DOCUMENT OF THE EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT

Approved by the Board of Directors on 14 December 2022[1]

KAZAKHSTAN

KEGOC BOND

[Redacted in line with the EBRD's Access to Information Policy]

[Information considered confidential has been removed from this document in accordance with the EBRD's Access to Information Policy (AIP). Such removed information is considered confidential because it falls under one of the provisions of Section III, paragraph 2 of the AIP]

---

[1] As per section 1.4.8 of EBRD's Directive on Access to Information (2019), the Bank shall disclose Board reports for State Sector Projects within 30 calendar days of approval of the relevant Project by the Board of Directors. Confidential information has been removed from the Board report.

For the avoidance of any doubt, the information set out here was accurate as at the date of preparation of this document, prior to consideration and approval of the project.

As permitted by paragraph 2.6 of Section III of the Access to Information Policy, disclosure of this Board Report was deferred.

TABLE OF CONTENTS

Page

ABBREVIATIONS / CURRENCY CONVERSIONS

AIFC GFC	Astana International Finance Centre, Green Finance Centre	GBP	Green Bond Principles
CAGR	Compound annual growth rate	IFRS	International Financial Accounting Standards
CAPEX	Capital expenditures	ICMA	International Capital Market Association
CBI	Climate Bonds Initiative	JSC	Joint-stock company
CCY	Currency	KASE	Kazakhstan Stock Exchange
CEO	Chief Executive Officer	KEGOC	Kazakhstan Electricity Grid Operating Company
CESP	Country Economics Strategy and Policy	KREMZK	Committee on Regulation of Natural Monopolies and Protection of Competition
CFADS	Cash Flow Available for Debt Service	KZT	Kazakh tenge
CHP	Combined Heat and Power	LTS	Long Term Strategy
CIF-TAF	Climate Investment Funds Technical Assistance Facility	OGC	Office of the General Council Counsel
CIS	Commonwealth of Independent States	OHTL	Overhead transmission lines
CIT	Corporate income tax	OPEX	Operating expenditures
CPI	Consumer Price Index	p.a.	per annum
DSCR	Debt Service Coverage Ratio	PPR	Procurement Policies and Rules
EBIT	Earnings before interest and taxes	PSD	Project summary document
EBITDA	Earnings before interest, taxes, depreciation and amortization	RAROC	Risk-adjusted return on capital
ESAP	Environmental and Social Action Plan	RES	Renewable energy source
ESD	Environment and Sustainability Department	SCADA	Supervisory control and data acquisition
ESDD	Environmental and Social Due Diligence	SOE	State Owned Entity
ESP	Environmental and Social Policy	SPO	Second Party Opinion
EUR	Euro	TC	Technical Cooperation
FSC	Financial Settlement Centre	TONIA	Tenge OverNight Index Average
FX	Foreign Exchange	TSO	Transmission System Operator
FY	Financial Year	UPS	Unified Power System
GDP	Gross Domestic Product	USAID	United States Agency for International Development
GET	Green Economy Transition	USD	US Dollar
GHG	Greenhouse gas		

CURRENCY EQUIVALENTS

Current[2] USD 1.00	=	KZT 471.5
Current[3] EUR 1.00	=	KZT 460.8
31 Dec 2021 EUR 1.00	=	KZT 494.7
Average in 2021 EUR 1.00	=	KZT 504.7
30 June 2022 EUR 1.00	=	KZT 492.7
Average in 1H2022 EUR 1.00	=	KZT 493.7

MEASURES

gCal	Giga-calorie
kV	Kilovolt
GW	Giga-watt
kWh	Kilowatthour
MW	Mega-watt

[2] USD KZT rate as of 21/10/2022
[3] EUR KZT rate as of 21/10/2022

PRESIDENT'S RECOMMENDATION

This recommendation and the attached Report concerning an operation in favour of Kazakhstan Electricity Grid Operating Company JSC ("KEGOC", "TSO" or the "Company"), a company incorporated in Kazakhstan, are submitted for consideration by the Board of Directors.

The operation comprises a subscription in the amount of up to KZT 11.8 billion (EUR 26 million equivalent) to the KZT-denominated bond of KZT 35bn (EUR 76m equivalent) (the "Bond") of the Company to be issued on the Kazakhstan Stock Exchange ("KASE").

The operation will enable the Company to rehabilitate overhead transmission lines ("OHTL") in KEGOC's Aktobe, Western and Sarbay networks, contributing to a stable and reliable grid, enabling scaling up of renewable energy generation capacity and reducing transmission losses (the "Project"). The remaining portion of the Bond proceeds, not financed by the Bank, will go towards construction of the new high voltage transmission lines in the Western Kazakhstan.

The expected transition impact of the project is two-fold: i) Green: the operation is classified as 34% GET. The Project is expected to achieve CO_2 emissions savings [REDACTED] through reduction of the electricity transmission losses; ii) Inclusive: the Project will increase access to market-relevant skills and employment opportunities for young women and men, through the development of a new training programme that will enable students to gain the digital skills required in the growing power sector.

TC support for this operation has been provided by the Climate Investment Funds Technical Assistance Facility (CIF - TAF).

I am satisfied that the operation is consistent with the Bank's Strategy for Kazakhstan the Energy Sector Strategy 2019-2023, the Green Economy Transition Approach, the Bank's Equality of Opportunity Strategy 2021-2025, the Strategy for the Promotion of Gender Equality and with the Agreement Establishing the Bank.

I recommend that the Board approve the proposed investment substantially on the terms of the attached Report.

Odile Renaud-Basso

BOARD DECISION SHEET

KAZAKHSTAN – KEGOC BOND - DTM 53710	
Transaction / Board Decision	Board approval[4] is sought for a subscription of up to KZT 11.8 billion (EUR 26 million equivalent) in a senior unsecured KZT-denominated bond of KZT 35bn (EUR 76m equivalent) (the "Bond") to be issued by Kazakhstan Electricity Grid Operating Company JSC ("KEGOC", "TSO" or the "Company") on the Kazakhstan Stock Exchange ("KASE"). Proceeds from Bank's investment will be used to rehabilitate 220-500 kV overhead transmission lines in the Aktobe, Western and Sarbay networks, contributing to a stable and reliable grid, enabling scaling up and integration of renewable energy and reducing transmission losses (the "Project").
Client	An existing client of the Bank, KEGOC is the national Transmission System Operator playing a strategic role in the economy of Kazakhstan. The Company is responsible for power transmission and dispatch, and ensures stability and reliability of the high voltage Unified Power System (the "UPS") of Kazakhstan. KEGOC is 90% owned by Samruk-Kazyna, a sovereign wealth fund of Kazakhstan, and 10% listed on KASE.
Main Elements of the Proposal	<u>Transition impact</u>: **Green** – the Project is expected to reduce power transmission losses, improve energy efficiency of the grid and enable scaling up of renewable energy with an overall CO_2 emission savings [REDACTED]. The Project is underpinned by the Bank-supported Capacity Building for RES Integration TC and will facilitate development of renewable energy in Kazakhstan. **Inclusion** – the Project will support the employability of youth by introducing a new, replicable and nationally accredited training programme, that will equip [REDACTED] youth with the digital skills needed and in high demand in the growing power sector; and by expanding partnerships with local universities through the development of internship opportunities for students. <u>Additionality:</u> The Bank will provide long-term financing in a local currency, availability of which from local commercial banks is currently limited. The Bank will be supporting KEGOC in issuing its first floating TONIA linked bond with the longest tenor issued in Kazakhstan. The Bank will also support KEGOC in achieving higher standards (e.g. ESAP). <u>Sound banking:</u> The Project is structured as an investment in a public bond in line with the Bank's Guidance on Debt Capital Markets.
Key Risks	<u>Regulatory risk</u>. The risk is associated with the Government freezing tariffs of the natural monopolies in response to the worsened socio-economic environment. The risk is mitigated by: i) regulatory approval of the bond programme and its inclusion in the tariff; ii) cash flows stability and low indebtedness of KEGOC; iii) KEGOC's strategic importance as a TSO and support from Samruk-Kazyna as the shareholder. <u>Sanction risk</u>. Due to interconnectivity of the power grids, KEGOC has existing links to InterRAO and FGS UES, each a Russian SOE engaged in electricity export/import operations and transmission, making KEGOC exposed to potential sanctions risk. The risk is mitigated by [REDACTED] the Project being implemented solely in Kazakhstan. [REDACTED].
Strategic Fit Summary	The Project is consistent with the Bank's Strategy for Kazakhstan, the Energy Sector Strategy 2019-2023, the Green Economy Transition Approach, the Bank's Equality of Opportunity Strategy 2021-2025, the Strategy for the Promotion of Gender Equality and with the Agreement Establishing the Bank.

[4] Article 27 of the AEB provides the basis for this decision.

ADDITIONAL SUMMARY TERMS FACTSHEET

EBRD Transaction	A participation of up to KZT 11.8 billion (EUR 26 million equivalent) in a 15-year senior unsecured KZT-denominated bond of KZT 35bn (EUR 76m equivalent) (the "Bond") to be issued by Kazakhstan Electricity Grid Operating Company JSC ("KEGOC", "TSO" or the "Company"). Proceeds from the Bank's investment will be used to rehabilitate 220-500 kV overhead transmission lines in the Aktobe, Western and Sarbay networks, contributing to a stable and reliable grid, enabling scaling up and integration of renewable energy and reducing transmission losses (the "Project"). [REDACTED]. The remaining portion of the Bond proceeds of KZT23.2 billion (EUR50 million), not financed from the Bank's investment, will finance construction of the new high voltage transmission lines in the Western Kazakhstan. The Bond is the first KEGOC's floating TONIA linked bond with the longest tenor issued in Kazakhstan. The Bond will be issued under the newly-developed green framework of the Company [REDACTED]. As the green framework has been developed by KEGOC mainly in line with the Kazakh applicable taxonomy, which are less stringent than the few existing best-in-class international guidelines for green bonds specifically for electricity transmission and distribution (the Climate Bonds Initiative, CBI), the Bank will not report this Bond as a green bonds issuance.
Existing Exposure	[REDACTED].
Maturity / Exit / Repayment	15 years tenor. [REDACTED]
Potential AMI eligible financing	[REDACTED]
Use of Proceeds	Proceeds received from the EBRD investment will be used for rehabilitation (replacement of the old power lines and installation of the fibre optic cabling) of 220-500 kV overhead transmission lines ("OHTL") in KEGOC's Aktobe, Western and Sarbay networks, contributing to a stable and reliable grid, enabling scaling up of renewable energy and reducing transmission losses (the "Project"). The use of the Bank's proceeds will be documented in the Framework Agreement between the Bank and KEGOC [REDACTED].
Financing Plan	[REDACTED]
Key Parties Involved	• Issuer: KEGOC • Arranger: SkyBridge Invest JSC
Conditions to subscription / disbursement	[REDACTED]
Key Covenants	[REDACTED]
Security / Guarantees	Unsecured bond
Other material agreements	Framework Agreement, Environmental and Social Action Plan (ESAP)
Associated Donor Funded TC and co-investment grants/concessional finance	**A. Technical Cooperation (TC)** *Post-signing TC*: TC1. Capacity Building for Renewable Energy Integration in Kazakhstan - [REDACTED] expected to be funded by Climate Investment Special Funds Technical Assistance Facility (CIF-TAF). [REDACTED].

[REDACTED]

INVESTMENT PROPOSAL SUMMARY

1. STRATEGIC FIT AND KEY ISSUES

1.1 STRATEGIC CONTEXT

One of the critical challenges Kazakhstan faces is shifting its electricity sector from the current reliance on carbon-intensive fuels to a more diverse and sustainable energy mix. In 2020, Kazakhstan was the world's 8th largest coal producer and 70% of electricity was still generated by old coal-fired power plants, which makes the country the 6th largest greenhouse gas emitter among the EBRD's countries of operations.

Grid condition

Built mostly in the Soviet period, the country's power grids are aged and inefficient and characterised by a high level of wear, with the depreciation rate reportedly 66% on average resulting in: (i) high transmission losses, (ii) insufficient domestic interconnection, and (ii[i]) limited manoeuvring capacity to absorb additional power from intermittent renewable power plants. In addition, the old transmission infrastructure requires longer maintenance periods resulting in a higher number and duration of emergency cut-offs. The major cross-regional blackout in January 2022 involving electricity systems of Kazakhstan, Uzbekistan and Kyrgyzstan brought the importance of grid modernization into focus. In July 2022, due to the weather conditions a large outage also occurred on two 220Kv transmission lines in the West of Kazakhstan which resulted in interruption of production/industrial activities in the region. In the context of a response to these power outages, the Project is important for the security of supply as it forms an integral part of the wider investment programme which will help avoid such major power supply disruptions in future.

Regional integration

Kazakhstan is part of the Central Asian power system (connects Kazakhstan, Kyrgyzstan and Uzbekistan) which has multiple interconnections with Russia for power balancing, explained by the geographical location of the unified legacy Soviet power system and a 7,000 km common border with Russia. The North of Kazakhstan was connected to the South of Kazakhstan only in 1998 and the connection was further strengthened with the support of the Bank in 2004-2005, and prior to that the North of Kazakhstan was only connected to Russia. The South of Kazakhstan was connected only to Kyrgyzstan and Uzbekistan. At the same time the West of Kazakhstan still works in isolation with the rest of the country. KEGOC is currently working on the feasibility study for connecting the West power system with the rest of the country.

[REDACTED]. As envisaged under the Low Carbon Pathway developed with the support of EBRD and USAID for the power sector of Kazakhstan, in order to solve the existing balancing capacity problems, Kazakhstan would need to build flexible gas-fired capacity to replace coal, scale up renewable energy and improve domestic interconnection. The Project is aligned with these goals of the Low Carbon Pathway. KEGOC is also developing a project to improve transmission infrastructure in the South of Kazakhstan that, among other things, is expected to improve balancing capacity with Kyrgyzstan and Uzbekistan and energy trade on the southern borders. With the fast development of the Uzbek energy sector, it is expected that the electricity trading between the two countries will be growing.

Accelerating the domestic green agenda

The Bank has been actively supporting development of renewable energy projects engaging in policy dialogue since 2008. Kazakhstan is the first country in Central Asia to adopt the regulatory framework for renewables and commission the first wind and solar projects. The Bank is currently the largest investor in renewable energy projects in Kazakhstan, supporting development of ~40% of the RES installed capacity in the country with a strong pipeline of projects. With the Bank's support, Kazakhstan has made a good progress as the share of renewables in the new capacity commissioned in the last 5 years (2017-2021) has been above the 67% threshold indicated in the EU Taxonomy for systems that are on the trajectory to carbon neutrality. [REDACTED].

Having a strong, modern and reliable transmission grid is a necessary prerequisite for the country to accommodate and efficiently use electricity to be produced from the renewable energy sources. In this respect, KEGOC, as a national TSO, is an important counterpart for the Bank's energy transition agenda in Kazakhstan.

The Project will support KEGOC's investment programme aimed at enabling grid connection of additional renewable projects of at least 7.8GW (1GW of solar, 4.8GW of wind and 2 GW of hydropower energy) by 2030, in accordance with the country's "Power Mix until 2035" strategy which is broadly aligned with the Low Carbon Pathway developed for the power sector by the Ministry of Energy with the support of the Bank and USAID. Carbon neutral scenario under the Low Carbon Pathway assumes 6.7GW of additional renewable capacity by 2030. The Project will also be in line with the Bank-supported Kazakhstan Long-Term Decarbonisation Strategy ("LTS") for achieving net zero in 2060. The LTS has been developed with the support from Germany and endorsed by the Kazakhstan's Supreme Counsel for Reforms in September 2022, and was announced at the COP27.

The Project is underpinned by the Capacity Building for RES Integration TC for KEGOC, focusing on integration of the growing share of renewable energy in the power system. Even at the existing renewables penetration level (3.6% generation in the country's current energy mix), there is a broad consensus that the power system as a whole is already lacking flexibility. KEGOC is constrained in allowing scaling up of intermittent renewable energy, and it is therefore critical that the system flexibility is improved.

In the local capital market the Bond is marketed by KEGOC as a green bond to be issued under the newly-developed green framework in line with the International Capital Market Association ("ICMA") Green Bond Principles ("GBP") as confirmed by Astana International Finance Centre, Green Finance Centre ("AIFC GFC") via the Second Party Opinion ("SPO"). This would be the first green bond for KEGOC and one of the first in Kazakhstan paving the way for more green bond placements in future.

As the green framework has been developed by KEGOC mainly in line with the Kazakh and some other applicable regional taxonomies, which are less stringent than the few existing best-in-class international guidelines for green bonds specifically for electricity transmission and distribution (in particular those of the Climate Bonds Initiative), the Bank will not report this Bond as a green bonds issuance. However, the Bank's use of proceeds fully meets the Bank's climate mitigation criteria as confirmed by due diligence. As a result, the Project is eligible for 34% GET attribution, calculated as a proportion of the EBRD's use of proceeds in the total Bond issuance. [REDACTED].

The Project will contribute to the reduction of CO_2 emissions [REDACTED] through transmission loss reduction. Implementation of the Project also contributes to improvement of energy efficiency and reliability of networks via introduction of fibre

optic cabling supporting wider usage of smart grid technologies, as well as providing enabling environment for the development of renewable energy sources.

Gender and Inclusion

The electricity sector is growing in Kazakhstan, and can provide important economic opportunities for young women who are still under-represented in the sector today and also for youth who are joining the labour market. In 2020, women represented only 25% of the workforce in the electric utility subsector[5]. Even when they are employed, women are less represented in leadership positions. For example, women represented only 12% of the senior management roles, versus 20% of the mid-level management roles and 26% of the non-management roles. One of the major barriers to promoting women's employment in the sector is the low representation of women in science, technology, engineering and mathematics (STEM) studies. According to a study[6] of skills and gender gaps in RES, women accounted for 53% of the total university students enrolled during the academic year 2020-21. However, they only represented 35% of the students enrolled in STEMs and only 9% of those enrolled in the power and engineering studies. In the context of the country's "Power Mix until 2035" strategy, the renewable energy market is growing and brings significant employment opportunities for the local population. However, studies show that employers and industry associations in Kazakhstan have raised concerns about the lack of skilled workforce in this sector. Companies have identified skills gaps as a key constraint to their business in the energy sector and the growing renewable energy sector.

The Project will address the critical skills gaps. Building on EBRD's experience in Kazakhstan, the Project will support improving market relevant skills through developing relevant trainings and certification. This will be complemented by internship opportunities for local youth, and especially promoting women's access to new economic opportunities and employment in the renewable energy sector. The Project will address the KEGOC's need for improved and market relevant digital skills within its workforce, by introducing a new nationally accredited training programme in partnership with local universities that will benefit [REDACTED] students. The training will continue beyond the Project implementation, supporting the school-to-work transition of larger numbers of young women and men in this growing and technical sector. KEGOC will also extend internships opportunities with at least 30% of the interns being women.

In addition, the Project will promote gender equality by supporting KEGOC in developing more inclusive and gender-responsive HR policies and practices. A Gender Action Plan will be developed and implemented to mainstream gender across the Company's operations, improve its HR policies and practices and ultimately increase its talent pool and the diversity of its workforce, thus promoting equality of opportunity for both men and women in this growing and technical sector.

Alignment with Bank's strategies

The Project is consistent with the Bank's Strategy for Kazakhstan, the Energy Sector Strategy, the Economic Inclusion Strategy, the Strategy for the Promotion of Gender Equality ("SPGE"), the Green Economy Transition approach, aimed at supporting cleaner production and distribution of energy through greater energy and resource

---

5 EBRD / KazEnergy research on "The Role of Women in the Energy Sector in Kazakhstan", April 2020

6 EBRD's Baseline Assessment, "Supporting Renewable Energy and Promoting Gender Equality in Kazakhstan", March 2021

efficiency, as well as promoting the development of green capital markets, and with the Agreement Establishing the Bank.

1.2 TRANSITION IMPACT

The tables below set out the TI Objectives and details of the project.

Primary Quality: Green

Obj. No.	Objective	Details
1.1	*The percentage of EBRD use of proceeds that supports a green economy transition and therefore qualifies as GET finance is between 15% and 50%.*	Proceeds of the EBRD financing will be used for rehabilitation (replacement of old power lines and installation of the fibre optic) of 220-500 kV OHTLs, contributing to a stable and reliable grid that will enable scaling up renewable energy and help reduce transmission losses, resulting in GHG emissions reduction [REDACTED]. The Project is eligible for 34% GET attribution.
1.2	*This project involves a good policy engagement, which is new and aims to deliver institutional reform and lead to structural changes across sectors/markets.*	As part of the Project, the Bank has agreed with KEGOC to implement the Capacity Building for RES Integration TC aiming at building capacity to support integration of renewable energy at scale into the national grid, and thereby facilitating and accelerating large scale renewables investments by the private sector. Specifically, the TC includes reviewing and developing recommendations in relation to: (i) KEGOC's management practices with regards to intermittent renewable energy; and (ii) the grid code, trading and settlement code, grid connection arrangements and system charging regimes. The current Kazakh grid code is broadly considered outdated and thus remains a hurdle to the technical integration of intermittent renewable energy.

Secondary Quality: Inclusive

Obj. No.	Objective	Details
2.1	*The project will introduce a new, replicable and nationally accredited training programme improving skills for [REDACTED] people from the inclusion target group in partnership with (local) vocational schools or universities.*	The Project will support the development of a new training programme that will allow [REDACTED] students to gain accredited digital skills. A skills assessment study will be carried out to identify the skills that are currently required in KEGOC and the electric power sector. This will be achieved through establishment or expansion of the Company's partnerships with local universities, likely the Daukeyev Almaty University for Energy and Communications, Toraighyrov University in Pavlodar and Seifullin Kazakh Agro-technical University in Astana. The skills training and certification will be implemented through Capacity Building for RES Integration TC funded by CIF-TAF. The Company will also provide internship opportunities for [REDACTED] students within 5 years, [REDACTED], aiming at 30% of them to be women.

Delivery Risks: Risk to Transition Impact stems from the client's failure to implement the investment programme and reach green targets. The risk is mitigated by KEGOC's experience in implementing similar projects in the past.

1.3 ADDITIONALITY

Identified triggers	Description
- A subsequent/consecutive transaction (issuance) with the same client/group either with the same use of proceeds or in the same destination country (**repeat transaction**).	KEGOC is a long standing client of the Bank since 1998 as the Bank supported electricity infrastructure expansion and modernization in Kazakhstan. This is a strategic client in the country and the Bank's role in funding the inaugural Green investment programme is instrumental in the context of the Bank's Strategy for Kazakhstan.

Additionality sources	Description of additionality sources
Financing Structure • EBRD offers a **tenor**, which is longer than available to the client in the market on reasonable terms and conditions; • EBRD offers a **large volume** instrument that fills a market funding gap and is required to structure the project; • EBRD offers **local currency** financing on terms not readily available in the market; • Crisis response: EBRD financing **effectively bridges a liquidity gap** due to adverse market conditions.	There are limited sources of long-term local currency financing in Kazakhstan that could match the lifetime of the transmission infrastructure assets. EBRD financing comes at the time of liquidity constraints worsened by the geopolitical situation. The Bank taking up to 33.7% of the proposed issuance will be supporting the first green bond transaction of KEGOC issued on the basis of the Kazakh taxonomy (not considered a labelled green bond under the Bank's GET guidelines). Green bond is still a very new financial product for Kazakhstan and this bond will be the first TONIA linked bond of this size and tenor. EBRD's participation will be helping to bridge the funding gap for a largely novel financial product issued in local currency on the local market and will be instrumental in setting standards (e.g. ESAP) and providing comfort to the Company and other investors.
Risk Mitigation • EBRD helps the client to mitigate **carbon transition risks** and take climate action, such as to move along a low carbon transition pathway.	The Project is expected to fund the investments resulting in reduction of transmission losses and connection of new renewable energy plants.
Standard-setting: helping projects and clients achieve higher standards • Client seeks/makes use of EBRD expertise on **higher environmental standards**, above 'business as usual' (e.g. adoption of emissions standards, climate-related ISO standards etc.). • Gender SMART: Client seeks/makes use of EBRD expertise for the adoption of **gender standards and/or equal opportunities action plans** (e.g. improving women's access to safe transport and/or women-led businesses participation in the client supply chain).	Through the bond participation, the Bank will continue the long-term partnership with KEGOC on improving the Company's E&S standards beyond local requirements and practices by requiring compliance with an ESAP. Gender and economic inclusion considerations will be integrated in the Project via the Capacity Building for RES Integration TC funded by CIF-TAF that will establish improved HR policies and practices to build a talent pipeline of women among the employees through development and implementation of a Gender Action Plan.

1.4 SOUND BANKING - KEY RISKS

Risks	**Probability / Effect**	**Comments**
Regulatory Risk	Medium / High	The Regulator may decide to freeze tariffs of the natural monopolies in response to worsened socio-economic environment, as it happened after the recent January 2022 events while the Company's creditworthiness depends on the regulated tariff. *Mitigants:* Fiscal position of the Government (Baa2/stable Moody's, BBB/stable Fitch and BBB-/ negative S&P) is expected to remain stable and be sufficient to mitigate potential socio-economic instability. [REDACTED]. The Company's cash flows are stable and indebtedness is low; its 90% shareholder Samruk-Kazyna, a National Welfare Fund of Kazakhstan, considers KEGOC a strategic company and is expected to provide support, if needed.
Operational Risk	Medium / High	Aged Company's assets may result in further and more frequent power outages which will impact its revenue stream. *Mitigants:* The electricity blackouts that happened in Central Asia in January 2022 and in the West of Kazakhstan in July 2022 focused the Company on development of a comprehensive investment program. The Capacity building TC is expected to support KEGOC in this process. The Company maintains and continuously develops its highly professional staff, who contributed significantly to the rapid system recovery after the blackouts.
Sanction Risk	Medium/ Medium	Due to interconnectivity of the power grids, KEGOC has existing links to InterRAO and FGS UES, Russian SOEs engaged in electricity export/import operations and transmission, making KEGOC potentially exposed to potential sanctions against Russia. *Mitigants*: [REDACTED] [T]he Project being implemented solely in Kazakhstan [REDACTED].
Exit Risk	High/ Low	The Bond will be issued on the local capital market. There is a risk of limited liquidity in the market in the future for the Bank's exit. *Mitigants*: Given the regulatory environment, the sound financial standing of the Company and the stability of the Company's cash flows further to its strategic nature as a national TSO and a natural monopoly, it is expected that the Borrower will be able to honour its debt service obligations. [REDACTED].
Transmission Risk	Medium/ Low	Demand for electricity may reduce, negatively impacting volumes of energy transmitted by KEGOC. *Mitigants*: [REDACTED]. Given the regulatory environment and the stability of the Company's cash flows, it is expected that the Borrower will be able to honour its debt service obligations.

2. MEASURING / MONITORING SUCCESS

Overall objectives of project	*Monitoring benchmarks*	*Implementation timing*
- On-time project implementation - Maintaining appropriate environmental standards	- Completion according to the timeline and within the budget - Successful and timely implementation of the ESAP	[REDACTED]

Primary Quality: Green

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date	TC
1.1	CO2 emissions savings	Tonnes/year (Equivalent to the savings in transmission losses)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
1.2	Recommended policy or strategy or regulatory framework/ standard agreed by relevant stakeholder(s)	Capacity Building for RES Integration TC delivered. Report prepared and presented as targeted and recommendations endorsed by the Company. Grid code needs to be revised in accordance to the recommendations	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Secondary Quality: Inclusive

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date	TC
2.1	Tailored training programme developed and implemented	A new, replicable and nationally accredited training programme to be developed and implemented for young electrical engineers, in collaboration with a local technical university or college.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2.2	Number of youth earning an accredited certification and enhancing their skills as a result of training	The programme will equip [REDACTED] young people with higher skill levels on new technologies for electrical engineers.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2.3	Number of youth enhancing their skills as a result of training	KEGOC to provide internship opportunities for[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

		students within 5 years [REDACTED]				

Additional indicators

Indicator Type	Monitoring indicator	Details	Baseline	Target	Due date	TC
Advisory & Policy Indicators	Business advisory recommendations agreed: Gender action plan approved	Improvement of HR policies and practices by introducing the principles of equality of opportunities for both men and women.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

3. KEY PARTIES

3.1 BORROWER / INVESTEE COMPANY

<u>The Client's snapshot</u>

Since 1998, the Bank has been supporting KEGOC by investing in key infrastructure developments[7]. KEGOC, 90% owned by Samruk-Kazyna and 10% listed on KASE, is the national TSO and plays a strategically important role in the economy of Kazakhstan. The Company is responsible for power transmission and dispatch, and ensures stability and reliability of the high voltage Unified Power System (the "UPS") of Kazakhstan. The main asset of the Company is the National Power Grid, which consists of 377 overhead transmission lines with the length of 27 thousand km and 81 electrical substations. [REDACTED].

<u>Financial highlights</u>

The financial analysis is based on the consolidated IFRS accounts audited by Ernst & Young for 2019-2020, and by RSM for 2021. [REDACTED].

	KZT, billion					EUR, million				
Item	2019	2020	2021	1H21	1H22	2019	2020	2021	1H21	1H22
Revenue	263	179	186	87	103	593	380	369	170	208
EBITDA	88	103	94	51	53	199	218	186	101	107
EBITDA margin	*33%*	*58%*	*50%*	*59%*	*51%*	*33%*	*58%*	*50%*	*59%*	*51%*
Profit after tax	41	48	39	28	14	92	103	78	56	28
Total Assets	757	812	1093	833	1079	1707	1573	2210	1635	2189
Total Liabilities	275	309	356	322	341	620	600	720	633	692
Net Debt / EBITDA	1.0	0.8	1.3	0.7	1.3	1.0	0.8	1.3	0.7	1.3
EBITDA/Interest	7.6	9.2	8.0	8.4	8.1	7.6	9.2	8.0	8.4	8.1

[7] Power Transmission and Rehabilitation Project (OPID 6274) signed in 1999, North-South Power transmission (OPID 28275) singed in 2004, Ekibastuz-YukGres power transmission (OPID 35551) signed in 2005, the KEGOC Modernisation II Loan Project (OpID 38647) signed in 2008, and most recently KEGOC Osakarovka Restructuring Loan (OpId 42039) signed in 2011.

In 1H2022, KEGOC's revenues grew by 18% y-o-y to KZT 103billion (EUR 208million), following higher tariffs approved by the regulator in late 2021 and an increase in electricity transmission (+5% y/y) and balancing volumes (+2% y/y). EBITDA margin remained largely in line with reported 2021 at ca 51% despite an increase in payroll costs (+32% y/y) addressing power sector labour demands during protests that occurred in Kazakhstan in January 2022 over the gas price increase.

The Company historically maintains a large amount of cash invested in short and medium term financial instruments. As of 30 June 2022, cash position amounted to KZT 29billion (EUR 59million), complemented by ca KZT 52billion (EUR 105million) portfolio of financial assets allocated among bank deposits, Samruk-Kazyna bonds and sovereign/treasury notes. KEGOC maintains one of the best credit ratings in the country due to stable and consistent operating results, particularly from its core business of grid transmission and balancing. The investment grade rating (S&P: BB+/negative, Moody's: Baa2/stable, and Fitch: BBB-/stable) are supported by KEGOC's strategic importance and regulatory environment.

At the end of 2021, the Company completed divestment of the Financial Settlement Centre ("FSC"), off-taker under the PPAs for renewable energy. FSC's contribution to the consolidated financial result of the group was limited and did not provide economic benefits to KEGOC. [REDACTED].

4. MARKET CONTEXT

The power sector in Kazakhstan is unbundled operating 190 power stations with installed electric capacity of 24 GW and available capacity of 20 GW as of YE2021, including 19.5 GW thermal, 2.5 GW utility-scale hydro and 2 GW of renewables generation capacity. Between 2014 and 2021, installed capacity increased by 2.8 GW, or by about 13%.

The sector is relatively concentrated with 5 largest power companies (out of 47 in total) accounting for 58% of total generation, while 10 largest – for 70%. The main part of generation is concentrated in the northern zone, which produces 2/3 of all electricity used in the country. Southern Kazakhstan historically experiences significant energy deficits and relies on supplies from the electricity-rich north of the country.

Electricity production and consumption have been growing steadily in Kazakhstan over the past 10 years, save for minor reductions in 2013 and 2015 and with COVID pandemic having very limited effect on electricity demand in 2020. Overall, the Kazakh economy remains energy intensive with oil and gas, mining and industrial companies being the major consumers of electricity, followed by household use and the transport sector.

Built mostly in the Soviet period, the country's power grids are aged and inefficient and characterised by a high level of wear, with the depreciation rate reportedly at 66% on average for regional networks. KEGOC operates main high-voltage networks which provide for electric connections between the regions of the Republic of Kazakhstan and the power systems of the neighbouring countries (the Russian Federation, the Kyrgyz Republic and the Republic of Uzbekistan), and enables the supply of electrical power by the power plants and its transmission to wholesale consumers. Losses on the high-voltage networks operated by KEGOC are 5.8% in 2021.

Most cross-border electricity trade in recent years has been related to power exchanges with Central Asia countries and Russia in order to maintain frequency stability and cover supply imbalances. Up until 2013, the country had an electricity deficit, which was covered through imports from Russia and the Kyrgyz Republic. According to IEA (2022) and KOREM (Kazakhstan operator of electrical power and capacity markets), Kazakhstan was a net exporter of electricity from 2016-1H2022, with export to Central Asian countries exceeding import from Russia. The country's power system lacks flexible capacity and therefore relies on neighbouring countries for balancing and maintaining frequency stability.

According to the Energy Balance until 2035, approved by the Ministry of Energy in March 2022, the additional 17.5 GW of new generating capacity will be required by 2035 to cover an expected average annual 2.7% increase in demand between 2021 and 2035, which is expected to include both RES and flexible gas-fired capacity.

5. FINANCIAL / ECONOMIC ANALYSIS

5.1 FINANCIAL PROJECTIONS
[REDACTED]

5.2 SENSITIVITY ANALYSIS
[REDACTED]

5.3 PROJECTED PROFITABILITY FOR THE BANK
[REDACTED]

6. OTHER KEY CONSIDERATIONS

6.1 ENVIRONMENT
Categorised B (2019 ESP) with high to medium risk due to sector and limited nature of ESDD. The proceeds from the EBRD will be used to rehabilitate the existing 220 - 500 kV overhead transmission lines ("OHTL") in KEGOC's Aktobe, Western and Sarbay networks thus contributing to a stable and reliable grid as a critical component of the efficient market infrastructure and electricity trading. The ESDD for this Bond was based on the reviews of historic documents, Second Party Opinion (SPO), completed ESDD Questionnaire, public documents and the KEGOC's Green Financing Framework, Corporate Governance Code compliance Report 2021, and follow up communication with the issuer. The ESDD confirmed that the Company has the institutional capacity to implement the Banks PRs as KEGOC has already implemented adequate E&S risk management procedures for their sub-projects as well as the Green Financing Framework is aligned with the four core components of the ICMA Green Bond Principles 2021. The Company is in compliance with relevant Kazakhstan E&S law. KEGOC has publically committed to the principles of the UN Global Compact in the field of human rights, labour relations, environmental protection and combating corruption. The system is based on a risk-based approach, and KEGOC conducts an analysis of its activities and risks for all three components of sustainable development, and also seeks to prevent or reduce the negative impact of its activities on stakeholders. The Company issues an Annual Sustainability Report which is prepared in accordance with good practice such as the UN Global Compact Principles as well as GRI standards.

The Company has a well-established HR Policy which is judged to be aligned with PR2. As part of this process KEGOC has developed E&S risk management procedures including ESDD and monitoring procedures, construction-related OHS management in line with best practice. In 2021, the Company started to develop Carbon Footprint Reduction Programme until 2060. The reduction of KEGOC's own carbon footprint is subject to analysis and elaboration of further activities of the Programme. The issues of ensuring decarbonisation of the economy through the development and integration of RES into the energy system of Kazakhstan are the strategic goals and objectives of the main activities of KEGOC as the System Operator and reflected in KEGOC's Development Strategy for 2022-2031.

The proceeds of the Bond will be used on a number of investments including new power lines. The Bank's proceeds have been ring-fenced and will be used to upgrade existing overhead power lines. The ESDD confirmed that this will be a replacement of old low

efficiency cables using same corridor and pylons. This allows the Project to be categorized as B. The ESDD confirmed that Banks proceeds will not be used for A category projects.

Based on ESDD, an ESAP has been developed for the Project, and includes corporate commitments such as ESG/sustainability reporting and incorporates climates risk reporting as well as compliance with the Banks PRs. Any new project developed by the Company will need to undertake an EIA in line with National as well as the Bank requirements and a Non-Technical Summary (NTS) disclosure on the Company's web site. These requirements will be incorporated into a Framework Agreement. The ESAP is to be agreed prior to Board consideration. The Bank will monitor the Project's E&S performance by reviewing an annual E&S report as well as site visit if deemed necessary. [REDACTED].

6.2 INTEGRITY

In conjunction with OCCO, integrity due diligence was carried out on KEGOC (the Borrower), its senior personnel, its majority shareholder Samruk-Kazyna, and other relevant parties. The Project is not deemed to pose an unacceptable integrity or reputational risk to the Bank. The EBRD has worked extensively with KEGOC over the last 24 years (including current exposure via a loan signed in 2008, DTM 38647) and the experience to date has been positive. [REDACTED].

All actions required by applicable EBRD procedures relevant to the prevention of money laundering, terrorist financing and other integrity issues have been taken with respect to the project, and the project files contain the integrity checklists and other required documentation which have been properly and accurately completed to proceed with the project.

ANNEXES TO OPERATION REPORT

ANNEX 1	TRANSITION IMPACT SCORING CHART
ANNEX 2	SHAREHOLDING STRUCTURE
ANNEX 3	GREEN ASSESSMENTS
ANNEX 4	HISTORICAL FINANCIAL ANALYSIS

ANNEX 1- TRANSITION IMPACT SCORING CHART

Score for primary transition quality

Quality: Green

Component: Mitigation

Quality average score: 62.5

ATQ adjustment

Country: Kazakhstan

ATQ adjustment: Mitigation: 0.0%

Adjusted Quality score: 62.5

Score for secondary transition quality

Quality: Inclusive

Component: Youth

Quality average score: 65.0

ATQ adjustment

Country: Kazakhstan

ATQ adjustment: Youth: -2.3%

Adjusted Quality score: 63.5

Weighted TI score*

Base TI score (ATQ-adjusted): 62.8

Adjustment for Country Strategies

Adjustment: 0.0% – Not applicable

NA **Adjusted score:** 62.8

Local currency / Equity uplift**

0.0% uplift

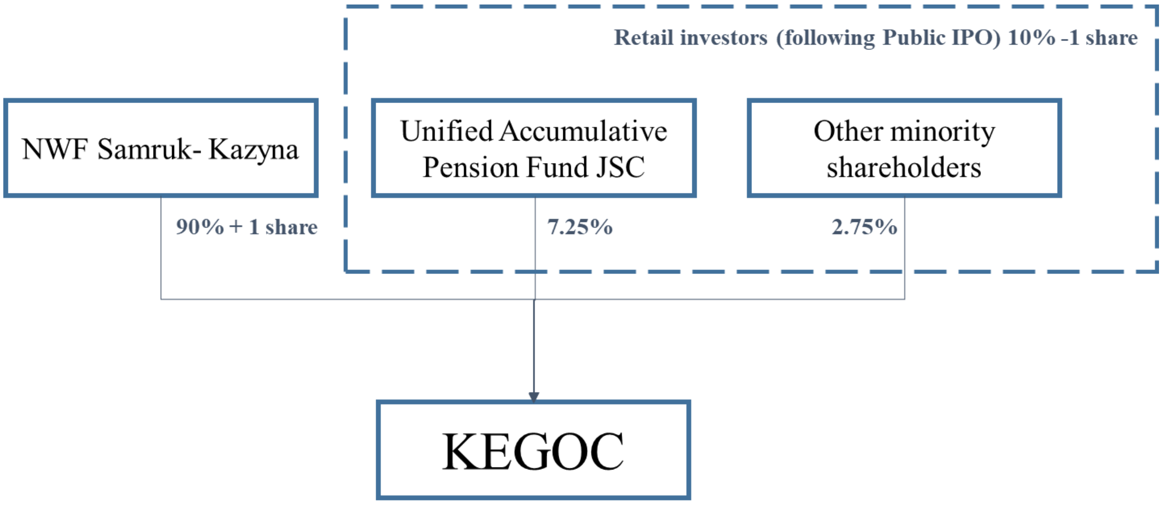
Final TI score

Final TI score: 63

***The Primary Quality score is weighted 75% for the calculation of the Base TI Score. The Secondary Quality is weighted 25%.**

** Please remove this box if the financing uplifts are not applicable.

ANNEX 2 – SHAREHOLDING STRUCTURE



* Unified Accumulative Pension Fund JSC is a national pension fund established in August 22, 2013 and owned by the Government of the Republic of Kazakhstan represented by Committee for State Property and Privatization of the Ministry of Finance.

ANNEX 3 – GREEN ASSESSMENTS

Introduction

The Project has been assessed for alignment with the mitigation and adaptation goals of Paris Agreement. ESD performed a screening of the Project and concluded that it does not face any potentially material physical climate risks. Sector and the project type is included in the 'aligned list'. GET eligibility assessment has also been conducted.

Paris alignment assessment

General screening of alignment with the mitigation goals of Paris Agreement

- The project/economic activity related to Bank's use of proceeds (and the entire Bond) is included in the 'aligned list'.

Specific assessments undertaken

Kazakhstan signed and ratified the Paris Agreement 2016. In its NDC, Kazakhstan set an economy-wide unconditional target aiming to reduce GHG emissions by 15% below 1990 levels (including LULUCF) by 2030. Kazakhstan also has a conditional target to reduce emissions (including LULUCF) by 25% below 1990 levels by 2030. This target is subject to "additional international investments, access to low carbon technologies transfer mechanism, green climate funds and flexible mechanism for country with economy in transition"[8]. Kazakhstan has a Long Term Strategy (LTS) of net zero target by 2060. A country level LTS setting out a net zero pathway by 2060 has been endorsed by Supreme Council of Reforms chaired by the President of Kazakhstan that was held on the 28th September 2022.

Built mostly in the Soviet period, the country's power grids are aged and inefficient and characterised by a high level of wear, with the depreciation rate reportedly 66% on average resulting. The Project aims to finance the replacement of the old power lines and installation of the fibre optic cables on the 5 remaining OHLs of 390km length (or 3.6% of country's transmission capacity).

Implementation of the Project contributes to improvement of energy efficiency and reliability of networks via reduction of the losses (10% compared to the baseline), introducing fibre optic cabling supporting wider usage of Smart Grid technologies, as well as providing enabling environment for the development of renewable energy sources, which over 2017-2021 (5 year) constituted 67% of new generation capacity.

EBRD proceeds will not finance the modernisation of fossil-fuel related infrastructure, hence the Project does not result in increased utilisation of coal, heat or oil generation. Rehabilitation of OHTLs reducing power transmission losses, resulting in improvements of energy efficiency, and enabling scaling up of renewable energy generation capacity is consistent with the NDC and Long Term Strategy and energy sector Low Carbon Pathway.

---

[8] Republic of Kazakhstan. (2016a). Intended Nationally Determined Contribution -Submission of the Republic of Kazakhstan. https://unfccc.int/sites/default/files/NDC/2022-06/INDC%20Kz_eng.pdf

As a result of the due diligence, it is confirmed that the Bond proceeds do not cover new lines or rehabilitation of existing lines directly connecting to coal-fired generation plants.

Alignment with the adaptation goals of Paris Agreement

- Evaluation of the physical climate risk and vulnerability context: there are no potentially material physical climate risks that are significant at the project location or which may affect the business operation of the counterparty.
- Definition of climate resilience measures: N/A – no material physical climate risks identified.
- Appraisal of broader climate resilience context: the Project will support KEGOC's investment programme aimed at enabling grid connection of additional renewable projects of at least 7.8GW (1GW of solar, 4.8GW of wind and 2 GW of hydropower energy) by 2030, in accordance with the country's "Power Mix until 2035" strategy which is broadly aligned with the Low Carbon Pathway developed by the Ministry of Energy with support of the Bank and USAID. Refer to the Strategic Context section for further details.

GET attribution

Proceeds from Bank's financing will be used for rehabilitation (replacement of the old power lines and installation of the fibre) of 220-500 kV overhead transmission lines ("OHTL") in KEGOC's Aktobe, Western and Sarbay networks, contributing to a stable and reliable grid enabling scaling up of renewable energy generation capacity and reducing transmission losses, which is GET eligible under climate change mitigation project category. The use of proceeds of this externally reviewed bond will be documented in the Bond prospectus, presented in the Second Party Opinion (SPO) report and included in the Framework Agreement between the Bank and KEGOC. The allocation and management of the Bond proceeds will be disclosed by KEGOC in the dedicated annual report [REDACTED].

The Project is expected to result in environmental benefits as it will reduce power transmission losses and improve energy efficiency with the total estimated reduction in CO2 emissions [REDACTED]. The Project is expected to reduce the transmission losses [REDACTED], which corresponds to the annual savings of [REDACTED] CO2 in Scope 2 emissions.

The Project meets GET Handbook eligibility requirements [REDACTED].

Green Finance Project Monitoring Plan

Green KPI	Reporting frequency	First due date	Reporting channel
Reduction of transmission losses [REDACTED]	annually	[REDACTED]	Annual Bond reporting
Length of rehabilitated lines of 390 km	annually	[REDACTED]	Annual Bond reporting
Climate risks assessment	annually	[REDACTED]	Annual Bond reporting

ANNEX 4 – HISTORICAL FINANCIAL ANALYSIS

The financial analysis is based on the consolidated IFRS accounts audited by Ernst & Young for 2019 - 2020 and 2021 by RSM.

	KZT billion					EUR million				
Income Statement	**2019**	**2020**	**1H21**	**2021**	**1H22**	**2019**	**2020**	**1H21**	**2021**	**1H22**
Revenue	**263**	**179**	**87**	**186**	**103**	**593**	**380**	**170**	**369**	**208**
% change	n/a	-32%	n/a	4%	18%	n/a	-36%	n/a	-3%	22%
Cost of Sales	166	69	32	85	47	374	145	64	168	94
SGA	9	7	3	8	3	21	16	6	16	7
EBITDA	**88**	**103**	**51**	**94**	**53**	**199**	**218**	**101**	**186**	**107**
EBITDA margin	33%	58%	59%	50%	51%	33%	58%	59%	50%	51%
Depreciation & charges	34	34	17	37	32	77	72	33	73	66
EBIT	**54**	**69**	**34**	**57**	**20**	**121**	**146**	**67**	**113**	**41**
Interest expense	9	11	6	12	6	21	24	11	23	12
Other Costs / (Income)	-6	-1	-6	-2	-3	-13	-2	-11	-3	-5
Profit before tax	**50**	**59**	**34**	**47**	**17**	**113**	**124**	**67**	**93**	**35**
Tax incurred	10	10	6	8	3	21	21	11	15	6
Profit after tax	**41**	**48**	**28**	**39**	**14**	**92**	**103**	**56**	**78**	**28**
% change	n/a	19%	n/a	-19%	-51%	n/a	12%	n/a	-25%	-49%
Balance Sheet	**2019**	**2020**	**1H21**	**2021**	**1H22**	**2019**	**2020**	**1H21**	**2021**	**1H22**
Cash	21	22	46	12	28	48	42	90	24	57
Receivables	22	29	35	13	18	49	55	69	26	37
Inventories	2	3	4	3	3	5	5	7	5	7
ST financial assets	45	59	44	40	19	102	114	86	81	39
Other CA	7	5	6	6	5	15	10	12	12	11
Total Current Assets	**97**	**117**	**134**	**73**	**74**	**219**	**226**	**264**	**148**	**151**
Fixed Assets	652	652	652	976	955	1469	1264	1279	1973	1938
Other Assets	8	43	47	44	49	19	83	93	89	100
Total Assets	**757**	**812**	**833**	**1,093**	**1,079**	**1707**	**1573**	**1635**	**2210**	**2189**
ST Debt plus CPLT Debt	10	18	18	18	17	22	36	36	37	35
Payables	23	41	56	19	11	53	79	110	37	23
Other ST Liabilities	11	10	9	9		25	20	18	18	0
Total Current Liabilities	**44**	**70**	**83**	**46**	**39**	**100**	**135**	**164**	**92**	**79**
Long Term Debt	57	50	43	36	33	128	97	84	72	67
Bonds	84	93	101	117	117	189	180	199	237	238
Other LT Liabilities	90	97	95	158	152	203	188	186	319	308
Total Liabilities	**275**	**309**	**322**	**356**	**341**	**620**	**600**	**633**	**720**	**692**
Equity	482	503	511	737	738	1086	974	1002	1490	1498
Total Liab & Equity	**757**	**812**	**833**	**1,093**	**1,079**	**1707**	**1573**	**1635**	**2210**	**2189**
Cash Flow Statement	**2019**	**2020**	**1H21**	**2021**	**1H22**	**2019**	**2020**	**1H21**	**2021**	**1H22**
OCF	**78**	**102**	**56**	**91**	**43**	**175**	**216**	**110**	**180**	**86**
CFI	**-25**	**-66**	**-10**	**-62**	**-1**	**-57**	**-139**	**-20**	**-123**	**-2**
ow, CAPEX	-25	-30	-28	-40	-26	-55	-64	-55	-80	-52
CFF	**-42**	**-31**	**-18**	**-31**	**-21**	**-95**	**-65**	**-36**	**-62**	**-42**
Debt repayment	-11	-7	-7	-15	-7	-24	-14	-14	-29	-15
Dividends	-32	-33	-20	-42	-13	-71	-69	-38	-82	-27
Bonds issuance	-	9	9	25	-	0	19	17	50	0
Interest paid	**-11**	**-11**	**-6**	**-13**	**-7**	**-25**	**-22**	**-12**	**-25**	**-14**
Interest income	**3**	5	**3**	**6**	**3**	8	11	**5**	**12**	**5**
Net cash flow	**2**	**0**	**24**	**-10**	**16**	**5**	**0**	**47**	**-19**	**33**
Net FX difference	-0	**0**	0	-0	-0	**0**	**1**	0	0	-1
Cash End	**21**	**22**	**46**	**12**	**28**	**48**	**46**	**90**	**24**	**57**

*Financial statements for 2019 consolidates FSC, which was disposed at the end of 2021.

Debt portfolio and covenant compliance

KEGOC's total debt as of 1H2022 consisted of hard-currency (USD/EUR) loans (KZT 45bn, 27% of total debt) and local currency bonds (KZT 122bn, 73%). The long-term loans are provided by EBRD (maturing 2023) and IBRD loans (maturing in 2022, 2034 and 2035). In October 2022, KEGOC fully prepaid one of the IBRD loans maturing in 2035 for a total consideration of KZT 21bn (USD 46m) [REDACTED].

In 1H2022, KEGOC's financial ratios have improved and remain well within the covenanted levels: [REDACTED]. The long debt maturity profile adds further strength to the Company's balance sheet. Going forward, covenanted ratios are expected to remain in compliance. Please see table below for the ratios.

Ratios/Covenants levels	**2019**	**2020**	**2021**	**1H22**
Current Ratio [REDACTED]	2.19	1.68	1.61	1.92
Net Debt / EBITDA [REDACTED]	0.95	0.78	1.27	1.26
Total Debt / Total Capital [REDACTED]	0.20	0.20	0.16	0.15
EBITDA/Interest [REDACTED]	7.55	9.20	8.03	8.14

2.3 Bond placements

KEGOC's major revenue streams are denominated in Kazakh tenge, as such the Company considers hard currency debts expensive in the long run in light of the national currency devaluation. Since 2016, the Company has been gradually repaying legacy hard currency borrowings (including the EBRD loans) and offsetting them with bond placements in tenge. As of YE2021 c. 30% of the debt portfolio was denominated in dollars and euros vs. 70% as at YE2016. The Company so far placed three issues with the total amount of KZT 119bn (EUR 295m). [REDACTED].

The Bond is part of a wider bond programme in the amount of KZT 80bn (EUR 174m), with first issuance in the amount of KZT 35bn (EUR 74m) successfully placed in 2020-2021 [REDACTED].