

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 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:

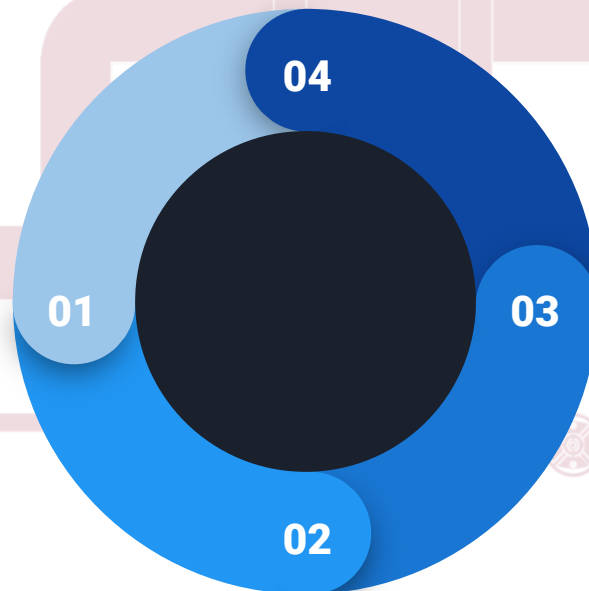
- provision of publicity, awareness;
- observance of the balance of interests of consumers and subjects of natural monopolies;
- ensuring transparency of the activities of natural monopolies to consumers and other interested parties.

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 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.

Based on subparagraph 13) of Article 8 and subparagraph 2) of Article 9 of the Law of the Republic of Kazakhstan "On Natural Monopolies" and paragraph 365 of the Rules for setting tariffs, approved by order of the Minister of National Economy of the Republic of Kazakhstan dated November 19, 2019 No. 90, by a joint order of the Ministry of Energy of the Republic of Kazakhstan dated November 23, 2021 No. 363 and the Department of the Committee for the Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy of the Republic of Kazakhstan for Almaty dated November 17, 2021 No. 128-OD, the investment program of the Partnership for 2021 was adjusted.

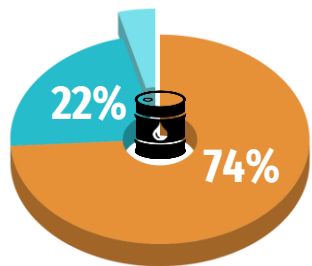
Nº п/п	Name of events	PLAN FOR 2021, In thousand tenge	FACT FOR 2021, In thousand tenge
1	Construction of the facilities crossings of K-K pipeline	9 932	9 969
2	Development of design and survey work for the modernization of the video surveillance system of the main oil pipeline on the linear part of Kenkiyak - Kumkol	36 104	36 104
3	Modernization of station facilities to ensure their compliance with the Requirements for the system of anti-terror protection of facilities vulnerable to terrorist attacks of the Kenkiyak - Kumkol main oil pipeline	280 400	280 400
4	Reconstruction of OQMS at IPS Kenkiyak and IPS Kumkol of the Kenkiyak - Kumkol main oil pipeline	116 299	275 227
5	Procurement of fixed assets	28 295	30 251
	TOTAL:	471 030	631 951

The source of financing for individual entrepreneurs is depreciation deductions accounted for in the tariff.

Execution of the tariff estimate for 2021

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	10 435 921	10 684 796	248 875	2,4
Expenses of the period	thsd. tenge	3 704 036	3 717 333	13 297	0,4
General and administrative expenses	thsd. tenge	553 663	560 660	6 997	0,9
Interest expense	thsd. tenge	3 150 373	3 156 673	6 300	0,2
Total cost	thsd. tenge	14 139 957	14 402 129	262 173	1,9
Profit/Loss	thsd. tenge	12 926 433	6 919 290	-6 007 143	-46,5
Volume of services provided	thousand tons	8 068	6 468	-1 600	-19,8
Total income	thsd. tenge	27 066 390	21 321 419	-5 744 970	-21,2
Cargo turnover	million tons * km	6 260	4 932	-1 328	-21,2
Unit tariff (without VAT)	tenge / per 1 ton per 1000 km	4 323,07	4 323,07	0	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. At the same time, by order No. 128-OD dated November 29, 2021, the approved tariff estimate for 2021 was adjusted

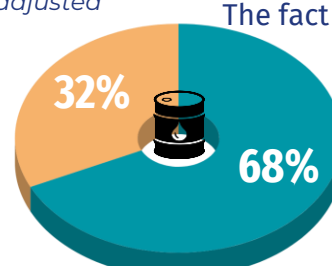


Actual cost allocation

General and administrative expenses - 4%

Interest expense

Cost of providing services



The fact of all costs and benefits

Total costs

Profit/Loss

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	thsd. tenge	10 435 921	10 684 796	2,4%
1	<i>Material costs, total</i>	-//-	55 140	55 897	1%
1.1	raw materials	-//-	12 121	14 436	19%
1.2	power	-//-	43 019	41 461	-4%
2	<i>Labor costs, total</i>	-//-	92 319	109 415	19%
3	<i>Depreciation</i>	-//-	5 059 894	5 079 044	0%
4	<i>Repair, total</i>	-//-	270 191	270 076	0%
5	<i>Other costs, total</i>	-//-	4 958 377	5 170 364	4,3%
5.1	private and fire protection	-//-	478 707	475 069	-0,8%
5.2	OTM services	-//-	3 126 689	3 125 353	0%
5.3	metrology	-//-	2 928	7 547	158%
5.4	maintenance of equipment and metering devices	-//-	43 301	55 506	28%

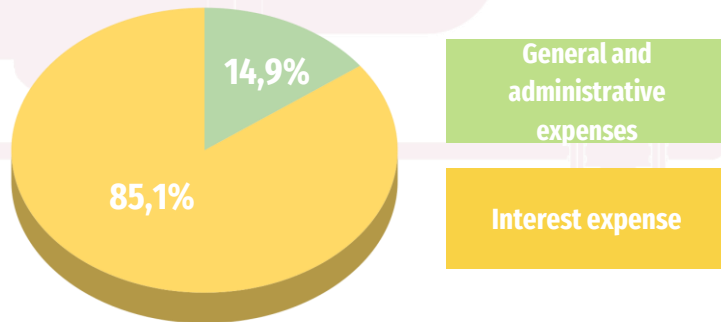
Execution of cost items for the provision of services

Nº п/п	Indicators	Measuring	Provided in the approved tariff estimate	Actually prevailing indicators of tariff estimates	Deviation percent
5.5	Communication system service	-//-	150 298	150 233	0%
5.6	tax payments and fees	-//-	922 856	1 121 419	22%
5.7	environmental monitoring and protection	-//-	11 514	12 142	5%
5.8	maintenance of hazardous production facilities of the oil and gas industry	-//-	17 804	17 796	0%
5.9	maintenance costs for fire alarm systems	-//-	17 877	17 870	0%
5.10	TM, TR of the pipeline protection system and TM, TR of video surveillance systems and the perimeter protection system of the main pipeline	-//-	45 515	45 496	0%
5.11	transportation services with office vehicles (current repair and maintenance of vehicles	-//-	47 214	47 194	-4%
5.12	TM and TR of office equipment, software and climate control systems	-//-	23 754	23 744	0%
5.13	current repair and maintenance of oil metering station	-//-	33 881	33 867	0%
5.14	communication service	-//-	23 094	23 141	0%
5.15	accommodation and meals for shift employees	-//-	11 687	12 084	3%
5.16	insurance	-//-	1 258	1 903	51%

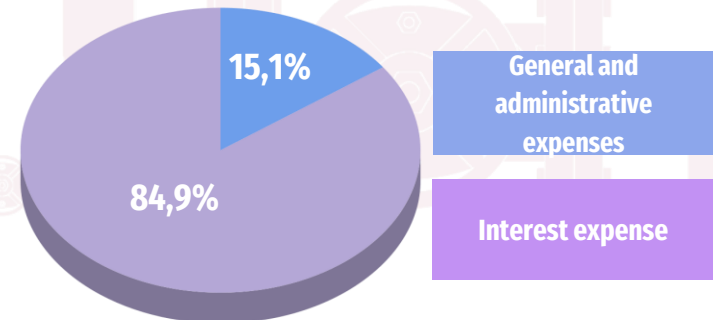
Execution of cost items for the provision of services

№ п/п	Indicators	Measuring	Provided in the approved tariff estimate	Actually prevailing indicators of tariff estimates	Deviation percent
II	Expenses of the period, total	-//-	3 704 036	3 717 333	0,4%
	<i>Including:</i>				
6	General and administrative costs	-//-	553 663	560 660	1%
7	Costs for interest payment	-//-	3 150 373	3 156 673	0%

Planned cost allocation



Actual cost allocation



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:	-//-	553 663	560 660	1%
	including:	-//-			
6.1	salary for administrative staff	-//-	232 905	231 297	-1%
6.2	social tax	-//-	22 126	21 973	-1%
6.3	bank services	-//-	1 291	1 372	6%
6.4	depreciation	-//-	35 718	35 708	0%
6.5	third party services, total	-//-	261 623	270 310	3%
	including:				
6.5.1	raw materials	-//-	2 544	2 950	16%
6.5.2	transport services with office vehicles (transport services)	-//-	103 599	103 015	-1%
6.5.3	advertisement in mass media		1 561	1 553	-1%
6.5.5	business trip services	-//-	16 469	21 538	31%
6.5.6	communication services	-//-	2 840	2 828	0%
6.5.7	taxes	-//-	8 443	9 135	8%
6.6	other expenses, total	-//-	126 167	129 290	2%
7	Costs for payment of allowance	- \ \ -	3 150 373	3 156 673	0%

The result of the activities of the regulated services for 2021

deviation

Total costs

262 173 thousand
tenge or 1,9%

Plan – 14 139 957 thousand tenge.
Fact – 14 402 129 thousand tenge.

Profit Loss

-6 007 143
thousand tenge or
-46,5%

Plan – 12 926 433 thousand tenge.
Fact – 6 919 290 thousand tenge.

Total of income

-5 744 970
thousand tenge or
-21,2%

Plan – 27 066 390 thousand tenge.
Fact – 21 321 419 thousand tenge.

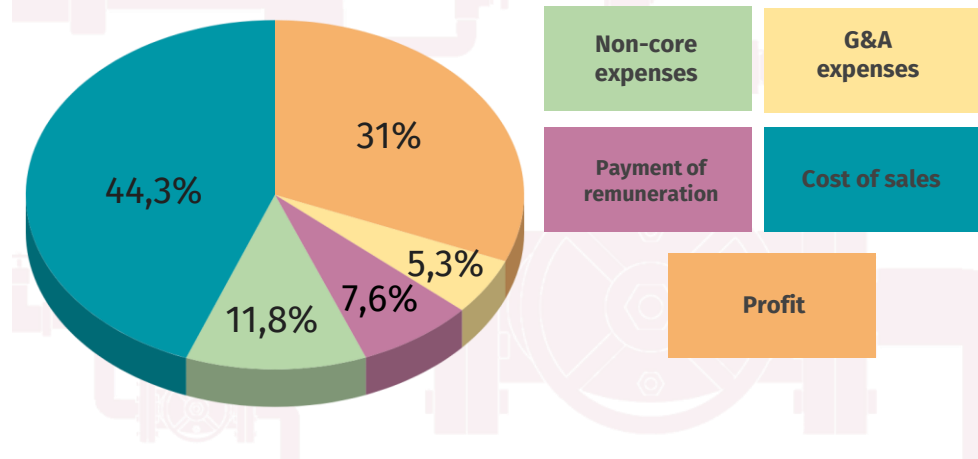
Cargo
turnover

-1 329 million tkm
or -21,2%

Plan – 6 261 million ton-kilometers.
Fact – 4 932 million ton-kilometers.

Financial and economic indicators Partnerships for 2021

Nº	Indicators	Measuring	Cost
1	Income from the sale of services	thousand tenge	74 018 547
2	Other income	-//-	334 543
3	Costs	-//-	-45 169 763
4	Cost of sales of services	-//-	-32 855 766
5	General and administrative expenses	-//-	-3 910 645
6	Expenses for payment of remuneration	-//-	-5 641 509
7	Expenses from non-core activities	-//-	-2 761 844
8	Income tax expense	-//-	5 966 876
9	Profit	-//-	23 216 450





Actual volumes of provision of regulated services

№ п/п	Shippers	Pumped volume, thousand	Cargo turnover, million tons
		tons	/ km
1	JSC SNPS Aktobemunaigas	2 243	1 781
2	JSC MangistauMunayGas	1 665	1 322
3	JSC Kazakhoil Aktobe	472	375
4	Embamunaigas	353	281
5	LLP SouthOil (KYNº29)	285	21
6	"Kazakhturkmunai"	280	222
7	JSC KMK Munai	197	157
8	JSC "Kozhan"	193	153
9	Alties Petroleum	149	118
10	KEN-SARY TOO	116	92
11	LLP Firma Ada Oil	102	81
12	JSC "Maten Petroleum"	68	54
13	Sagiz Petroleum Company	63	50
14	LLP "KOM-MUNAY"	50	40
15	5 A Oil	48	38
16	LLP "Tasbulat Oil Corporation"	48	38
17	Urikhtau Operating LLP	47	37
18	Nelson Petroleum Buzachi B.V.	30	24
19	International (Buzachi) B.V	30	24
20	LLP "BNG"	10	8
21	JSC "Phystech II"	9	7
22	JSC Caspian Oil TME	6	5
23	LLP "Zhalgiztobemunai"	3	2
24	LLP "ICP-Munai"	2	1
25	LLP "Tepke"	1	0
TOTAL		6 468	4 932

For the reporting period, 25 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 2021 amounted to 4,932million tons / km, with the approved indicators of 6,261 million tons / km in the tariff estimate, which is 79%.

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!

