5.3	training and advanced training	-//-	7 003	0	-100%
6.5.4	advertisement in mass media	-//-	569	339	-40%
6.5.5	business trip services	-//-	44 280	6 569	-85%
6.5.6	communication services	-//-	2 730	1 006	-63%
6.5.7	taxes	-//-	8 631	3 498	-59%
6.6	other expenses, total	-//-	106 787	40 301	-62%
7	costs for payment of allowance	- \ -	16 824 465	7 626 853	-54,7%

The result of activities of regulated services for the 1st half of 2020

Total costs

Deviation from the plan was
-9 197 612 thousand tenge or -55%

Plan – 16 824 465 тыс.тг.
Fact – 7 626 853 тыс.тг.

Profit Loss

Deviation from the plan was
-10 106 664 thousand tg. or -73%



Plan – 13 940 079 тыс.тг.
Fact – 3 833 415 тыс.тг.

Total income

Deviation from the plan was
-19 304 276 thousand tenge or -
63%



Plan – 30 764 544 тыс.тг.
Fact – 11 460 268 тыс. тг.

Freight turnover

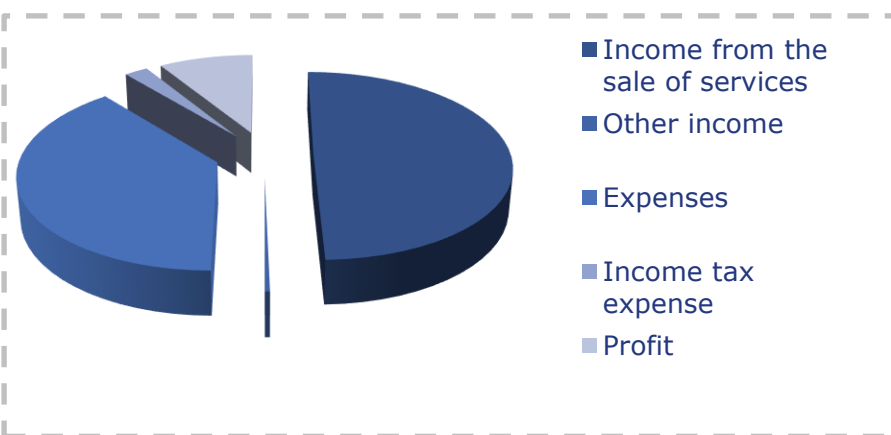
Deviation from the plan was
-2 672 mln tkm or -62%



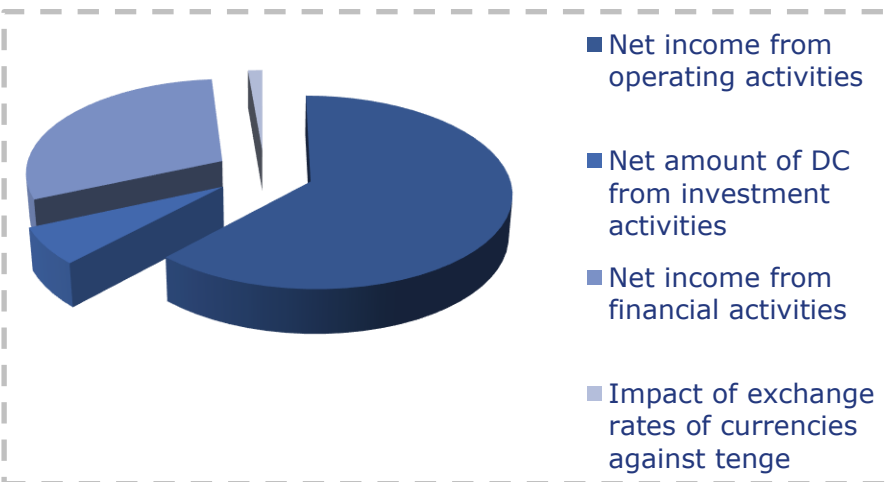
Plan – 4 298 млн. ТКМ.
Fact – 1 626 млн. ТКМ.

Financial and economic indicators for the 1st half of 2020

№	Indicators	Measure	Cost
1	Income from the sale of services	1000 tg	36 901 504
2	Other income	-//-	263 942
3	Expenses	-//-	28 925 646
4	Cost of sales of services	-//-	15 466 456
5	General and administrative expenses	-//-	1 376 831
6	Remuneration expenses	-//-	4 468 581
7	Expenses from non-core activities	-//-	7 613 778
8	Income tax expense	-//-	1 647 260
9	Profit	-//-	6 592 540



№	Indicators	Ед. изм.	Стоимость
1	Net income from operating activities	тыс. тенге	27 869 690
1.1	Admission	-//-	40 085 041
1.2	Retirement	-//-	12 215 351
2	Net amount of DC from investment activities	-//-	-2 848 974
2.1	Admission	-//-	17 591 600
2.2	Retirement	-//-	20 440 574
3	Net income from financial activities	-//-	-13 613 790
3.1	Admission	-//-	0
3.2	Retirement	-//-	13 613 790
4	Impact of exchange rates of currencies against tenge	-//-	597 629
5	Decrease / Increase in Cash	-//-	12 004 555



Actual volumes of provision of regulated services

№ п/п	Shippers	Pumped volume, thousand tons	Cargo turnover, million tons / km
1	CNPC Aktobemunaigas JSC	1 091	866
2	JSC Kazakhoil Aktobe	209	166
3	Ozenmunaigas JSC	0	0
4	JSC KMK Munay	101	80
5	JSC Caspian Oil TME	7	6
6	MangystauMunayGas JSC	193	153
7	Alties Petroleum	42	34
8	Lines Jump LLP	10	8
9	Firm Ada Oil LLP	37	29
10	Embamunaigas	190	151
11	SouthOil KU LLP No. 29	138	10
12	Aral Petroleum Capital LLP	0	0
13	Kazakhturkmunai	96	76
14	Maten Petroleum JSC	49	39
15	TOO "BNG"	4	3
16	NEDRA KOM LLP	1	0
17	JSC "Kozhan"	4	3
TOTAL		2 173	1 626

For the reporting period 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%

Ongoing work with consumers of regulated services

- 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 controlled by the Partnership together with KazTransOil JSC

The prospects of activity of Kazakhstan-China Pipeline LLP:

- Increasing the economic efficiency of the Partnership by reducing the financial loading;
- ensuring uninterrupted oil transportation, reliable and safe operation of objects of main oil pipelines.



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Thank you for your attention!