

**DOCUMENT OF THE EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT**

Approved by the Board of Directors on 20 September 2023¹

KAZAKHSTAN

AKTAU PORT MODERNISATION

[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.

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ABBREVIATIONS / CURRENCY CONVERSIONS

CAREC	Central Asia Regional Economic Cooperation
Capex	Capital expenditure
COVID-19	Coronavirus Disease 2019
CP	Condition Precedent
CPI	Consumer Price Index
CLO	Community Liaison Officer
DSCR	Debt Service Coverage Ratio
DSRA	Debt Service Reserve Account
ECEPP	EBRD Client Electronic Procurement Portal
EIA	Environmental and Social Impact Assessment
EU	European Union
EUR	Euro
E&S	Environmental and Social
EBITDA	Earnings before Interest, Tax, Depreciation and Amortisation
EHS	Environmental, Health and Safety
ESAP	Environmental and Social Action Plan
ESDD	Environmental and Social Due Diligence
ESMS	Environmental and Social Management System
FX	Foreign Exchange
HSS	Health and Safety Standards
GBVH	Gender-based violence and harassment
GDP	Gross Domestic Product
GET	Green Economy Transition
JSC	Joint Stock Company
IFRS	International Financial Reporting Standards
ISO	International Organization for Standardization
KZT	Kazakhstani Tenge
KTZ	National Company Kazakhstan Temir Zholy JSC
MDB	Multilateral Development Bank
OCCO	Office of the Chief Compliance Officer
OFAC	Office of Foreign Assets Control
OHS	Occupational Health and Safety
PA	Paris Agreement
PIU	Project Implementation Unit
PP&R	Procurement Policy and Rules
PR	Performance Requirement
PSA	Port of Singapore Authority
RAROC	Risk-adjusted return on capital
SDN	Specially Designated Nationals and Blocked Persons
SEP	Sector Economics and Policy
SOE	State-Owned Enterprise
SOFR	Secured Overnight Financing Rate
SRG	Sector Risk Guidance
SSF	EBRD Shareholder Special Fund
TEU	Twenty-foot Equivalent Unit (container capacity)
TONIA	Tenge Overnight Index Average
TC	Technical Cooperation
TITR	Trans-Caspian International Transport Route (the Middle Corridor)
TI	Transition Impact
TRACECA	Transport Corridor Europe Caucasus Asia
TS	Transformer Substations

VAT	Value Added Tax
USD	United States Dollar

CURRENCY CONVERSIONS

(01 September 2023)

1 USD = 456.58 KZT

1 EUR = 495.99 KZT

PRESIDENT'S RECOMMENDATION

This recommendation and the attached Report concerning an operation in favour of the National Company Aktau Sea Commercial Port (the “Company”), a joint stock company incorporated in the Republic of Kazakhstan, are submitted for consideration by the Board of Directors.

The facility will consist of a loan to the Company of up to USD 20 million (EUR 18.3 million equivalent).

The operation will enable the Company to finance its modernisation programme through the acquisition and installation of port handling equipment and related infrastructure (the “Project”) to increase its container-handling capability [REDACTED] to meet the growing demand for freight transit along the Middle Corridor.

The Project will promote the following transition impact qualities: (i) “*integrated*”, on the back of operational and capacity improvements along the Middle Corridor facilitating linkages to key transport networks, including the CAREC and TRACECA, and (ii) “*competitive*”, by promoting cost efficiency and improvements of the Company’s competitiveness.

Pre-signing technical cooperation (TC) support for the Project preparation was financed by the EBRD Shareholder Special Fund (SSF).

I am satisfied that the operation is consistent with the Bank’s Strategy for Kazakhstan, the Transport Sector Strategy and with the Agreement Establishing the Bank.

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

Odile Renaud-Basso

BOARD DECISION SHEET

KAZAKHSTAN – AKTAU PORT MODERNISATION - DTM 53786	
Transaction Board Decision /	Board approval ² is sought for a senior loan of up to USD 20 million (EUR 18.3 million) in favour of National Company Aktau Sea Commercial Port, a joint stock company.
Client	National Company Aktau Sea Commercial Port JSC (the “Aktau Port” or the “Company”) is a major sea port in the Caspian Sea region. The Aktau Port is wholly owned by the Republic of Kazakhstan through Sovereign Wealth Fund Samruk-Kazyna JSC. The Company’s turnover for 2022 was KZT 9.7 billion (EUR 19.9 million), with an EBITDA of KZT 3.8 billion (EUR 7.8 million).
Main Elements of the Proposal	<p><u>Transition impact:</u></p> <ul style="list-style-type: none"> - <i>Integrated (primary)</i>: further development of the Middle Corridor through expansion of the Aktau Port container-handling capacity and improved digitalisation and integration along the corridor. - <i>Competitive (secondary)</i>: supporting improvements in the Company’s cost efficiency and promoting the Middle Corridor’s competitive position vis-à-vis other transit routes and modes of transportation. <p><u>Additionality:</u></p> <p><i>Financing structure:</i> The EBRD offers long term financing that is not available in the market from commercial banks – local or foreign – as geopolitical risks have increased.</p> <p><i>Standard-setting:</i> The Project ensures EBRD’s E&S policy and PP&R rules are applied thereby warranting the compliance of the Project with higher standards.</p> <p><u>Sound banking:</u> the Project complies with EBRD’s sound banking requirements and it is principally in line with the Sector Risk Guidance.</p>
Key Risks	- <i>Economic viability of the Middle Corridor</i> depends on the stakeholders’ ability to manage current soft (non-transparent tariffs, unreliable schedules and inefficient border crossing procedures) and hard infrastructure deficiencies. The Project has strong economic merits as it helps to alleviate one of the major bottlenecks in the Middle Corridor and also supports intra-regional integration in Central Asia and the Caucasus. [REDACTED].
Strategic Fit Summary	The Project is consistent with the Bank’s Transport Sector Strategy and specifically with the strategic direction to support integration and optimisation of logistic operations and to facilitate the creation of linkages to key transport networks and corridors, including the CAREC and TRACECA. It is also in line with the Bank’s Strategy for Kazakhstan which prioritises financing transport and logistics infrastructure, including roads, railways and associated superstructure, warehouses, and dry ports, including under the EU Global Gateway initiative, to develop alternative transport routes (e.g. the Middle Corridor).

² Article 27 of the AEB provides the basis for this decision.

ADDITIONAL SUMMARY TERMS FACTSHEET

EBRD Transaction	A senior loan of up to USD 20 million (EUR 18.3 million equivalent) to the Company for disbursement in one of the following currencies: KZT, EUR or USD.
Existing Exposure	<i>None.</i>
Maturity / Exit / Repayment	The loan will be provided for up to nine years [REDACTED] with equal quarterly repayments.
Potential AMI eligible financing	<i>None.</i>
Use of Proceeds	The loan proceeds will be used to finance the acquisition of container-handling equipment (such as cranes and reach-stackers) and related infrastructure. The use of proceeds will be controlled based on the Bank's PP&R and the supply contracts will be indicated as CP for corresponding disbursements.
Investment Plan/ Financing Plan	[REDACTED]
Key Parties Involved	The Company
Conditions to subscription / disbursement	[REDACTED]
Key Covenants	[REDACTED]
Security / Guarantees	[REDACTED]
Other material agreements	N/A
Associated Donor Funded TC and co-investment grants/concessional finance	<p>A. Technical Cooperation (TC)</p> <p><i>Pre-signing TCs:</i></p> <p>TC1: Environmental and Social Assessment – to identify and assess the potential significant current and future adverse environmental and social impacts associated with the Company's current operations and the proposed Project and to identify opportunities to improve the environmental and social sustainability of the Project and current operations. The assignment cost of EUR 49,900 was financed by the SSF.</p> <p>TC2: Quality Assurance and Advance Procurement Support – to build procurement capacity of the Aktau Port; to develop a procurement plan including detailed description of procurement packages; estimate costs and implementation schedule; and to provide support during the procurement, evaluation and contracting process. This assignment cost of EUR 65,000 was financed by the SSF.</p> <p>Cost-sharing: In line with the Bank's client contributions policy, dated 1 January 2021, cash contributions will not be provided considering the Company's public ownership.</p>

[REDACTED]

INVESTMENT PROPOSAL SUMMARY

1. STRATEGIC FIT AND KEY ISSUES

1.1 STRATEGIC CONTEXT

Over the last 15 years Kazakhstan has invested approximately USD 35 billion in its transport industry. It has developed and rehabilitated more than 2,500 kilometres of railways, 13,000 kilometres of roads, and expanded capacities of Aktau and Kuryk ports in the Caspian Sea. Consequently, it is emerging as the main transport and logistics hub of Eurasia with 11 international transit routes – 5 railways and 6 highways – crossing its territory and connecting East to West and North to South. Moreover, in 2022, Kazakhstan's President Kassym-Jomart Tokayev announced that additional investments of USD 20 billion would be needed within the next 3 years aimed at enhancing diversification of transit and transport routes, as well as implementation of integrated logistics solutions.

The Northern Corridor (China-Kazakhstan-Russia-Belarus-Europe) has been the most utilised overland transit corridor. In 2022 this route accounted for more than 90 per cent of total land-based container transit; approximately 386 thousand TEUs were shipped between China and the EU by rail. An alternative multimodal route, the Middle Corridor, avoids the Russian and Belarus territories, and passes through Kazakhstan, the Caspian Sea, Azerbaijan, Georgia and onwards to Turkiye or the Black Sea to reach Europe. In 2022, 33 thousand TEUs were carried between Aktau and Baku, accounting for 8 per cent of total container transportation between the EU and China, representing a significant increase from 2.5 per cent in 2021. Despite the increasing utilization rate, this route has been less competitive mainly because of the more complex logistics involving multiple countries, reloading processes as well as the Caspian Sea crossing in-between. This results in higher costs and longer transit times although it is 2,000 km shorter compared with the Northern Corridor.

[REDACTED]. As concerns over further shipment and supply chain disruptions along the Northern Corridor are growing, the Middle Corridor is emerging as one of the very few viable alternatives for shippers [REDACTED]. By transiting through Kazakhstan and further along the Middle Corridor, goods originating from East Asia reach the EU market in almost half the time they would take through maritime trade routes. Therefore, [REDACTED] further expansion of the Middle Corridor will be key for the realization of Kazakhstan's strategic objective to develop and diversify its transit potential by leveraging its geographic location between Asia and Europe.

[REDACTED]. Kazakhstan is increasingly regarded by the EU as strategic partner for supply of critical raw materials (out of 30 rare earth materials crucial for the EU economy, such as titanium, beryllium, tantalum, and niobium, Kazakhstani companies currently produce 16) and agriculture. A number of commodity and agricultural producers in Kazakhstan have already started diverting their products such as metals, ferroalloys, grain and fertilisers towards the Middle Corridor route but are facing serious capacity constraints and inefficiencies.

The Aktau Port, Kazakhstan's principal harbour on the Caspian Sea, plays a crucial role in the effective running of the Middle Corridor. The Company was established in 1963 and currently serves as a major multipurpose seaport in the Caspian Sea region with a cargo handling capacity exceeding 17 million tonnes annually. The EBRD in 1996 provided the Company a USD 54 million loan to finance the construction of a quay wall, and the upgrade of the port's flood-damaged utilities. Following a successful implementation of the project the loan was fully repaid in 2011. During the last decade the Aktau Port has transitioned itself away from

specialising in one commodity – crude oil – into a diversified seaport with the objective to attract the lucrative railway freight transit between Asia and Europe.

[REDACTED] [I]t is critical for the Aktau Port to capture additional freight volumes and benefit from the reorientation of logistics operations. However, further growth is limited due to current bottlenecks in handling capacity of the port, particularly in relation to containerised cargo. [REDACTED].

The Project is on the list of priority investment interventions identified under the EBRD-led, EU-funded study on “Sustainable Transport Connections between Europe and Central Asia”. [REDACTED]. Considering the expected cargo volume increases along the Middle Corridor, as identified in the study, the Aktau Port’s capacity will be short of meeting the demand as early as 2025 given shortages in handling equipment. The Project will help the Company to increase the container handling capacity by establishing a second technological line for transshipment of containerized cargo thereby addressing some of the key infrastructure and operational bottlenecks along the Middle Corridor. [REDACTED].

The Project aligns well with the Transport Sector Strategy, according to which the Bank will support investment to improve quality, connectivity and integration of road, rail, logistics, maritime and aviation infrastructure and services to advance access to markets and services. It will also improve linkages to key transport networks, including the CAREC and TRACECA, which are transformative for the economies of Central Asia, Caucasus, and Turkiye. The Bank will encourage SOEs to finance investment on a non-sovereign, commercial basis to reduce reliance on the state budget.

The Project is consistent with the Bank’s strategic objective for Kazakhstan to facilitate the enhancement of its inter-regional connectivity and international integration to help the country fully leverage its geographic advantages and become a regional hub for trade, finance and transport. The Project is also in line with the strategic priority to finance transport and logistics infrastructure, including those under the EU Global Gateway initiative, to develop alternative transport routes particularly in the context of EU-Central Asia connectivity agenda.

1.2 TRANSITION IMPACT

Transition Impact Scoring Chart is presented in Annex 1.

Primary Quality: Integrated

Obj. No.	Objective	Details
1.1	The Project delivers material quality improvements of the current infrastructure between or within regions that are currently inadequately integrated.	The Project resolves one of the major bottlenecks in the context of the Middle Corridor by supporting the significant increase of container handling capacity by establishing a second technological line for transshipment of containerized cargo supporting regular, stable, effective and diversified transportation chains.
1.2	The technology introduced to expand/improve infrastructure is a first for the region (country and all bordering countries or all countries in the same grouping) and the technology is in line with international BAT standards.	The countries along the Middle Corridor will adopt a single digital platform [REDACTED]. The digital platform will ensure integration of databases of infrastructure operators, government agencies and freight forwarders thereby safeguarding a smooth flow of cargo and subsequent reduction of transit time.

Secondary Quality: Competitive

Obj. No.	Objective	Details
2.1	The Project promotes significant cost efficiency improvements (i.e. [REDACTED] reduction of the cost per unit of infrastructure [REDACTED]) that will be benchmarked and monitored.	The Project will support cost optimisation by eliminating one of the technological bottlenecks and enable increased container traffic spreading Aktau Port's infrastructure costs over a larger traffic volume.

Delivery Risks: unpredictable and volatile supply chain environment, further impact of external economic and geopolitical factors as well as the Company's internal capacity to implement the Project and obtain efficiency gains.

1.3 ADDITIONALITY

Identified triggers	Description
No triggers identified.	n/a

Additionality sources	Description of additionality sources
Financing Structure: EBRD offers financing that is not available in the market from commercial sources on reasonable terms and conditions [REDACTED]. Such financing is necessary to structure the project.	The Project envisions a tenor of 9 years [REDACTED], which is not available in the local market at reasonable terms.
Financing Structure: Crisis response: EBRD financing effectively bridges a financing gap due to adverse market conditions.	The ongoing tight monetary policy of National Bank of Kazakhstan coupled with geopolitical risks results in a very limited appetite by local and foreign banks to provide long-term funding at acceptable terms.
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.). - Client seeks/makes use of EBRD expertise on best international procurement standards.	The Project will require EBRD's E&S policy and PP&R rules are applied thereby ensuring the compliance of the Project with higher standards.

1.4 SOUND BANKING - KEY RISKS

Risks	Probability / Effect	Comments
Demand risk	Medium/ High	The Company as well as the other Middle Corridor participants may not be able to capture the additional freight volumes and fully benefit from the reorientation of freight transit. <i>Risk mitigant:</i> The Middle Corridor provides one of the few alternatives for Asia-Europe freight transportation especially for time sensitive cargo that cannot be transported by sea. The Project remains economical regardless of the Middle Corridor

		developments as it will facilitate the current cargo flows and support regional integration within the Central Asia and Caucasus regions.
[REDACTED]	[REDACTED]	[REDACTED]
Macro-economic risk	Low/ Medium	[REDACTED]. Further devaluation of KZT and slowdown of economic activity. <i>Risk mitigant:</i> This is a systematic risk which affects practically all sectors of the country's economy. At the same time, Kazakhstan has relatively low public debt (some 25 per cent of GDP) and large foreign currency reserves in the National Fund which provide a significant buffer against external shocks.
Project Implementation risk	Low/ Medium	The Project may experience procurement and implementation delays. <i>Risk mitigant:</i> The Bank provides technical assistance to support the Project implementation, including assistance with the procurement process to be completed in accordance with the Bank's PP&R. Procurement consultant will support the Company throughout the implementation phase to ensure smooth execution. [REDACTED].
FX risk	Medium/ Low	The Company will be exposed to FX risks if the loan is utilised in foreign currency. <i>Risk mitigant:</i> The Company's charges are set in KZT, however for international transit and export the rates have been historically linked to USD and thereby can be revised following a depreciation of KZT. The stress-test suggests sufficient resilience of the Project to depreciation of KZT.

2. MEASURING / MONITORING SUCCESS

<i>Overall objectives of project</i>	<i>Monitoring benchmarks</i>	<i>Implementation timing</i>
– Good financial and operational performance	– [REDACTED]	– [REDACTED]
– Successful implementation of the Project	– Timely implementation of the Project without cost overruns	– [REDACTED]

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date
1.1	Increased capacity of infrastructure within regions	The container handling capacity will increase [REDACTED] whereas the general cargo throughput will increase [REDACTED].	[REDACTED]	[REDACTED]	[REDACTED]
1.2	New or updated technology introduced	The majority of state agencies and infrastructure operators in Kazakhstan, Azerbaijan and Georgia including the Aktau Port will be adopting the single digitalised platform designed and developed by PSA.	[REDACTED]	[REDACTED]	[REDACTED]

TI indicator(s), secondary Quality: Competitive

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date
2.1	Operational performance of the client: cost savings	EBITDA will increase [REDACTED].	[REDACTED]	[REDACTED]	[REDACTED]
2.2	Operational performance of the client: efficiency	The vessel's loading time will reduce [REDACTED].	[REDACTED]	[REDACTED]	[REDACTED]

3. KEY PARTIES

3.1 BORROWER / INVESTEE COMPANY

National Company Aktau Sea Commercial Port is a fully owned subsidiary of Samruk-Kazyna and is managed by National Company Kazakhstan Temir Zholy (KTZ); please refer to Annex 2 for more details. In addition to the main port facility in Aktau, the Aktau Port owns a much smaller port facility in Bautino (150 km from Aktau) with a cargo handling capacity of 200,000 tonnes. It also owns a 10 per cent stake in the Aktau Marine North Terminal.

Its facilities include separate terminals for oil, grain, ferry and general cargo as well as a transshipment complex. The oil, grain and ferry terminals are owned and run by private operators. The principal cargo handled in the port is oil, grain, metals, construction materials and other general bulk cargo. The main cargo destinations are ports in Azerbaijan, Turkmenistan, Iran, Russia and third countries via multimodal corridors. [REDACTED].

In 2022, the Company reported an EBITDA of KZT 3.8 billion (EUR 7.8 million) on revenue of KZT 9.7 billion (EUR 19.9 million) which is 58 and 27 per cent higher than in the corresponding period of 2021. [REDACTED].

Detailed historical financials are presented in Annex 3.

Table 1 – Summary of historic audited financials of the Borrower (2019-2022)

Items	KZT (million)				EUR (million)			
	2019	2020	2021	2022	2019	2020	2021	2022
PL items								
Revenue	6,879	6,011	7,601	9,671	16.1	12.8	15.1	19.9
Operating expenses	(4,169)	(4,147)	(5,210)	(5,887)	(9.8)	(8.8)	(10.3)	(12.1)
EBITDA	2,710	1,863	2,391	3,783	6.4	4.0	4.7	7.8
Net Income	907	402	830	1,868	2.1	0.9	1.6	3.9
BS items								
Total Assets	33,112	31,701	31,528	33,003	77.6	67.6	62.5	68.0
- cash	1,220	800	1,323	3,438	2.9	1.7	2.6	7.1
Total Liabilities, including:	14,121	13,199	12,593	12,200	33.1	28.1	25.0	25.1
- loans	9,599	8,560	7,402	6,309	22.5	18.3	14.7	13.0
Total Equity	18,991	18,502	18,935	20,803	44.5	39.5	37.5	42.9
CF items								
Net CF, including:	634	(513)	508	1,650	1.5	(1.1)	1.0	3.4
- operating CF	1,470	1,526	2,258	3,392	3.4	3.3	4.5	7.0
- investing CF	36	(72)	(276)	(666)	0.1	(0.2)	(0.5)	(1.4)
- financing CF	(871)	(1,968)	(1,474)	(1,077)	(2.0)	(4.2)	(2.9)	(2.2)
Ratios								
EBITDA margin	39.4%	31.0%	31.5%	39.1%				
DSCR	1.4x	1.4x	1.8x	2.5x				
Net Debt / EBITDA	3.1x	4.2x	2.5x	0.9x				
EUR / KZT (annual average)	427	469	505	485				

4. MARKET CONTEXT

Market

- In the past few years, Eurasian overland transit has positioned itself between the sea and air alternatives, being less costly than air freight and faster than shipping by ocean. Since the COVID-19, the land based option has also been cheaper than the cost of sending freight by sea (please refer to the chart below).
- The main railway route for Eurasia transit is the Northern Corridor which passes through Kazakhstan, Russia and Belarus. Being a single-mode railway option, it provides a cheaper and faster transportation. In 2022, it transported around 386 thousand TEUs, which is 2 times the volume transported in 2015 yet lower than in 2021 when the traffic hit the all-time high of 618 thousand TEUs.
- The Middle Corridor on the other hand envisions multimodal transportation involving ferry legs to cross the Caspian Sea and onwards to the Black Sea from Georgia to the ports in Romania or Bulgaria. The Middle Corridor is 2,000 km shorter compared with the Northern Corridor, has more favourable climate conditions and substantially shortens the reported travel time on average (currently 20-30 days) compared with the sea route (45- 60 days). It was established in 2017 and accounted for only 300 TEUs that year while in 2022 33 thousand TEUs were carried between Aktau and Baku. Please refer to Annex 6 to view the map of Eurasian overland transit corridors.
- Investments are needed to enhance the efficiency of this alternative. In addition to the Aktau Port infrastructure, the bottlenecks along the Middle Corridor include railway sections along the Baku-Tbilisi-Kars route, insufficient number of ferries in the Caspian Sea, need for expansion of Black Sea ports, limited number of handling and terminal capacity as well as transition to a single synchronized freight schedule between Kazakhstan, Azerbaijan and Georgia.
- Kazakhstan's national railway and logistics operator, Kazakhstan Temir Zholy, aims to enhance efficiency and increase the throughput of the Middle Corridor in the next three years, by partnering with PSA [REDACTED]. The partnership will encourage adoption of a physical and digital ecosystem for the users and stakeholders of the Middle Corridor, including the Aktau Port, to develop a more efficient and sustainable transport corridor.
- The International Sea Port of Turkmenbashi in Turkmenistan is a potential competitor of Aktau Port and an integral part of the southern route of the Middle Corridor. It has modern infrastructure to cope with increased transit goods. However, due to [REDACTED] higher transit tariffs and an absence of international agreements it is a less preferred option for many shippers. In 2020 it handled over 7 million tonnes of goods which was largely represented by oil and oil derivatives exported from Turkmenistan to external markets whereas the transit traffic was negligible.
- The recent study on sustainable transport connections between Central Asia and EU conducted by EBRD and funded by the EU, identifies the Central Trans-Caspian Network, traversing through South Kazakhstan and the Aktau Port as the most sustainable option. This would allow for further transport network development, in an area covering most of the major population and production centres of the Central Asia region.
- In terms of domestic competition, there are three ports on the Kazakhstan side of the Caspian Sea (Aktau Port, Kuryk Port and Aktau Marine North Terminal) with a total capacity of 23 million tonnes. The Aktau Port provides services across a wide range of cargo types and is oriented towards the Caucasus region. The other two ports are smaller and focus on their specific niches: the Kuryk Port specialises in cargo ferry operations whereas the Aktau Marine North Terminal primarily deals with general cargo and grain, mainly oriented towards Iran and further down to the Middle East which accounts for 95 per cent of total cargo. [REDACTED].

Regulatory

- The majority of the Company's services (vessel call and handling) were de-regulated as of 2021 by the Anti-Monopoly Committee, and tariffs are currently market-driven. This allows the Company to absorb market trends quickly and to remain competitive vis-a-vis alternative routes.
- The only regulated service is the provision of water and waste-water services; the share of these services in revenue is less than 5 per cent.

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). The Project comprises the acquisition of new container handling equipment and improvements to port internal power supply infrastructure. This will enable significant throughput increase. The Project does not include civil engineering works, significant capital dredging operations were undertaken in 2015, but do not constitute projects associate facility in line with PR1. The Project will be undertaken within the current and operational Aktau Port located within the industrial zone on the outskirts of Aktau on the eastern shore of the Caspian Sea. The Project did not require national EIA. An ESDD was undertaken by an independent consultant and reviewed the current operations in the port, the current EHS management systems and potential impacts related to operating the new equipment and port capacity increase.

The ESDD concluded that the Company has relevant capacity to undertake the Project in line with EBRD PRs. The Company has implemented a certified Integrated Management System combining Environment, H&S and Quality areas from 2020 and has been awarded in 2022 “Eco-ports Certificate” - the only port in Kazakhstan to earn the award. Due diligence identified a number of areas for improvement in current procedures and practices, which will be addressed via ESAP.

The Aktau Port is not located in sensitive marine or terrestrial areas and the closest residential area is 2.4 km away. The throughput increase will not require upgrades to current railway and road infrastructure. The Project is likely to have site specific environmental and social impacts, which can be minimised by implementation mitigation measures and relevant monitoring and management techniques.

Key risks identified by the ESDD are related to air quality form direct port operations and increased traffic risks. Indirect risk related to more calls from transshipment vessels relate to air emissions in the port and en route, potential hazardous substances spills and potential disturbance to the marine life in the Caspian Sea. These are outside of direct influence of the Company. To mitigate direct impacts the Aktau Port has decided to procure an electrified portal crane and smaller machinery aligned with Regulation (EU) 2016/162 of the European Parliament and of the Council on requirements relating to gaseous and particulate pollutant emission limits. A side letter from supplier will be sought to confirm the emission factors compliance. Other operational E&S risks are related to labour and traffic management, waste generation, hazardous substance management and OHS. These will be managed under the current ESMS strengthened through ESAP actions.

[REDACTED]. Given that the works on site will be associated with elevated H&S risks, the Company will need to make sure that its contactors' non-employee workers are adequately insured against injury and fatal accidents. It will need to address this gap in its HR policy, together with other PR2 gaps including provisions related to gender-based violence and harassment (GBVH) and workers grievance mechanism including the arrangements for submitting anonymous complaints. [REDACTED].

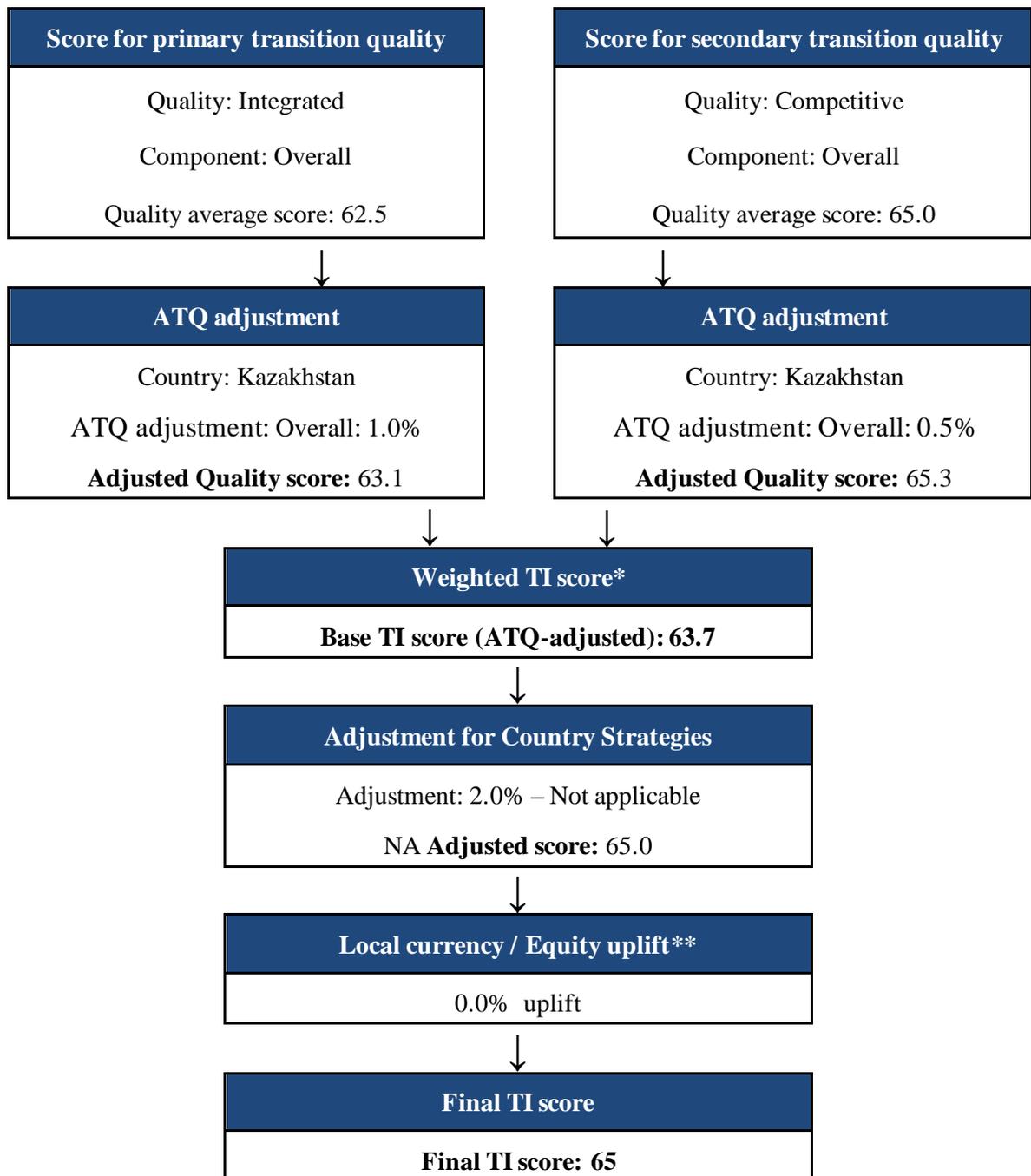
An ESAP was prepared for the Project [REDACTED]. The ESAP focuses on implementing the EHS management systems for construction and operational stages in line with documentation prepared by consultants, adequate handling of hazardous substances, set up of HSS procedures in line with good international practice, cooperation with the city on traffic safety and community awareness campaigns as well as labour and worker accommodation management. The Bank will monitor the Project through annual reports and site visits as required.

6.2 INTEGRITY

In conjunction with OCCO, integrity due diligence was carried out on the Company, its senior personnel, its shareholder (Samruk-Kazyna) and other material parties, including its manager under a trust management agreement (KTZ, the state-owned railway operator). [REDACTED].

All actions required by applicable EBRD procedures relevant to the prevention of money laundering, terrorist financing and other integrity (including sanctions) 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.

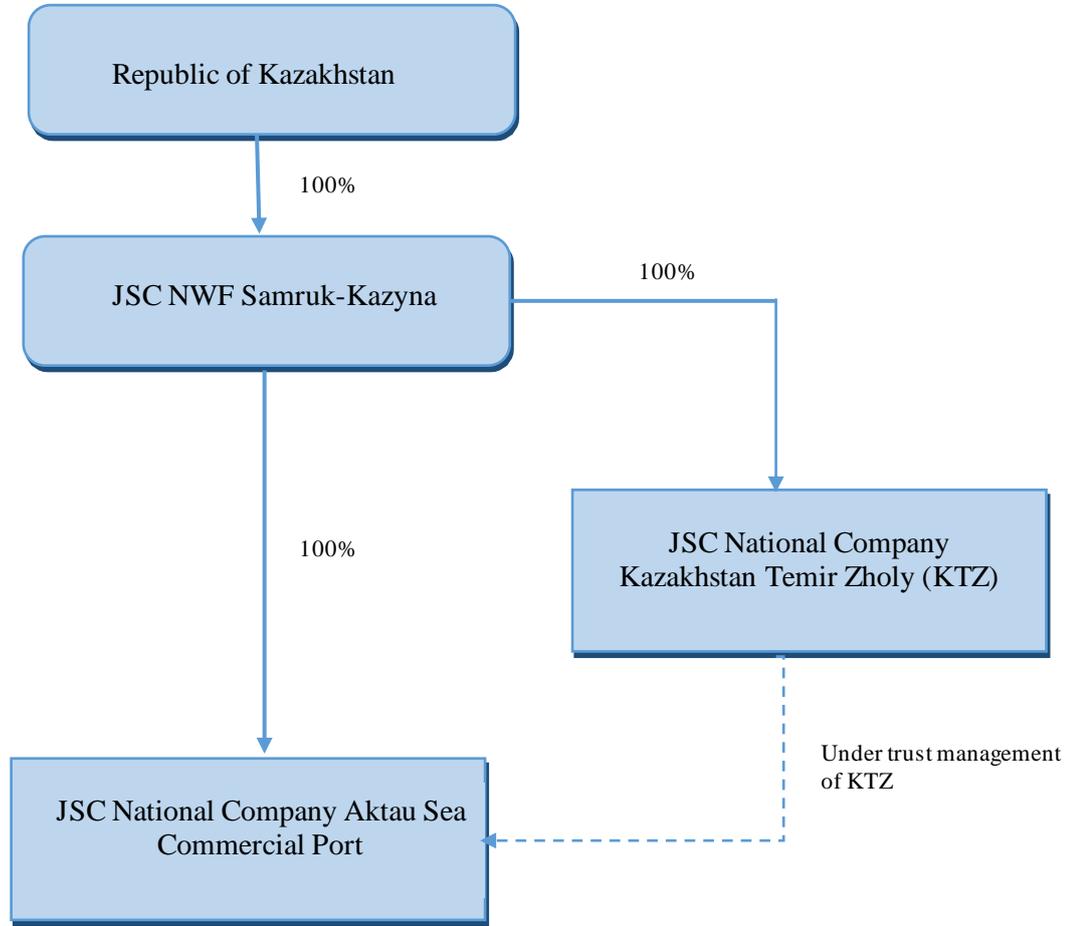
ANNEX 1 - TRANSITION IMPACT SCORING CHART



*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



ANNEX 3 – HISTORICAL FINANCIALS

Items	KZT (million)				EUR (million)			
	2019	2020	2021	2022	2019	2020	2021	2022
Profit & Loss Statement								
Total Revenue	6,879	6,011	7,601	9,671	16.1	12.8	15.1	19.9
COGS	(3,250)	(3,268)	(3,996)	(4,660)	(7.6)	(7.0)	(7.9)	(9.6)
Administrative Expenses	(918)	(879)	(1,214)	(1,227)	(2.2)	(1.9)	(2.4)	(2.5)
EBITDA	2,710	1,863	2,391	3,783	6.4	4.0	4.7	7.8
Depreciation and Amortisation	(1,085)	(1,066)	(1,022)	(981)	(2.5)	(2.3)	(2.0)	(2.0)
Financial Income	219	330	274	372	0.5	0.7	0.5	0.8
Interest Expense and Fees	(852)	(711)	(563)	(486)	(2.0)	(1.5)	(1.1)	(1.0)
FX gain / (loss)	(17)	93	19	63	(0.0)	0.2	0.0	0.1
Other Gains / (Losses), net	17	(7)	2	(350)	0.0	(0.0)	0.0	(0.7)
EBT	992	502	1,102	2,403	2.3	1.1	2.2	5.0
Income tax expenses - actual	(102)	(104)	(227)	(548)	(0.2)	(0.2)	(0.4)	(1.1)
Other Comprehensive (Loss)/Income	16	5	(46)	14	0.0	0.0	(0.1)	0.0
Total comprehensive income for the year	907	402	830	1,868	2.1	0.9	1.6	3.9
Balance Sheet								
Cash	1,220	800	1,323	3,438	2.9	1.7	2.6	7.1
Restricted Cash - actual	127	126	121	210	0.3	0.3	0.2	0.4
Accounts Receivable	205	107	71	157	0.5	0.2	0.1	0.3
Inventory	504	441	319	390	1.2	0.9	0.6	0.8
Fixed Assets	27,395	26,574	26,126	25,537	64.2	56.7	51.8	52.6
Other Assets	3,662	3,654	3,567	3,271	8.6	7.8	7.1	6.7
Total Assets	33,112	31,701	31,528	33,003	77.6	67.6	62.5	68.0
Accounts Payable	175	185	136	270	0.4	0.4	0.3	0.6
Loans	9,599	8,560	7,402	6,309	22.5	18.3	14.7	13.0
Deferred Tax Liabilities	3,386	3,490	3,717	3,722	7.9	7.4	7.4	7.7
Other Liabilities	961	964	1,337	1,898	2.3	2.1	2.7	3.9
Total Liabilities	14,121	13,199	12,593	12,200	33.1	28.1	25.0	25.1
Equity	25,480	25,480	25,480	25,480	59.7	54.3	50.5	52.5
Retained Earnings	(6,488)	(6,978)	(6,545)	(4,677)	(15.2)	(14.9)	(13.0)	(9.6)
Total Equity	18,991	18,502	18,935	20,803	44.5	39.5	37.5	42.9
Cash Flow Statement								
EBIT	1,626	797	1,369	2,803	3.8	1.7	2.7	5.8
Depreciation and Amortisation	1,085	1,066	1,022	981	2.5	2.3	2.0	2.0
Change in WC	387	(170)	(108)	22	0.9	(0.4)	(0.2)	0.0
Other	(1,628)	(167)	(26)	(413)	(3.8)	(0.4)	(0.1)	(0.9)
Net Operating CF	1,470	1,526	2,258	3,392	3.4	3.3	4.5	7.0
Capex	(101)	(239)	(485)	(306)	(0.2)	(0.5)	(1.0)	(0.6)
Pre-Financing CF	1,368	1,287	1,772	3,086	3.2	2.7	3.5	6.4
Proceeds from the return of deposits - actual	60	8	75	9	0.1	0.0	0.1	0.0
Proceeds from bond repurchase actual	52	159	128	30	0.1	0.3	0.3	0.1
Proceeds from the sale of PP&E - actual	25	-	7	3	0.1	-	0.0	0.0
CF Available for debt service	1,505	1,454	1,982	3,128	3.5	3.1	3.9	6.4
Return of bank guarantees - actual	207	-	-	-	0.5	-	-	-
Loan Repayment	(1,077)	(1,077)	(1,077)	(1,077)	(2.5)	(2.3)	(2.1)	(2.2)
Other Actual	(1)	-	-	-	(0.0)	-	-	-
CF available for dividends	634	378	905	2,051	1.5	0.8	1.8	4.2
Dividends	-	(891)	(397)	-	-	(1.9)	(0.8)	-
Net CF	634	(513)	508	2,051	1.5	(1.1)	1.0	4.2
Ratios								
EBITDA margin	39.4%	31.0%	31.5%	39.1%				
DSCR	1.4x	1.4x	1.8x	2.5x				
Net Debt / EBITDA	3.1x	4.2x	2.5x	0.9x				
EUR / KZT (annual average)	427	469	505	485				

ANNEX 4 – GREEN ASSESSMENTS

Introduction

The Project is assessed for Paris Agreement (PA) alignment, GET and climate related financial risk. The Project is assessed as positively aligned for both mitigation and adaptation goals of the Paris Agreement. It does not qualify for any GET attribution. The Company demonstrates a low climate-related financial risk exposure.

Paris alignment assessment

General screening of alignment with the mitigation goals of Paris Agreement

- The Project/economic activity is **included** in the 'aligned list'.
- Regarding Project/economic activity(ies), there are **no** activities included in the 'non-aligned list'.

The Aktau Port project is included in the 'aligned list' as a port infrastructure project type under the Transport sector. There are no specific conditions and/or guidance related to the port infrastructure project type.

The Aktau Port project does not include any activities on the 'non-aligned' list.

It is noted that whilst Aktau Port does include infrastructure that is used to transport fossil fuels it does not own any oil and oil technological or transmission lines. The functions of Aktau Port are limited to the provision of oil berths and clearances for access/egress of vehicles.

The Project components that EBRD are considering financing will be used exclusively for cargo handling and not fossil fuels.

Other planned improvements within the Project include the modernisation of the power supply system for portal cranes. This encompasses an energy audit, design surveys, construction and assembly works (CAW), technical supervision, and designer supervision.

The modernisation will cover transformer substations TS-5 (near Operations Office No. 2), TS-6 (Berth No. 6), and TS-3 (near the evaporation pond and across from Berth No. 3)

Taking into account the alignment of the project with the MDBs 'aligned' list, Step 2 – Specific Screening assessment is not identified as required to further assess the alignment of the Project with the mitigation goals of the Paris Agreement.

Alignment with the adaptation goals of Paris Agreement

Step 1: Evaluation of the climate risk and vulnerability context

A materiality assessment has been undertaken to understand the potential impact of physical climate risks identified in the EBRD Paris Alignment Methodology on both the port sector and the specific Project components.

Table 1 Project climate hazard review

Natural hazard	Potential impact on project sector*	Potential impact on project activities (as outlined in Error! Reference source not found.)	Materiality check
Increasing mean temperatures Extreme heat events	Damage/disruption to electrical port equipment. Damage to associated road and rail infrastructure. Health impacts for port workers. Changes to agricultural production impacting trade flow in/out of ports.	Damage/disruption to electrical equipment (e.g. cranes and spreaders) and external electricity supply. Health impacts for port workers.	Medium – associated with electrical equipment and supply being key to project.
Wildfires	Damage/disruption to port infrastructure. Safety impacts for port workers and users of port.	Damage/disruption to equipment to be installed as part of project and associated external electricity supply. Safety impact for port workers and users of port.	Low – Aktau Port already has current procedures and personnel in place to manage fire events.
Extreme wind events	Damage/disruption to port infrastructure (including navigation and communication equipment). Toppling of containers in yard. Safety impacts for port workers and users of port.	Damage/disruption to equipment installed as part of project and associated external electricity supply. Toppling of containers in port area. Safety impact for port workers and users of port.	Medium – Aktau Port already has procedure in place to halt cargo handling operations at wind speeds higher than 18m/s and the operation of crane pairs is also not allowed when wind speed is as high as 10m/s. Assume that these operational thresholds will be maintained for any new equipment. A specialist at the port also receives weather conditions and storm warnings from RSE Kazhydromet and informs port services.
Increasing water stress (including chronic stress and events such as droughts)	Power outages for port power plants that require water for cooling. Changes to agricultural production impacting trade flow in/out of ports.	No potential impacts identified for project activities as no new equipment identified as requiring water for cooling.	Not applicable
Sea level change	Increase – nuisance flooding and damage to port and connecting infrastructure. Decrease – impact on navigation pathways and storage of vessels for ports.	If a flood event – damage and disruption to equipment being installed as part of project.	Low – noting that there are ongoing uncertainties, it is anticipated there will be an overall decrease in Caspian Sea levels in the future. In addition, Aktau Port has reported that sea level projections and weather

Natural hazard	Potential impact on project sector*	Potential impact on project activities (as outlined in Error! Reference source not found.)	Materiality check
		Safety impact for port workers and users of port.	forecasts are taken into account in design of port infrastructure.
Flood	<p>Damage/disruption to port infrastructure and connecting road/rail infrastructure.</p> <p>Silt accumulation in port channels, disrupting traffic and navigation routes.</p> <p>Safety impacts for port workers and users of port.</p>	<p>Damage and disruption to equipment being installed as part of project.</p> <p>Safety impact for port workers and users of port.</p>	<p>Low – noting that it is not clear how the occurrence of storm surges will change in the future, it is anticipated that there will be an overall decrease in Caspian Sea levels.</p> <p>Aktau Port has reported that a specialist at the port also receives weather conditions and storm warnings from RSE Kazhydromet and informs port services. Also, under inclement conditions the port is ordered to be closed for ship entry/exit by the RSE.</p>
Erosion	Damage to pilings and shorelines because of scour foundations.	No potential impacts identified for project activities as equipment to be installed as part of project will not be susceptible to erosion.	Not applicable
Extreme mass movement	Damage/destruction of port infrastructure and connecting road/rail infrastructure.	No potential impacts identified for equipment to be installed as part of project.	Not applicable

The assessment of climate and related hazards has identified that none of the hazards will have a material impact on the Project activities. No specific measures have been identified as required to improve the resilience of the equipment being installed as part of the Project against the impacts of climate change.

On the basis of the materiality assessment, a Step 2 examination of climate resilience measures has not been identified as necessary for this Project.

Step 3 – Appraisal of the broader climate context

Given the nature of the Project and focus on the installation of new equipment, it is not anticipated that it will exacerbate the physical exposure of nearby communities and businesses to the impacts of climate and related hazards.

ANNEX 5 – PROJECT IMPLEMENTATION

[REDACTED]. By applying the EBRD's toolkit to assess the public sector clients' procurement capacities, the Project team's Project Implementation Advisor undertook a capacity assessment of Aktau Port focusing on sections related to the current legal framework, organisation, support and control systems, staffing, records, procurement planning, and project risk. Areas of opportunities and improvements were identified and were discussed with the Company. [REDACTED].

It is noted that the Company is assisted by an experienced international consultant hired to enhance its procurement capacity and review all tender documents for the modernization of Aktau Port with minimization of environmental impact, ensuring compliance with EBRD's PP&R and the environmental and social requirements of the Bank.

Contracts risk assessment - Moderately Low

The Project will include supply contracts for supply of gantry cranes, reach-stackers and special heavy-duty machines and a works contract for the modernization of power supply lines for gantry cranes, in which the Company has a wide experience. Contracting therefore, should not be complex (moderate risk).

The international consultant hired under the TC2: Quality Assurance and Advance Procurement Support is working with Aktau Port to prepare the tender documents. Considering the low complexity of the works to be executed within the project and the experience of the Company, it was agreed to use the FIDIC Green form of contract for the works contract with no third party engineer to perform the supervision of works. The Company will mobilise needed resources to supervise the works internally.

Project implementation arrangements:

The Project will be managed by a PIU established in the Company. The Client is supported by a TC-financed advance procurement consultant hired to enhance its procurement capacity and review all tender documents to modernize Aktau Port including minimization of environmental impact, ensuring compliance with EBRD's Procurement Policies and Rules PP&R and the environmental and social requirements of the Bank.

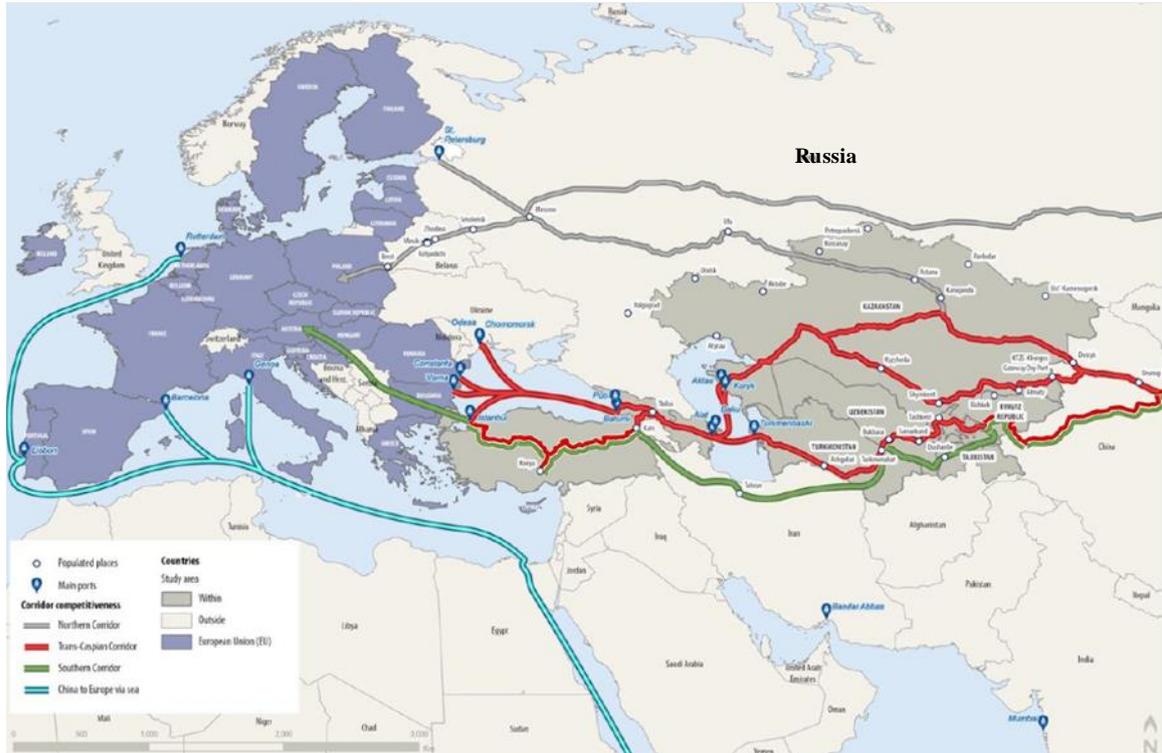
Procurement arrangements:

The Project is classified as a public sector operation for procurement purposes. The planned contracts financed from the proceeds of the EBRD loans and investment grants will be procured through open tendering in accordance with Article 3 of Section 3 of the PP&R for public sector operations. All contracts will be subject to prior review by the Bank in accordance with the procedures set out in the PP&R. All tenders will be managed using the EBRD Client Electronic Procurement Portal (ECEPP).

Disbursements under the contracts will be made directly to the contractors and suppliers. The enclosed combined Procurement Plan provides the details of the planned investment and TC assignments. Dates are subject to change depending on the dates of loan signing. [REDACTED].

ANNEX 6 – MIDDLE CORRIDOR MAPS

Illustration 1: Eurasian overland transit corridors– Middle Corridor is marked with red



Source: Sustainable transport connections between Europe and Central Asia, EBRD-EU report as of 16 June 2023

[REDACTED]