

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 1st half of 2022

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

2. Information on execution of the approved investment program based of the 1st half of 2022 of Kazakhstan-China Pipeline LLP

No	Information on the planned and actual volumes of regulated services						Report about incomes and material losses*	Amount of the investment program(thous. tenge)			
	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 crossings of the main oil pipeline Kenkiyak-Kumkol	thous.tons	7 912	4 021	365 calendar days	Report about incomes and material losses in the form approved by order of the Minister of Finance of the Republic of Kazakhstan dated June 28, 2017 No. 404	9 932	0	-9 932	Tender procedures are underway for the procurement of services, goods and works
2		Reconstruction of the 10 kV overhead line of the Kenkiyak-Kumkol main oil pipeline in the section from km 0 to km 602						139 981	0	-139 981	
3		Modernization of the video surveillance system of the main oil pipeline at the linear part of Kenkiyak-Kumkol						151 472	0	-151 472	
4		Procurement of fixed assets						23 646	0	-23 646	
Total:				7 912	4 021			325 031	0	-325 031	

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 in the approved investment program	Assessment of improving quality and reliability of the regulated services provided
Own funds		Borrowed funds	Budget funds	Reducing the consumption of raw materials, materials, fuel and energy in physical terms, 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	plan	fact	fact of the last year	fact of the current year		
13	14	15	16	17	18	19	20	21	22	23	24	25	26
0	0	0	0	-	-	-	-	0,1	0,1	0	0	-	-
Total:													

* indicator will be formed at the end of the calendar year

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 for the 1st half of 2022

Attachment 1 Form 5
To Rules of establishing tariffs, approved by
the order of the Minister 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	9 363 218	5 006 935	-46,5%	
	including:					
1	Material costs, total	-/-	53 975	30 999	-42,6%	
	including:					
1.1	raw materials	-/-	14 291	6 879	-51,9%	Represented by the costs of writing off the main materials and purchased products for the production process and writing off the emergency stock of spare parts.
1.2	power	-/-	39 684	24 120	-39,2%	As part of the tariff estimate, the consumption of electricity was 2,302,447 kWh at a cost of 17,23 tenge/kWh. Actual electricity consumption amounted to 1,231,869 kWh, with an average cost of 19,58 tenge/kWh.
2	Labor costs, total	-/-	94 413	52 999	-43,9%	
	including:	-/-				
2.1	Salary of the production personnel	-/-	86 222	48 400	-43,9%	
2.2	social tax	-/-	8 191	4 598	-43,9%	Labor costs are represented by actual labor costs for production personnel (19 people) with deductions.
3	Depreciation	-/-	3 652 121	2 502 597	-31,5%	Depreciation is represented by depreciation on fixed production assets of the facilities of the main pipeline "Kenkiyak-Kumkol".
4	Repair, total	-/-	231 952	35 985	-84,5%	Expenses are represented by the actual costs for the maintenance and current repair of along-route roads and access roads to the facilities of the Kenkiyak-Kumkol main pipeline, with a total length of 456.6 km. The agreement for the Akitobe region was concluded on April 15, 2022 No. 650853/2022/1. The agreement for the Kyzylorda region was concluded on 06/01/2022 No. 706996/2022/1. The work will be completed by the end of the reporting year.
5	Other costs, total	-/-	5 330 757	2 384 356	-55,3%	
	including:					

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5.1	private and fire protection	-/-	318 651	239 306	-24,9%	<p>Actual costs are represented by costs:</p> <p>1) According to the concluded agreement on the provision of security services for the linear part and fixed structures of the KK oil pipeline. Patrol of the facilities of the KK oil pipeline, consists of 15 mobile groups for the protection of the linear part and 12 security posts that protect the stationary structures of the Kenkiyak-Kumkol oil pipeline: including 3 stationary ones (checkpoint OAVP Aral'sk; ABR Kenkiyak, ABR Kumkol) and 9 bypass (OAVP Aral'sk - 4, KUUN Kenkiyak - 3, KUUN Kumkol - 2) an agreement on the provision of fire extinguishing/prevention services at the Aral'sk WUA.</p> <p>2) The implementation of fire protection is carried out by the creation of a fire department with mobile fire equipment in the amount of at least 2 tank trucks in constant (round-the-clock) combat readiness of personnel.</p>
5.2	OTM services	-/-	2 350 382	1 446 356	-38,5%	Represented by expenses for the provision of services for the operation and maintenance of the Kenkiyak-Kumkol oil pipeline.
5.3	metrology	-/-	2 852	2 394	-16,1%	Expenses are represented by actual expenses for verification of measuring instruments installed at the facilities of the Kenkiyak-Kumkol oil pipeline.
5.4	maintenance of equipment and metering devices	-/-	23 647	16 983	-28,2%	The costs are represented by production and operating costs for the operation and maintenance of the 10/6 kV overhead line; services to ensure the reliability and stability of power supply to 2 cells at the 110 kV Emba substation, as well as services for the operation and maintenance of cells, distribution points, 35/10/6 kV converter substations of the Kenkiyak-Kumkol main oil pipeline.
5.5	maintenance of the information and analytical Pipeline Integrity Management System (PIMS)	-/-	18 578	0		The procurement of services to support the information and analytical CTMS is provided for by the GWS Procurement Plan of the Partnership for July 2022
5.6	Communication system service	-/-	112 829	64 271	-43,0%	Represented by expenses in accordance with the concluded agreement on maintenance and current repair of equipment for industrial and technological communication systems of the Kenkiyak-Kumkol main oil pipeline.
5.7	tax payments and fees	-/-	854 524	508 178	-40,5%	Costs are represented by actual tax payments (property tax; land tax and payment for the use of land plots; payment for emissions into the environment; payment for the use of the radio frequency spectrum), in accordance with the Tax Code of the Republic of Kazakhstan.
5.8	environmental monitoring and protection	-/-	8 506	0	-100,0%	Operational environmental monitoring activities at the facilities of the Kenkiyak-Kumkol oil pipeline will be carried out in the 4th quarter of 2022.

5.9	maintenance of hazardous production facilities of the oil and gas industry	-/-	19 877	13 767	-30,7%	Represented by services to provide a professional emergency rescue service at the Arabsk OAFP of the Kenkiyak-Kumkol main oil pipeline.
5.10	maintenance costs for fire alarm systems	-/-	13 501	6 806	-49,6%	Expenses are represented by actual expenses, according to the concluded contracts for the maintenance and current repair of the security and fire alarm system and the automatic gas fire extinguishing system.
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	-/-	35 738	18 922	-47,1%	Expenses are represented by the following services: 1) maintenance and current repair of the oil pipeline security system; 2) Maintenance, TR of video surveillance systems and perimeter security systems of the main oil pipeline includes maintenance and TR of video surveillance systems; TO and TR systems of perimeter protection.
5.12	transportation services with office vehicles (current repair and maintenance of vehicles	-/-	35 554	33 089	-6,9%	Represented by the costs of purchasing transport services for 4 vehicles serving the production facilities of the Kenkiyak-Kumkol oil pipeline.
5.13	TM and TR of office equipment, software and climate control systems	-/-	18 006	14 411	-20,0%	Presented by the actual costs of maintenance and current repairs of air conditioning and climate control systems.
5.14	current repair and maintenance of oil metering station	-/-	34 618	12 022	-65,3%	Represented by services for the maintenance and current repair of the SHKN, in order to ensure the constant operability of the SHKN "Kenkiyak" and the SHKN "Kumkol" and its constituent groups of equipment and measuring instruments.
5.15	communication service	-/-	16 070	4 287	-73,3%	The costs are represented by services for the provision of: 1) telephone communication through the Kenkiyak-Kumkol main oil pipeline; 2) satellite communication services on the route; 3) Internet access services for the Kenkiyak-Kumkol main pipeline.
5.16	accommodation and meals for shift employees	-/-	11 492	2 210	-80,8%	The costs are represented by the actual expenses for accommodation and meals for shift workers. The savings are associated with the commissioning of the ABK at the Kenkiyak PS and the Kumkol PS and the accommodation of shift workers at these facilities
5.17	insurance	-/-	1 238	1 355	9,4%	Insurance payments include: 1) Compulsory insurance of an employee against accidents in the performance of his labor (service) duties; 2) Civil liability insurance of facility owners; 3) Environmental insurance. The increase in costs is due to the increase in the cost of services.
5.18	training and professional development	-/-	2 124	0	-100,0%	Training of production personnel is planned for the second half of the year.
5.19	technological costs (introduction of an anti-turbulent additive)	-/-	1 452 569	0	-100,0%	
II	Expenses of the period, total	-/-	3 495 084	1 651 067	-52,8%	
	including:					
6	General and administrative costs:	-/-	660 537	306 625	-53,6%	
	including:	-/-				

6.1	salary for administrative staff	-/-	294 353	132 181	-55,1%	The labor costs of the AMS include wages and salaries, taking into account income tax and contributions to the accumulative pension fund, vacation pay for the actual average number of employees in the amount of 139 people.
6.2	social tax	-/-	27 964	12 557	-55,1%	Social tax is represented by actual costs in accordance with the Tax Code of the Republic of Kazakhstan.
6.3	bank services	-/-	1 388	756	-45,6%	Represented by the actual costs of providing banking services for settlement transactions in tenge and foreign currency, purchase and sale of foreign currency, statements of movement and availability of bank account balances.
6.4	depreciation	-/-	64 358	19 422	-69,8%	Expenses are represented by accrual of depreciation of involved non-production fixed assets and intangible assets, according to the actual "Statement of depreciation of intangible assets" (according to 1C).
6.5	third party services, total including:	-/-	272 474	141 709	-48,0%	
6.5.1	raw materials:	-/-	1 894	541	-71,4%	Represented by write-off costs: 1) purchase and write-off of drinking water for the head office. 2) special clothing, special footwear and other personal protective equipment; 3) first aid kits and other inventory items. The overspending is associated with the additional write-off of special clothing, special footwear and other personal protective equipment.
6.5.2	transport services with office vehicles (transport services)	-/-	96 951	61 252	-36,8%	Represented by actual expenses for the purchase of transport services for vehicles serving the administrative and management personnel of the Partnership.
6.5.3	training and professional development	-/-	6 899	0	-100,0%	Training of AUP employees is planned in the second half of the year.
6.5.4	advertisement in mass media	-/-	569	942	65,6%	The article is represented by services for the placement of information materials in the media (media) distributed on the territory of the Republic of Kazakhstan
6.5.5	business trip services	-/-	43 619	8 299	-81,0%	Expenses are represented by actual expenses in accordance with the norms of the Regulation "On business trips of employees of the Partnership (KS ISM17 / 4-01-018)
6.5.6	communication services	-/-	2 925	1 365	-53,3%	Represented by actual costs for the provision of international, long-distance communication services, Internet access services, monthly payment for the provision of intra-corporate telephone connections
6.5.7	taxes	-/-	8 091	4 957	-38,7%	Taxes are represented by actual costs in accordance with the Tax Code of the Republic of Kazakhstan.
6.6	other expenses, total	-/-	111 526	64 353	-42,3%	

7	costs for interests payment	-/-	2 834 547	1 344 442	-52,6%	Represented as expenses for: 1) payment of fees under a loan agreement dated June 27, 2018 in the amount of USD 540 million with ICBC Limited, received by refinancing existing loans in order to reduce the financial burden and ensure the financial stability of the Partnership; 2) for the organization of financing - deferred expenses incurred in 2018, for the organization of financing in the amount of 0.9 percent of the amount of the loan agreement for 540 million US dollars (4,860 thousand US dollars) and expenses for legal support in the amount of 150 thousand US dollars, which are written off monthly in equal installments during the term of the loan agreement, for 6 years.
III	Total costs for services	-/-	12 858 301	6 658 002	-48,2%	
IV	Income	-/-	13 973 557	6 866 407	-50,9%	
VI	total of income	-/-	26 831 858	13 524 409	-49,6%	
VII	Volume of services provided	thous.ton	7 912	4 021	-49,2%	
VIII	Regulatory Technical Losses	thous.ton	5	3	-34,7%	
IX	Cargo turnover	million tkm	6 155	3 102	-49,6%	
X	Specific tariff (without VAT)	tenge for 1 ton for 1000km.	4 359	4 359	0,0%	

4. On the main financial and economic performance indicators of the Partnership for the 1st half of 2022

No	Name	Actual indicators for the 1st half of 2021 (thous. tenge)
1	Returns	44 293 740
2	Cost of services	-16 454 141
3	Gross return	27 839 599
4	Administrative expenses	-1 413 033
5	Other income from side activities	346 771
6	Total operating income	26 773 337
7	Finance costs	-2 691 557
8	Other expenses from side activities	-4 214 098
9	Income/(loss) before tax	19 867 682
10	Income tax expense	4 172 213
11	Net income (loss)	15 695 469

0

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

No	indicators of tariff estimates	Measuring unit	provided for 2022 *	fact for the 1st half of 2022	deviation in%
1	Oil pumping volume	thous. ton	7 912	4 021	-49,2%
2	Cargo turnover	mln tkm	6 155	3 102	-50%

* Indicators of the tariff estimate for the regulated service of Kazakhstan-China Pipeline LLP on oil pumping through the pipeline system for 2021, approved by the order of Department of the Committee for Regulation of Natural Monopolies of the Ministry of National Economy of the Republic of Kazakhstan in Almaty No. 74-OJ dated December 31, 2019

6. On ongoing work with consumers of regulated services

For the reporting period, 27 contracts with consumers were concluded on Kenkiyak-Kumkol pipeline to the domestic market. At the same time, the volume of oil turnover to the domestic market through the Kenkiyak-Kumkol oil pipeline for the 1st half of 2022 amounted to 3,102 million tons / km, with the approved indicators of 6,155 million tons / km in the tariff estimate, which is 50%. 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) Ensuring uninterrupted oil transportation, reliable and safe operation of oil trunk pipeline facilities.
- 2) Increasing economic efficiency by reducing the financial burden.