



CALCULATIONS OF IN-COUNTRY VALUE (LOCAL CONTENT) IN PURCHASED GOODS, WORKS AND SERVICES

25/07/2023

Karachaganak Petroleum Operating b.v.

- ❑ Legal grounds;
- ❑ Calculations of In-Country Value (Local Content) in **GOODS**;
- ❑ Calculations of In-Country Value (Local Content) in **WORKS and SERVICES.**

LEGAL GROUNDS

Item	Requirement	Notes
<p>Order of the Minister of Investments and Development of the Republic of Kazakhstan No.260 as of 20 April 2018 “On Approval of Single In-Country Value (hereinafter “ICV”) Calculation Methodology pertaining to purchased goods, works and services” with changes and amendments as of 29 April 2022 (hereinafter “Single Methodology”).</p>	<p>The Single Methodology is designed to calculate ICV (local content) pertaining to purchased goods, works and services (hereinafter “GWS”).</p>	
<p>The Agreement between KPO b.v. and the Contractor on GSW supply (Schedule F).</p>	<p>Arising Contractor’s commitments to KPO b.v. regarding submittal of the ICV (local content) report.</p> <p>Regulate the procedure and deadlines for the report submittal.</p>	<p>The frequency of the report submittal: quarterly</p> <p>The deadline for the submittal of the form by the Contractor is not later than the 5th day of the month following the accounting period.</p>

ICV (LOCAL CONTENT) IN GOODS

the value (percentage) of local materials and costs, used and borne by the supplier of GOODS for processing of GOODS, performed on the territory of the Republic of Kazakhstan, in the final value of GOODS. (*note: local content in goods is specified in the certificate «CT-KZ»*)

$$B\Omega_T = 100\% * \sum_{i=1}^n (CT_i * M_i) / S$$

where:

n – total number of item names to be delivered by supplier for the purpose of performing the contract for delivery of goods;

i – serial number of an item to be delivered by supplier for the purpose of performing the contract for delivery of goods;

CT_i – cost of an i- item;

M_i – share of the in-country value in goods specified in the "CT-KZ" certificate of origin

S – total value of the contract.

In the absence of the "CT-KZ" certificate, M_i = 0;

Example: ICV (LC) in goods

$$BЦ_T = 100\% * \sum_{i=1}^n (CT_i * M_i) / S$$

Contract on supply of different goods

Description of goods	Quantity	Price per unit of goods KZT	Total KZT	IVC (LC) as per the "CT-KZ" certificate	LC share, KZT	LC total share, %
Filter	50 ea	20000	1 000 000	40%	400 000	
Valves	20 ea	40000	800 000	60%	480 000	
Fittings	35 ea	15000	525 000	No certificate	0	
Total:			2 325 000		880 000	37.85%

$$ICV_g = 100\% * (KZT 1,000,000 * 40\% + KZT 800,000 * 60\% + KZT 525,000 * 0) / 2,325,000 = \mathbf{37.85\%}$$

ICV (LOCAL CONTENT) IN WORKS (SERVICES)

the cumulative total share of LOCAL CONTENT IN GOODS, used when performing WORKS, in the value of the Contract and (or) Kazakhstani employees' payroll in the total payroll of the WORKS (SERVICES) provider, under the contract for provision of WORKS or SERVICES, less the value of GOODS used when performing WORKS and prices of SUBCONTRACTS.

$$ВЦ_{p/y} = 100\% * \frac{\sum_{j=1}^m ((CД_j - CT_j - CCД_j) * R_j + \sum_{i=1}^n (CT_i * M_i))}{S}$$

where:

- m – total number of j-contracts entered into for performance of works (provision of services) including contracts between customer and contractor, contractor and subcontractors (co-performer);
- j - serial number of the contract entered into for performance of works (provision of services);
- CДj – value of j-contract;
- CTj – total value of goods purchased by Supplier or subcontractor under j-contract;
- CCДj – total value of subcontracting agreements signed under j-contract;
- Rj - share of payroll of Kazakhstani staff in the total payroll of Supplier or subcontractor (co-performer) personnel performing Rj-contract;
- n - total number of the names of goods purchased by Supplier or subcontractor (co-performer) under j-contract;
- i – serial number of an item purchased by Supplier or subcontractor under j-contract;
- CTi – cost of an i- item;
- Mi – share of the in-country value in goods specified in the"CT-KZ" certificate of origin;
- S – total value of the contract.
- Rj = RoK Payroll/Payroll

Example: ICV (LC) in Services

$$BЦ_{p/y} = 100\% * \frac{\sum_{j=1}^m ((CД_j - CT_j - CCД_j) * R_j + \sum_{i=1}^n (CT_i * M_i))}{S}$$

Contract on provision of ancillary services for well operations

The total contract value is **KZT 12,000,000**;

The number of the Contractor's employees is **12**, with **11** of them being citizens of RoK, and **1** non-resident;

The percentage of the RoK citizens in the total number of personnel is **91.67%**;

The percentage of the RoK citizens in the total payroll (RoK Payroll/Payroll) is **83%**;

Subcontractor – **none**.

ICVs = $100\% * (CД_j * R_j) / S = (\text{Total contract value} * \text{payroll percentage}) / \text{Total contract value} = 100\% * ((\text{KZT } 12,000,000 * 83\%) / \text{KZT } 12,000,000) = \mathbf{83\%}$.

Example: ICV (LC) in Services

$$BI_{p/y} = 100\% * \frac{\sum_{j=1}^m ((CD_j - CT_j - CCD_j) * R_j + \sum_{i=1}^n (CT_i * M_i))}{S}$$

Contract on provision of ancillary services for well operations

The total contract value is **KZT 12,000,000, of which:**

- The Contractor provided the Services for the amount of **KZT 9 800 000;**
- Subcontractor provided Services for the amount of **KZT 2,200,000;**

The number of the Contractor's employees is **12**, with **11** of them being citizens of RoK, and **1** non-resident;

The percentage of the RoK citizens in the total number of personnel is **91.67%**;

The percentage of the RoK citizens in the total payroll (RoK Payroll/Payroll) is **83%**.

Subcontractor – **yes**;

The number of the Subcontractor's employees is **5**, with **3** of them being citizens of RoK, and **2** non-residents;

The percentage of the RoK citizens in the total number of the Subcontractor's personnel is **60%**;

The percentage of the RoK citizens in the total payroll Subcontractor(RoK Payroll/Payroll) is **40%**.

$$ICVs = 100\% * (CD_j - CCD_j) * R_j + (CD_j * R_j) / S = 100\% * ((KZT 12,000,000 - KZT 2,200,000) * 83\% + (2,200,000 * 40\%)) / 12,000,000 = \mathbf{75.11\%}.$$

Example: IVC (LC) in Works

$$BII_{p/y} = 100\% * \frac{\sum_{j=1}^m ((C_{Dj} - CT_j - CC_{Dj}) * R_j + \sum_{i=1}^n (CT_i * M_i))}{S}$$

Contract on Civil Construction Works

The total contract value is KZT 25,000,000, of which: construction services – KZT 14,700,000, goods – KZT 10,300,000;

The number of the Contractor's employees is **45**, with **43** of them being citizens of RoK, and **2** non-residents;

The percentage of the RoK citizens in the total number of personnel is 95.56%;

The percentage of the RoK citizens in the total payroll (RoK Payroll/Payroll) is **90%**;

Subcontractor – **none**.

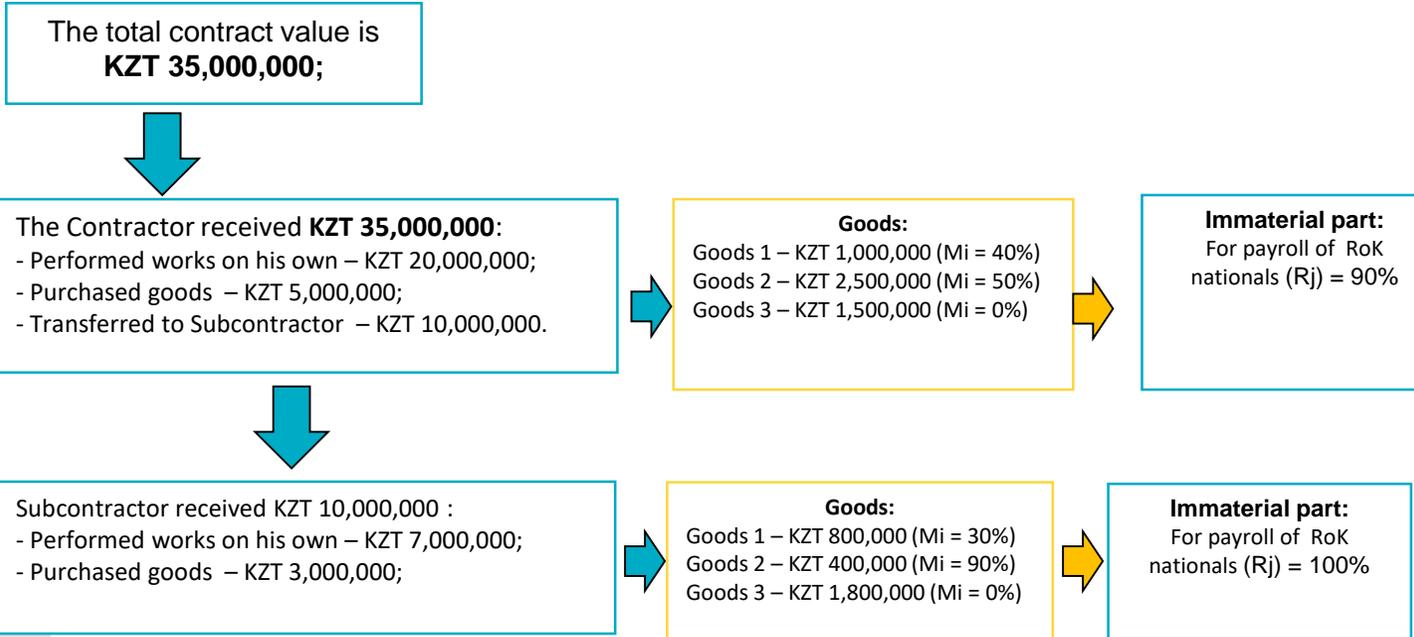
Description of goods	Quantity	Price per unit of goods KZT	Total KZT	LC percentage as per the "CT-KZ" certificate	LC share, KZT	LC total share, %.
Cement	200 tonnes	23 000	4 600 000	100%	4 600 000	
Floor slabs	30 ea	70 000	2 100 000	85%	1 785 000	
Front bricks	20k ea	180	3 600 000	No certificate	0	
Total:			10 300 000		6 385 000	61.99%

$$ICVw = 100\% * (C_{Dj} * R_j) + (CT_i * M_i) / S = 100\% * ((KZT 14,700,000 * 90\%) + (10 300 000 * 61.99\%)) / 25,000,000 = \mathbf{78.46\%}.$$

Example: ICV (LC) in Works

$$BI_{p/y} = 100\% * \frac{\sum_{j=1}^m ((CD_j - CT_j - CCD_j) * R_j + \sum_{i=1}^n (CT_i * M_i))}{S}$$

Contract on Civil Construction Works



Calculation of the material part covers all goods purchased for the contract fulfilment

$$\sum CT_i * M_i$$

Contractor

$$= ((1 \text{ M} * 40\% + 2.5 \text{ M} * 50\% + 1.5 \text{ M} * 0\%) = (400\text{k} + 1.25\text{M} + 0) = 1.65 \text{ M} +$$

Sub-Contractor

$$+ (800 \text{ k} * 30\% + 400 \text{ k} * 90\% + 1.8 \text{ M} * 0\%) = (240 \text{ k} + 360 \text{ k} + 0) = 600 \text{ k} = \text{KZT 2.25 M}$$

Calculation of the immaterial part

$$\sum (VC_j - CT_j - TVS_j) * R_j$$

Contractor

$$= ((35 \text{ M} - 5 \text{ M} - 10 \text{ M}) * 90\% = (20 \text{ M} * 90\%) = 18 \text{ M} +$$

Sub-Contractor

$$+ (10 \text{ M} - 3 \text{ M}) * 100\% = (7 \text{ M} * 100\%) = 7 \text{ M} = 25 \text{ M}$$

$$ICV_w = 100\% * (2.25 \text{ M} + 25 \text{ M}) / 35 \text{ M} = 77.86\%$$

Thank you for your attention

Should you have any further queries, please do not hesitate to contact us at this email: LCReport@kpo.kz or call us on these phone numbers:

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