



ҚАЗАҚСТАН-ҚЫТАЙ ҚҰБЫРЫ

**KAZAKHSTAN-
CHINA PIPELINE**

КАЗАХСТАНСКО-КИТАЙСКИЙ ТРУБОПРОВОД

Report on execution of the approved tariff estimate and investment program for provision of a service of oil pumping through Kenkiyak-Kumkol MP domestically before consumers and other interested parties for 2020

REPORT AGENDA

The objectives of the hearing of the reports on the implementation of the approved tariff estimate and investment program for 2020 for the provision of regulated services of oil pumping domestically through the Kenkiyak-Kumkol pipeline before consumers and other interested parties are:

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

**Appointment
of the Report
secretary from
the Partnership
staff to take
minutes**

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

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

**Summarization
and closing of
the Hearing**

GENERAL INFORMATION

Kazakhstan-China Pipeline LLP (the Partnership) was established on July 6, 2004 and operates 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

Founders:



Joint-Stock Company
«KazTransOil»
50% participation

China National Oil and
Gas Exploration and
Development Corporation
50% participation



Mission:

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

Tariff for 2020 – 6 456,0 tenge/1 ton for 1000 km effective from 01.01.2020.

Approved tariff for 2020 – 7 158,01 tenge/1 ton for 1000 km effective from 01.02.2020.

Execution of the investment program for 2020

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

Based on par. 8, Article 21 of the RK law "On Natural Monopolies", the joint order of the Ministry of Energy of the Republic of Kazakhstan dated February 26, 2021 No. 68 and the Almaty Department of the Committee for Regulation of Natural Monopolies and Competition Protection of the Ministry of National Economy of the Republic of Kazakhstan dated February 22, 2021 No. 23-ОД adjusted the investment program of the Partnership for 2020 taking into account the postponement of execution.

| № | Activity | PLAN for 2020 x1000 kzt | ACTUAL 2020 x1000 kzt |
|---------------|---|----------------------------|--------------------------|
| 1 | Construction of crossings with Kenkiyak-Kumkol pipeline facilities | 4 850,0 | 4 850,0 |
| 2 | Repair of buildings and structures of ERC Aralsk, Kenkiyak-Kumkol pipeline facilities | 14 305,5 | 14 305,5 |
| 3 | Reconstruction of OQMS at IPS Kenkiyak and IPS Kumkol | 419 114,4 | 438 368,3 |
| 4 | Inspection of underwater crossings of Kenkiyak-Kumkol pipeline | 15 572,3 | 15 572,3 |
| 5 | Procurement of fixed assets | 42 596,4 | 42 663,3 |
| TOTAL: | | 496 438,7 | 515 759,5 |

The source of financing for the IP is the depreciation deductions accounted for in the tariff. Thus, the activities of the approved IP of the Partnership were completed in full.

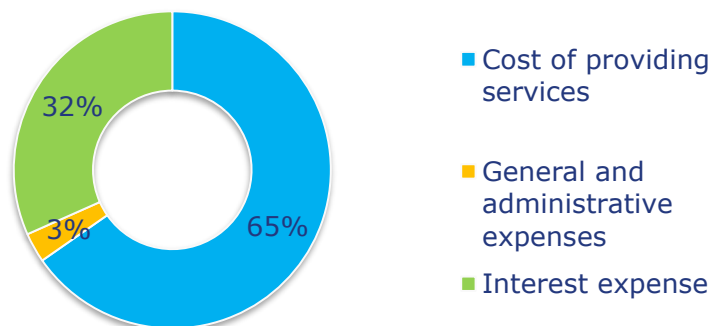
Execution of the tariff estimate for 2020

| Indicators | Measure | Provided for in the tariff estimate | Tariff estimate actual | Deviation | Deviation, % |
|---------------------------------|------------------------------|-------------------------------------|------------------------|--------------------|--------------|
| Cost of services | x1000 kzt | 10 207 614 | 10 291 866 | 84 252 | 0,8 |
| Period expenses | x1000 kzt | 5 433 540 | 5 465 534 | 31 994 | 0,6 |
| General administrative expenses | x1000 kzt | 463 126 | 477 905 | 14 779 | 3,2 |
| Interest expenses | x1000 kzt | 4 790 414 | 4 987 629 | 197 215 | 0,3 |
| Total costs | x1000 kzt | 15 641 154 | 15 757 400 | 116 246 | 0,7 |
| Profit/Loss | x1000 kzt | 15 123 390 | 12 804 939 | -2 318 451 | -15,3 |
| Volume of services | тыс. тонн | 5 760 | 5 335 | -425 | -7,4 |
| Income | x1000 kzt | 30 764 544 | 28 562 339 | - 2 202 205 | -7,2 |
| Cargo turnover | mln. t*km | 4 298 | 4 015 | -283 | -6,6 |
| Unit tariff | kzt/1 ton for 1000 km | 7 158,01 | 7 158,01 | | |

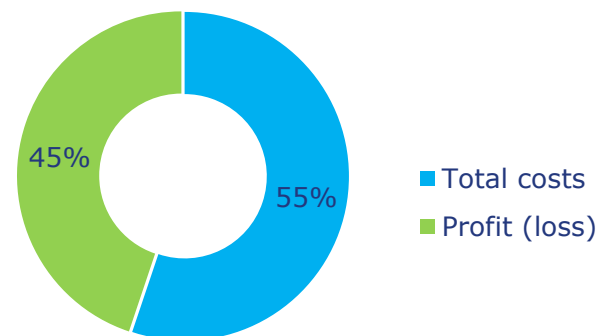
The order of Almaty DCRNM MNE RK dd. December 31, 2019 №74-ОД approved domestic tariffs for the regulated service of oil pumping through Kenkiyak-Kumkol MP for 2020-2024, effective from February 1, 2020.

The order of Almaty DCRNM MNE RK dd. November 20, 2020 №131-ОД adjusted the tariff estimate for 2020.

Actual distribution of costs



Actual total costs and profit



Execution of service cost items

| № | Indicators | Measure | Provided for in the approved tariff estimate | Actual indicators of the tariff estimate | Dev., % |
|----------|---|------------------|--|--|-------------|
| I | Costs for production of goods and provision of services | x1000 kzt | 10 207 614 | 10 291 866 | 0,8% |
| 1 | <i>Material costs, total</i> | -//- | 56 022 | 59 256 | 6% |
| 1.1 | Raw materials and supplies | -//- | 17 588 | 17 958 | 2% |
| 1.2 | Power | -//- | 38 434 | 41 298 | 7% |
| 2 | <i>Labor costs</i> | -//- | 104 827 | 105 214 | 0% |
| 3 | <i>Amortization</i> | -//- | 4 799 769 | 4 835 282 | 1% |
| 4 | <i>Repair, total</i> | -//- | 228 052 | 227 915 | 0% |
| 5 | <i>Other costs, total</i> | -//- | 5 018 943 | 5 064 200 | 1% |
| 5.1 | Security and fire protection | -//- | 445 467 | 446 899 | 0% |
| 5.2 | O&M services | -//- | 3 004 223 | 3 002 416 | 0% |
| 5.3 | Metrology | -//- | 1 126 | 1 125 | 0% |
| 5.4 | Maintenance of equipment and meters | -//- | 40 794 | 50 433 | 24% |
| 5.5 | Support of the information-analytical pipeline integrity management system (PIMS) | -//- | 23 329 | 37 112 | 59% |

Execution of service cost items

| № | Indicators | Measure | Provided for in the approved tariff estimate | Actual indicators of the tariff estimate | Dev., % |
|------|--|---------|--|--|---------|
| 5.6 | Maintenance of telecom systems | -//- | 141 680 | 146 395 | 3% |
| 5.7 | Tax payments and fees | -//- | 1 157 854 | 1 166 289 | 1% |
| 5.8 | Environmental monitoring and protection | -//- | 9 044 | 13 416 | 48% |
| 5.9 | Maintenance of hazardous production facilities of the oil and gas industry | | 17 227 | 17 217 | 0% |
| 5.10 | Maintenance of the security-fire alarm system | -//- | 17 470 | 17 460 | 0% |
| 5.11 | M&R of the pipeline security system and M&R of CCTV and perimeter alarm of the main pipeline | -//- | 41 561 | 42 598 | 2% |
| 5.12 | Transportation services | -//- | 43 302 | 43 276 | 0% |
| 5.13 | M&R of office equipment, software and climate control systems | -//- | 23 136 | 23 994 | 0% |
| 5.14 | Current repair and maintenance of oil metering stations | -//- | 12 313 | 12 305 | 0% |
| 5.15 | Telecom services | -//- | 23 950 | 23 994 | 0% |
| 5.16 | Accommodation and meals for shift workers | -//- | 14 864 | 18 500 | 24% |
| 5.17 | Insurance | -//- | 1 601 | 1 643 | 3% |

Execution of general and administrative expenses

| № | Indicators | Measure | Provided for in the approved tariff estimate | Actual indicators of the tariff estimate | Dev., % |
|----------|--|---------|--|--|-----------|
| 6 | General and administrative expenses | -//- | 463 126 | 477 905 | 3% |
| | including: | -//- | | | |
| 6.1 | Salary of administrative personnel | -//- | 194 331 | 196 203 | 1% |
| 6.2 | Social tax | -//- | 18 461 | 18 639 | 1% |
| 6.3 | Bank services | -//- | 1 055 | 1 052 | 0% |
| 6.4 | Amortization | -//- | 27 953 | 28 273 | 1% |
| 6.5 | Third party services, total | -//- | 221 326 | 233 738 | 6% |
| | including: | | | | |
| 6.5.1 | Raw materials and supplies | -//- | 2 115 | 4 418 | 109% |
| 6.5.2 | Transportation services | -//- | 90 390 | 91 009 | 1% |
| 6.5.3 | Mass media publications | -//- | 569 | 735 | 29% |
| 6.5.4 | Travel services | -//- | 11 127 | 19 316 | 74% |
| 6.5.5 | Telecom services | -//- | 2 359 | 2 289 | -3% |
| 6.5.6 | Taxes | -//- | 8 221 | 8 275 | 1% |
| 6.6 | Other expenses, total | -//- | 106 545 | 107 695 | 1% |
| 7 | Interest costs | - \ \ - | 4 970 414 | 4 987 629 | 0% |

Result of regulated services for 2020

Total costs

Deviation from the plan is
116,246,000 kzt or 0.7%

Plan – 15,641,154,000 kzt
Actual – 15,757,400,000 kzt

Profit/Loss

Deviation from the plan is
- 2,318,451,000 kzt or -15%

 Plan – 15,123,390,000 kzt
Actual – 12,804,939,000 kzt

Total income

Deviation from the plan is
-2,202,205,000 kzt or -7.2%



Plan – 30,764,544,000 kzt
Actual – 28,562,339,000 kzt

Cargo turnover

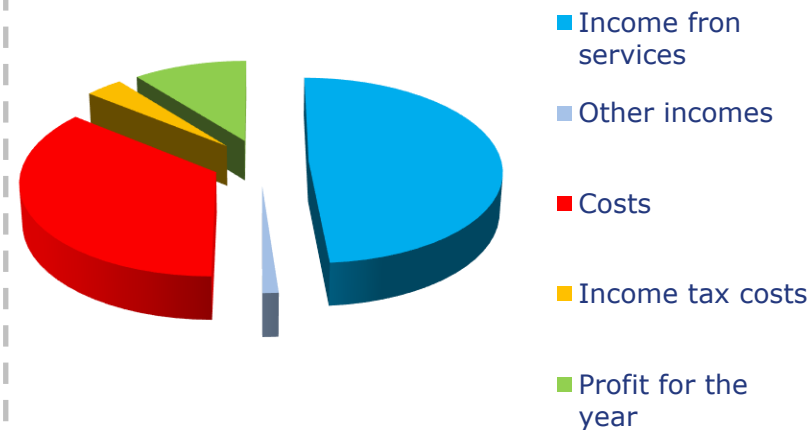
Deviation from the plan is
-283 mln.tkm or -6.6%



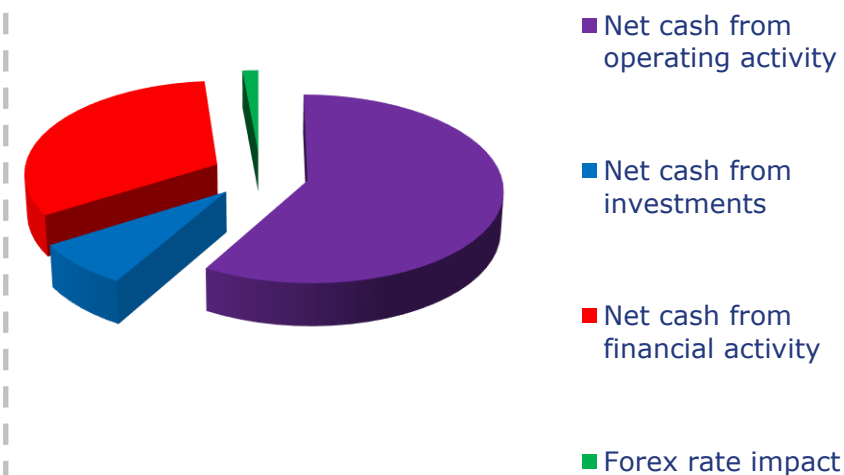
Plan – 4 298 mln. tkm
Actual – 4 015 mln tkm

Financial and economic indicators of the Partnership for 2020

| № | Indicators | Measure | Cost |
|---|-------------------------------------|-----------|------------|
| 1 | Income from services | x1000 kzt | 77 827 963 |
| 2 | Other income | -//- | 1 891 602 |
| 3 | Expenses | -//- | 57 077 126 |
| 4 | Prime cost of services | -//- | 31 820 884 |
| 5 | General and administrative expenses | -//- | 3 339 254 |
| 6 | Interest costs | -//- | 8 426 942 |
| 7 | Non-core activity expenses | -//- | 13 490 046 |
| 8 | Income tax costs | -//- | 5 658 603 |
| 9 | Profit | -//- | 16 983 836 |



| № | Indicators | Measure | Cost |
|-----|--------------------------------------|-----------|-------------|
| 1 | Net cash from operating activity | x1000 kzt | 51 355 901 |
| 1.1 | Inflow | -//- | 83 231 446 |
| 1.2 | Outflow | -//- | 31 875 545 |
| 2 | Net cash from investment activity | -//- | -6 760 552 |
| 2.1 | Inflow | -//- | 0 |
| 2.2 | Outflow | -//- | 6 760 552 |
| 3 | Net cash from financial activity | -//- | -28 628 328 |
| 3.1 | Inflow | -//- | 0 |
| 3.2 | Outflow | -//- | 28 628 328 |
| 4 | Influence of exchange rates on tenge | -//- | 1 281 934 |
| 5 | -Cash decrease/increase | -//- | 17 248 955 |



Actual volumes of regulated services for 2020

| № | Shippers | Oil volume, x1000 tons | Cargo turnover, mln.t/km |
|--------------|--------------------------|---------------------------|-----------------------------|
| 1 | CNPC Aktobemunaigas | 2 216 | 1 760 |
| 2 | Kazakhoil Aktobe | 481 | 382 |
| 3 | KMK Munai | 221 | 176 |
| 4 | Caspian Oil TME | 16 | 13 |
| 5 | MangistauMunaiGas | 966 | 767 |
| 6 | Altius Petroleum | 126 | 100 |
| 7 | Lines Jump | 25 | 20 |
| 8 | Firma Ada Oil | 91 | 72 |
| 9 | Embamunaigas | 358 | 284 |
| 10 | SouthOil BVS-29 | 308 | 23 |
| 11 | Kazakhturkmunai | 229 | 182 |
| 12 | Maten Petroleum | 99 | 79 |
| 13 | BNG | 4 | 3 |
| 14 | NEDRA COM | 1 | 0 |
| 15 | Sagiz Petroleum Company | 24 | 19 |
| 16 | Kommunai | 18 | 14 |
| 17 | Tasbulat Oil Corporation | 12 | 10 |
| 18 | Kozhan | 54 | 43 |
| 19 | Urichtau Operating | 3 | 3 |
| 20 | Ken-sary | 45 | 36 |
| 21 | 5 A Oil | 16 | 13 |
| 22 | Manash Petroleum | 23 | 18 |
| TOTAL | | 5 335 | 4 015 |

During the reporting period, the actual domestic cargo turnover of the Kenkiyak-Kumkol main pipeline amounted to 4,298 million tons/km, while the approved annual plan was 4,015 million tons/km, which is 93.4%.

Interaction with customers and business perspectives

- Oil pumping data is processed daily, daily balance of oil is maintained, and based on that the accounting of commercial oil transactions is controlled, the interaction of the delivering and receiving parties is coordinated.
- Oil quality and quantity are controlled by the Partnership together with KazTransOil.

Business perspectives of Kazakhstan-China Pipeline LLP:

- Higher economic efficiency through a lower financial burden;
- Continuous oil transportation, reliable and safe operation of the main pipelines.



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Thank you for attention!