

Report on implementation of the approved tariff estimates and investment program of Kazakhstan-China Pipeline LLP for provision of regulated services

In accordance with the Law of the Republic of Kazakhstan "On Natural Monopolies" No. 204-VI dated 27.12.2018, Kazakhstan-China Pipeline LLP makes a report on the implementation of the investment program for the 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. The following information:

1. General information about the natural monopoly entity

Kazakhstan-China Pipeline LLP was established on July 6, 2004.

The Partnership was formed in accordance with the Law of the Republic of Kazakhstan "On Limited and Additional Liability Partnerships" within the framework of the Framework Agreement on the provision of regulated services for oil and gas dated May 17, 2004, concluded between the Government of the Republic of Kazakhstan and the Government of the People's Republic of China, the Agreement on the basic conditions for the provision of regulated services dated May 17, 2004, concluded between National Company KazMunayGas JSC and China National Petroleum Corporation (CNPC).

The Partnership was formed to carry out engineering, construction and operation of oil pipelines.

The founders of the Partnership are KazTransOil JSC 50% and China National Oil and Gas Exploration and Development Corporation (CNODC) 50%.

The authorized capital of the Partnership is 13 billion tenge.

1. General information about the entity of natural monopoly

№	Information on the planned and actual volumes of regulated services				
	Regulated services and serviced territory	Activity	Measure unit	Quantity in natural values	
				plan	actual
1	2	3	4	5	6
1	Oil pumping through the pipeline system.	Construction of crossings of the main oil pipeline Kenkiyak-Kumkol	x1000 tons	7 912	7 970
2		Modernization of the video surveillance system of the main oil pipeline Kenkiyak - Kumkol			
3		Acquisition of fixed assets			
	Total:			7 912	7 970

Information on actual conditions and amounts of financing the investment program, thousand tenge	
Own funds	

Deduction of the consumption of raw materials, fuel

Depreciation	Revenue	Borrowed funds	Budget funds	reduction of the consumption of raw materials, fuel and energy in physical terms, depending on the approved investment program	
				actual of the last year	actual of the current year
13	14	15	16	17	18
201 667	0	0	0	-	-
Total:	0				

Note: Indicators in columns 17-26 are not provided for by the investment program

3. Report on execution of the tariff estimate for the regulated service of oil pumping through Kenkiyak-Kumkol pipeline within the domestic market for 2022

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№	Indicators	Measure unit	Provided in the approved tariff estimate	Actual indicators of the tariff estimate	Deviation in %
1	2	3	4	5	6
I	The costs for producing goods and providing services	x1000 tenge	10 269 296	11 865 324	15,5%
	including				
<i>1</i>	<i>Material costs, total</i>	<i>-/-</i>	<i>55 498</i>	<i>69 383</i>	<i>25,0%</i>
	including:				
1.1	raw materials	-/-	14 291	25 342	77,3%
1.2	power	-/-	41 207	44 042	6,9%
2	<i>Labor costs, total</i>	<i>-/-</i>	<i>126 169</i>	<i>128 931</i>	<i>2,2%</i>

3	<i>Depreciation</i>	-//-	5 030 784	5 366 685	6,7%
4	<i>Repair, total</i>	-//-	170 933	174 252	1,9%
5	<i>Other costs, total</i>	-//-	4 885 913	6 126 072	25,4%
	<i>including:</i>				
5.1	security and fire protection	-//-	493 660	503 245	1,9%
5.2	OTM services	-//-	2 965 464	4 088 969	37,9%
5.3	metrology	-//-	2 852	8 448	196,2%

5.4	maintenance of equipment and metering devices	-//-	49 088	56 226	14,5%
5.5	maintenance of the information and analytical Pipeline Integrity Management System (PIMS)	-//-	33 306	33 953	1,9%
5.6	Communication system service	-//-	112 829	127 038	12,6%
5.7	taxes	-//-	1 011 909	1 065 063	5,3%
5.8	environmental monitoring and protection	-//-	8 506	18 499	117,5%
5.9	maintenance of hazardous production facilities of the oil and gas industry	-//-	32 032	32 654	1,9%
5.10	maintenance costs for fire alarm systems	-//-	13 501	17 523	29,8%

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	41 331	15,7%
5.12	transportation services (current repair and maintenance of vehicles)	-//-	44 718	45 587	1,9%
5.13	TM and CR of office equipment, software and climate control systems	-//-	22 068	22 496	1,9%
5.14	current repair and maintenance of oil metering stations	-//-	33 280	33 926	1,9%
5.15	communication services	-//-	16 070	18 384	14,4%
5.16	accommodation and meals for shift employees	-//-	8 931	9 105	1,9%
5.17	insurance	-//-	1 238	2 929	136,6%
5.18	training and professional development	-//-	723	699	-3,3%
II	Period expenses, total	-//-	3 468 393	4 114 320	18,6%
	including:				
6	General and administrative costs:	-//-	633 846	705 691	11,3%
	including:	-//-			

6.1	salary of administrative staff	-//-	294 353	316 305	7,5%
6.2	social tax	-//-	27 964	30 049	7,5%
6.3	bank services	-//-	1 388	1 746	25,8%
6.4	depreciation	-//-	36 714	39 487	7,6%
6.5	third party services, total	-//-	273 427	318 103	16,3%
	including:				
6.5.1	raw materials:	-//-	1 894	2 020	6,6%
6.5.2	transport services with office vehicles (transport services)	-//-	111 812	120 058	7,4%
6.5.3	training and professional development	-//-	716	2 544	255,6%
6.5.4	advertisement in mass media	-//-	1 730	1 861	7,6%
6.5.5	business trip services	-//-	14 298	20 537	43,6%

6.5.6	comunication services	-//-	2 925	3 045	4,1%
6.5.7	taxes	-//-	8 091	10 189	25,9%
6.6	other expenses, total	-//-	131 961	157 850	19,6%
7	costs for interest payments	-//-	2 834 547	3 408 630	20,3%
III	Total cost of services	-//-	13 737 690	15 979 644	16,3%
IV	Profit	-//-	13 094 169	10 769 302	-17,8%
VI	Total income	-//-	26 831 858	26 748 946	-0,3%
VII	Volume of services provided	1000 tons	7 912	7 970	0,7%
VIII	Standard technical losses	1000 tons	5	6	29,2%
IX	Cargo turnover	million km	6 155	6 136	-0,3%
X	Specific tariff (without VAT)	tenge/1 ton per 1000 km	4 359,42	4 359,42	0,0%

* Indicators of the tariff estimate of Kazakhstan-China Pipeline LLP for oil pumping through the main pipeline system were approved by order of the Almaty Department of the Comm of National Economy of the Republic of Kazakhstan dated October 22, 2022 No. 121-OD.

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

№	Name	Actual indicators for 2022 (x1000 tenge)
1	Returns	86 318 840
2	Cost of services	-36 842 375
3	Gross return	49 476 465
4	Administrative expenses	-4 241 831
5	Other income from non-core activities	3 471 794
6	Total operating income	48 706 428
7	Finance costs	-5 550 078
8	Other expenses from non-core activities	-6 030 950
9	Profit/loss before tax	37 125 400
10	Income tax expense	7 674 036
11	Net income (loss)	29 451 364

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

№	Indicators of tariff estimates	Measure unit	provided for 2022 *	Actual of 2022	deviation in%
1	Oil pumping volume	thousand ton	7 912	7 970	0,7%
2	Cargo turnover	mln tkm	6 155	6 136	-0,3%

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

6. On the work with consumers of regulated services

In the reporting period, the Partnership concluded 27 contracts for oil transportation via the Kenkiyak-Kumkol main oil pipeline within the domestic market.

At the same time, the domestic cargo turnover of the Kenkiyak-Kumkol main oil pipeline in 2022 amounted to 6,136 million tons / km, with the approved plan of 6,155 million tons / km. All pumping data is processed, on the basis of which the accounting of oil commercial operations is controlled, and the interaction of the delivering and receiving parties is coordinated. Cooperation is carried out by the Partnership jointly with KazTransOil.

7. About the prospects of operations (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.

services to consumers and other interested parties for 2022.

ation of the approved tariff estimates and investment programs for
 onopolies to consumers and other interested parties.The report contains the

greement on the development of comprehensive cooperation in the field of
 : principles of the construction of the Atasu-Alashankou oil pipeline dated

Appendix 1 Form 21

The period of services providing under the investment program	Profit and loss report	Amount of the investment program(thous. tenge)			
		Plan	Actual	Deviation	Reasons of deviation
7	8	9	10	11	12
2022	Profit and loss report in the form approved by order of the Minister of Finance of the Republic of Kazakhstan dated June 28, 2017 No. 404	13 375	13 375	0	IP activities have been implemented in full
		163 866	163 866	0	
		15 267	24 426	9 159	
		192 508	201 667	9 159	

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	Evaluation of
	Deduction of losses, % by reason of			

Reduction of depreciation of (physical) fixed assets (assets),%, by years of implementation, depending on the approved investment program		Reduction of losses, %, by years of implementation, depending on the approved investment program		Reduction of accidents, by years of implementation, depending on the approved investment program		achieved actual indicators from the indicators in the approved investment program	improvement or quantity and reliability of the regulated services provided
actual of the last year	actual of the current year	plan	actual	actual of the last year	actual of the current year		
19	20	21	22	23	24	25	26
-	-	-	-	-	-	-	-
						-	-

Appendix 1 Form 5
to the Tariff rules approved by the order
Minister of National Economy of the Republic of Kazakhstan
dated November 19, 2019 № 90

Deviation reasons
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Represented by the cost of writing off fixed assets and purchased products for the production process, special clothes for production personnel, as well as the write-off of an emergency stock of spare parts. The excess of expenses comes with a large write-off of raw materials for emergency stock and exchange fund.
The approved tariff estimate provided for electricity consumption of 2,104,552 kWh at a cost of 19.58 tenge/kWh. Actual electricity consumption amounted to 2,249,319 kWh, with an average cost of 19.58 tenge/kWh. The increase in costs is due to an increase in actual electricity consumption by 144,767 kWh.
Labor costs are represented by actual labor costs of production personnel (19 people) with deductions.

Depreciation is represented by wear-and-tear of fixed production assets of the facilities of the main pipeline "Kenkiyak-Kumkol". An increase in expenses due to an increase in the revalued book value of fixed assets and, accordingly, depreciation.

Expenses are represented by the actual costs for the maintenance and current repair of service roads and access roads to the facilities of the main pipeline "Kenkiyak-Kumkol", carried out on an annual basis, through the involvement of subcontractors, with a total length of 456.6 km.

The actual costs are represented by the costs in accordance with the service agreement for security of the linear part and stationary structures of the Kenkiyak-Kumkol oil pipeline from the conditions for organizing patrolling / security of facilities / premises / property / people / the linear part and stationary structures of the Kenkiyak-Kumkol oil pipeline and the contract for firefighting/fire prevention services at ERC Aralsk. Security services for the Kenkiyak-Kumkol oil pipeline consist of:

- 15 mobile groups for the protection of the linear part;
- 12 security posts guarding 3 stationary security posts (checkpoint ERC Aralsk, AB "Kenkiyak", AB "Kumkol") and 9 roundabout security posts (ERC Aralsk - 4 roundabout, COMS "Kenkiyak" -3, COMS "Kumkol" - 2)

Protection against fire is provided by the creation of a fire department with mobile fire vehicles in the amount of at least 2 tank trucks in constant (round-the-clock) readiness of personnel.

The actual costs are represented by the costs under the agreement with KazTransOil for the operation and maintenance of the Kenkiyak-Kumkol oil pipeline. The main reason for the increase in expenses is the increase in the item "Payroll", based on the Governmental Decree of the Republic of Kazakhstan dated April 14, 2022 No. 218, as well as a number of letters from KazMunayGas on wage increases and indexation from January 1, 2022 in subsidiaries and joint organizations of the KMG group (where the Unified labor compensation system is used).

Expenses are represented by actual expenses for verification of measuring instruments installed at the facilities of the Kenkiyak-Kumkol oil pipeline. Increase in costs due to the increased cost of services.

The costs are represented by production and operating costs for the operation and maintenance of the OHL-10/6 kV; provision of reliability and stability of power supply for 2 cells at SS 110 kV Emba, as well as maintenance of cells, distribution points, 35/10/6 kV converter substations located at substations feeding the facilities of the Kenkiyak-Kumkol oil pipeline. The increase in expenses is due to the current repair of OHL-10/6 to eliminate damage at the 10kV cable line crossing over the Aralsk-Saksaulsk railway in the amount of 7,304,900 tenge, including VAT.

Represented by risk and damage assessment services in the event of possible accidents on the linear part of the Kenkiyak-Kumkol oil trunk pipeline.

Represented by the costs of maintenance and current repair of equipment for industrial communication systems (ICS) of the main oil pipeline "Kenkiyak-Kumkol". The ICS includes 38 technological facilities and consists of: FOCL, SDN transport network equipment, BOY, DTN, PABX, VSC, UPS, VSAT, TRS, CCTV, KOPS, HVAC Systems, OPS and ASP. The increase in costs is due to an increase in the cost distribution base (from 77% to 95%).

Costs are represented by actual tax payments (property tax; land tax and payment for the use of land; 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. Increase in expenses due to property tax based on the results of actual assessment.

Represented by the costs of production monitoring of the environment, services for the removal (collection) of hazardous waste (oil sludge), as well as additional services for the development of draft maximum permissible emissions (MPE), discharges (MPD) and a waste management program (WMP) for oil pipeline facilities "Kenkiyak-Kumkol" in the amount of 10,277,000 tenge. The need to develop a new MPE is due to amendments to the Environmental Code of the Republic of Kazakhstan.

Represented by professional emergency rescue service at ERC Aralsk of the Kenkiyak-Kumkol main oil pipeline.

Expenses are represented by actual expenses, according to the contracts for the maintenance and current repair of the security and fire alarm and automatic gas fire extinguishing system. Increased costs due to increase in the maintenance costs of fire alarms and automatic gas fire extinguishing systems and increased cost allocation base.

Expenses are represented by the following services: 1) maintenance and current repair of the oil pipeline security system; 2) Maintenance, CR of video surveillance systems and perimeter alarm systems. The increase in costs is due to an increase in the cost allocation base (from 77% to 95%).

Represented by the costs of transport services with 4 vehicles servicing the production facilities of the Kenkiyak-Kumkol oil pipeline.

Represented by the actual costs of maintenance and current repair of air conditioning and climate control systems.

Represented by services for the maintenance and current repair of the OQMS, in order to ensure the constant operability of the OQMS "Kenkiyak" and the OQMS "Kumkol" and its constituent groups of equipment and measuring instruments.

The costs are represented by services for the provision of: 1) telephone communication through the Kenkiyak-Kumkol main oil pipeline; 2) satellite communication services in the field; 3) Internet access for the Kenkiyak-Kumkol main pipeline. The increase in costs is due to an increase in the cost allocation base (from 77% to 95%).

The costs are represented by the actual expenses for accommodation and meals for shift workers, in accordance with the agreement for the provision of accommodation and food at the Kumkol field.

Insurance payments include: 1) Compulsory insurance of an employee against accidents at work; 2) Civil liability insurance of facility owners; 3) Environmental insurance. The increase in costs is due to the increase in the cost of services and the increase in the cost allocation base (from 77% to 95%).

Represented by the costs of training production personnel (7 people) in industrial safety, in accordance with Article 79 of the Law of the Republic of Kazakhstan "On Civil Protection" and training of 2 employees at KBTU.

The labor costs of the AMP include the payroll, taking into account income tax and contributions to the savings pension fund, vacation pay. Costs are represented by wage costs for the actual average number of employees in the amount of 140 people. The increase in costs is due to an increase in the cost allocation base (from 30% to 35%).

Social tax is represented by actual costs in accordance with the Tax Code of the Republic of Kazakhstan. The increase in costs is due to an increase in the cost allocation base (from 30% to 35%).

Represented by the actual costs of 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.

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). The increase in expenses is due to an increase in the cost of fixed assets, as a result of the revaluation of fixed assets and an increase in the cost allocation base.

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 increase in costs is due to an increase in the cost allocation base (from 30% to 35%).

Represented by actual expenses for transport services with vehicles servicing the administrative and management personnel of the Partnership. The increase in costs is due to an increase in the cost allocation base.

Represented by the costs of training and advanced training of employees of the AMP of the Partnership. The increase in expenses is due to an increase in the number of trainees, since in 2020-2021, due to the fact that the employees of the Partnership were working remotely and in order to prevent the spread and development of the coronavirus infection COVID-19 among the employees of the Partnership, training was reduced.

The item is represented by services for the publication of information materials in the media distributed on the territory of the Republic of Kazakhstan. The increase in costs is due to an increase in the cost allocation base.

Expenses are represented by actual expenses in accordance with the provisions of the Regulation "On business trips of employees of the Partnership (CS IMS 17/4-01-018), approved by the Supervisory Board of KCP LLP dated August 27, 2018 No. 1. Increase in expenses due to an increase in the cost of services and the number of trips.

Represented by the actual costs for the provision of international, long-distance communication services, Internet access, monthly payment for the provision of intracorporate telephone connections.

Taxes are represented by actual costs in accordance with the Tax Code of the Republic of Kazakhstan. The increase in expenses is due to the increase in the cost of fixed assets as a result of the revaluation and the cost allocation base.

Represented by the costs of notary, information services, ISO costs, write-offs of office supplies, maintenance of office equipment and software, insurance, courier services, maintenance of administrative buildings, outstaffing services. The increase in expenses is due to an increase in the cost of services and an increase in the base for the allocation of costs for the maintenance of office equipment and software, insurance, maintenance of administrative buildings, and outstaffing services.

Represented by interest expenses under a loan agreement dated June 27, 2018 in the amount of USD 540 million with ICBC Limited obtained by refinancing existing loans in order to reduce the financial burden and ensure the financial stability of the Partnership, as well as expenses for arranging of the loan. In the approved TE, interest expenses were provided for in the amount of 9,122,000 US dollars, in fact, expenses amounted to 7,363,600 US dollars. The decrease is due to the partial early repayment of the loan in the amount of 80 million US dollars. In general, the increase in expenses for the payment of interest is due to the growth of the dollar exchange rate (when approved, the exchange rate was taken at the level of 380 tenge, the actual rate was 460 tenge) and the growth of the cost allocation base, as well as due to an increase in the LIBOR 6M rate from 1, 9207% (upon approval of the tariff) to 3.39271% at the time of principal payment.

The decrease in profits is due to an increase in costs associated with an increase in the cost of services and an increase in the share of distribution of costs to the domestic market.

cm, which is 99.7%. A daily oil balance is maintained,
ontrol over the quality and quantity of oil is carried out by