

Annual activity report of Kazakhstan-China Pipeline LLP for consumers and other concerned parties

In accordance with the Law of the Republic of Kazakhstan "On natural monopolies" Kazakhstan-China Pipeline LLP annually makes the activity report to consumers and other concerned parties in the form of a hearing. The principles of annual reports are the publicity, transparency of activities of a natural monopoly entity (NME), as well as balancing the interests of consumers and natural monopoly entities. The annual report includes the following information:

1) on execution of investment programs and (or) investment projects, including those approved by an authorized body

No.	Actions pursuant to the investment program	Measuring unit	Stipulated*	Fact	Deviation in %
1	Shalkar PS construction	thousand tenge	11 835 242,4	0	-100%
2	#4 PS construction	thousand tenge	6 548 674,9	0	-100%
3	External power supply construction	thousand tenge	4 430 669,2	0	-100%
	Total:	thousand tenge	22 814 586,5	0	-100%

* Figures from the Investment Program of the Partnership for 2015-2019 approved by the joint order of the Committee on regulation of natural monopolies and protection of competition under the Ministry of National Economics of the Republic of Kazakhstan No.129-ОД dated 30.03.2015 and of the Ministry of Energy of the Republic of Kazakhstan No.267 dated 02.04.2015

[Reference:](#) NME information on execution of the investment program pursuant to form - attachment 3 of the Rules for approval of investment programs (projects) of a natural monopoly entity, their adjustment, and analysis of information on their fulfillment, approved by order No.194 of the Minister of National Economics of the Republic of Kazakhstan dated 30.12.2014

2) on main financial and economic performance indicators for the reporting period

No.	Item	Fact (thousand tenge)
1	Revenue	63 232 609
2	Self-cost of services	-29 951 023
3	Gross profit	33 281 586
4	Administrative expenses	-3 049 107
5	Other income (balanced)	-1 732 350
6	Total operational profit	28 500 129
7	Financing expenses (balanced)	-12 661 958
8	Pre-tax income/(loss)	15 838 171
9	Saving/(expenses) on income tax	-3 387 684
10	Net profit	12 450 487

[Reference:](#) Profit and loss account pursuant of the form approved by order No.143 of the Minister of Finance of the Republic of Kazakhstan dated 27.02.2015

3) on scopes of provided regulated services for the reporting period

No.	Tariff estimate indicators	Measuring unit	Stipulated*	Fact	Deviation in %
1	Volume of transported oil	thousand tons	5 399	4 264	-21%
2	Cargo turnover	mln tons/km	3 989	3 232	-19%

* Figures from the tariff estimate for the regulated service on oil transportation through Kenkiyak-Kumkol crude oil pipeline of Kazakhstan-China Pipeline LLP to the domestic market, approved by order No.343-O/D of the Chairman of the Committee on Regulation of Natural Monopolies and Protection of Competition under the Ministry of National Economics of the Republic of Kazakhstan dated 20.08.2015

4) on work conducted with consumers of regulated services

In the reporting period there were 12 contracts signed with the consumers in respect of Kenkiyak-Kumkol pipeline. At that the cargo turnover at Kenkiyak-Kumkol pipeline was 3 232 million tons while 3 989 million tons were approved in the tariff estimate, which is 81%. The daily oil balance is maintained, pumping data is processed, based on which the accounting of commercial oil operations is monitored, the interaction of the delivering and receiving parties is coordinated. Control over the quality and quantity of oil is carried out by the Partnership with the involvement of a third-party organization, KazTransOil JSC. In order to assess customer satisfaction, during the reporting period the Partnership conducted a questionnaire survey of consumers to improve the quality of services provided. The questionnaires were sent to the consumers for filling in. The questionnaires received from all consumers showed a high quality of services provided by the Partnership and amounted to 98% of the 100%

[Reference:](#) Consumer survey questionnaires of Kazakhstan-China Pipeline LLP

5) on clause-by-cause execution by an approved body of an authorized agency of the tariff estimate for the reporting period

Execution of the tariff estimate for the regulated service on oil transportation through the Kenkiyak-Kumkol pipeline of Kazakhstan-China Pipeline to the domestic market in 2017

No.	Tariff estimate indicators	Measuring unit	Provided in the approved tariff estimate	Actual tariff estimate figures	Deviation in %
I	Costs for production of goods and provision of services	thousand tenge	9 021 427	8 778 158	-2,7%
	including:				
1	Material costs, total	-//-	185 886	67 958	-63,4%
	including:				
1.1	raw and other materials	-//-	1 932	32 290	1571,0%
1.2	fuel and lubricants	-//-	1 384	1 593	15,1%
1.3	energy	-//-	182 569	34 075	-81,3%
2	Labour costs, total	-//-	120 433	127 061	5,5%
	including:	-//-			
2.1	salary	-//-	109 584	115 626	5,5%
2.2	social tax	-//-	10 849	11 435	5,4%
3	Amortization	-//-	4 772 894	4 210 509	-11,8%
4	Repair, total	-//-	75 941	91 615	20,6%
	including:				
4.1	major overhaul that does not increase the cost of fixed assets	-//-	75 941	91 615	20,6%
5	Other expenses, total	-//-	3 866 274	4 281 015	10,7%
	including:				
5.1	security and fire protection	-//-	291 679	330 779	13,4%
5.2	other expenses, total	-//-	3 574 595	3 950 236	10,5%
	including				
5.2.1	aircraft services	-//-	73 428	64 312	-12,4%
5.2.2	operation and maintenance services	-//-	1 779 969	2 468 597	38,7%
5.2.3	metrology	-//-	3 771	3 608	-4,3%
5.2.4	diagnostic work	-//-	0	0	
5.2.5	maintenance of metering equipment and devices	-//-	20 490	16 696	-18,5%
5.2.6	maintenance of communication systems	-//-	78 319	120 313	53,6%
5.2.7	taxes and fees	-//-	1 525 835	1 125 180	-26,3%
5.2.8	monitoring and protection of environment	-//-	4 157	18 463	344,2%
5.2.9	costs for maintenance of security and fire alarm	-//-	32 764	48 260	47,3%
5.2.10	routine repair and maintenance of vehicles	-//-	1 851	7 833	323,3%
5.2.11	maintenance and repair of office equipment, software and climate control systems	-//-	10 948	18 488	68,9%
5.2.12	routine repair and maintenance of oil metering equipment	-//-	20 129	32 320	60,6%
5.2.13	communication services	-//-	18 803	17 748	-5,6%
5.2.14	accommodation of shift	-//-	974	2 769	184,2%
5.2.15	insurance	-//-	1 948	2 334	19,8%
5.2.16	training and qualification upgrade	-//-	1 208	3 316	174,4%
II	period expenses, total	-//-	1 660 536	8 034 605	383,9%
	including:				
6	General and administrative expenses	-//-	443 165	661 352	49,2%
	including:	-//-			
6.1	salaries of administrative personnel	-//-	207 186	239 325	15,5%
6.2	social tax	-//-	20 511	23 717	15,6%
6.3	bank services	-//-	2 036	1 354	-33,5%
6.4	amortization	-//-	19 762	24 407	23,5%
6.5	third party services, total	-//-	3 058	5 815	90,2%
	including:				
6.5.1	purchase of fuel and lubricants	-//-	1 379	1 654	19,9%
6.5.2	transportation services	-//-	1 679	4 161	147,9%
6.6	travel expenses	-//-	24 649	33 754	36,9%
6.7	communication services	-//-	3 003	3 076	2,4%
6.8	taxes	-//-	29 466	28 419	-3,6%

6.9	other costs, total	-//-	133 494	301 484	125,8%
	including:		0		
6.9.1	audit services	-//-	3 748	6 305	68,2%
6.9.2	legal services	-//-	905	1 647	82,0%
6.9.3	notary services	-//-	320	432	34,8%
6.9.4	consulting services	-//-	2 087	4 761	128,1%
6.9.5	maintenance of office equipment and software	-//-	2 283	4 231	85,3%
6.9.6	insurance	-//-	514	679	32,1%
6.9.7	courrier services, mail	-//-	572	416	-27,3%
6.9.8	maintenance of administrative buildings		4 788	7 485	56,3%
6.9.9	financing expenses	-//-	118 276	275 528	133,0%
7	Loan interest costs	-//-	1 217 370	7 373 253	505,7%
III	Total costs for services	-//-	10 681 962	16 812 763	57,4%
IV	Income (foregone)	-//-	12 915 857	2 304 624	-82,2%
V	Total income	-//-	23 597 819	19 117 388	-19,0%
VI	Scope of rendered services	thousand tons	5 399	4 264	-21,0%
VII	Normative technical losses	thousand tons	4,29	3,17	-26,1%
VIII	Cargo turnover	mln tons/km	3 989	3 232	-19,0%
IX	Tariff for the domestic market (without VAT)	tenge/1 ton for 1000km	5 915,71	5 915,71	0,0%

6) Business prospects (development plans), including potential changes of tariffs for regulated services

- 1) Increase of economic efficiency of Partnership activities through reduction of cost loading;
- 2) Optimization of business processes through automation implementation.