

Report on the implementation of the approved tariff estimate and investment program for the provision of services for pumping oil through the Kenkiyak-Kumkol oil pipeline to the domestic market before consumers and other interested parties for the first half of 2021



ҚАЗАҚСТАН-ҚЫТАЙ ҚҰБЫРЫ

**KAZAKHSTAN-
CHINA PIPELINE**

КАЗАХСТАНСКО-КИТАЙСКИЙ ТРУБОПРОВОД

The objectives of the hearing

The objectives of the hearing on the execution of reports are:

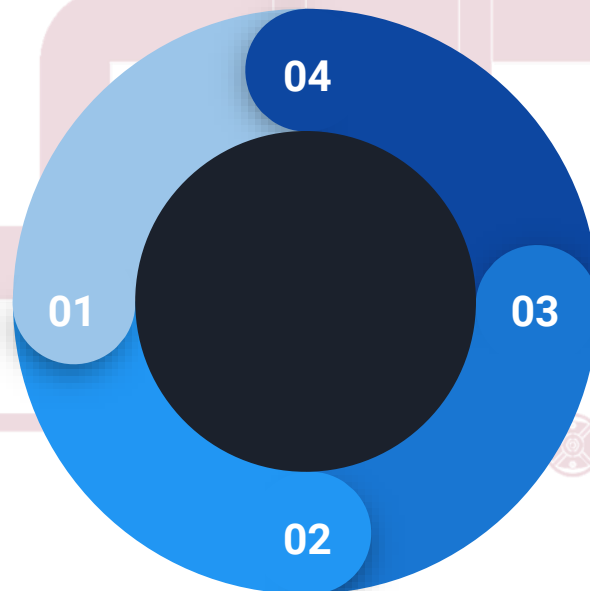
- provision of publicity, awareness;
- observance of the balance of interests of consumers and subjects of natural monopolies;
- ensuring transparency of the activities of natural monopolies to consumers and other interested parties.

Appointment

of the Hearing secretary from the Partnership staff to take minutes

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

The approved tariff for 2021 is 4,323.07 tenge / per 1 ton per 1000 km, with the entry into force from 01.01.2021.

Implementation of the investment program for the 1st half of 2021

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

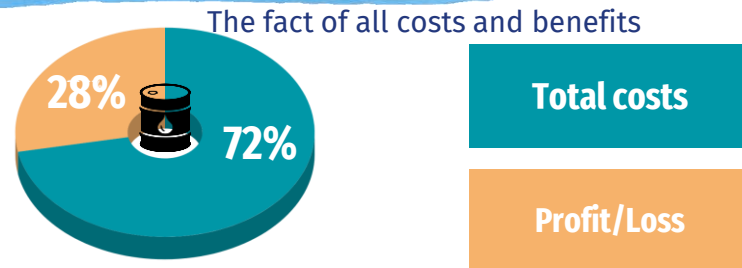
On the basis of clause 8 of Article 21 of the ZRK "On Natural Monopolies", by joint order of the Ministry of Energy of the Republic of Kazakhstan dated February 26, 2021 No. 68 and the Department of the Committee for Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy of the Republic of Kazakhstan for Almaty dated February 22, 2021 No. 23- OD adjusted the investment program of the Partnership for 2021.

№ п/п	Name of events	PLAN FOR 2021, in thousand tenge	FACT IN 1 HALF 2021, in thousand tenge
1	Construction of the facilities crossings of K-K pipeline	9 932	0
2	Modernization of the video surveillance system of the main oil pipeline at the linear part of Kenkiyak - Kumkol	36 104	0
3	Modernization of plant facilities to ensure their compliance with the Requirements for the system of anti-terrorist protection of facilities, terrorist-vulnerable facilities of the Kenkiyak - Kumkol oil trunk pipeline	280 467	0
4	Reconstruction of LIKN at the Kenkiyak oil pumping station and the Kumkol oil pumping station of the Kenkiyak - Kumkol main oil pipeline	116 299	116 180
5	Purchase of fixed assets	28228	0
	ИТОГО:	471 030	116 180

Execution of the tariff estimate for the 1st half of 2021

Name of indicators of tariff estimates	Ед. изм.	Measuring unit	Actually prevailing indicators of tariff estimates	Deviation	Deviation, %
Cost of providing services	thsd. tenge	9 538 115	5 167 857	-4 370 258	-45,8
Expenses of the period	thsd. tenge	4 535 653	1 875 827	-2 659 825	-58,6
General and administrative expenses	thsd. tenge	657 033	241 640	-415 393	-63,2
Interest expense	thsd. tenge	3 878 620	1 634 188	-2 244 432	-57,9
Total cost	thsd. tenge	14 073 767	7 043 684	-7 030 083	-50,0
Profit/Loss	thsd. tenge	12 992 622	2 715 758	-10 276 864	-79,1
Volume of services provided	thsd. tenge	8 068	2 976	-5 092	-63,1
Total income	thsd. tenge	27 066 390	9 759 422	- 2 202 205	-63,9
Cargo turnover	million tons * km	6 261	2 258	-4003	-63,9
Unit tariff (without VAT)	tenge / per 1 ton per 1000 km	4 323	4 323	0	0

By order of DCRNMM of the Ministry of National Economy of the Republic of Kazakhstan for the city of Almaty dated December 31, 2019 No. 74-OD, the tariff for the regulated service for pumping oil through the Kenkiyak-Kumkol oil pipeline to the domestic market for 2021 was approved, with effect from January 1, 2021.



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
1	The costs for producing goods and providing services	thsd. tenge	9 538 115	5 167 857	-45,8%
1	Material costs, total	-//-	52 513	30 403	-42,1%
1.1	raw materials	-//-	13 884	4 002	-71,2%
1.2	power	-//-	38 629	26 401	-31,7%
2	Labor costs, total	-//-	92 319	53 989	-41,5%
3	Depreciation	-//-	3 758 182	2 442 497	-35%
4	Repair, total	-//-	229 010	136 826	-40,3%
5	Other costs, total	-//-	5 406 089	2 504 143	-53,7%
5.1	private and fire protection	-//-	327 193	227 373	-30,5%
5.2	OTM services	-//-	2 320 572	1 530 926	-34%
5.3	metrology	-//-	2 928	0	-100%
5.4	maintenance of equipment and metering devices	-//-	24 330	15 306	-37,1%

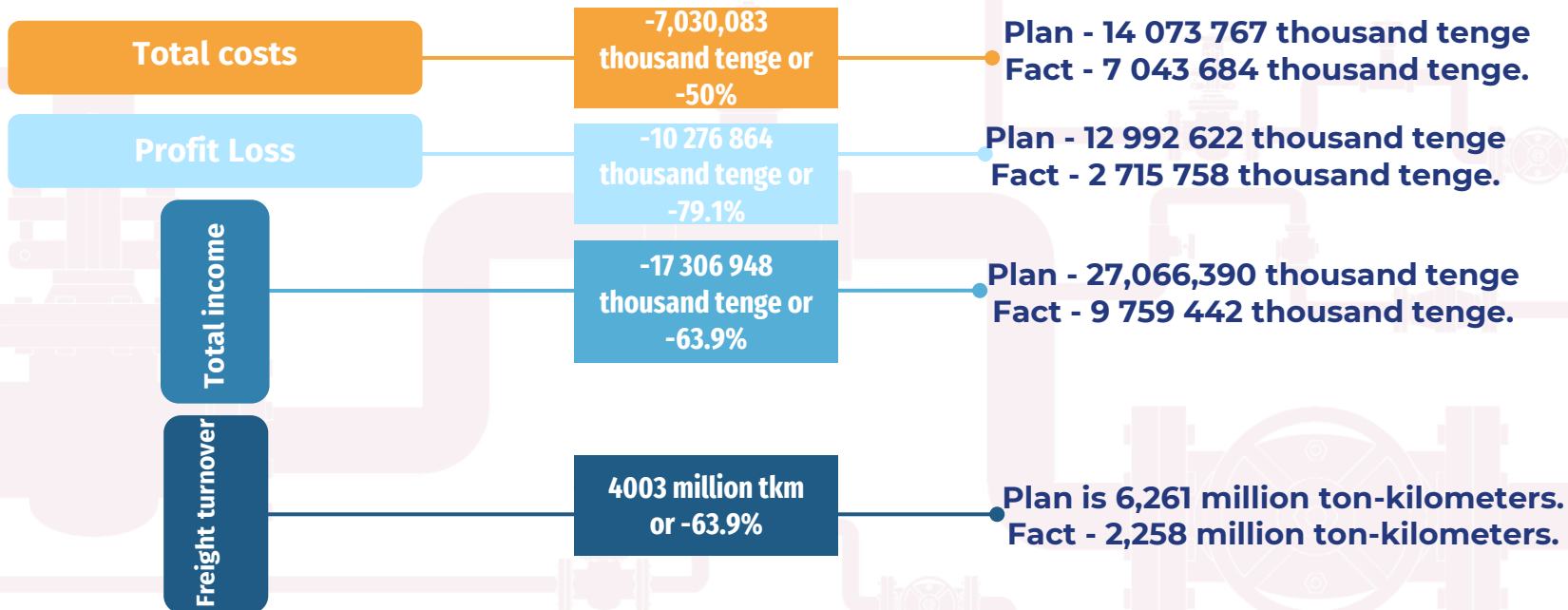
Execution of cost items for the provision of services

Nº п/п	Indicators	Measuring unit	Provided in the approved tariff estimate	Actually prevailing indicators of tariff estimates	Deviation percent
5.6	Communication system service	-//-	115 854	68 438	-40,9%
5.7	tax payments and fees	-//-	922 856	565 374	-38,7%
5.8	environmental monitoring and protection	-//-	8 734	1 397	-84,0%
5.9	maintenance of hazardous production facilities of the oil and gas industry	-//-	19 625	8 789	-55,2%
5.10	maintenance costs for fire alarm systems	-//-	13 863	7 031	-49,3%
5.11	TM, TR of the pipeline protection system and TM, TR of video surveillance systems and the perimeter protection system of the main pipeline	-//-	36 696	17 463	-52,4%
5.12	transportation services with office vehicles (current repair and maintenance of vehicles	-//-	36 507	24 042	-34,1%
5.13	TM and TR of office equipment, software and climate control systems	-//-	18 488	15 806	-14,5%
5.14	current repair and maintenance of oil metering station	-//-	35 546	3 631	-89,8%
5.15	communication service	-//-	16 343	10 307	-36,9%
5.16	accommodation and meals for shift employees	-//-	11 687	7 383	-36,8%
5.17	insurance	-//-	1 259	875	-30,5%
5.18	training and professional development	-//-	2 098	0	-100%
5.19	technological costs (introduction of an anti-turbulent additive)	-//-	1 491 512	0	-100%

Execution of general and administrative costs

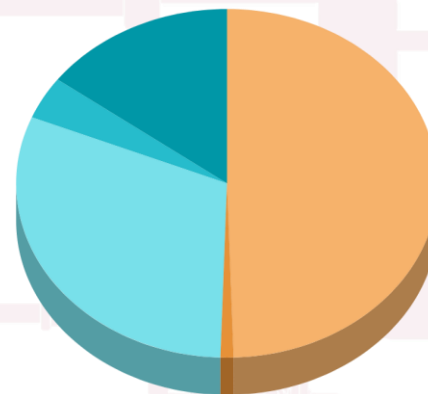
№ п/п	Indicators	Measuring	Provided in the approved tariff estimate	Actually prevailing indicators of tariff estimates	Deviation percent
6	General and administrative costs:	-//-	657 033	241 640	-63,2%
	including:	-//-			
6.1	salary for administrative staff	-//-	288 062	107 281	-62,8%
6.2	social tax	-//-	27 366	10 192	-62,8%
6.3	bank services	-//-	1 427	594	-58,4%
6.4	depreciation	-//-	67 368	16 138	-76%
6.5	third party services, total	-//-	227 810	107 435	-60,6%
	including:				
6.5.1	raw materials:	-//-	1 608	982	-38,9%
6.5.2	transport services with office vehicles (transport services)	-//-	96 106	48 327	-49,7%
6.5.3	training and advanced training	-//-	569	864	51,8%
6.5.4	business trip services	-//-	44 394	6 520	-85,3%
6.5.5	communication services	-//-	2 840	1 146	-59,6%
6.5.6	taxes	-//-	8 443	4 338	-48,6%
6.6	other expenses, total	-//-	111 828	45 258	-59,5%
7	Costs for payment of allowance	- \ -	3 878 620	1 634 188	-57,9%

The result of the activities of the regulated services for the 1st half of 2021



Financial and economic indicators Partnerships for the 1st half of 2021

Nº	Indicators	Measuring	Cost
1	Income from the sale of services	thousand tenge	36 264 904
2	Other income	-//-	160 063
3	Costs	-//-	-22 409 011
4	Cost of sales of services	-//-	-15 897 287
5	General and administrative expenses	-//-	1 670 751
6	Expenses for payment of remuneration	-//-	-2 963 487
7	Expenses from non-core activities	-//-	-1 877 486
8	Income tax expense	-//-	2 943 351
9	Profit	-//-	11 072 605



Income from
sales services

Costs

Profit

Income tax
expense



Actual volumes of provision of regulated services

№ п/п	Shippers	Pumped volume, thousand tons	Freight turnover, million tons / km
1	CNPC Aktobemunaigas JSC	1 052,7	836,2
2	JSC "MangistauMunayGas"	738,0	586,2
3	JSC "Kazakhoil Aktobe"	237,8	188,9
4	Kazakhturkmunai LLP	150,7	119,7
5	LLP "SouthOil"	147,3	11,0
6	Embamunaigas JSC	137,7	109,4
7	KMK Munay JSC	81,8	65,0
8	Alties Petroleum LLP	77,8	61,8
9	JSC "Kozhan"	58,1	46,2
10	Maten Petroleum JSC	57,1	45,3
11	Ken-sary LLP	52,8	41,9
12	Firm Ada Oil LLP	47,9	38,0
13	Sagiz Petroleum Company LLP	31,5	25,1
14	Tasbulat Oil Corporation LLP	26,0	20,1
15	Kommunay LLP	25,2	20,1
16	LLP "Urikhtau Operating"	23,4	18,6
17	LLP "5 A Oil"	22,2	17,7
18	TOO "BNG"	3,3	2,6
19	JSC "Caspian Oil TME"	3,0	2,4
20	Tepke LLP	0,6	0,5
21	CPC Munay LLP	0,5	0,4
TOTAL		2 975,8	2 257,5

During the reporting period, 21 contracts were concluded with consumers for the Kenkiyak-Kumkol OT on the domestic market. At the same time, the volume of oil turnover in the domestic market of the Kenkiyak-Kumkol oil pipeline for the 1st half of 2021 amounted to 2,258 million tons / km, with the approved figures of 6,261 million tons / km in the tariff estimate, which is 36%. Daily oil balance is maintained, pumping data is processed, on the basis of which the interaction of commercial oil operations is monitored. Control over the quality and production of oil is carried out by the Partnership together with KazTransOil JSC.

Ongoing work with consumers of regulated services

Ongoing work with consumers

- Oil pumping data is processed on a daily basis, a daily oil balance is maintained, on the basis of 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 JSC.

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 trunk pipeline facilities.

Thank you for your attention!

