

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 1st half of 2022



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:

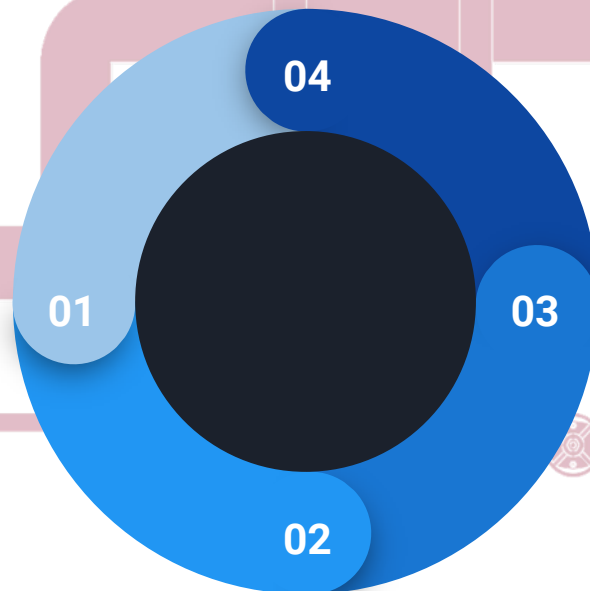
- provision of publicity, awareness;
- observance of the balance of interests of consumers and subjects of natural monopolies;
- ensuring transparency of the activities of natural monopolies to consumers and
- other interested parties.

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:

50%

KazTransOil
JSC 50%

50%

China National
Oil and Gas
Exploration and
Development
Corporation

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.

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 2022 year - 4359.42 tenge / per 1 ton per 1000 km with entry into force from 01.01.2022.

Implementation of the investment program for the 1st half of 2022

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 the Regulation of Natural Monopolies of the Ministry of National Economy of the Republic of Kazakhstan for Almaty dated October 30, 2019 No. 16-OD, the investment program of the Partnership for 2020-2024 was approved .

	Name of events	PLAN FOR 2022 thousand tenge	FACT for 1st half year 2022 thousand tenge
1	Construction of crossing facilities of the main oil pipeline Kenkiyak - Kumkol	9 932	0
2	Reconstruction of the 10 kV overhead line of the main oil pipeline Kenkiyak-Kumkol	139 981	0
3	Modernization of the video surveillance system of the main oil pipeline Kenkiyak - Kumkol	151 472	0
4	Purchase of fixed assets	23 646	0
	TOTAL:	325 031	0

The source of financing for IP is depreciation deductions included in the tariff .

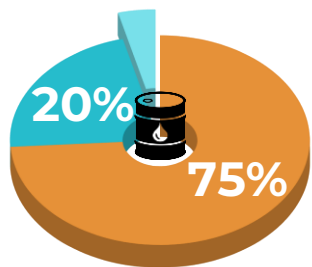
Tender procedures for the procurement of services, goods and works are being conducted for the activities of the investment program.

Full utilization of the planned amount is expected at the end of 2022 .

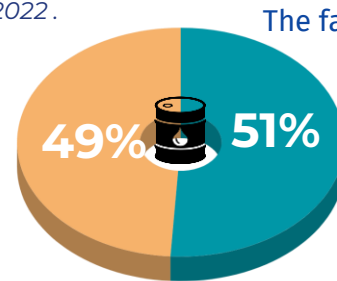
Execution of the tariff estimate for the 1st half of 2022

Name of indicators of tariff estimates	Measuring unit	Provided in the approved tariff estimate	The fact of the tariff estimate	Deviation	Deviation, %
Cost of providing services	thousand tenge	9 363 218	5 006 935	-4 356 283	-46.5%
Expenses of the period	thousand tenge	3 495 084	1 651 067	-1 844 017	-52.8%
<i>General administrative expenses</i>	<i>thousand tenge</i>	<i>660 537</i>	<i>306 625</i>	<i>-353 912</i>	<i>-53.6%</i>
<i>Interest expense</i>	<i>thousand tenge</i>	<i>2 834 547</i>	<i>1 344 442</i>	<i>-1 490 105</i>	<i>-52.6%</i>
Total cost	thousand tenge	12 858 301	6 658 002	-6 200 299	-48.2%
Profit/Loss	thousand tenge	13 973 557	6 866 407	- 7 107 150	-50.9%
Volume of services provided	thousand tenge	26 831 858	13 524 409	- 13 307 449	-49.6%
Total income	thousand tons	7 912	4 021	-1 600	-49.2%
Cargo turnover	million t*km	6 155	3 102	- 3053	-49.6%
Unit tariff (without VAT)	tenge/per 1 ton per 1000 km	4359.42	4359.42	0	0

By order of the DCRNM of the MNE RK for the city of Almaty dated December 31, 2019 No. 74-OD, a tariff was approved in the amount of 4,359.42 tenge / t per 1000 km for a regulated service for pumping oil through the Kenkiyak-Kumkol oil pipeline to the domestic market for 2022, with the introduction in effect from 01.01.2022.



Actual cost allocation



The fact of all costs and profits



Execution of cost items for the provision of services

No. p / p	The name of indicators	unit of measurement	Provided in the approved tariff estimate	Actual indicators of the tariff estimate	Deviation percent
1	The costs for producing goods and providing services	thousand tenge	9 363 218	5 006 935	-47 %
1	Material costs, total	-//-	53 975	30 999	-43%
1.1	raw materials	-//-	14 291	6 87 9	-52%
1.2	energy	-//-	39 684	24 120	-39%
2	Labor costs, total	-//-	94 413	52 999	-44%
3	Depreciation	-//-	3 652 121	2 502 597	-31%
4	Repair, total	-//-	231 952	35 985	-84%
5	Other costs, total	-//-	5 330 757	2 384 356	-55%
5.1	private and fire protection	-//-	318 651	239 306	-25 %
5.2	OTM services	-//-	2 350 382	1 446 356	-38%
5.3	metrology	-//-	2 852	2 394	-16%
5.4	maintenance of equipment and metering devices	-//-	23 647	16 983	-28%

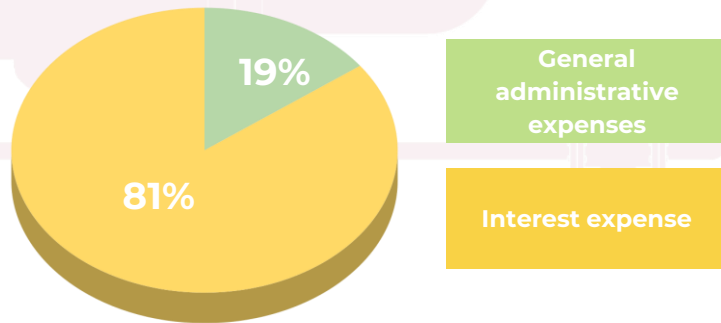
Execution of cost items for the 1st half of 2022

№ п/п	Indicators	unit of measurement	Provided in the approved tariff estimate	Actual indicators of the tariff estimate	Deviation percent
5.5	maintenance of the information and analytical system for managing the integrity of pipelines (PICT)	-//-	18 578	0	-100%
5.6	maintenance of communication systems	-//-	112 829	64 271	-43%
5.7	tax payments and fees	-//-	854 524	508 178	-41%
5.8	monitoring and environmental protection	-//-	8 506	0	-100%
5.9	maintenance of hazardous production facilities in the oil and gas industry	-//-	19 877	13 767	-31%
5.10	costs for the maintenance of fire and security alarms	-//-	13 501	6 806	-50%
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%
5.12	transport services by company vehicles	-//-	35 554	33 089	-7%
5.13	TM and TR of office equipment, software and climate control systems	-//-	18 006	14 411	-20%
5.14	current repair and maintenance of oil metering units	-//-	34 618	12 022	-65%
5.15	communication services	-//-	16 070	4 287	-73%
5.16	accommodation and meals for shift workers	-//-	11 492	2 210	-81%
5.17	insurance	-//-	1 238	1 355	9%
5.18	training and professional development	-//-	2 124	0	-100%
5.19	technological costs (introduction of an anti-turbulent additive)	-//-	1 452 569	0	-100%

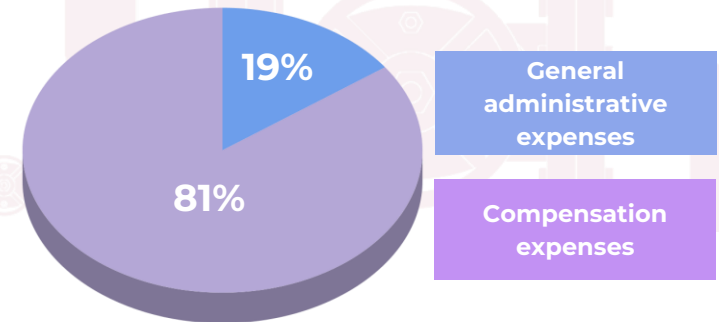
Execution of cost items for the 1st half of 2022

No. p / p	The name of indicators	unit of measurement	Provided in the approved tariff estimate	Actual indicators of the tariff estimate	Deviation in percent
II	Expenses of the period, total	-//-	3 495 084	1 651 067	-53%
	<i>Including:</i>				
6	General and administrative costs	-//-	660 537	306 625	-54%
7	Costs for interest payment	-//-	2 834 547	1 344 442	-53%

Planned cost allocation



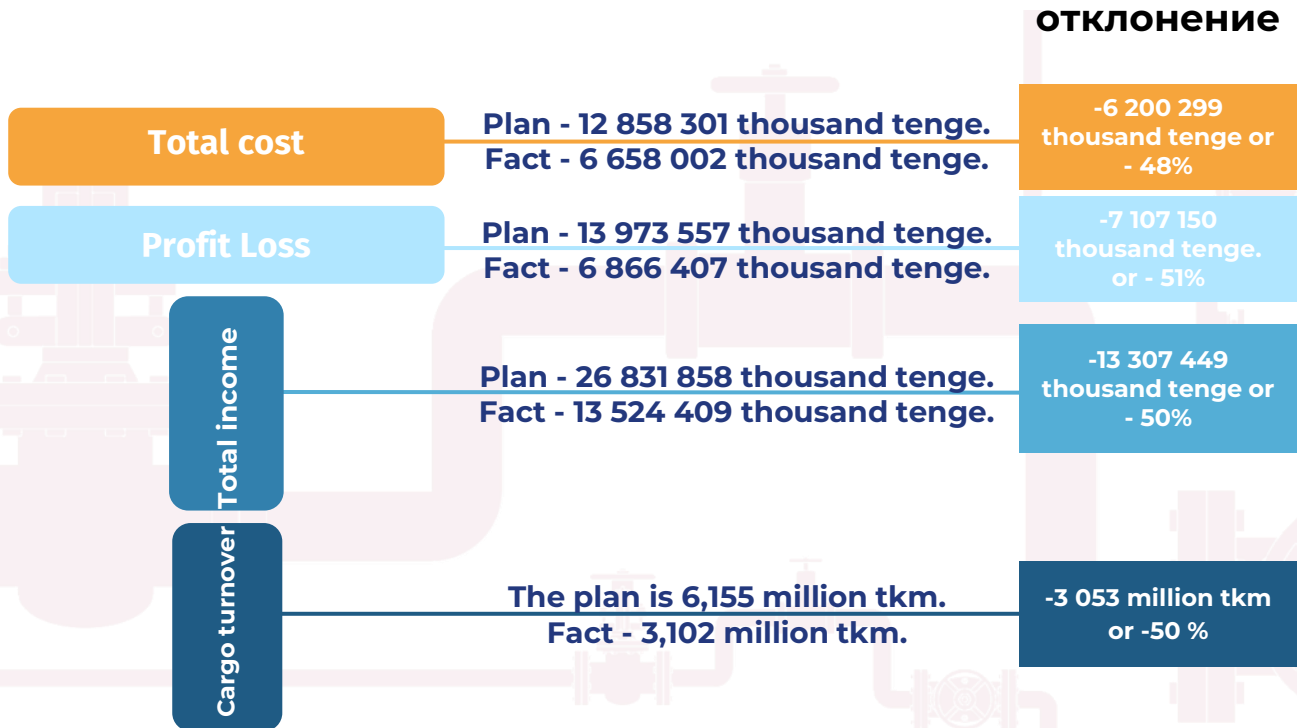
Actual cost allocation



Execution of general and administrative costs for the 1st half of 2022

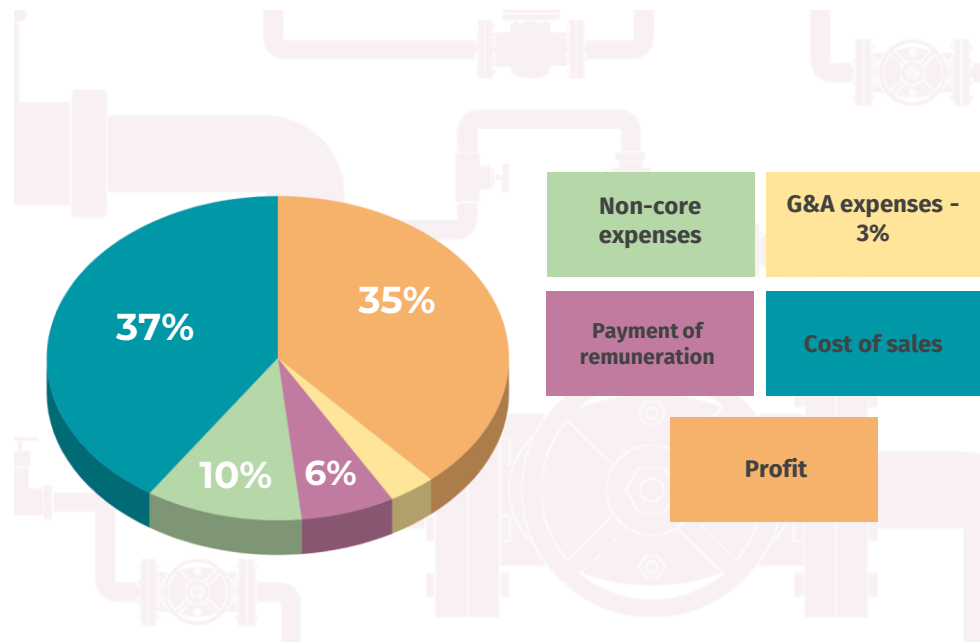
№ п/п	Indicators	unit of measurement	Provided in the approved tariff estimate	Actual indicators of the tariff estimate	Deviation, %
6	General and administrative expenses	-//-	660 537	306 625	-54%
	including:	-//-			
6.1	administrative staff salaries	-//-	294 353	132 181	-55%
6.2	social tax	-//-	27 964	12 557	-55%
6.3	Bank services	-//-	1 388	756	-46%
6.4	depreciation	-//-	64 358	19 422	-70%
6.5	third party services, total	-//-	272 474	141 709	-48%
	including:				
6.5.1	raw materials	-//-	1 894	541	-71%
6.5.2	transport services by company vehicles	-//-	96 951	61 252	-37%
6.5.3	training and professional development	-//-	6 899	0	-100 %
6.5.4	media announcements	-//-	569	942	-66%
6.5.5	travel services	-//-	43 619	8 299	-81%
6.5.6	communication services	-//-	2925	1 365	-53%
6.5.7	taxes	-//-	8091	4 957	-39%
6.6	other expenses, total	-//-	111 526	64 353	-42%
7	Compensation expenses	-\\-	2 834 547	1 344 442	-53%

The result of activities of regulated services for 1 half year 202 2 years



Financial and economic indicators of the Partnership for the 1st half of 2022 (according to operational data)

No.	Indicators	Unit.	Price
1	Income from the sale of services	thousand tenge	44 293 740
2	Other income	-//-	346 771
3	Costs	-//-	-24 772 829
4	Cost of sales of services	-//-	-16 454 141
5	General and administrative expenses	-//-	-1 413 033
6	Expenses for payment of remuneration	-//-	-2 691 557
7	Expenses from non-core activities	-//-	-4 214 098
8	Income tax expense	-//-	-4 172 213
9	Profit	-//-	15 695 469





Actual volume of provision of regulated services for the 1st half of 2022

No. p / p	Shippers	Pumping volume, thousand tons	Freight turnover, mln.t/km
1	JSC SNPS Aktobemunaigas	1 092	867
2	JSC MangistauMunayGas	1 024	813
3	JSC EmbaMunayGas	652	518
4	JSC Kazakhoil Aktobe	204	162
5	JSC "Kozhan"	187	149
6	LLP Kazakhturkmunai	149	119
7	SouthOil LLP (KU No. 29)	126	9
8	JSC KMK Munai	119	95
9	Alties Petroleum	74	59
10	LLP Sagiz	58	46
11	LLP KEN-SARY	44	35
12	LLP Firma Ada Oil	39	31
13	LLP 5 A Oil	37	29
14	LLP Nelson Petroleum Buzachi B.V.	34	27
15	LLP International (Buzachi) B. V	34	27
16	KazTransOil JSC (domestic market)	30	24
17	KOM-MUNAY	28	22
18	LLP Tasbulat Oil Corporation	23	18
19	LLP Urikhtau Operating	21	17
20	JSC Maten Petroleum	11	9
21	JSC Phystech II	10	8
22	LLP Zhalgiztobemunai	9	7
23	TOO BNG LTD	1	6
24	JSC Caspian Oil TME	5	4
25	ICP-Munay	1	1
26	LLP KumkolOil	1	0
27	JSC Ushkuyu	1	1
	TOTAL	4 021	3 102

27 contracts with consumers were concluded on the Kenkiyak-Kumkol main pipeline to the domestic market . At the same time, the volume of oil cargo turnover to the domestic market via 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%.

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!

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CHINA PIPELINE**
ҚАЗАХСТАНСКО-КИТАЙСКИЙ ТРУБОПРОВОД

