

# AN ANNUAL REPORT ON OPERATIONS OF THE NATURAL MONOPOLY ENTITY MUNAITAS NWPC LLP for the year 2024

## 1. General information.

MunaiTas NWPC LLP (hereinafter referred to as the Company) was established on December 11, 2001 in order to implement the Kenkiyak-Atyrau oil pipeline construction and operation project.

Since January 2004, the Company has been included in the State Register of Natural Monopoly Entities of the Republic of Kazakhstan.

Since July 24, 2018 MunaiTas NWPC JSC has been reorganized by converting into MunaiTas North-West Pipeline Company LLP (hereinafter referred to as MunaiTas NWPC LLP, Partnership).

The Participants of the Partnership are:

- KazTransOil JSC (51%);
- CNPC Exploration and Development Company Ltd. (49%).

The core operation of the Partnership is the provision of oil transportation services through the Kenkiyak-Atyrau trunk pipeline in the western and eastern directions.

Since July 1, 2021 the possibility of oil transportation in the reverse direction from Atyrau to Kenkiyak has been realized.

In 2011, the ARNM order dated November 7, 2011 approved a specific tariff in the amount of 5912 tenge per 1 ton per 1000 km. The tariff has been in effect since April 1, 2012.

The current tariff estimate of the Partnership was approved by the order of 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 by Order No. 132-OD dated November 26, 2021.

## 2. On the implementation of the approved investment program of the Partnership.

By the Joint Order of the Ministry of Energy of the Republic of Kazakhstan dated April 29, 2016 and the CRNM on April 14, 2016 the Partnership's Investment Program for 2016-2020 was approved.

The Investment Program includes investments within the framework of the Reverse Project for a total amount of 22.5 billion tenge.

The project was approved by the Participant from the Chinese side only in May 2018. On the Kazakhstan side, the Reverse Project was also approved in 2018 by the decisions of the Investment Committees of KazTransOil JSC, KazMunaiGas NC JSC and Samruk-Kazyna JSC.

The actual costs for the implementation of the Reverse Project in the period from 2016 to 2024 amounted to 30.8 billion tenge.

The Partnership does not have an investment program for 2024, while starting in 2021, depreciation charges and profits will be directed to new production facilities and to maintain current production, as well as to cover the actual cost of the tariff estimate.

## 3. On the item-wise execution of the approved tariff estimates of the Partnership.

No.	Description of the indicator of the tariff estimate	UoM	Included into approved tariff estimate	Actual indicator of tariff estimate	Variation, in %	Reasons of variation
1	2	3	4	5	6	7
I	Costs of production of goods and provision of services, total, including:	thous. tenge	4 014 877	8 783 360	219%	
1.	Wages costs, including total:	-//-	96 824	333 814	345%	Actual, in accordance with the labor legislation of the Republic of Kazakhstan. The report reflects the costs of Wages fund according to the list of costs determined by the Rules for the formation of tariffs, approved by the Order of the Minister of National Economy of the Republic of Kazakhstan dated 19.11.2019 No. 90.
1.1.	wages	-//-	89 034	298 897	336%	
1.2.	social tax and social deductions		7 790	34 917	448%	

No.	Description of the indicator of the tariff estimate	UoM	Included into approved tariff estimate	Actual indicator of tariff estimate	Variation, in %	Reasons of variation
2	Depreciation	-//-	1 871 666	3 237 022	173%	After depreciation of the FA and the IA is calculated at the net-cost of oil transportation services
3	Repairs that do not lead to an increase in the cost of fixed assets	-//-	23 758	25 663	108%	Upon repair of defects of the Kenkiyak-Atyrau TOP indicated in 2024
4	Other expenses, total including:	-//-	2 022 629	5 186 861	256%	Deviation from the approved indicators due to rising prices for purchased goods and services. The growth of the consumer price index in the Republic of Kazakhstan has amounted to 273% since 2012.
4.1.	satellite communication services	-//-	1 044	17 825	1707%	Actual, according to the concluded contract for satellite communication services
4.2.	insurance	-//-	1 175	131 583	11199%	Actual, in accordance with concluded contracts for the services of employee accident insurance, Civil Liability to third parties and environmental insurance
4.3.	operator services	-//-	1 471 455	3 757 913	255%	Actual, in accordance with concluded contract
4.4.	non-departmental and fire protection	-//-	296 861	526 890	177%	Actual, in accordance with concluded contracts
4.5.	technical maintenance of S&PAS (security and perimeter alarm system)	-//-	32 272	44 948	139%	Actual, in accordance with concluded contract for the services of technical maintenance of security and perimeter alarm system
4.6.	Other costs, total, including:	-//-	219 822	707 701	322%	
4.6.1.	aviation services	-//-	34 363	34 370	100%	Actual, in accordance with concluded contract
4.6.2.	technical maintenance of production technological communication system	-//-	58 442	99 403	170%	Actual, in accordance with concluded contract for the services of technical maintenance of production technological communication system
4.6.3.	technical maintenance of oil metering stations	-//-	24 162	32 400	134%	Actual, in accordance with concluded contracts for technical maintenance of oil metering stations
4.6.4.	environment protection	-//-	6 246	45 798	733%	Actual, in accordance with concluded contracts for environment protection
4.6.5.	labor protection	-//-	13 402	52 935	395%	Actual, in accordance with concluded contracts for occupational safety
4.6.6.	services of emergency rescue service	-//-	51 000	87 561	172%	Actual, in accordance with concluded contract
4.6.7.	energy	-//-	32 207	355 234	1103%	Actual, in accordance with concluded contracts
II	Expenses of the period	-//-	1 119 942	2 184 367	195%	
5	General and administrative expenses, total including:	-//-	1 119 942	2 184 367	195%	
5.1.	administrative personnel wages	-//-	300 163	503 918	168%	Actual, in accordance with the labor legislation of the Republic of Kazakhstan. The report reflects the costs of Wages fund according to the list of costs determined by the Rules for the formation of tariffs, approved by the Order of the Minister of National Economy of the Republic of Kazakhstan dated 19.11.2019 No. 90.
5.2.	Social tax and social deductions	-//-	26 264	86 476	329%	
5.3.	Services of third parties, total including:	-//-	49 680	436 053	878%	
5.3.1.	auditing services	-//-	28 010	37 605	134%	Actual, in accordance with concluded contracts for auditing services
5.3.2.	consulting-informative	-//-	3 128	331 815	10608%	Actual, in accordance with concluded contracts for consulting and information services
5.3.3.	repair and maintenance of FA and IA	-//-	18 542	66 632	359%	Actual, in accordance with concluded contracts for FA and IA maintenance and repair
5.4.	Business trip costs	-//-	13 628	48 246	354%	Actual in accordance with the RoK labor legislation
5.5.	Communication, internet, postal services	-//-	13 085	12 776	98%	Actual, in accordance with concluded contracts for communication
5.6.	Tax payments and fees, total including:	-//-	369 993	492 799	133%	

No.	Description of the indicator of the tariff estimate	UoM	Included into approved tariff estimate	Actual indicator of tariff estimate	Variation, in %	Reasons of variation
5.6.1.	property tax	-//-	368 840	490 721	133%	Actual, in accordance with RoK tax legislation, an increase due to the commissioning of new fixed assets in 2021
5.6.2.	vehicles tax	-//-	0	0	-	
5.6.3.1.	land tax	-//-	581	581	100%	Actual, in accordance with RoK tax legislation
5.6.3.2.	payment for radio frequency usage	-//-	398	973	244%	Actual, in accordance with RoK tax legislation
5.6.3.3.	payment for land plots usage	-//-	124	252	203%	Actual, in accordance with RoK tax legislation
5.6.3.4.	payments for environment pollution	-//-	50	272	544%	Actual, in accordance with RoK tax legislation
<b>5.7.</b>	<b>Other costs, including:</b>	-//-	<b>104 525</b>	<b>302 073</b>	<b>289%</b>	
5.7.1.	insurance	-//-	1 492	14 925	1000%	Actual, in accordance with the legislation of the Republic of Kazakhstan on compulsory social health insurance
5.7.2.	stationery	-//-	375	2 136	569%	Upon write-off, purchase according to concluded contracts
5.7.3.	office rental	-//-	102 658	285 013	278%	Actual, in accordance with concluded contracts for offices rental
<b>5.8.</b>	<b>Other costs, including:</b>	-//-	<b>242 604</b>	<b>302 027</b>	<b>124%</b>	
5.8.1	costs for human resources professional training	-//-	1 525	16 201	1062%	Upon write-off, payment is made according to the concluded agreements
5.8.2.	transportation costs	-//-	218 880	263 911	121%	Actual, in accordance with concluded contract
5.8.3.	bank services and commissions	-//-	319	862	270%	Actual, in accordance with the current STB tariffs
5.8.4.	AMS depreciation	-//-	21 880	21 052	96%	Upon the fact of depreciation of the FA GAE
<b>III</b>	<b>Total costs</b>	-//-	<b>5 134 819</b>	<b>10 967 727</b>	<b>214%</b>	
<b>IV</b>	<b>Profit</b>	-//-	<b>3 680 316</b>	<b>2 236 943</b>	<b>61%</b>	According to the Partnership's audited financial statements for 2024
V	Total income	-//-	<b>8 815 135</b>	<b>14 158 058</b>	<b>161%</b>	According to cargo turnover in 2024
<b>VI</b>	<b>The scope of performed services</b>	thous. tones	<b>3 828</b>	<b>5 791</b>	<b>151%</b>	According to the actual indicators in accordance with the schedules of the Ministry of Energy of the Republic of Kazakhstan. An increase from 2021 due to the commissioning of the Aman OPS
VII	Cargo turnover	mln. tkm	<b>1 491,05</b>	<b>2 395</b>	<b>161%</b>	
VIII	<b>Specific tariff (excl. VAT)</b>	<b>tenge/1 ton per 1000 km.</b>	<b>5 912</b>	<b>5 912</b>	<b>100%</b>	Tariff according to the approved level

#### **4. On compliance with the quality and reliability indicators of regulated services.**

The quality and reliability indicators of regulated services have not been approved by the Authorized Body.

#### **5. On the achievement of performance indicators of a natural monopoly entity**

The performance indicators of the natural monopoly entity have not been approved by the Authorized Body.

#### **6. On the main financial and economic indicators of the Partnership's operations during the reporting period.**

During the reporting period, the Partnership's **income** amounted to 17.9 billion tenge, including:

- for core operations – 14.2 billion tenge;
- for income from financing – 2.0 billion tenge;
- for other income – 1.7 billion tenge.

The Partnership's **expenses** by the end of 2024 were formed at the level of 14.9 billion tenge, including:

- production costs (net cost) – 10.1 billion tenge;
- administrative expenses – 2.2 billion tenge;
- financing costs – 0.8 billion tenge;
- other expenses amounted to 1.8 billion tenge.

The works and services related to the technical maintenance and servicing of the pipeline were carried out in accordance with the concluded contracts.

During the reporting period, **corporate income tax** expenses amounted to KZT 0.76 billion. **The total profit** for the reporting period amounted to 2.2 billion tenge.

#### **Main balance sheet indicators for 2024.**

**The cash balance** at the end of 2024, including deposits, amounted to 20.4 billion tenge.

**The balance sheet currency** for the reporting period was formed in the amount of 62.3 billion tenge, the largest part of which is in long-term assets – 41.3 billion tenge, short-term assets – 22.0 billion tenge.

**The balance sheet's liabilities** for the reporting period was formed in the amount of 62.3 billion tenge, and are mainly formed by equity in the amount of 47.8 billion tenge. Short-term (3.9 billion tenge) and long-term (10.6 billion tenge) liabilities consist of short-term accounts payable, reserves for the liquidation of the trunk oil pipeline and deferred tax liabilities.

Financial and economic indicators are reflected in detail in the Partnership's financial statements for 2024. The financial statements of the Partnership have been prepared in accordance with International Financial Reporting Standards and have been confirmed by an independent auditor's report.

#### **7. On the scope of regulated services provided during the reporting period.**

During the reporting period, 5 791 thousand tons of oil (net) were transported, including:

- 1 171 thousand tons for export;
- 4 620 thousand tons for the domestic market.

Thus, the ratio is 79.78% for the domestic market and 20.22% for exports.

The total cargo turnover for the reporting period amounted to 2,395 million tons\*km, including 19.08% for export and 80.92% for the domestic market.

#### **8. On ongoing work with clients for regulated services.**

The main work with clients for regulated services is to provide shippers with an equal opportunity to transport oil through the Kenkiyak-Atyrau trunk oil pipeline, in accordance with the concluded contracts.

**The quality of the services provided is ensured by:**

- the use of modern methods of measuring the amount of oil in the process (OMS is a mass method, i.e. keeping records of oil by mass, not by volume);
- non-departmental and fire protection of trunk oil pipeline facilities;
- operational control over the operation of the oil pipeline (SCADA system, S&PAS);
- periodic diagnostics of the trunk oil pipeline facilities, which makes it possible to determine the spatial position of the pipeline with reference to the coordinates of the detected defects with an accuracy of 0.5 meters.

**9. On business prospects (development plans) of the Partnership, including possible changes in tariffs for regulated services.**

**The main objectives for the year 2025 are as follows:**

- Ensuring safe and uninterrupted transportation of oil through the Kenkiyak-Atyrau trunk oil pipeline;
- Organization and coordination of labor protection activities, provision of preventive work to prevent occupational injuries;
- Approval of the tariff for regulated oil transportation through the Kenkiyak-Atyrau trunk pipeline to the domestic market of the Republic of Kazakhstan for 2025-2030, taking into account the incentive method of tariff regulation;
- Implementation of the approved investment program of the Partnership in order to improve the quality and reliability of the services provided;
- Ensuring control over compliance with budgetary discipline.