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

Approved by the Board of Directors on 19 November 2025[1]

KYRGYZ REPUBLIC

KEMIN-BALYKCHY INTERCONNECTION

[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 (2024), 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

ADB	Asian Development Bank	IFRS	International Financial Reporting Standards
CAPS	Central Asia Power System	IMF	International Monetary Fund
CASA-1000	Central Asia-South Asia power project	JSC	Joint-Stock Company
CFF	Cash flow from financing activities	KGS	Kyrgyz som
CFI	Cash flow from investment activities	MoU	Memorandum of understanding
CFO	Cash flow from operating activities	MTTP	Medium-Term Tariff Policy
CHP	Combined heat and power plant	NDC	Nationally Determined Contribution
COP28	2023 United Nations Climate Change Conference	NEGK	National Electric Grid of Kyrgyz Republic
DSSI	Debt Service Suspension Initiative	OHTL	Overhead transmission line
EBITDA	Earnings before interest, taxes, depreciation, and amortisation	OJSC	Open Joint-Stock Company
EPC	Engineering, Procurement and Construction	PIS	Project Implementation Support
EPP	JSC Electric Power Plants	PIU	Project Implementation Unit
ESAP	Environmental and Social Action Plan	PP&R	Procurement Policies and Rules
ESP	Environmental and Social Policy	S&P	Standard & Poor's
EU	European Union	SDGs	Sustainable Development Goals
EUR	Euro	SSF	Shareholder Special Fund
FX	Foreign exchange	TC	Technical Cooperation
GDP	Gross domestic product	TSO	Transmission system operator
GET	Green Economy Transition	USD	United States dollar
GHG	Greenhouse gas	VAT	Value added tax
HPP	Hydropower plant	YE	Year-end
IFIs	International financial institutions		

CURRENCY EQUIVALENTS

EUR / KGS (Soms)	102.49
USD / KGS (Soms)	87.40

MEASURES

GW	Gigawatt
kV	Kilovolt
kWh	Kilowatt-hour
MW	Megawatt
TWh	Terawatt-hour

PRESIDENT'S RECOMMENDATION

This recommendation and the attached Report concerning an operation in favour of the Kyrgyz Republic (the "Borrower"), are submitted for consideration by the Board of Directors.

The facility will consist of a sovereign loan to the Borrower in the amount of up to EUR 62 million. The loan will be on-lent to the National Electric Grid of the Kyrgyz Republic OJSC (the "Company"), majority state-owned electricity transmission and distribution company, which will be the project implementation entity. The loan is proposed to be co-financed by an investment grant of EUR 3.0 million from the EBRD Shareholder Special Fund ("SSF").

The operation will enable the Company to finance construction of the 500 kV Kemin-Balykchy transmission line (ca.53 km) and 500 kV substation in the town of Balykchy, north-eastern Kyrgyz Republic. The Project facilitates the integration of renewable energy sources into the grid, under development around the Issyk-Kul Lake area in north-eastern Kyrgyz Republic, by resolving increasing congestion issues between the Kemin and Issyk-Kul substations onto further wider grid distribution and enhancement of operational reliability of the power system through improvement of management of power flow procedures, both planned and emergency, helping to mitigate unplanned and planned curtailments. The expected transition impact of the project is through the *Green* quality, which is supported by losses and emission reduction targets and the *Resilient* quality, which is supported by the construction of capacity-enhancing electricity transmission infrastructure. The Project has a 100% GET share and is expected to reduce electricity [REDACTED] annually, resulting in GHG emissions savings [REDACTED]

I am satisfied that the operation is consistent with the Bank's Energy Sector Strategy, the Green Economy Transition Approach, as well as the Strategy for the Kyrgyz Republic and with the Agreement Establishing the Bank.

I recommend that the Board approve the proposed loan and SSF investment grant substantially on the terms of the attached Report.

Odile Renaud-Basso

BOARD DECISION SHEET

KYRGYZ REPUBLIC – KEMIN-BALYKCHY INTERCONNECTION – DTM 55367	
Transaction / Board Decision	Board approval[2] is sought for a sovereign loan of up to EUR 62 million in favour of the Kyrgyz Republic ("Kyrgyzstan" or the "Borrower"). Board approval is also sought for the use of EBRD Shareholder Special Fund ("SSF") funds in the amount of up to EUR 3.0 million for co-investment grant. The proceeds of the loan will be used to finance construction of the 500 kV Kemin-Balykchy transmission line (ca. 53 km) and 500 kV substation in the town of Balykchy, north-eastern Kyrgyz Republic (the "Project").
Client	The facility consists of a sovereign loan to the Kyrgyz Republic. The Project will be implemented by OJSC National Electric Grid of the Kyrgyz Republic (the "Company", the "Project Entity", or the "NEGK"), electricity transmission and distribution systems operator in the Kyrgyz Republic, who owns and operates more than 7,000 km of power transmission lines of 110 kV and above, as well as more than 190 substations with primary voltages of 500, 220 or 110 kV. [REDACTED]
Main Elements of the Proposal	<u>Transition impact</u> • *Primary Quality* – Green. The Project facilitates the integration of renewable energy sources into the grid, that will be developed in the Issyk-Kul area, north-eastern Kyrgyz Republic. The Project is in line with EBRD's Green Economy Transition (GET) Approach and will deliver climate mitigation benefits through electricity loss reduction [REDACTED] and CO2e emission savings [REDACTED] . • *Secondary Quality* – Resilient. The investment contributes to a more resilient electricity grid in light of equipment depreciation and overloading. The newly constructed 500 kV transmission line and substation will strengthen domestic connectivity by supplementing the existing 220 kV line between the towns of Kemin and Balykchy, improving grid efficiency and reliability, and allowing for the connection of additional electricity generation capacity from renewable sources. <u>Additionality</u> • *Financing structure:* The Bank provides long-term financing which is not available from local commercial banks (tenor, grace). • *Standard-setting*: The Bank will support the Project Entity in achieving higher standards that are above the current practice in the country through its conditionalities (e.g. Procurement Policies and Rules ("PP&R") and Environmental and Social Action Plan ("ESAP")). The Project Entity will benefit from EBRD's expertise in international procurement standards.
Key Risks	[REDACTED] *Implementation and project completion risk.* Implementation risk is mitigated by the Company's previous experience with procurement under the Bank's PP&R and by assistance of the Project Implementation Support consultant, as well as tendering of project elements on a design and build basis to an experienced contractors, and supervision by an independent engineer.
Strategic Fit Summary	The Project is in line with the Bank's Energy Sector Strategy, the Green Economy Transition Approach as well as the Strategy for the Kyrgyz Republic, and with the Agreement Establishing the Bank.

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

ADDITIONAL SUMMARY TERMS FACTSHEET

EBRD Transaction	Up to EUR 62 million sovereign loan to the Kyrgyz Republic (the "Borrower") to finance the construction of the 500 kV Kemin-Balykchy transmission line (ca.53 km) and 500 kV substation in the town of Balykchy, Kyrgyz Republic. The Project will contribute to integration of renewable energy sources into the grid and strengthening the power grid resilience.
Mutual Reliance	No
Existing Exposure	Sovereign exposure to the Kyrgyz Republic (Moody's B3/Positive): EUR 241 million as of 24 October 2025. Combined exposure to the Project Entity, OJSC National Electric Grid of the Kyrgyz Republic: EUR 24.0 million through the following projects: • Oshelectro Rehabilitation Project – EUR 2.9 million; • Vostokelectro Rehabilitation Project – EUR 2.9 million; • Electricity Supply Digitalization Project – EUR 9.2 million; • Modernization of Dolinka substation – EUR 4.2 million; • Upgrade of Rechnaya substation – EUR 4.8 million.
Maturity / Exit / Repayment	The proposed loan tenor is up to 20 years [REDACTED] .
Potential AMI eligible financing	None.
Use of Proceeds – Description	The proceeds of the loan will be used as follows: (i) construction of 500 kV Kemin Balykchy transmission line (53 km); (ii) construction of 500 kV substation in the town of Balykchy, north-eastern Kyrgyz Republic.
Investment Plan	[REDACTED]
Financing Plan	[REDACTED]
Key Parties Involved	Kyrgyz Republic represented by the Ministry of Finance (the "Borrower"). OJSC National Electric Grid of Kyrgyz Republic (the "Company", the "Project Entity", or the "NEGK").
Conditions to subscription / disbursement	• [REDACTED]
Key Covenants	[REDACTED]
Security / Guarantees	Sovereign loan
Other material agreements	Project agreement with the Project Entity.
Associated Donor Funded TC and Blended Concessional Finance	**A. Technical Cooperation (TC)** <u>Pre-signing</u> **TC1: Bird Survey:** The assignment engaged a consultant to carry out an ornithological assessment, to ensure that the Project is consistent with requirements of the Bank's Performance Requirement 6, Guidance provided by Birdlife International as well as EU Habitats Directive and Birds Directive to identify key environmental risks and development of appropriate mitigation measures into the designs. This included the assessment of protected and potentially protected areas, inclusive but not limited to; potential migration or ecological routes and areas that would

	qualify under the Emerald Network, Key Biodiversity Areas, Important Bird Areas as well as areas protected by National legislation. [REDACTED] **TC2: Environmental and Social Impact Assessment:** The Project is categorised A per the EBRD ESP (2019) due to high voltage of the transmission line and the substation. The financing requires the preparation of a comprehensive environmental and social package. [REDACTED] **TC3: Feasibility Assessment:** The main purpose of this assignment constituted carrying out a detailed review and analysis of the Project and preparing a project preparation study at a level sufficient for the Bank and possible other financing institutions to make a decision regarding the financing of the Project. The study covered all technical and financial aspects of the Project and was also delivered at a level required by the local authorities to approve the Project, in line with the local requirements. [REDACTED] <u>Post-signing</u> **TC4: Project Implementation Support:** This technical cooperation will aim to provide the following services to the Company: (i) preparation of Employer's Requirements and preliminary design for works, (ii) assistance with procurement of the Works components under the Project including development of tender documentation, tenders evaluation and contracting, (iii) assistance with the supervision of contracts' implementation and supervision of the works (in the role of the FIDIC Engineer); and (iv) environmental and social implementation support, monitoring supervision, and assistance with compliance and reporting obligations under the financing documents. [REDACTED] **Reimbursement:** The assignments above will not be reimbursable. **Cost-sharing:** No financial contribution is expected from the Company due to affordability constraints. In line with the Bank's cost-sharing policy, financial contributions will not be provided taking into account Company's public utility status and no pass-through of such contribution in the regulated tariff. **B. Co-investment grants / Concessional Finance (Non-TC)** The Project is expected to be co-financed by a EUR 3.0 million investment grant from the SSF Work Plan 2024-2025.

[REDACTED]

INVESTMENT PROPOSAL SUMMARY

1. STRATEGIC FIT AND KEY ISSUES

1.1 STRATEGIC CONTEXT

The Kyrgyz Republic's hydro-rich electricity sector faces critical challenges due to ageing infrastructure and severe capacity constraints in its transmission grid. High technical losses, frequent supply disruptions, and outdated substations undermine the system's ability to absorb and transmit electricity efficiently, and years of underinvestment and non-cost-reflective tariffs have left the sector vulnerable. [REDACTED] In its current state, the grid cannot support the substantial renewable energy capacity planned for commissioning in the coming years. Seasonal demand patterns, with significant peaks in both winter (heating) and summer (cooling), combined with rising frequency of extreme weather events, such as heatwaves and droughts, will place additional strain on the energy system. Modernising the transmission grid is essential to ensure reliable electricity supply, accelerate renewable energy integration, and reduce greenhouse gas emissions.

Kyrgyz Republic's current electricity consumption is 90% covered via hydropower generation, that is highly seasonal, and whose production profile is opposite to consumption, and is highly vulnerable to climate change (with variation in the water flow between a dry year and a wet year at times reaching 100 percent). Load curves indicate that the country's power demand is not covered by domestic power plants and relies on electricity imports. During the winter period, electricity imports are made predominantly at night, with dam hydropower plants acting as storage capacities to generate local electricity at evening peak demand, managing financial sustainability. Development of renewable energy sources such as wind and solar is a priority of the Kyrgyz government as diversification away from hydropower resources contributes to increased climate resilience and energy independence through increased local electricity generation.

The construction of the Kemin-Balykchy 500 kV transmission line and the Balykchy substation is part of the Kyrgyz Republic's strategic response to these issues, particularly for the north-east region of the country where grid connectivity is limited, and demand is rising among residential and industrial consumers in the Issyk-Kul area. Beyond increasing the renewable energy transfer capacity, the new line enhances operational reliability by improving maintenance practices, both planned and emergency, which helps reduce or eliminate unplanned and planned curtailments. [REDACTED]

The Project is aligned with the Kyrgyz Republic's National Development Strategy (2018-2040), which calls for infrastructure modernisation, energy efficiency improvements, and the use of energy-saving technologies. The Project also supports the Kyrgyz Government's climate mitigation goals outlined in its updated Nationally Determined Contribution ("NDC"), which conditionally targets a 43.62% reduction in GHG emissions by 2030. At COP28, the Kyrgyz Republic endorsed the Global Renewables and Energy Efficiency Pledge, aiming to triple global renewable energy capacity to 11,000 GW by 2030. This Project is a key component of the grid enhancements needed to meet these targets and is expected to facilitate integration of renewable energy sources.

The Country is also positioning itself as a regional exporter of green energy. By improving grid stability and interconnection capacity, the country can export surplus clean energy to neighbours such as Kazakhstan and Uzbekistan under regional initiatives like the Central Asia-South Asia power project ("CASA-1000"). This ambition is also consistent with the Government's broader energy initiatives, including flagship Kambarata-1 HPP project, which is being advanced in close cooperation with multilateral partners, such as World Bank, and the governments of Kazakhstan and Uzbekistan. While the Kambarata project is still at an early stage and subject to further development and environmental due diligence, the improvements brought by the Kemin-Balykchy interconnection will complement these efforts by enhancing the Kyrgyz Republic's ability to provide reliable balancing services and contribute to regional energy security.

The Bank and other international financial institutions ("IFIs") have long encouraged the Kyrgyz Government to tackle energy sector challenges. In January 2022, the Bank signed a memorandum of understanding ("MoU") with the Ministry of Energy to support renewable energy development and infrastructure modernisation. A second MoU, signed in February 2024, focuses on developing renewable energy projects and launching the country's first wind auction through an EBRD-funded technical cooperation programme, under which the Bank hired consultant and has selected a potential suitable site for the development of the first wind auction.

The EBRD's ongoing policy engagement in the Kyrgyz Republic is deeply aligned with the country's energy sector reform priorities and complements initiatives led by other MDBs. EBRD's focus on establishing a bankable regulatory framework for renewables has already yielded tangible results, such as the wind auction technical cooperation and legislative improvements that were enabled by the Kemin-Balykchy Interconnection Project. These reforms proposed by the Bank, that include proposals to extend the PPA tenor to 25 years, allowing tariffs indexation for hard currency changes, and implementing standard investor protections including but not limited to international arbitration, are critical for attracting private investment and ensuring long-term sustainability. The Bank's work is synergistic with the initiatives undertaken by World Bank, ADB and IFC, who are focused on providing technical assistance for capacity building, reinforcing a coordinated MDB approach.

The Bank continues to engage with the Government of Kyrgyz Republic over the priority tariff reforms supporting the World Bank. With electricity tariff for population at c.1.1 EURc/kWh, one of the lowest in the world, the sector is financially not sustainable. The Government of the Kyrgyz Republic is gradually implementing tariff reforms through a balanced approach aimed at achieving cost-recovery, while ensuring affordability for vulnerable consumers. In April 2025, the Cabinet of Ministers approved a medium-term electricity tariff policy for 2025-2030, which introduced a 23.8% increase for residential consumers using up to 700 kWh/month-from 1.11 to 1.37 Kyrgyz soms/kWh-with annual increases of 20% thereafter. For consumption above 700 kWh/month, tariffs rose by 8.5%, and non-residential tariffs will be adjusted annually based on inflation and exchange rate dynamics. The Project complements these efforts by increasing enabling connection of local newly-constructed green generation, improving operational efficiency and reducing losses, thereby easing the pressure on tariff increases.

The proposed transaction continues the Bank's engagement in Kyrgyz Republic's transmission sector and builds on previous engagements with NEGK, which focused on low-voltage distribution networks (Oshelectro Rehabilitation Project; Vostokelectro Rehabilitation Project; Electricity Supply Digitalization Project) and substation upgrades (Modernization of Dolinka

substation); Upgrade of Rechnaya substation). The Project aims to facilitate the integration of planned renewable energy capacity currently under development in the Issyk-Kul region as well as reduce technical losses and improve grid reliability.

The Project is expected to be co-financed by an SSF investment grant of up to EUR 3.0 million. The grant component will help strengthen the country's energy sector by improving reliability of electricity supply and facilitating connection of new renewable generation capacity. As the country has limited debt capacity, following the recommendations of the IMF, mobilising concessional finance is essential to ensure affordability while the necessary investments take place.

The Project is fully aligned with the Bank's Strategy for the Kyrgyz Republic, the Energy Sector Strategy 2024-2028, and the Green Economy Transition Approach.

1.2 TRANSITION IMPACT

The table below sets out the TI Objectives and details of the project. The relevant Monitoring Indicators and timing for their delivery are presented in Section 2.

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 exceeds 50%.*	The share of GET-compliant EBRD proceeds is 100%. The Project will contribute to reduction in the electricity losses[REDACTED], leading to a reduction in GHG emissions[REDACTED] .

Secondary Quality: Resilient

Obj. No.	Objective	Details
2.1	*The project will allow the connection of planned renewable energy installations which currently are not possible due to inadequacy of the grid, or lead to a decrease in the curtailment of existing renewable energy installations*	The Project will enable the system to accommodate the planned new renewable energy capacity. The Project will also increase the efficiency and climate resilience of the energy and transmission system of the Issyk-Kul region by reducing losses and reducing the load on other parts of the network.

Delivery Risks: [REDACTED]One of the main risks is associated with the implementation of the Project, which will be mitigated by a Project Implementation Support consultant for procurement and supervision of civil works, as well as tendering of the project components on a design and build basis to a competent contractor, works of which will be supervised by an independent engineer.

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**).	In the energy sector, the Bank previously provided sovereign loans to the Kyrgyz Republic that were on-lent to NEGK and JSC Oshelectro and JSC Vostokelectro (two distribution companies existing as separate entities until September 2022, and now part of NEGK). The Bank's involvement started with upgrades to low and medium voltage networks and procurement of smart meters (Oshelectro Rehabilitation Project; Vostokelectro Rehabilitation Project; Electricity Supply Digitalization Project), and continued with upgrades to existing substations on the grid (Modernization of Dolinka substation; Upgrade of Rechnaya substation). The proposed transaction will significantly expand the Bank's engagement with NEGK as it entails the construction of a new high voltage transmission line and an entirely new substation, representing a markedly increased project scope against previous undertakings with distinct quantifiable benefits. The Project will further enable the Bank to strengthen its involvement in the country's energy transition efforts by facilitating the integration of planned renewable energy capacity and improving the efficiency and reliability of the energy system.
Additionality sources	**Evidence of additionality sources**
Financing Structure - EBRD offers a **tenor**, which is above the market average and is necessary to structure the project.	The Bank will provide a loan with a 20-year tenor [REDACTED] , which is not currently available from commercial banks in the local market.
Standard-setting: helping projects and clients achieve higher standards Client seeks/makes use of EBRD expertise on **best international procurement standards**.	EBRD is providing the Project Implementation Support that ensures the use of international procurement standards and is also designed to strengthen the Company's procurement capacity. The Bank's conditionalities such as applying EBRD PP&R and implementation of ESAP will help develop the Company's capacity and allow for the Project's efficient implementation.
Knowledge, innovation and capacity building	Through the dedicated PIS, EBRD provides expertise, innovation, knowledge and/or capabilities that are material to the timely realisation of the project's objectives, including support to strengthen the capacity of the client.

1.4 SOUND BANKING - KEY RISKS

Risks	Probability / Effect	Comments
Sovereign risk	Low / High	[REDACTED]
Implementation and procurement risk	Medium / Medium	Project implementation may incur cost overruns and/or completion delays. *Mitigating factors*: The company has experience implementing EBRD financed projects and non-EBRD financed large-scale transmission sector investments. A standalone PIS will coordinate, manage, monitor and evaluate all aspects of the Project, including through involvement in the preliminary design preparation and tendering. An international consultant will assist with the Project's implementation together with a dedicated engineer who will be providing construction supervision services as part of the dedicated Project Implementation Support TC. Application of the EBRD's PP&R should ensure that an experienced and creditworthy contractor is selected to perform the work and that a balanced construction contract is signed between the parties. Procurement Implementation and Procurement Plan is presented in **Annex 5**.
Construction and cost overrun risk	Medium / Medium	The project represents construction of a high voltage ca.53 km transmission line and a 500 kV substation. The EBRD-funded consultant has conducted a feasibility study covering assessment of the transmission route, finalizing of the substation location, geotechnical surveys and seismic analysis. A comprehensive ESIA has been conducted in parallel. The feasibility consultant's recommendations will lay foundation for the project design and construction, including but not limited to the management of climate characteristics of the site, debris flows, and seismic activity. The Project will be implemented under management of the relevant PIU and PIS support and will be delivered under a design and build contract format via a selected experienced and creditworthy contractor. The risk of cost overruns is mitigated through conservative consultant-led project cost estimation that takes into consideration the proposed technical specifications, contingencies, and is in line with the recently completed similar-scope investments across Kazakhstan and Uzbekistan[REDACTED] .
The Company's creditworthiness as first source of repayment	Medium / Medium	[REDACTED] *Mitigating factors*: The World Bank and the Bank are supporting the Government with tariff reforms and sector development to help enhance the financial viability and improve transparency and accountability in the power sector. The most recent positive development was the increase in end-user tariffs effective from 1 May 2025 that saw a 23.8% tariff increase for the residential sector with lowest consumption (which is followed by a 20% annual increase thereafter until 2030), that will strengthen the Project's feasibility as NEGK's profitability is growing to fund its capital expenditures program. As part of the project due diligence, an external consultant prepared the financial and economic analysis of the proposed investment and confirmed that the economic benefits of the

		project and the financial IRR remains positive under cost recovery assumptions. The loan is ultimately backed by the sovereign. The Kyrgyz Government's decree obliging the Ministry of Finance to inject equity into NEGK in the amount of scheduled budget loan repayments in exchange for shares in the Company provides additional comfort. Since its issuance in 2022, the Ministry of Finance has been complying with its obligations and funding the NEGK debt service on borrowings entirely through capital injections (detailed information provided in Section 5.2), improving operational profitability of NEGK.
Currency and Interest Rate Risk	Medium / High	*Currency:* The loan currency is denominated in EUR, whereas the Company revenues are in Kyrgyz som. Devaluation in local currency may have an adverse impact on the Company's debt service ability. *Mitigating factors*: Regulatory reforms with cost-reflective tariffs would allow the Company to increase the tariffs in line with inflation which would partially cover the currency devaluation risk. Furthermore, the central bank officially pursues a managed floating exchange rate regime, prompting it to intervene to avoid sharp fluctuations in the foreign exchange market, and has accumulated substantial foreign exchange reserves (USD 6.9 billion at the end of August 2025). *Interest:* Fluctuations in the interest rate may have an adverse impact on the Project Entity and the Borrower. The risk is partially mitigated through a lower base rate conditions at the time of approval, as well as long-term swap rates (EURIBOR reaching 2.08% in September 2025, with a 15-year swap at 2.8%, 30% less than 2023 6m EURIBOR level), the government will be encouraged to pursue interest rate fixing options to capture the lower base rate in the long-term.
Political and governance risk	Medium / High	[REDACTED]

2. MEASURING / MONITORING SUCCESS

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

Primary Quality: Green

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date
1.1	Energy savings (kWh/year)	Energy savings stemming from electricity losses reduced as a result of the Project.	[REDACTED]	[REDACTED]	[REDACTED]

1.2	CO2e emissions savings (tonnes/year)	GHG savings through grid loss reduction	[REDACTED]	[REDACTED]	[REDACTED]

Secondary Quality: Resilient

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date
2.1	Number of new/improved electricity/energy service(s) connections	500 kV line from Kemin to Balykchy (ca.53 km) and 500 kV substation in Balykchy	[REDACTED]	[REDACTED]	[REDACTED]
2.2	Number of new/improved electricity/energy service(s) connections	The Project will connect 500 MW of renewable capacity to the grid [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

3. KEY PARTIES

3.1 BORROWER

The EBRD will extend a sovereign loan to the Kyrgyz Republic (B3/Positive by Moody's; B+/Stable by S&P) and on-lent to the National Electric Grid of the Kyrgyz Republic OJSC. [REDACTED]

3.2 PROJECT ENTITY

The Project will be implemented by NEGK, the Kyrgyz transmission and distribution systems operator that owns and operates more than 7,000 km of power transmission lines of 110 kV and higher, as well as over 190 substations with primary voltages of 500, 220 or 110 kV. [REDACTED] NEGK has been the Bank's client since 2016 through Oshelectro Rehabilitation Project, Vostokelectro Rehabilitation Project, Electricity Supply Digitalization Project, Modernization of Dolinka substation and Upgrade of Rechnaya substation.

NEGK transports around 18 TWh of energy on an annual basis, and brings wholesale electricity to Kyrgyz energy distribution companies, large industrial consumers as well as to the neighbouring countries - Kazakhstan, Uzbekistan, and Tajikistan.

4. MARKET CONTEXT

The Kyrgyz power sector was restructured in 2002, separating generation, transmission, and distribution functions. JSC Electric Power Plants (EPP), a state-owned entity, dominates electricity generation with around 4.0 GW of installed capacity, primarily from hydropower. NEGK, also state-owned, manages transmission and distribution across high-voltage lines and end-users. Despite this structure, the sector faces a growing electricity deficit due to annual demand increases of 3–5%, seasonal hydrological variability, and aging infrastructure. Once a net exporter, Kyrgyz Republic now relies on imports from neighbouring countries to meet rising consumption, which reached 18 TWh in 2024. A three-year energy emergency (2023–2026) remains in effect due to low reservoir levels and supply-demand imbalances.

The country has strong potential for renewable energy, particularly in hydropower, solar, and wind. However, integrating intermittent sources like solar and wind requires significant upgrades to outdated infrastructure. For example, the Issyk-Kul region, rich in renewable resources, has not seen major grid development in over 30 years, and its transmission lines are nearing capacity. The energy system is geographically split, with the north consuming 60% of electricity but producing only 20% of hydropower, while the south, centered around the Toktogul reservoir, generates 80% of hydropower and supplies surplus electricity to the north and to regional partners via the Central Asia Power System (CAPS).

To address these challenges, the Government is prioritizing grid modernization, diversification of energy sources, and expansion of domestic generation, particularly from hydropower. With river potential estimated to be ten times current utilisation, there is significant room to scale up production. These efforts aim to reduce reliance on imports, improve energy security, and support the integration of utility-scale renewables into the national grid.

5. FINANCIAL / ECONOMIC ANALYSIS

5.1 SOVEREIGN ASSESSMENT

The macroeconomic profile of Kyrgyz Republic (upgraded to B3/Positive by Moody's in July 2025; upgraded to B+/Stable by S&P in March 2025) is underpinned by the economy's solid growth potential and favourable fiscal metrics, financial and technical assistance of development partners, and low debt-servicing costs due to concessional debt structure.

The economy expanded by 9.0% between 2022 and 2024, with a further 11.4% year-on-year growth in H1 2025, driven initially by redirected trade with Russia and later by strong domestic demand and public investment. Real GDP is forecast to grow by 7% in 2025 and 6% in 2026. Credit rating upgrades by Moody's and S&P in 2025 reflect confidence in the country's economic trajectory and fiscal discipline.

Public debt sustainability has improved markedly, falling from 62% to 37% of GDP between 2020 and 2024, aided by growth and fiscal consolidation. Inflation reached 9.5% in August 2025, prompting a policy rate hike to 9.25%, while the Kyrgyz som remained stable. Fiscal performance has been strong, with a surplus of 8.5% of GDP in early 2025, supported by booming trade and enhanced tax enforcement. International reserves nearly doubled from USD 3.0 billion in 2023 to USD 6.9 billion by August 2025, further reinforcing macroeconomic stability.

5.2 FINANCIAL ANALYSIS OF THE PROJECT ENTITY

In EUR millions	2022	2023	2024
Revenue	223	237	344
Cost of goods sold*	-145	-162	-311
Selling expenses*	-22	-22	-19
General and administrative expenses*	-11	-11	-11
Other income / expenses*	4	10	6

EBITDA	49	53	10
EBITDA margin	22%	22%	3%
Total Assets	734	717	836
out of which, cash	6	10	25
Current Assets	45	42	62
Total Liabilities	729	707	546
Current Liabilities	111	109	70
Borrowings (ST+LT)	653	624	432
Total Equity	5	10	289
CFO	57	11	-37
CFI	-73	-34	-38
CFF	37	30	88

**Expenses presented exclude Depreciation and Amortisation*

The Company prepares financial statements in accordance with the IFRS, audited by Baker Tilly, who issued a qualified opinion for the 2024 accounts[3].

[REDACTED]
Full historical financial statements of the Project Entity are presented in **Annex 4.**

[REDACTED]

5.3 PROJECTED PROFITABILITY FOR THE BANK

[REDACTED]

6. OTHER KEY CONSIDERATIONS

6.1 ENVIRONMENT

Category A (ESP 2019). The construction of ca.53 km of 500 kV overhead transmission line (OHTL) between the existing Kemin substation in the Chui region and a new substation, Balykchy sub -station, may be associated with potentially significant Environmental and Social ("E&S") impacts and requires a full Environmental and Social Impact Assessment ("ESIA") in line with the EBRD Environmental and Social Policy ("ESP") as well as national and EU legislation. The Project has undergone a comprehensive ESIA preparation process, including several public consultations. The development of the ESIA was closely monitored by the Bank, and the ESIA package, inclusive of Non-Technical Summary (NTS), Stakeholder Engagement Plan (SEP), Land Acquisition and Livelihood Framework (LARF), and Environmental and Social Management Plan (ESMP) and Biodiversity Management Plan (BMP) have been disclosed (including ESAP) on the Bank and Client's website in July 2025 for a 120-day consultation period in line with the Bank's Access to Information Policy prior to Board considerations. All comments and feedback received from stakeholders during the preparation of the Project ESIA have been summarised and disclosed in the Public Consultation Report (PCR), which reflects the outcomes of the ESIA consultation process. The PCR will be

[3] Baker Tilly issued a qualified opinion for the 2024 accounts due to their inability to attend scheduled counts for fixed assets and inventories. In their view, except for this matter, the financial statements present the company's financial position, financial performance and cash flows for the year fairly in all material respects in accordance with the IFRS.

updated in November following the post-ESIA disclosure meetings, and any relevant changes will be incorporated into the ESAP accordingly.

The feasibility study and scoping for the Project were initiated in 2024, with the routing corridor endorsed by relevant authorities, including approval of pre- EIA. The Project will undergo a national EIA process upon completion of detailed design, with all necessary permits to be secured prior to construction and operation as applicable.

Joint-Stock Company National Electric Grid of Kyrgyz Republic (NEGK) is an existing sovereign client to EBRD and is in the process of building up E&S capacity, which is aligned with external Environmental and Social Due Diligence (ESDD) findings. The preparation of ESIA has been carried out and confirmed that NEGK will require to adopt a number of procedures to align with EBRD's Environmental and Social Policy 2019 as outlined below.

Project-specific Health and Safety Management plans will be prepared to address both occupational and community risks, including traffic impacts, noise, and emergency response. The Company will further review potential risks of Gender-based Violence and Harassment (GBVH) arising from project construction and influx of workers. NEGK will be required to develop a robust monitoring framework of the management plans, including relevant training, to ensure appropriate cascading of the procedures to the workforce and overall compliance with EBRD PR2 and PR4. Any worker accommodation required during construction phase of the project will comply with the IFC-EBRD worker accommodation guidance (2008). The client will establish a Project Implementation Unit (PIU) to oversee development and construction, including an E&S specialist.

The Project is expected to have limited impacts on the physical environment, with only minor non-hazardous waste anticipated during construction. The EPC Contractor will prepare and implement management plans for dust, noise, and waste, as well as erosion control and site restoration, all of which will be closely monitored by NEGK.

The Project does not involve physical displacement. However, it is expected to affect a limited proportion of land currently used by herders and local communities, with the majority of impacts anticipated to be temporary in nature. Disturbance at individual tower footprints will be short-term, estimated at approximately two to three weeks during foundation and erection works, and one to two weeks during conductor stringing activities. Project Affected People (PAPs) will primarily include herders and other land users experiencing temporary restrictions on access to grazing areas, as well as individuals losing trees and crops due to vegetation clearance within the Right of Way (RoW). Based on Pastureland Management Department (PMD) records and field consultations, approximately 92 herder households (registered and unregistered) currently use pasturelands intersected by the OHTL alignment. This number may be refined as further socio-economic surveys are undertaken. To address these impacts, a Land Acquisition and Resettlement Framework has been prepared in line with EBRD's ESP 2019 requirements. The LARF outlines potential impacts, eligibility criteria, compensation measures, and mitigation actions to ensure that affected people are not disadvantaged by the Project. The LARF will be operationalised through a Livelihood Restoration Plan (LRP), which expected to be prepared by NEGK once the Project design is finalised and impacts are confirmed.

The OHTL route crosses grasslands, shrublands, and riverine habitats but does not intersect any nationally or internationally protected areas. Surveys identified 32 Priority Biodiversity Features (PBF), including protected plant species and sensitive fauna, though no Critical Habitat triggers, protected areas, or areas of concentrated migration were recorded. Bird surveys conducted in 2024–2025 (covering both migration seasons) confirmed generally low biodiversity risks. BMP has been developed in line with PR6 and Good International Practice, with mitigation measures including raptor-safe line designs, bird flight diverters at collision-risk sections, pre-construction surveys, and rescue/relocation of sensitive flora and reptiles.

Habitat clearance will be scheduled outside breeding seasons, and post-construction monitoring will confirm the effectiveness of these measures and ensure no net loss of biodiversity.
No UNESCO-listed cultural heritage sites are located near the Project. Archaeological surveys in 2025 identified burial mound (kurgans) along the OHTL route, and the design has avoided protected zones with a minimum 50m buffer. To address residual risks, the EPC contractor will implement a Cultural Heritage Management Plan (CHMP) and Chance Finds Procedure, as stated in ESMP. Any finds are expected to be avoidable or managed in accordance with national legislation, the EBRD PR8 and GIP.
The Project has general support from stakeholders and local communities. Three rounds of public hearings and stakeholder consultations have been held throughout the ESIA process, including focus group discussions with affected communities and subject-matter experts since late 2024. Additional ESIA disclosure activities have been carried out in July 2025, in the open house format, including Focus-Group discussions (FGDs) in five different locations.
Questions and concerns raised by stakeholders and community members ranged from the access to electricity connection, OHTL routing, employment opportunities, duration and start of construction, environmental protection measures, potential risks to public health and animal grazing as well as impact on land use. It is currently estimated that the project will create limited temporary jobs and local business opportunities, with prioritisation of hiring local people and women within 15 km, supported by a Local Hiring and Procurement Policy to maximise local employment and procurement benefits. The detailed summary of the consultation meetings conducted to date, as well as upcoming engagement activities, project information disclosure, grievance mechanism and contact points are included in the SEP developed for the project. A comprehensive grievance mechanism is in place, and a Community Liaison Officer (CLO) will be appointed to ensure ongoing engagement and communication with affected communities throughout construction and operation.
An Environmental and Social Action Plan ("ESAP") for the Project has been developed and agreed with the Client to ensure that the Project is structured to meet the EBRD PRs. Bank-funded Environmental and Social advisor will be hired to oversee Project delivery in line with the Bank's requirements, as well as agreed ESAP and ESMP. The Bank will closely monitor implementation of the Project through E&S reporting from Client and the E&S advisor, monitoring visits to the Project, if necessary.

6.2 INTEGRITY

In conjunction with OCCO, integrity due diligence was carried out on NEGK, its shareholders, their senior personnel, and other relevant parties. [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.

6.3 CONCESSIONAL FINANCE

The Project is expected to be co-financed by investment grant from the SSF of up to EUR 3.0 million. The grant component will help strengthen the country’s energy sector by ensuring stability of electricity supply, reducing losses and facilitating connection of new renewable sources of electricity generation. As the country has limited debt capacity, mobilising concessional finance is essential to ensure necessary investments take place. There is no

commercial debt available in KR to finance long-term infrastructure projects requiring similarly long-term tenor financing.

The grant partially alleviates pressure on the household tariff, as investment grant related components are not envisioned to be included in the tariff calculation.

ANNEXES TO OPERATION REPORT

ANNEX 1	TRANSITION IMPACT SCORING CHART
ANNEX 2	SHAREHOLDING STRUCTURE
ANNEX 3	GREEN ASSESSMENTS
ANNEX 4	HISTORICAL FINANCIAL STATEMENTS
ANNEX 5	PROJECT IMPLEMENTATION
ANNEX 6	EBRD SSF PROPOSAL FOR TECHNICAL COOPERATION GRANT ALLOCATION

ANNEX 1 - TRANSITION IMPACT SCORING CHART

Score for primary	Score for secondary (TQ)
Quality: Green Component: Mitigation Quality average score: 60	Quality: Resilient Component: Energy sector resilience Quality average score: 60

ATQ adjustment for primary	ATQ adjustment for secondary TQ
Country: Kyrgyz Republic ATQ adjustment - Mitigation : 0% **Adjusted Quality score: 60**	Country: Kyrgyz Republic ATQ adjustment - Energy sector resilience : 4% **Adjusted Quality score: 62.4**

Weighted TI score*
Base TI score (ATQ adjusted): 60.6

Adjustment for country strategies
Adjustment: 2% - Strategic project alignment CS adjusted score: 61.8

Final TI score
FINAL TI score: 62

ANNEX 2 – SHAREHOLDING STRUCTURE

[REDACTED]

ANNEX 3 – GREEN ASSESSMENTS

Introduction

- The Project entails financing of the construction of the 500 kV Kemin Balykchy overhead transmission line and a 500 kV substation in Balykchy, north-eastern Kyrgyz Republic.
- The project is determined aligned with both **mitigation and adaptation goals of the Paris Agreement.**
- The Project is attributed **100% GET.**

[REDACTED]

PARIS ALIGNMENT ASSESSMENT

General screening of alignment with the mitigation goals of Paris Agreement

- The project is determined as aligned with the mitigation goals of the Paris Agreement based on the application of the Bank's Paris alignment approach for direct finance.
- The projects activity is included in the 'MDBs' aligned list' under the category "Electricity transmission and distribution, including energy access, energy storage and demand-side management".
- The project is consistent with the substantial contribution criteria of the EU Taxonomy as it results in CO2 emission savings[REDACTED] .
- There are no activities included in the 'non-aligned list'.

Alignment with the adaptation goals of Paris Agreement

The project is determined as aligned with the adaptation goals of the Paris Agreement as it satisfies all three steps of the assessment. All material physical climate risks have been addressed.

GET attribution

The Project is attributed 100% GET. This share has been calculated in line with RES curtailment clause of the GET Handbook "If the transmission or distribution system is dedicated to or is required for the evacuation of non-nuclear, very-low carbon electricity or reducing its curtailment, the financing of such investment shall be fully eligible.". The Project is expected to lead to a reduction in GHG emissions[REDACTED] .

[REDACTED]

ANNEX 4 – HISTORICAL FINANCIAL STATEMENTS

In EUR thousands	2022	2023	2024
Balance sheet			
Property, plant and intangible assets	688,487	674,360	763,391
Advances issued, long-term portion	0	447	0
Long-term investments	209	324	360
Other long-term assets	35	25	228
Total non-current assets	**688,730**	**675,156**	**763,979**
Inventories	18,709	16,945	16,996
Trade and other receivables	16,986	12,785	21,448
Advances issued, short-term portion	1,687	563	6,177
Taxes paid in advance	1,517	1,155	1,202
Restricted cash	96	92	100
Cash and cash equivalents	5,667	10,109	25,283
Other short-term assets	176	372	402
Total current assets	**44,838**	**42,020**	**71,609**
Total assets	**733,568**	**717,176**	**835,588**
Share capital	28,297	81,016	395,983
Treasury shares	(110)	(102)	0
Reserve capital	2,663	2,471	2,688
Accumulated loss	(26,002)	(73,353)	(109,442)
Total equity	**4,847**	**10,031**	**289,228**
Long-term loans	590,926	561,550	430,861
Deferred income	13,584	13,753	17,506
Customer contract liabilities	2,408	2,152	1,422
Deferred tax liabilities	7,588	17,539	24,890
Trade payables	1,814	0	0
Employee benefit obligations (Long-term)	1,801	1,526	1,949
Total non-current liabilities	**618,121**	**596,520**	**476,627**
Short-term loans	62,149	62,421	1,509
Trade payables	25,497	26,439	40,374
Advances received	2,802	3,964	6,125
Taxes payable	7,804	5,833	7,621
Employee benefit obligations (Current)	9,587	9,787	11,388
Other liabilities	2,761	218	2,714
Total current liabilities	**110,600**	**108,661**	**69,732**
Total liabilities	**728,721**	**707,145**	**546,359**
Total equity and liabilities	**733,568**	**717,176**	**835,588**

Income statement			
Revenue	223,286	237,495	344,279
Cost of goods sold	(174,102)	(187,912)	(338,852)
Gross profit	**49,184**	**49,583**	**5,427**
Selling expenses	(24,054)	(24,966)	(22,140)
General and administrative expenses	(11,356)	(11,758)	(10,904)
Net income / (loss) from foreign currency transactions	(2,685)	(27,907)	14,444
Financial income	482	584	620
Financial expenses	(34,261)	(39,591)	(43,450)
Other operating income	5,061	10,332	8,551
Other operating expenses	(743)	(351)	(2,295)
Other non-operating expenses net	(2,135)	(1,638)	(961)
Earnings before tax	**(20,508)**	**(45,712)**	**(50,707)**
Income tax	0	4,222	(5,582)
Net income	**(20,508)**	**(41,490)**	**(56,290)**
Other comprehensive income	672	337	51
Net comprehensive loss	**(19,836)**	**(41,153)**	**(56,239)**

Statement of cash flows			
Receipts from service sales	184,675	235,984	359,802
Other receipts	7,617	8,154	10,745
Payments to suppliers for services and goods	(31,171)	(26,382)	(38,007)
Wages and related taxes paid	(57,504)	(93,739)	(80,942)
Other payments	(37,624)	(97,839)	(253,969)
Cash flows from operating activities	**65,992**	**26,178**	**(2,370)**
Interest paid	(7,005)	(15,960)	(31,169)
Interest paid in advance	0	0	(4,533)
Interest received	0	448	613
Income tax paid	(1,908)	(25)	0
Net cash outflow / inflow from operating activities	**57,080**	**10,642**	**(37,459)**
Purchase of property, plant, and intangible assets	(72,630)	(33,685)	(37,611)
Gain on the sale of fixed assets	3	0	0
Received interests and dividends	6	0	0
Repayment of loans and bonds receivable	90	1	0
Net cash used in investing activities	**(72,532)**	**(33,684)**	**(37,611)**
Proceeds from loans and borrowings	37,730	32,681	73,603
Repayment of loans and borrowings	0	(59,727)	(280,886)
Increase in share capital	0	56,776	295,684
Dividends paid to shareholders	(297)	(335)	(1)
Other proceeds from financial activities	(7)	704	0
Net cash inflow from financial activities	**37,426**	**30,099**	**88,400**
Effect of exchange rate changes on cash and cash equivale	(648)	(2,107)	958
Net increase in cash and cash equivalents	**21,325**	**4,949**	**14,287**
Cash and cash equivalents at beginning of year	**11,511**	**5,259**	**10,996**
Change in restricted cash	(27,169)	(99)	0
Cash and cash equivalents at end of year	**5,667**	**10,109**	**25,283**

ANNEX 5 – PROJECT IMPLEMENTATION

Procurement classification – Public sovereign

[REDACTED]

The Client's capacity assessment related risk – Moderately Low

This is the fourth EBRD-financed project involving NEGK. It is important to note, however, that prior to 2022 the Bank had engaged with OJSC Vostokelectro and OJSC Oshelectro as separate distribution companies. These entities were merged into NEGK at the end of 2022, thereby consolidating their operations under a single corporate structure. Subsequently, in November 2023 the Bank signed the Electricity Supply Digitalization Project, followed by the signing of two additional projects in June 2024: the Upgrade of Rechnaya Substation and the Modernization of Dolinka Substation.

The Client's institutional capacity was assessed as part of the project due diligence conducted by the feasibility study consultant. The assessment covered all relevant categories, including the legal framework, organisation of the procurement function, support and control systems, staffing, general institutional capacity, and project-specific risks.

Areas for institutional strengthening and capacity development were identified during the due diligence process and subsequently discussed with the Client. Based on the assessment, the overall procurement risk was rated as "Moderately Low." Although the Project Implementation Unit (PIU) has been established and is currently being reinforced through the recruitment of individual experts funded by Technical Cooperation (TC) resources, it continues to face limitations in its experience with international procurement conducted in accordance with the Bank's Procurement Policies and Rules (PP&R), primarily due to staff turnover.
To mitigate this risk and ensure effective project delivery, a qualified Project Implementation Support (PIS) Consultant, financed through TC funds, will be engaged to assist the Client during the tender preparation phase and throughout the procurement and implementation stages of the project.

Contracts risk assessment – Moderate High

The contracts under the Project fall in the risk category "*Moderate High"*. Apart from the Consultancy Contract (PIS), there will be two major Bank-financed Works contracts under the Project, namely: (i) Construction of Balykchy and Extension of Kemin substations along with the (ii) Construction of the Kemin-Balykchy Overhead Transmission Line. Both contracts will be procured through an open tender using the EBRD's Standard Procurement Documents for Works and the resulting contract will follow FIDIC Conditions of Contract for Plant and Design-Build (Yellow Book).

Project implementation arrangements:

The Client's PIU will be assisted by a qualified PIS Consultant for the preparation of tender documents (including preliminary design, employer's requirements and etc) for Works components, procurement process, acting as a FIDIC Engineer and overall project implementation matters. This arrangement should strengthen the project implementation ability within the NEGK and mitigate the risks of procurement as well as overall project delivery related delays.

Procurement arrangements:

The Works contracts mentioned above in Contracts Risk Assessment section will be procured via ECEPP using the 'Open' multi-stage method, as long as the Employers Requirements are yet to be finalised. The tendering procedures will be conducted in accordance with the Bank's PP&R Section III Article 3 and using the Bank's Standard Procurement Documents for Works.

The PIS consultancy contract will be procured via ECEPP in accordance with the EBRD PP&R Section III Article 3.

All contracts will be subject to the Bank's prior review. The Project procurement plan is provided below. No derogation from the Bank's PP&Rs is proposed.

[REDACTED]

ANNEX 6 – EBRD SSF PROPOSAL FOR CO-INVESTMENT GRANT ALLOCATION

[REDACTED]