

A stylized illustration of a pink hand holding a brown pencil, positioned on the left side of the slide, pointing towards the text.

State Energy Agency under the Government of the Kyrgyz Republic

Current Situation with Tariff Setting in JSC «Kyrgyzgas»

*Pricing and Tariff Department
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Restructuring of JSC «Kyrgyzgas»

- Gasification Bureau «Kyrgyzgas» PU «Soiuzgas» was transformed in RPU «Kyrgyzgas» pursuant to the Decree as of September 30, 1991
- RPU «Kyrgyzgas» was transformed in GAK «Kyrgyzgasmunaizat»
- Pursuant to the decision of the general meeting of GAK «Kyrgyzgasmunaizat» shareholders JSC «Kyrgyzgas» was established



Company information

Statutory capital – 209499 thousand som.

Annual commodity turnover - >1.5 billion som.

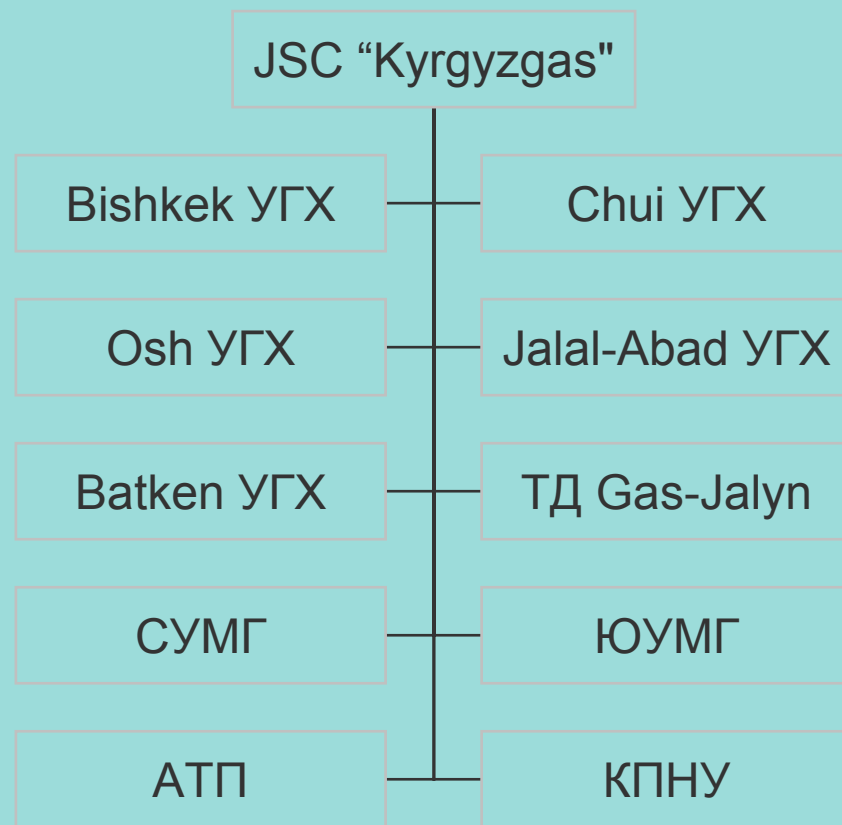
Total number of employees – 1535 persons.

**82.09% of common shares belong to the state
represented by FGI**

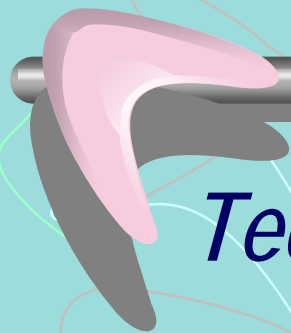
9.91% of common shares were sold to shareholders

8% transferred to the Social Fund of Kyrgyz Republic

Organization Departments of JSC «Kyrgyzgas»



Отдел цен и тарифов ГАЗ при
ПКР

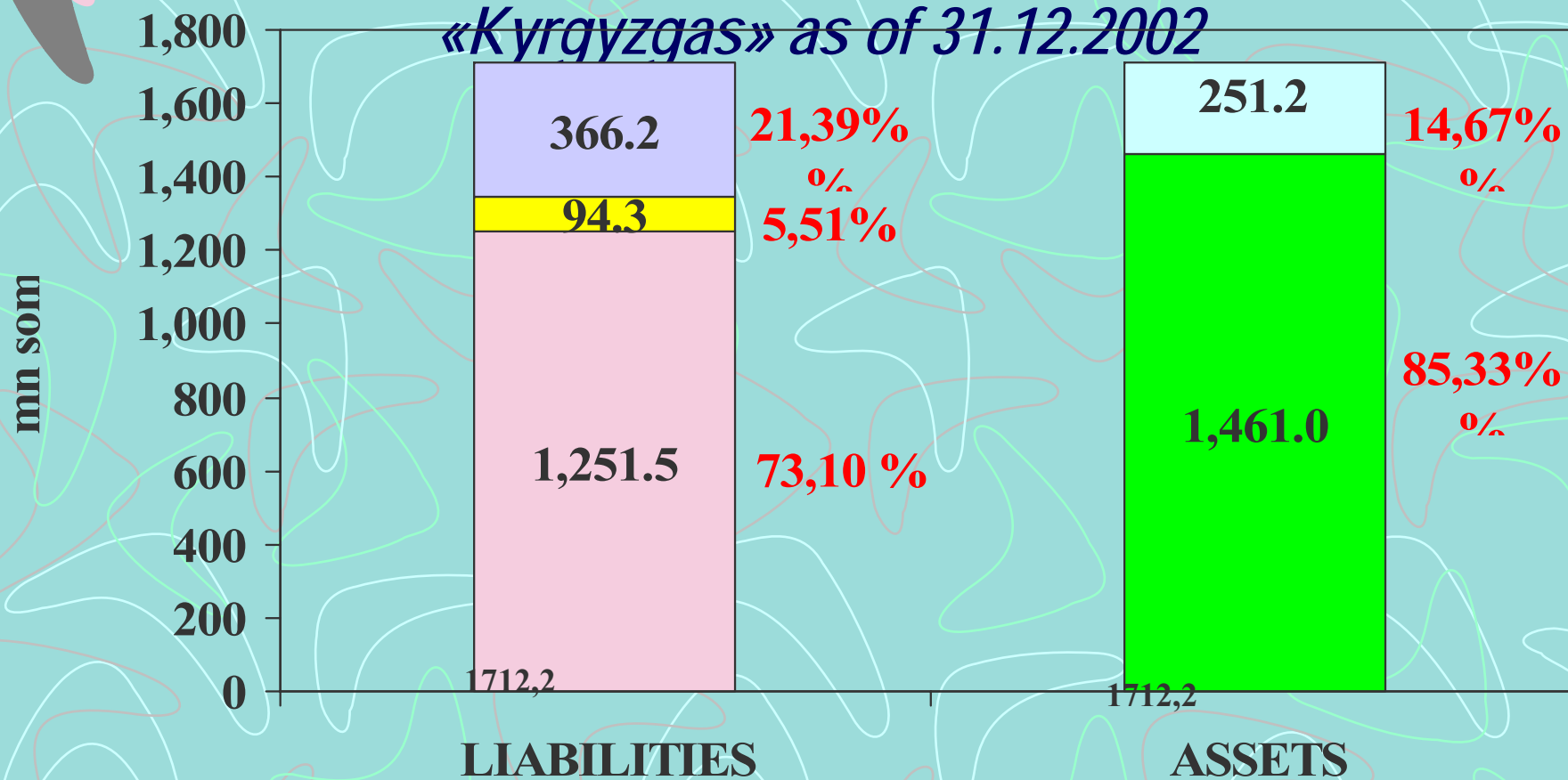


Technical Parameters of the Company

- 469.2 km of gas mains;
- 505.6 km of medium pressure gas pipelines;
- 1527.2 km of low pressure gas pipelines;
- 14.0 km of high pressure gas pipelines;
- 179 gas distribution points (GDP);
- 1596 cabinet gas distribution points (CGDP).

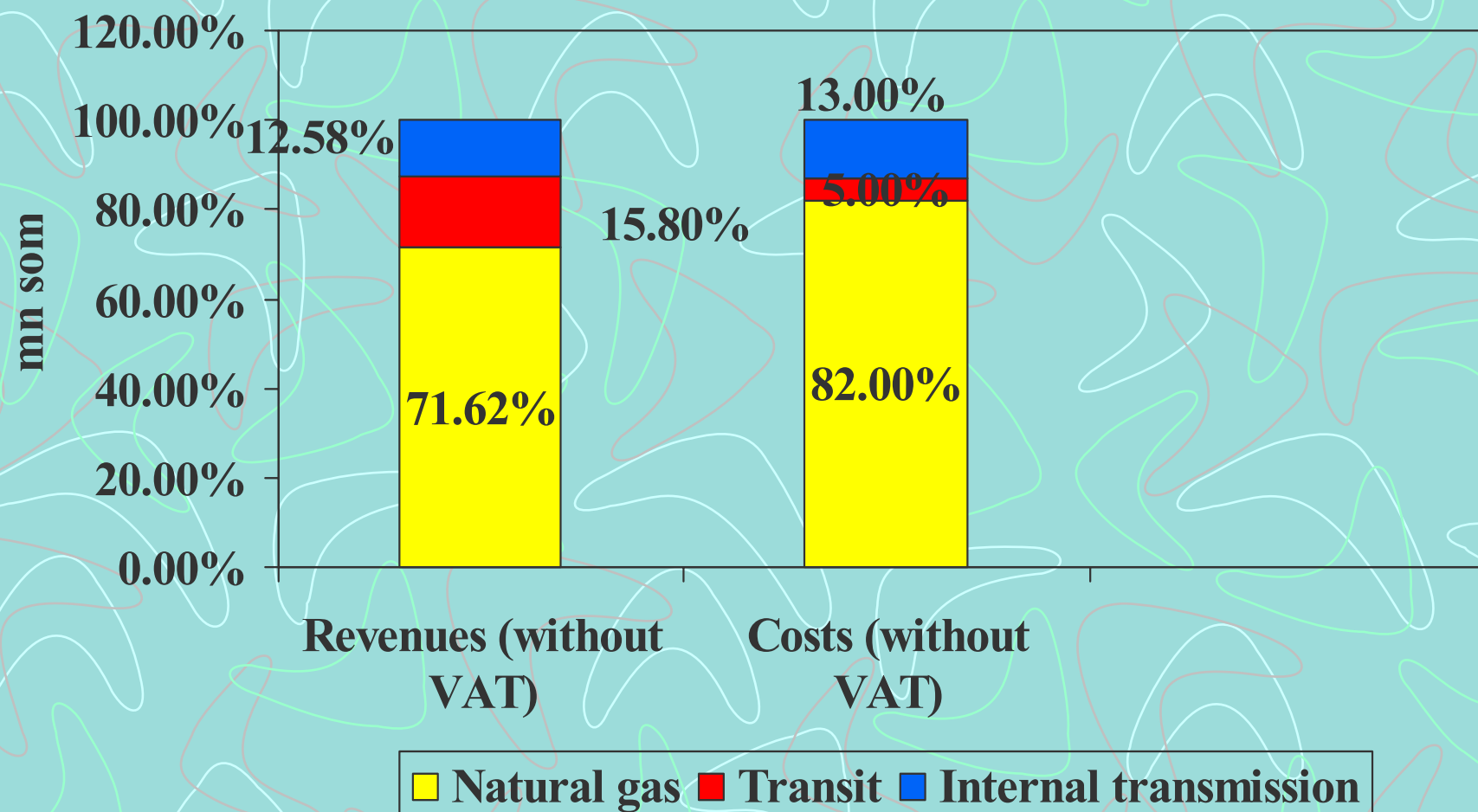
STRUCTURE OF ASSETS AND LIABILITIES OF JSC

«Kyrqyzqas» as of 31.12.2002



- Short-term liabilities
- Short-term assets
- Long-term liabilities
- Long-term assets
- Owner's equity

Revenue and Expense Structure of the Company by Types of Services and Products in 2003

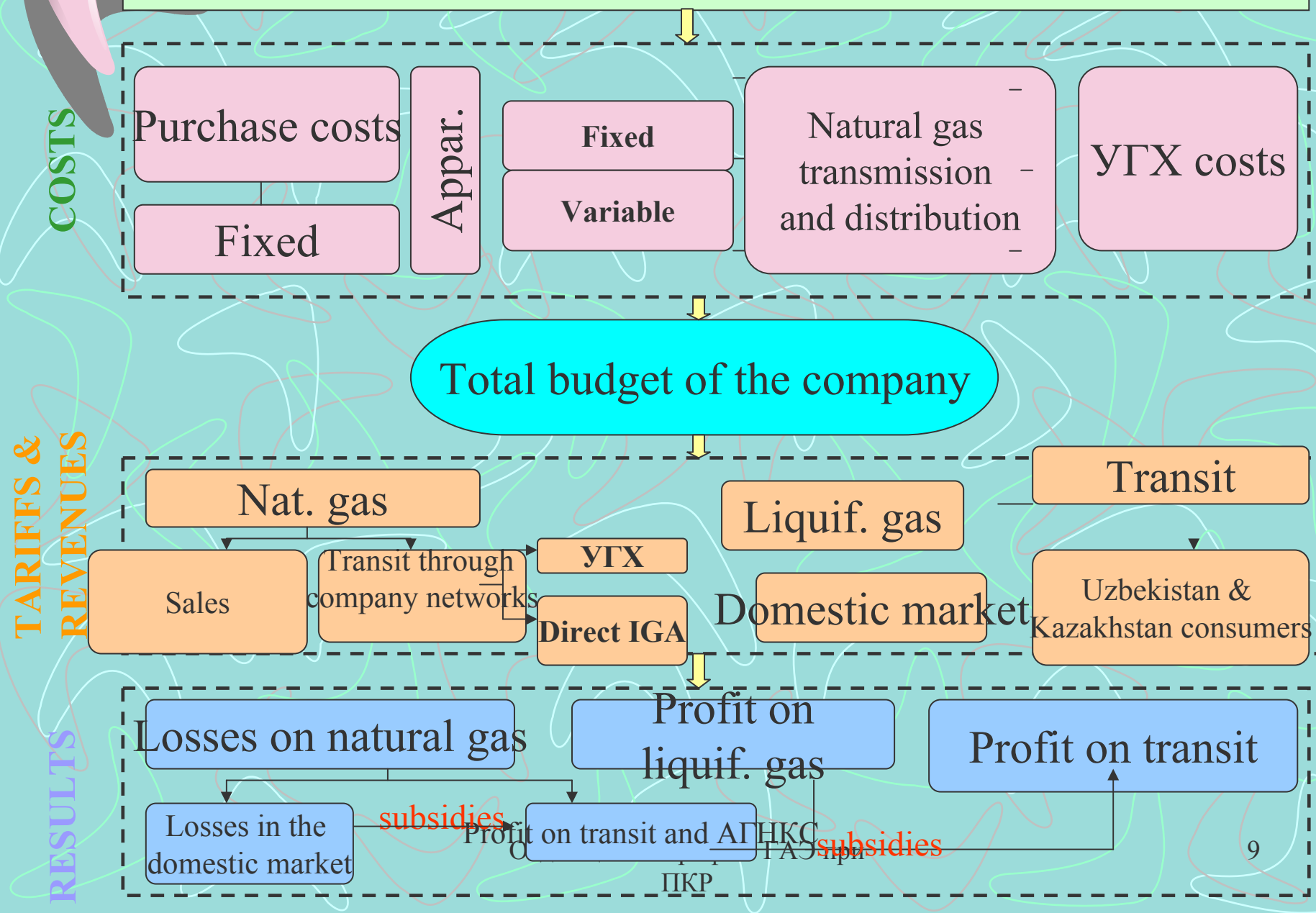


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2. Pricing

COMPANY'S PRICING PROCESS FOR NATURAL GAS

PURCHASE, TRANSMISSION VOLUMES





Subsidies

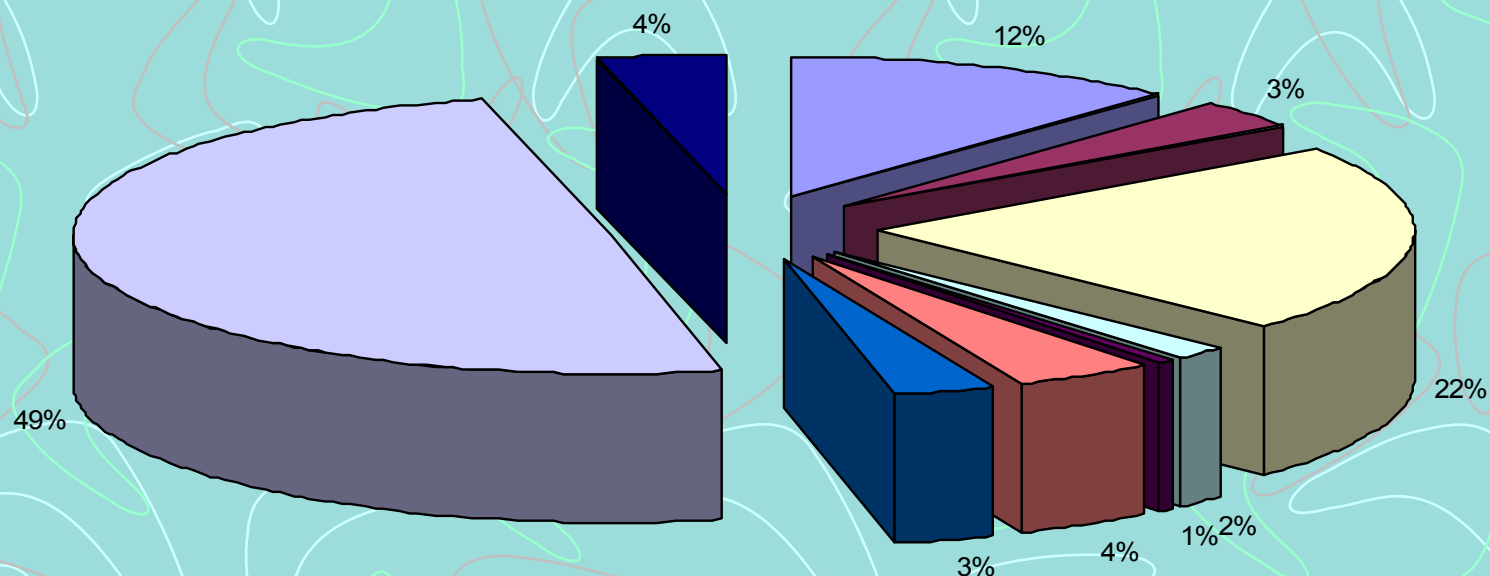
- Transit subsidizes internal market,
- Revenue from the liquefied gas - АГНКС (Automated gas-filling compressor station) subsidizes sale of natural gas
- Other consumers subsidize CHPs,
- Consumers located not far from GDPs subsidize consumers that are far from those sources, etc.



PHYSICAL ELEMENTS OF THE TARIFF FOR 2003

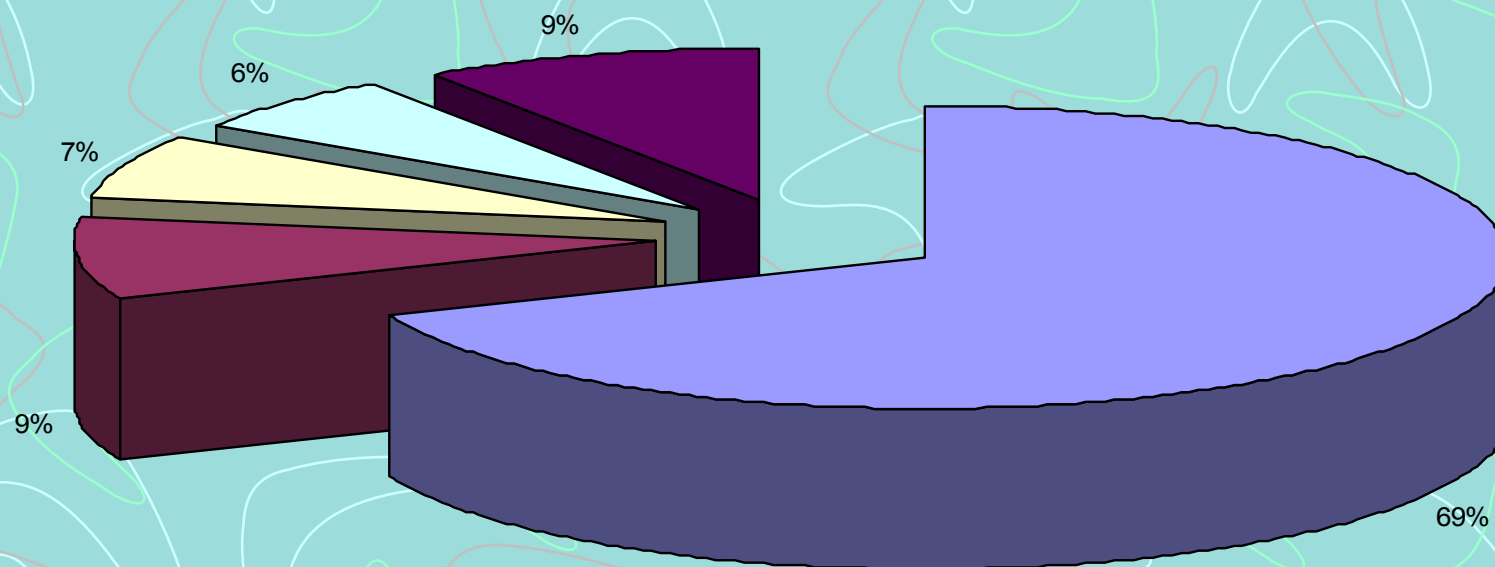
- Delivery for consumers 273.6 million m³, out of them losses - 10%
- Under intergovernmental agreements (direct contracts) 472.0 million m³, out of them losses – 5.5%
- Operating and capital expenditures of the company – 273.6 million som

Cost Structure of JSC «Kyrgyzgas» for 2003

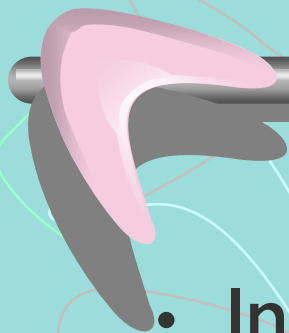


■ O&M costs ■ Administrative expenses ■ Social payments ■ Public services ■ Other costs ■ Taxes ■ Depreciation ■ Capital expenditures ■ Losses

Natural Gas Tariff Design for 2003



■ Purchase of gas ■ Transmission inside Kazakhstan 14.8% ■ Network losses ■ Capital expenditures ■ Operating costs



Tariff Reform

- Increase in prices in order to bring them closer to marginal costs that assure efficient viability of a company.
- Reduction or elimination of cross subsidies;
- Reduction of commercial and technical losses
- Improvement of collection rate, solving problem of non-payments, elimination of system drawbacks.

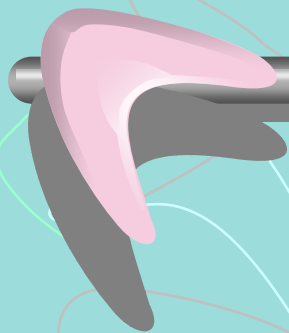


Tariff Setting in Gas Sector

- New tariff methodologies are introduced, which are aimed at better cost and revenue accounting and minimization of subsidies;

Prices tend to grow.

- Measures are taken that should improve the collection rates and reduce commercial and technical losses;
- Incentive tariff methods are applied gradually in order to reduce costs and assure balance between interests of companies and those of consumers;
- Currently, the national structure of tariffs contains cross subsidies for residential consumers at the expense of industrial consumers. It is expected that after cross subsidies are eliminated tariffs for residential consumers would increase, and for industrial consumers would decrease.

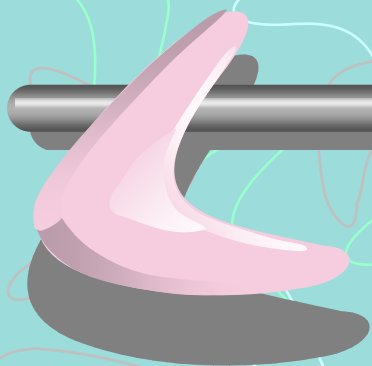


Tariffs in Future

The implemented tariff policy is not the final goal, but rather a compromise. Improvement of the tariff setting process is going on. Priority tasks include expansion of competitive markets, which should lead to:

- Reduction of costs;**
- Increase in the amount of assets and reduction of cross subsidies;**
- Active economic growth;**
- Better services for consumers in general.**

THANK YOU FOR ATTENTION



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