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TNC Kazchrome JSC
2021 ANNUAL REPORT

Responding to global challenges in a sustainable manner

TNC KAZCHROME JSC

TNC Kazchrome JSC is a modern, vertically integrated company with the workforce more than 19,000. Kazchrome has a unique resource base and is one of the world's largest high-carbon ferrochrome producers.

OUR VISION

An international sustainable, socially responsible and efficient natural resources company.

OUR MISSION

Be the best at what we do.

Navigate global change whilst holding true to our values.

Responsibly unlock the potential of the Earth and its people, ensuring the prosperity of those who rely on us.

For more information please visit
www.kazchrome.com

KEY FIGURES

FINANCIAL	OPERATIONAL	SUSTAINABILITY
1,059 bn Tenge Revenue	**5.2** mln tons Chrome ore extraction	**4.5** mln tons CO_2 emissions
594 bn Tenge EBITDA	**1.7** mln tons Production of ferroalloys	**10,894** mWh Energy consumption
123 bn Tenge Capital expenditure	**1.5** mln tons Ferroalloys sales volumes	**33** Mm^3 Water withdrawal

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Statement of the Chairman of the Board of Directors

Dear colleagues and partners,

In 2021 Kazchrome maintained normal operations despite all hardships caused by the COVID-19 pandemic and did not step away from its strategic priorities, which are aimed, first and foremost, at meeting its production, financial, and social commitments to all stakeholders. The Company has been steadily moving on its business development trajectory in spite of unfavourable external factors.

In early 2022, Kazakhstan faced an internal political crisis caused by broader country-wide social protests that broke out in many regions of the country due to an increase in gas prices. A small number of employees of the Donskoy Ore Mining and Processing Plant also took part in such protests. This event was of a limited nature and had no material impact on Kazchrome's production activities. The incedent was promptly addressed in a peaceful way through constructive negotiations between the management and the employees. At the country level, President of the Republic of Kazakhstan Mr Kassym-Jomart Tokayev announced a package of political and economic reforms designed to ensure the stability and development of Kazakhstan in the future.

The events of February 2022 shocked the entire world. We support the global call for an urgent peaceful negotiated settlement in Ukraine. On behalf of Kazchrome's senior management and the staff, I offer my whole-hearted condolences and sympathies to all those affected by these tragic events.

The conflict between Ukraine and Russia resulted in a number of countries and international organisations, including the US, the European Union, Switzerland and the UK imposing a series of sanctions against the Russian government, various companies, including major lenders of ERG (Sberbank of Russia and VTB Bank (PJSC)), and certain individuals. This resulted in significant disruption to both financial and commodity markets.

The economic sanctions, as well as termination of a number of Ukrainian industrial enterprises, affect the economic situation in Kazakhstan, including the activities of ERG's enterprises. The Company continues to comply with all sanctions applicable to its business activities in accordance with adopted compliance policies and following the developments aims all efforts at ensuring the smooth operation of its production facilities.

Regretfully, in 2021, we were unable to demonstrate the full scope of our commitment to our key corporate value – Safety – given that we lost four employees to industrial accidents. We express our condolences to the families and friends of those who passed away, as well as to the relatives of employees who died as a result of COVID-19 and pneumonia. It was a sobering lesson for us. The Company has decided that the year, 2022, will be the Year of Safety.

> "While 2021 became a challenging year for all of us, our commitment to ERG's corporate values helped our team to close the year with creditable results.

While the market faced numerous challenges, Kazchrome was able to preserve all of its established supply chains and reaffirmed its long-term status as a reliable supplier of ferroalloys to Europe, Japan, the US and other global markets.

In 2021, Kazchrome produced a total of 1,686 thousand tonnes of ferroalloys, but the most important contribution was 430 thousand tonnes of high carbon ferrochrome from Smelting Shop No.4 of Aktobe Ferroalloys Plant. Thise record high output was yielded thanks to the professionalism of our production team who managed to bring the workshop to uninterrupted operation.

Production indicators in 2021 were slightly lower than in 2020. The main reasons were the decrease in mining plan at 40th Anniversary of KazSSR-Molodezhnoye field, and the reduced supply of chrome ore from Donskoy GOK driven, in part, by the impact of Covid-19 on the increase in the incidence among production personnel.

We have made every effort to remain on schedule with our strategic projects, which underpin the future of the Company. Our key project is the expansion of the 10th Anniversary Mine. The Donskoy Ore Mining and Processing Plant also is implementing of a unique sludge processing project, Slimes-2. After its completion, the Company will be able to recycle its production waste and manufacture up to 500 thousand tonnes of additional chrome concentrate. The new recycling unit is among the most advanced projects globally in terms of technologies and automation and will help to reduce the environmental impact of sludge tailings.

In 2022, we continue to maintain our position as an industry leader in Kazakhstan. We are flexible and rely on effective forecast mechanisms. We analysed market trends carefully and we have enhanced our internal processes by rolling out our ERG Way Production System.

We have implemented a number of investment projects aimed at performance improvement and continued to expand our production capacity in line with our targets. At the same time, we have maintained a comprehensive approach to environmental protection through staged achievement of the goals set in the approved ERG Environmental Strategy. We have been responsibly fulfilling our obligations as the largest metals and mining company in Kazakhstan and investing significant money into environmental protection projects. In 2021, we allocated over 20.1 billion Tenge to environmental activities. ESG factors have been closely integrated into our business strategy. In 2021, the International Chromium Development Association (ICDA) granted the honorary Responsible Chromium Award to Kazchrome in recognition of our environmental efforts. The award proves that the Company has gone above and beyond the standard requirements of chromium suppliers. Kazchrome won the honorary label on the basis of an evaluation performed by Ecovadis, an independent CSR rating agency, which gave the Ecovadis Silver Award to the Company. Kazchrome received 60 points and was ranked among the top 12% of companies in the global iron and steel industry.

While 2021 became a challenging year for all of us, our commitment to ERG's corporate values helped our team to close the year with creditable results. Our employees are the Company's main pillar. They underpin our further development and the achievement of corporate goals. I would like to express my gratitude to all of Kazchrome's employees and partners for their trust, effective co-operation and significant contribution to our common achievements.

Serik Shakhazhanov

Chairman of the Board of Directors of TNC Kazchrome JSC

RESPONSIBLE CHROMIUM AWARD

International Chromium Development Association (ICDA)

RESPONSIBLE CHROMIUM
ACTING NOW FOR TOMORROW 2021

SILVER 2021 ecovadis Sustainability Rating

Statement of the President

Dear partners, colleagues and friends,

During 2021, Unity one of our corporate values - helped us to continue function despite new challenges caused by COVID-19. This is a testament of the high professionalism and commitment of our team as well as the effectiveness of our vertically integrated business model and business development strategy. The Company closed the year with record-high financial results, also thanks to positive trends in the global ferroalloys market.

Tragically, there have been losses among our employees. The health and safety of its people is a top priority for Kazchrome. Therefore, today we are doing our best to prevent adding to these sad statistics. For this reason as well, in 2021, we continued our tradition to prioritising workforce safety, implementing lessons leant from the first year of pandemic. The Company's efforts helped it to avoid wide-spread outbreaks of COVID-19, so that all our locations were able to function at full capacity throughout the reporting year. I am grateful to our employees and partners for their responsible and coordinated work during this period. Their clear vision of our common goals, their commitment, engagement and professionalism provided a steady platform, securing the fulfillment of social and financial obligations by the Company.

The last year was favourable in terms of financial results: global market trends drove the Company's revenue up by 59.5% and net income by 231.9%. In addition, in 2021, we increased our investments in strategic business areas.

Today, we are proud of the record-high production levels achieved by our innovative and unique project, Smelting Shop No.4 of Aktobe Ferroalloys Plant. Even during the pandemic, the unit's team reached full production capacity through their remarkable efforts. Now we have an even more ambitious target - to expand the unit's production capacity to 460 ktpa of ferroalloys. We also continue to ramp-up the capacity of the 10th Anniversary of Independence of Kazakhstan Mine. This strategic project is a key priority for our Company and its implementation involves the best international know-how and experience. Simultaneously, we have been introducing innovative solutions for the ore processing stage as well as working towards the commissioning of our unique tailing reprocessing project, Slimes-2, which is expected to produce additional concentrate through the recycling of stockpiled production waste.

In our business, we are steadily committed to sustainable development goals prioritising our employees, our home cities and the future generations of the Kazakhstan people. Our environmental movement titled "Zhasyl Kazchrome" has already been encompassed by all our business lines. We are implementing waste recycling projects and a comprehensive upgrade of furnaces with a focus on introducing new and powerful gas treatment equipment. The Company has taken the first step towards the implementation of its key environmental project, the construction of a waste-to-energy power plant in Aktobe. At the same time, we have been developing corporate initiatives to promote a new environmental mindset among our employees and their children. We also plant trees and implement Green Office projects and other initiatives in line with the ERG Ecological Strategy.

Undoubtedly, the current period is very challenging for the whole metals and mining sector. Still, while working in these tough conditions, we have been able to identify our growth areas, analyse and adopt the necessary adjustments for the future.

We have learned to work effectively and efficiently in the new environment, and I am proud of Kazchrome team, which has demonstrated its resilience, dedication and the highest level of professionalism at a time of hardship. We have ambitious goals and I am confident that we will live up to all of them.

Arman Yessenzhulov

President of TNC Kazchrome JSC

> "In our business, we are steadily committed to sustainable development goals and consider our employees, our home cities and future generations of the Kazakhstan people as our top priorities.

OUR VALUES

Safety | Unity | Efficiency | Development | Responsibility

ABOUT THE COMPANY

Kazchrome – № 1

ranks first in the world in terms of chrome content in its products.

Kazakhstan – № 3

is the world's third largest producer of chrome alloys in terms of production and sales

Transnational Company Kazchrome JSC and its subsidiaries (Kazchrome or the Company) is a fully integrated mining and metals business covering all stages of the value chain, ranging from geological exploration survey, mining and processing, all the way to the production of high value-added metal products.

Established in 1995, the Company is currently among the world's leading manufacturers of chrome ore and ferroalloys, with its unique resource base and low production costs.

Kazchrome's customer base is one of the most diversified among the largest ferrochromium producers. Kazchrome plays an important role in China's Belt and Road Initiative (BRI) and is strategically close to its key customers, the world's leading stainless steel producers in China, Japan and South Korea. Kazchrome also supplies its products to customers in the US, Europe and CIS countries.

Kazchrome forms part of Eurasian Resources Group (ERG or the Group) along with its largest shareholder, KCR International B.V., which owns 99.99% of its ordinary voting shares.

KEY NUMBERS

KZT594B

EBITDA
(2020: KZT275b)

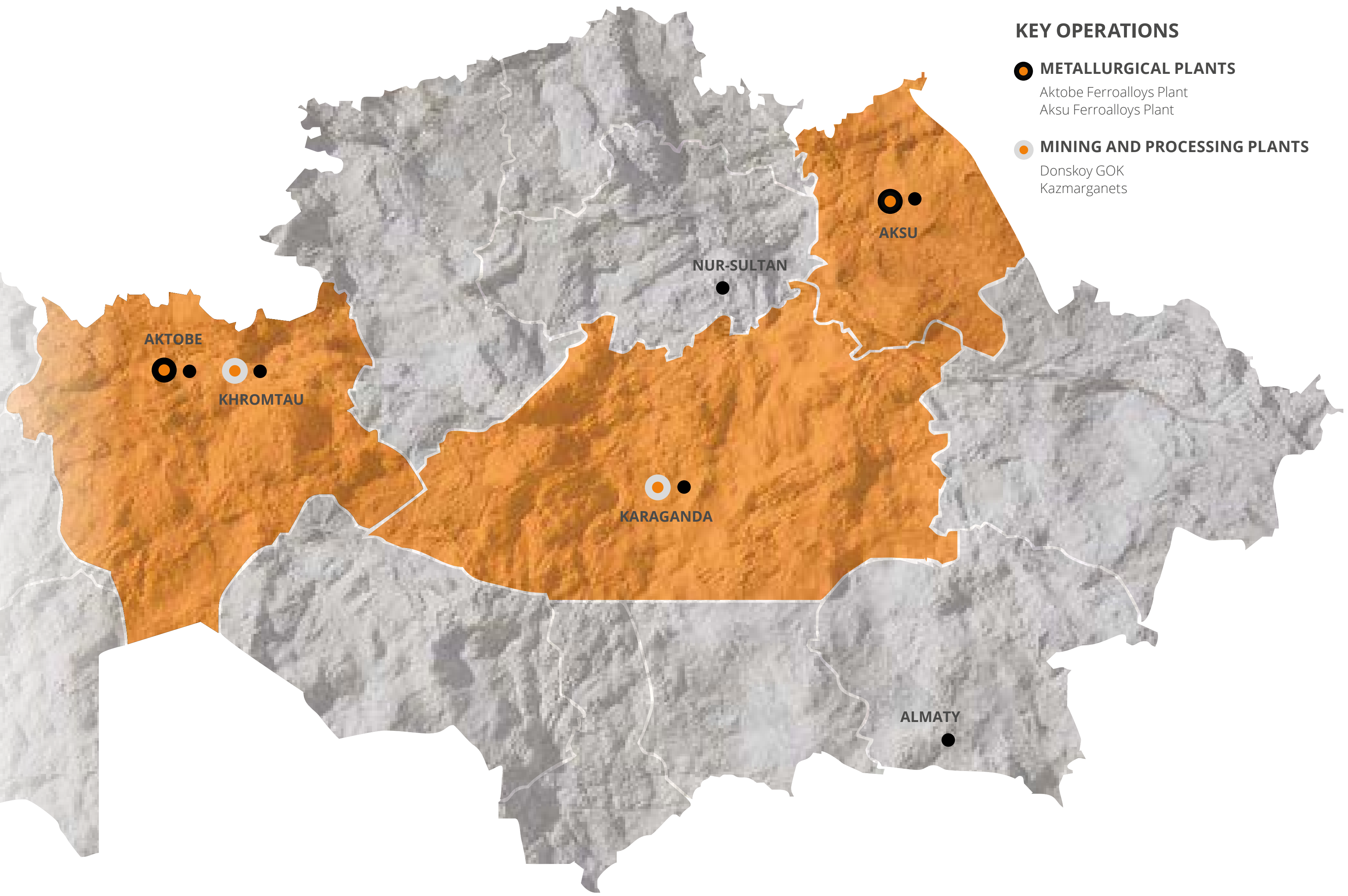
1.43

Lost-time injury frequency rate (LTIFR)
(2020: 1.11)

Headcount

19,388
PEOPLE

23.8% of whom are women
(2020: 19,192 – 24.2% of whom are women)



KEY OPERATIONS

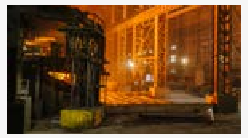
METALLURGICAL PLANTS
Aktobe Ferroalloys Plant
Aksu Ferroalloys Plant

MINING AND PROCESSING PLANTS
Donskoy GOK
Kazmarganets

OUR ADVANTAGES

- Unique production cost advantage
- Ongoing work on increasing production capacity and effectiveness
- Well positioned in the market with favourable growth forecast
- Stability and safety of the all production and functional processes.

OUR ASSETS

DONSKOY GOK		AKTOBE FERROALLOYS PLANT	AKSU FERROALLOYS PLANT	KAZMARGANETS
MINING	PROCESSING	METALLURGY AND SMELTING	METALLURGY AND SMELTING	MINING AND PROCESSING
High-grade ore Medium-grade ore Low grade ore	High-grade ore Concentrate Pellets Briquettes	Ferrochrome Electricity	Ferrochrome Ferrosilicochrome Ferrosilison Ferrosilicomanganese	High-grade ore Low-grade ore Crushing and screening

BUSINESS MODEL

Kazchrome is the world's largest manufacturer of ferroalloys and chrome ore, ranking first in terms of the chrome content in its products. Kazchrome has an integrated production chain ranging from the extraction and beneficiation of chrome and manganese ore to the production of ferrochrome and ferrosilicon alloys.

The Company's key operating assets are located in Kazakhstan and rank among the largest mining and metals companies globally. Kazchrome has four main production units, including Donskoy Mining and Processing Plant (Donskoy GOK), Aktobe Ferroalloys Plant, Aksu Ferroalloys Plant, and Kazmarganets Mining Enterprise (Kazmarganets).

The integrated nature of Kazchrome operations allows it to harness synergies across its value chain and preserve high sustainability across its business. Aktobe Ferroalloys Plant's own natural gas power station supplies more than 30% of the electric power required by the plant, while ERG's subsidiaries supply the rest of the electric power for Aktobe Ferroalloys Plant and all the electric power for Aksu Ferroalloys Plant. Other ERG's entities, among other things, are responsible for the transportation of chrome products and manganese ore between Kazchrome operating assets and supply coal and semi-coke for both Aktobe Ferroalloys Plant and Aksu Ferroalloys Plant. Semi-coke is used as a reducing agent in ferroalloys production.

Our advantages:

Unique production cost advantage

- The Company holds its leadership position in the chrome market due to its unique chrome ore deposits with high chrome content and reserves sufficient for several decades of mining at current production rates.

Well positioned in the market with favourable growth forecas

- Future growth in the low-alloy stainless steel market, due mainly to the global megatrend of an increasing world population that also demands an improved quality of life, provides opportunities for the expansion of ferroalloy production.
- A developed client base allows Kazchrome to occupy a leading position in the premium segments of these markets.

Ongoing work on increasing production capacity and effectiveness

- The implementation of projects to expand production capacity and increase metal recovery at all stages of the value chain allows the Company to occupy a world-leading position among global manufacturers for both the production and supply of ferroalloys.
- Stable supply of materials, energy resources and reductants is provided by Kazchrome's integration within ERG, utilising the infrastructure and logistics of the Company.

Stability and safety of all the production and functional processes helped Kazchrome to operate with the same effectiveness and efficiency during current COVID-19 pandemic.

PERFORMANCE INDICATORS

OPERATIONAL INDICATORS

kt	2019	2020	2021
Extraction and production			
Chrome ore extraction	6,024	5,613	5,191
Production of ferroalloys	1,811	1,793	1,686
Sales volume			
High-carbon ferrochrome	1,481	1,480	1,288
Refined ferrochrome	64	52	57
Silicon alloys	138	134	152
Total ferroalloys	1,683	1,666	1,497

The decrease in chrome ore production by 7.5% is due to lower volumes in accordance with the approved mining plan at 40th Anniversary of KazSSR-Molodezhnoye field. The decrease in total ferroalloy output by 6.0%, 1,686 kt compared to 1,793 kt in 2020 was due to the reduced supply of chrome ore from Donskoy GOK.

A year-on-year reduction in sales volumes by 169 kt (10.1%) in 2021 was driven, in part, by the decrease in production due to the reduced supply of chrome ore and also by the increase in the incidence of COVID-19 among production personnel. The decrease in exports to China was also driven by declining demand from Chinese customers following strict lockdown restrictions imposed on the acceptance and handling of cargo at Dostyk-Alashankou crossing.

-7.5%
Chrome ore extraction

-6.0%
Production of ferroalloys

-10.1%
Sales volume of ferroalloys

FINANCIAL INDICATORS

KZT'000	2019	2020	2021
Revenue	698,307,440	664,189,693	**1,059,418,450**
EBITDA	280,737,926	274,505,574	**593,515,553**
Net profit	149,096,587	132,155,848	**438,634,469**
Capital expenditure	85,245,751	77,666,598	**123,328,409**

In 2021, revenue increased by 395.2 billion Tenge (59.5%) year on year. The increase in revenue, as well as the increase in EBITDA by 319.0 billion Tenge (116.2%), was driven by growing prices in the ferroalloys market, including high-carbon ferrochrome prices. The main factor contributing to the ferroalloys price increase in 2021 was the shortage of supply in the market and cost increases across the value chain. This positive price impact was partially offset by lower sales volumes and increased operating expenses.

In 2021, Kazchrome's capital expenditure on development and care and maintenance projects totalled 123.3 billion Tenge and were allocated for:

- expansion of the 10th Anniversary Mine;
- equipment purchases and capitalised repairs at Donskoy GOK units;
- renovation of Workshop No.6, completion of the project to expand the smelting building and the finished product warehouse at Workshop No.1, insulation of the jigging unit and capitalised furnace repairs at Aksu Ferroalloys Plant

increased production capacity of Workshop No.4, restoration of the outdoor ore warehouse, equipment purchases and capitalised furnace repairs at Aktobe Ferroalloys Plant;

further implementation of Slimes-2 sludge processing project, stripping and development of ore reserves at small-scale deposits (Geologicheskoye 1, Dubersai).

+59.5%
Revenue

+116.2%
EBITDA

+58.7%
Capital expenditure

COVID-19 pandemic

In 2021, Kazchrome continued all its organisational, sanitary and epidemiological measures to maintain resilience during COVID-19 pandemic.The Company's well-established prevention practices and procedures helped it in addressing this reality. Kazchrome has a strong culture of caring for the well-being of its employees, contractors, their families and local communities. The However, the Company is deeply saddened by the passing of a number of employees from COVID-19 or pneumonia and would like to send its sincere condolences to their friends and families.

Whilst macroeconomic uncertainty persists as the world continues to grapple with and recover from the COVID-19 pandemic, the Company management is confident that Kazchrome can successfully continue developing as a socially responsible, resilient and efficient business with the support of its employees and partners.

CREATING VALUE – NOW AND INTO THE FUTURE

OUR RESOURCES

OPERATIONAL RESOURCES

Donskoy GOK
- 10th Anniversary Mine*
- Molodezhnaya Mine
- Yuzny Open-Pit Mine, Geologicheskoye 1
- Crushing and beneficiation plant
- Ore beneficiation and pelletisation plant

Kazmarganets Mining Enterprise
- transport unit
- Tur Mine and beneficiation complex

Aktobe Ferroalloys Plant
- three smelting shops (No.1, No.2, No.4)
- slag processing shop
- auxiliary workshops
- captive power plant

Aksu Ferroalloys Plant
- four smelting shops ((No.1, No.2, No.4, No.6)
- slag processing complex
- agglomeration shop
- auxiliary workshops

NATURAL RESOURCES

It is critical that our businesses responsibly manage all the natural resources used in our processes, given their finite nature

FINANCIAL RESOURCES

We seek to use all financial resources with maximum efficiency

HUMAN RESOURCES

We have more than 19,000 professional and highly qualified employees

PARTNER RESOURCES

Kazchrome has one of the most diversified customer bases among major ferrochrome producers. It has established long-term relationships with its partners, enabling the Company to ensure the long-term stability or growth of sales volumes.

* 10th Anniversary of Independence of Kazakhstan Mine

KEY PROCESSES

KEY PRODUCTS

HIGH CARBON FERROCHROME (HC FeCr)

The end product of the use of high carbon ferrochrome is stainless steel, which is used in construction, transportation, mechanical engineering and production of industrial pipelines, as well as consumer goods.

REFINED ALLOYS (MC/LC FeCr)

Medium and low carbon ferrochrome is used in the production of stainless and alloyed steel requiring limited carbon content. It is also used in the production of special alloy steel for ball bearings, tools and devices requiring high durability materials.

FERROSILICOCHROME (FeSiCr)

Ferrosilicochrome is an intermediate product required for the production of medium and low carbon ferrochrome. It is used as a metal for the production of individual types of chromium steels.

FERROSILICOMARGANESE (FeSiMn)

Ferrosilicomarganese is used in the production of steel alloys (Hadfield steel) to improve their characteristics and structure. Areas of use include mining, construction and railroad industries.

FERROSILICON (FeSi)

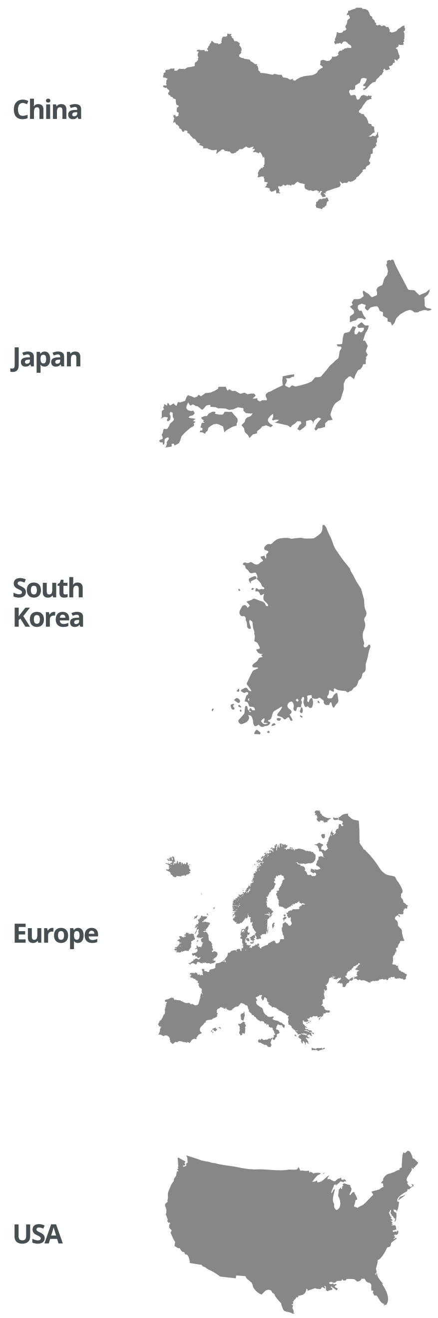
Ferrosilicon improves durability, elasticity, electrical conductivity and resistance to wearing, corrosion, acid and heat. Ferrosilicon is used in transformer and carbon steel, which are used in car manufacturing.

CHROME ORE (Cr Ore)

Chrome ore is used for the production of chromium ferroalloys, chromium compounds and refractory materials.

KEY MARKETS

Kazchrome maintains effective, well-established long-term cooperation with end users: major stainless and alloy steel producers in China, Japan, South Korea, Europe and the US.



KEY OUTPUTS

Financial

REVENUE
KZT 1,059 bn Tenge

EBITDA
KZT 594 bn Tenge

CAPITAL EXPENDITURE
KZT 123 bn Tenge

Operational

CHROME ORE EXTRACTION
5.2 mln tons

PRODUCTION OF FERROALLOYS
1.7 mln tons

FERROALLOYS SALES VOLUMES
1.5 mln tons

Sustainability

CO_2 EMISSIONS
4.5 mln tons

ENERGY CONSUMPTION
10,894 mWh

WATER WITHDRAWAL
33 Mm³

MARKET OVERVIEW

MACROECONOMIC SITUATION

In contrast with the previous two years, each characterised by a single global issue (the US-China tensions in 2019 and COVID-19 in 2020), 2021 brought a plethora of challenges, including the protracted COVID-19 pandemic, high inflation, supply chain disruption and declining inventories, as well as an energy crisis in key markets. At the same time, similarly to 2020, the two halves of 2021 were markedly different.

In H1 2021, the global economy continued to recover at a fast pace, while commodity markets demonstrated strong growth driven by expectations of the near end of the pandemic and the belief that high inflation was temporary and supply issues would be eliminated by 2022. However, in H2 2021, a number of market risks grew stronger. Firstly, the emergence and quick proliferation of new coronavirus strains, Delta and Omicron, made it clear that the pandemic was going to last longer than expected, and that it would be necessary to constantly enhance or modify the vaccines to ensure effective protection against further coronavirus mutations. Secondly, as inflation continued to accelerate throughout 2021, increasingly, both analysts and political leaders across the world realised that the upward trend was likely to continue into 2022. Energy prices became a key inflation driver: oil, gas and coal prices grew significantly in 2021. Only China was able to address energy supply issues through increased coal production at the year end. Europe faced longer energy problems triggered by the deficit of gas and low wind generation output. Finally, while the situation with supply chains gradually improved, markets no longer expected all issues to be resolved up to the end of H1 2022, but rather that they would persist into 2023.

As for commodities, in 2021, the highest price growth was observed in the fuel and non-ferrous metals markets. Prices were driven by economic recovery after the pandemic, as well as by limited supply. Commodity prices also benefited from rising inflation, since commodities were still seen as protection against inflation. Thus, oil prices went up by 50% during the year from December 31, 2020 to December 31, 2021, while the price of European CIF ARA coal, previously shunned by many investors, grew by as much as 79%. The rising price of basic commodities drove up the cost of many products in cyclic industries.

Accelerating inflation became the key reason for the monetary policy tightening in many major economies, including the US and the Eurozone. The US Federal Reserve already raised its key rate in March 2022 and is expected to continue hiking rates and reducing its asset purchase program until the end of the year. Commodity prices remained elevated at the beginning of 2022 owing to tight supply, but also due to the conflict in relation to Ukraine and the related Western sanctions against Russia. The conflict exacerbated the supply chain issues and a risk of an increased deficit in many commodities, including energy, base metals and agricultural products. In addition, while the threat of the coronavirus pandemic has eased in 2022, the pandemic itself is not over and still poses a risk, as new strains could appear.

FERROCHROME DEMAND, SUPPLY AND PRICES OVERVIEW

While a number of ferrochrome producers, such as Kazchrome, Glencore-Merafe and Samancor, with 12%, 11% and 10% of the ferrochrome market in chrome equivalent respectively, own chrome ore deposits, a substantial number of ferrochrome producers have to purchase chrome ore. China, the largest producer of ferrochrome with a 38% share of the global market in chrome equivalent, has little or no chrome reserves and Chinese ferrochrome smelters are forced to import chrome ore from South Africa, Turkey, Zimbabwe and other countries[1].

The balance between supply and demand for stainless steel and chrome ore and ferrochrome production largely determine world prices for ferrochrome. China is a key market and, accordingly, indirectly determines benchmark prices in other regions.

Global chrome ore production recovered substantially in 2021 and as a result it is seen that the market deficit, which initially appeared in 2020, has narrowed substantially in 2021, although not enough to keep the market in full balance as demand has also rebounded markedly.

In 2020, the decrease in chrome ore extraction had been driven by lockdown restrictions in key chrome producing countries; however, in 2021, the stainless steel market and, consequently, demand for ferrochrome grew rapidly and soon exceeded pre-crisis levels by a wide margin while the supply was slow to react. Moreover, as a result of strong measures to restrict energy consumption and CO2 emissions in China, the above deficit and inventory shortages mainly affected ferrochrome production. Both Chinese and global ferrochrome prices have hit record highs since 2008 (growth of average annual price by ~50% year-on-year), while the price of chrome ore, a key component of ferrochrome cost, grew moderately (by ~20% year-on-year) in 2021.

Additionally, prices were strongly affected by an increase in other cost components across the chrome/ferrochrome value chain. Thus, freight tariffs went up significantly due to growing demand for sea transportation and a deficit of containers. The global energy crisis triggered an increase in fuel and electricity prices, while reduced supply of, and a rapidly growing demand for, coke coal caused strong growth in prices of reducing agents.

In 2021, ferrochrome deficit dampened the positive effect of prices on chrome ore production/market. However, we expect a substantial year-on-year increase in ferrochrome production to drive up demand for chrome ore in 2022. It will provide a strong support to chrome ore prices, which, in turn, will result in higher ferrochrome production costs in China and support global ferrochrome prices.

In the medium term, supply and demand will balance out on the market. This will lead to average margins for chrome ore and ferrochrome manufacturers.

An increasing demand for stainless steel is anticipated in the long term, given the ongoing trends of increased urbanisation, improvement in living standards and economic development in China, India and other developing countries. According to current estimates, the stainless steel market will grow at a CAGR of ~3% until 2030. This growth is expected to result in a significant increase in the demand for ferrochrome and chrome ore, which will require a substantial increase in chrome supply and, consequently, capital investment in new projects in key chrome extraction regions. This can only be achieved if chrome ore and ferrochrome prices are maintained at satisfactory levels for producers and investors.

[1] Source: CRU, Ferrochrome Market Outlook, March 2021.

STRATEGY OVERVIEW

In 2021, Kazchrome continued to pursue its strategy and goal of remaining the leader of the world's ferroalloy industry, supplying the global market with high-quality chrome in accordance with the principles of health and safety, efficiency and sustainable development, while generating positive free cash flow throughout the whole cycle.

OPTIMISATION AND GROWTH INITIATIVES

As part of the implementation of its strategic goals, Kazchrome has developed, and is implementing, a whole range of initiatives for optimisation and growth at various stages of the value chain.

Mining stage

Expansion of the 10th Anniversary Mine

Geological survey activities at potential sites resulting in:

ore extraction at a potential small-scale site (Geologicheskoye 1)

expected launch of ore mining at Geophysical IX, Geophysical XI and Dubersai deposits in 2022.

Ore beneficiation stage

Slimes 2

The commissioning of a new beneficiation plant at Donskoy GOK is underway; the initiative is aimed at obtaining commodity concentrate from mature and current tailings, which will help to actively reduce volumes of existing tailings at the site. This will supplement our chrome concentrate output, while helping reduce the site's tailings footprint and, accordingly, environmental impact. The beneficiation plant is scheduled for operation in 2022.

Sand thickening in the pelletising area

The initiative is aimed at increasing recovery from slimes in the pelletising area.

Enrichment of tailings

The project to enrich tailings (2-10 mm) at the ore beneficiation and pelletising plant involves obtaining additional volumes of concentrate from accumulated and current tailings.

Metallurgy stage

Further capacity expansion at Aktobe Ferroalloys Plant Workshop No.4

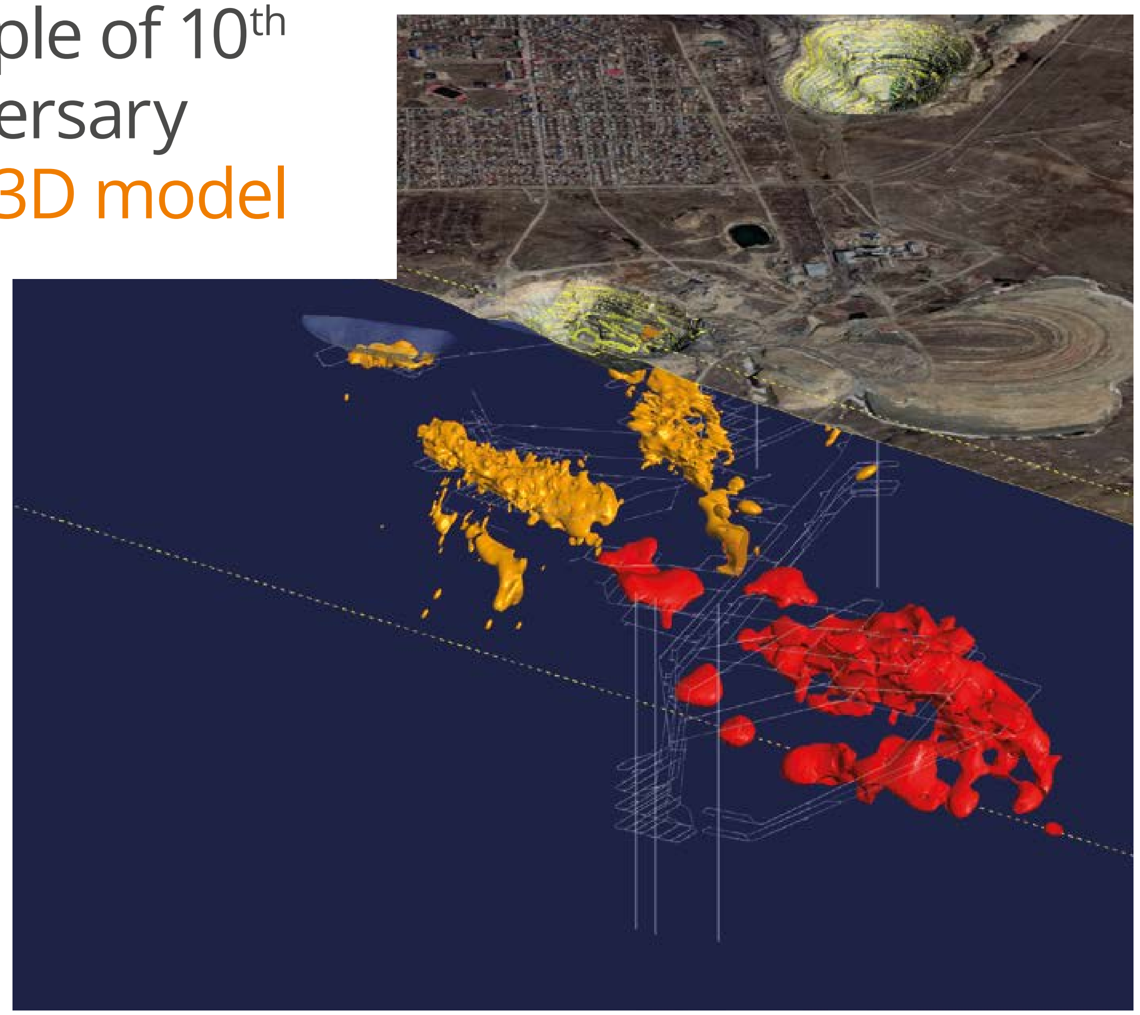
We have launched the project to further expand the production capacity of Workshop No.4 at Aktobe Ferroalloys Plant. The project will boost production volumes to more than 460 ktpa of ferroalloys.

Increase in production capacity at Aksu Ferroalloy Plant workshop No.6

This project, involving the reconstruction of four existing furnaces at Workshop No.6 at Aksu Ferroalloy Plant, aims to further increase high-carbon ferrochrome production, while reducing operational costs and extending the life of the workshop. This initiative is also expected to reduce emissions to air (in conjunction with the installation of two modern gas-cleaning devices).

Furnace reconstruction was started in 2017 and is being undertaken in two phases. Phase 1 of the project – renovation of furnace No.64 – has been completed and its ramp-up to design capacity is underway. The completion of the reconstruction of all workshop furnaces is expected in 2026.

Example of 10th Anniversary mine 3D model



OVERVIEW OF OPERATIONAL RESULTS

PRODUCTS, SALES, MARKETS AND CONSUMERS

Kazchrome produces high-quality ferroalloy products. Among its strategic clients are the world's leading companies. The Company's end consumers include many of the largest stainless and alloy steel producers from China, Japan, South Korea, Europe and the US.

Products

Kazchrome's key products include high-carbon ferrochrome and refined ferrochrome with a low impurity content. The Company's production capacities allow for variations in the carbon content of its ferrochrome products, depending on the specifications provided by customers and market conditions. Kazchrome is, therefore, able to optimise the range of its products in order to diversify its end-customer base and maximise profit. In 2021, the Company sold more than 1,288 kt of high-carbon ferrochrome and more than 209 kt of other ferroalloys, with ferroalloy sales totalling 1,497 kt.

SALES PROFILE 2021

Indicator	Quantity, kt	Amount, KZT'000
High-carbon ferrochrome	1,288	871,917,412
Refined ferrochrome	57	78,843,399
Silicon alloys	152	105,450,468

Note: Sales do not include other income.

Kazchrome meets all the requirements of legislation for health and safety impacts and there were no cases of product non-compliance. The products were delivered in accordance with regulatory requirements. The products sold were not the subject of public discussion, including advertising and promotion.

Sales, marketing and consumers

Kazchrome's marketing strategy focuses on end consumers and markets requiring high-quality products and reliable supplies. Since 2015, Kazchrome has been working in association with a trading company supplying its products to remote markets, which has facilitated establishing long-term relationships with Kazchrome's end consumers. Long-term contracts mitigate potential risks associated with sales volumes.

In the CIS countries and Kazakhstan, products are sold under direct contracts with consumers.

A well-developed railway network provides Kazchrome with easy access to western and central regions of China via Dostyk-Alashankou border crossing. Through this border there is shipment to Lianyungang port, which provides the transit of the Company's cargo to Japan, South Korea and Southeast Asia markets. Via the Far East sea ports in Russia, the Company accesses to the market of the eastern part of China.

RESERVES AND RESOURCES

Khromtau chrome deposits are located in the South Ural Mountains of the Kempirsaisky area, the main ophiolite belt with a total area of approximately 1,000 km². All commercial deposits are situated in the south-eastern part of the Kempirsaisky area and form part of the Main (South Kempirsai) ore field. These deposits are the largest and have a high ore grade (chrome oxide content). The eastern and western north-south ore-bearing zones at the deposits of Donskoy GOK are 24 km long and 7 km wide.

10th Anniversary Mine has been explored to a depth of 1,200 m and has the potential to increase reserve and resource for a life-of-mine extension.

Kazchrome also plans to start in-mine exploration of pit reserves at 20th Anniversary of KazSSR Deposit (Yuzhny Open-Pit Mine) and Deposit 21 (Mirny Open-Pit Mine).

In the course of prospecting at the South Kempirsai ore field in the vicinity of the abandoned Poiskovoye deposit, the Company discovered the Geologicheskoye I deposit containing rich chrome ore reserves. A high-level feasibility study was prepared for the potential development of the deposit, and the reserves were recorded in the state register of reserves.

The Company completed additional exploration of the Geophysical VII chrome ore deposit under the exploration contract for the South Kempirsai ore field and obtained an additional geological study report prepared by Measured Group. Mineral reserves approved by the State Commission on Mineral Reserves of the Republic of Kazakhstan include both open-pit and underground ore.

Overview of subsoil use contracts

Mineral deposits are owned by the Government of the Republic of Kazakhstan. Kazchrome has entered into subsoil use contracts with the Government. The terms of these contracts vary depending on the mine. Usually contracts are extended until the end of each mine's life.

SUBSOIL USE CONTRACTS

Contract	Location	Start date	Contract exparation date	Mine(s)	Branch
Chrome ore extraction	Khromtau district of Aktobe region	1997	2041	10th Anniversary Mine, Molodezhnaya Mine, and Yuzhny Open-Pit Mine	Donskoy GOK
Manganese ore extraction[2]	Nura district of Karaganda region	1999	2021	Tur Mine	Kazmarganets
Exploration for chromite-containing ore	Khromtau district of Aktobe region	2015	2023	South Kempirsai ore field	Donskoy GOK
Exploration for chromite ore	Aitekebi and Khromtau districts of Aktobe region	2019	2025	Bilge ore occurrence	Donskoy GOK
Exploration for chromite ore	Mugalzhar, Baigany and Shalkar districts of Aktobe region	2019	2024	Daul-Kokpekty area	Donskoy GOK
Exploration for manganese ore	Shalkar district, Aktobe region	2019	2025	Assambai ore occurrence	Kazmarganets
Exploration for manganese ore	Aitekebi and Sholkar districts of Aktobe region	2019	2025	Ushkuduk ore occurrence	Kazmarganets
Exploration for complex ore	Aitekebi district of Aktobe region	2019	2025	Karakuduk ore occurrence	Donskoy GOK

Resources and reserves report[3]

Kazchrome has the industry's largest resource base, which includes 207.3 mt of chrome ore unique in its quality, with an average chrome content of 50% and a low impurity content. Proved and probable ore reserves amount to 161.8 mt and will be sufficient to support the mine's operation for several decades at the current production level, ensuring significant potential for further expansion.

CHROME ORE RESOURCES AND RESERVES: DONSKOY GOK

Deposit	Category	Quantity, mt	Average Cr2O3 ore content, %	Cr_2O_3 content, mt
10th Anniversary Mine	Proved and probable reserves	**158.1**	**42.0**	**66.3**
	Measured indicated resources	168.4	50.4	84.9
	Inferred mineral resources	34.0	47.9	16.3
	Total mineral resources	**202.4**	**49.9**	**101.2**
Molodezhnaya Mine[4]	Proved and probable reserves	3.1	37.9	1.2
	Measured indicated resources	4.1	50.4	2.1
	Inferred mineral resources	–	–	–
	Total mineral resources	**4.1**	**50.4**	**2.1**
Yuzny Open-Pit Mine[5]	Proved and probable reserves	0.6	39.9	0.2
	Measured indicated resources	0.6	51.7	0.3
	Inferred mineral resources	–	–	–
	Total mineral resources	**0.6**	**51.7**	**0.3**
Geophysical VII	Proved and probable reserves	–	–	–
	Measured indicated resources	0.2	41.2	0.1
	Inferred mineral resources	–	–	–
	Total mineral resources	**0.2**	**41.2**	**0.1**
Total: Donskoy GOK	**Total proved and probable reserves**	**161.8**	**41.9**	**67.7**
	Total measured indicated resources	**173.4**	**50.4**	**87.4**
	Total inferred resources	**34.0**	**47.9**	**16.3**
	Total mineral resources	**207.3**	**50.0**	**103.7**

MANGANESE ORE RESERVES AND RESOURCES: KAZMARGANETS

Deposit	Category	Quantity, mt	Mn content, %	Fe content, %	Mn content, mt	Fe content, mt
Tur Mine	Proved and probable reserves	0.7	25.5	7.5	0.3	0.1
	Measured indicated resources	0.9	27.5	8.0	0.3	0.1
	Inferred mineral resources	–	–	–	–	–
Total: Kazmarganets	**Total mineral resources**	**0.9**	**27.5**	**8.0**	**0.3**	**0.1**

[2] Currently, the work is underway to extend the term of the contract
[3] The Depleted Resource and Reserve Statements 01 January 2021 are reported by Kazchrome, with assistance from SRK Consulting (UK). These are based on the Mineral Resource and Ore Reserve Statements 1 January 2020, declared by SRK's Competent Persons, and prepared in compliance with the standards of The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). The 1 January 2020 statements have been depleted by the 2020 annual production information provided by Kazchrome.

[4] Including Dubersai deposit.
[5] Including Zapadny deposit.

MANAGEMENT STATEMENT
ABOUT THE COMPANY
MARKET OVERVIEW
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FINANCIAL REVIEW

PREPARATION PRINCIPLES

This review of Kazchrome's financial performance and operating results is intended to present and assess trends and significant changes connected with its operating activities and the financial position of Kazchrome.

The review was prepared based on Kazchrome's audited consolidated financial statements. Financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) and the Accounting Policy for the years ended 31 December 2019, 2020 and 2021.

The functional currency of Kazchrome is Kazakhstani Tenge (Tenge)

PricewaterhouseCoopers LLP (Kazakhstan) is the independent auditor of Kazchrome. For audited financial statements and independent auditor's report, please refer to Section Financial Statements.

STATEMENT OF PROFIT OR LOSS

The table below represents the financial data based on Kazchrome consolidated results for 2019–2021.

KZT'000	2019	2020 (restated)	2021
Revenue	698,307,440	664,189,693	1,059,418,450
Cost of sales	(392,100,431)	(402,233,936)	(458,741,785)
Gross profit	**306,207,009**	**261,955,757**	**600,676,665**
Distribution costs	(7,283,654)	(6,717,544)	(8,178,147)
General and administrative expenses	(64,288,937)	(25,809,903)	(39,950,114)
Research, business development and exploration costs		(3,441,892)	(6,674,905)
Other operating income/(expense)	417,679	(4,179,012)	(2,228,065)
Operating profit	**235,052,097**	**221,807,406**	**543,645,434**
Finance income	36,543,354	107,199,569	37,906,793
Finance costs	(81,130,821)	(154,465,433)	(64,800,781)
Profit before tax	**190,464,630**	**174,541,542**	**516,751,446**
Income tax expense	(41,368,043)	(42,385,694)	(82,169,350)
Profit for the year	**149,096,587**	**132,155,848**	**434,582,096**

In 2021, Kazchrome reported net profit of 434.6 billion Tenge, which is more than three times above the result for the previous year. Growing global ferroalloy prices had a strong positive effect on annual net profit. At the same time, the Company's results were negatively affected by an increase in production cost items, general and administrative expenses, R&D, business development and exploration costs.

General and administrative expenses increased by 14.1 billion Tenge (54.8%), due to a growth in sponsorship and other financial aid-related expenses, and the cost of managerial, consulting and other professional services.

Finance income decreased by 69.3 billon Tenge (64.6%), mainly driven by decrease of proceeds from loan restructuring.

At the same time, finance costs decreased by 89.7 billion Tenge due to foreign currency translation differences related to loans and borrowings, recognition of financial guarantees for KCR International B.V in 2020 and revaluation of investment in Eurasian Digital Ventures I Limited Partnership at fair value.

Revenue

FERROALLOYS PRODUCTION, SALES VOLUMES AND REVENUE

	2019	2020	2021
Ferroalloys production, kt			
High-carbon ferrochrome	1,557	1,546	1,432
Refined ferrochrome	57	56	59
Silicon alloys	197	191	195
Total ferroalloys production	1,811	1,793	1,686
Ferroalloys sales, kt			
High-carbon ferrochrome	1,481	1,480	1,288
Refined ferrochrome	64	52	57
Silicon alloys	138	134	152
Total ferroalloys sales	1,683	1,666	1,497
Ferroalloys average selling price, US$[6]			
High-carbon ferrochrome	1,014	929	1,589
Refined ferrochrome	2,245	1,956	3,248
Silicon alloys	972	936	1,629
Revenue, KZT'000			
High-carbon ferrochrome	574,438,951	567,655,267	871,917,412
Silicon alloys	51,550,340	51,806,927	105,450,468
Refined ferrochrome	54,898,291	42,007,441	78,843,399
Other	17,419,858	2,720,058	3,207,171
Total revenue	**698,307,440**	**664,189,693**	**1,059,418,450**

In 2021, revenue increased by 395.2 billion Tenge (59.5%) year-on-year and was driven by growing prices in the ferroalloys market. An additional revenue driver was the weakening of the Tenge against the US dollar.

Cost of sales

KZT'000	2019	2020 (restated)	2021
Materials	183,719,761	168,597,943	205,659,314
Power and energy	66,531,190	72,064,587	76,648,940
Payroll and related costs	49,430,162	63,530,909	76,581,326
Depreciation and amortisation	38,102,943	44,547,960	48,206,583
Mineral extraction tax	20,408,379	19,223,968	17,373,301
Other	33,907,996	34,268,569	34,272,321
Total cost of sales	**392,100,431**	**402,233,936**	**458,741,785**

In 2021, the cost of sales increased by 56.5 billion Tenge (14%) year on year. Cost growth factors included the following:

- Growing prices of purchased materials, including nut coke, medium temperature furnace coke and carbon reducing agent, drove up the cost of feedstock, materials and components by 37.1 billion Tenge (22%).
- Personnel costs grew by 13.1 billion Tenge (20.5%) as a result of wage increases.
- Electricity costs grew by 4.6 billion Tenge (6.4%) as a result of growing tariffs.
- An increase in depreciation expenses by 3.7 billion Tenge (8.2%) was driven by the purchase of fixed assets and the commissioning of Furnace No.64 in accordance with the investment programme.

General and administrative expenses

KZT'000	2019	2020 (restated)	2021
Managerial, consulting and other professional services	27,679,919	13,163,226	19,045,325
Sponsorship and donation	18,338,188	2,007,143	9,965,023
Payroll and related expenses	9,929,114	4,874,777	4,300,733
Depreciation and amortisation	2,152,634	1,203,453	895,053
Other	6,189,082	4,561,304	5,743,980
Total general and administrative expenses	**64,288,937**	**25,809,903**	**39,950,114**

In 2021, general and administrative expenses increased by 14.1 billion Tenge (54.8%), mainly as a result of a significant increase (by 8.0 billion Tenge, or nearly fivefold) in sponsorship and donation-related expenses, while the cost of managerial, professional and agency services increased by 5.9 billion Tenge (44.7%).

[6] The following exchange rates were used to calculate average ferroalloys selling prices: KZT382.59/US$ for 2019; KZT412.95/US$ for 2020. KZT425.91/US$ for 2021.

CAPITAL EXPENDITURE

US$m	2019	2020	2021
Development projects	117	38	228
Sustaining projects	109	153	63
Total capital expenditures	**226**	**191**	**291**

From 2019 to 2021, Kazchrome invested US$708 million in the business, including US$383 million for development projects and US$325 million for maintenance projects.

The main items of capital expenditure for the period from 2019 through 2021 were:

- ongoing production capacity expansion project at the 10th Anniversary Mine;
- expenditure to increase the production capacity of Workshop No.4 and capitalised repairs of furnaces at Aktobe Ferroalloys Plant;
- renovation of Workshop No.6, insulation of the jigging unit at Aksu Ferroalloys Plant;
- expansion of the smelting building and the finished product warehouse at Workshop No1 of Aksu Ferroalloys Plant
- capitalised furnace repairs at Aksu Ferroalloys Plant;
- implementation of Slimes-2 sludge processing project, stripping and development of ore reserves at small-scale deposits (Geologicheskoye 1, Dubersai);
- restoration of the outdoor ore warehouse #2 and the construction of an amenity building for 904 people at Aktobe Ferroalloys Plant in line with the programme to bring all onsite facilities to a common standard.

CURRENT DEBT

In June 2021, the Company received US$250 million under the existing loan agreement with VTB Bank (PJSC). In October 2021, VTB Bank (PJSC) assigned US$14 million to VTB Bank (Kazakhstan).

In January 2022 RCB Bank LTD and in February CQUR Bank LLC transferred their rights and obligations under the tranches to VTB Bank (PJSC) in the amount of US$1,700 million and US$100 million, respectively.

In March 2022 the Group signed a waiver with VTB Bank (PJSC) to defer payment of principal and payments of interest on all tranches for up to two years.

RISK MANAGEMENT

RISK MANAGEMENT SYSTEM

Risk management framework helps ERG and its subsidiaries, including Kazchrome, to identify and understand potential threats to the sustainability of its business. This includes the most material sustainable development issues, which have the potential to impact people, local communities and the environment, as well as the ability of ERG to achieve its operational and strategic objectives.

The political and economic situation in the world is currently highly unstable. The sanctions restrictions imposed on Russian companies in relation to the conflict in Ukraine have significant implications for many countries, especially those with historical economic ties to Russia and Ukraine.

The Group's Management responded promptly to the risks that arose. In order to increase the effectiveness of the response, a Global Crisis Team (GCT) has been created. GCT holds regular meetings, the task of which is to assess the impact of the conflict in relation to Ukraine on the Group's activities and develop priority measures to reduce the negative consequences for the Group. The main tasks for the GCT are regular analysis of sanctions already imposed against Russian companies as well as those, that might potentially be introduced and their impact on the Group, development of measures to ensure continuity of production processes with the necessary supplies and raw materials, including the timely delivery of products.

In January 2022, Kazakhstan faced extraordinary events associated with significant social unrest. As part of the response to these events in the most acute period of the crisis, the GCT met regularly, to ensure the safety of the Group's personnel, continuity of production processes and compliance with obligations to counterparties. Following the end of the January crisis, the Group analysed impact of these events and developed measures to reduce future risks.

RISK MANAGEMENT AT KAZCHROME

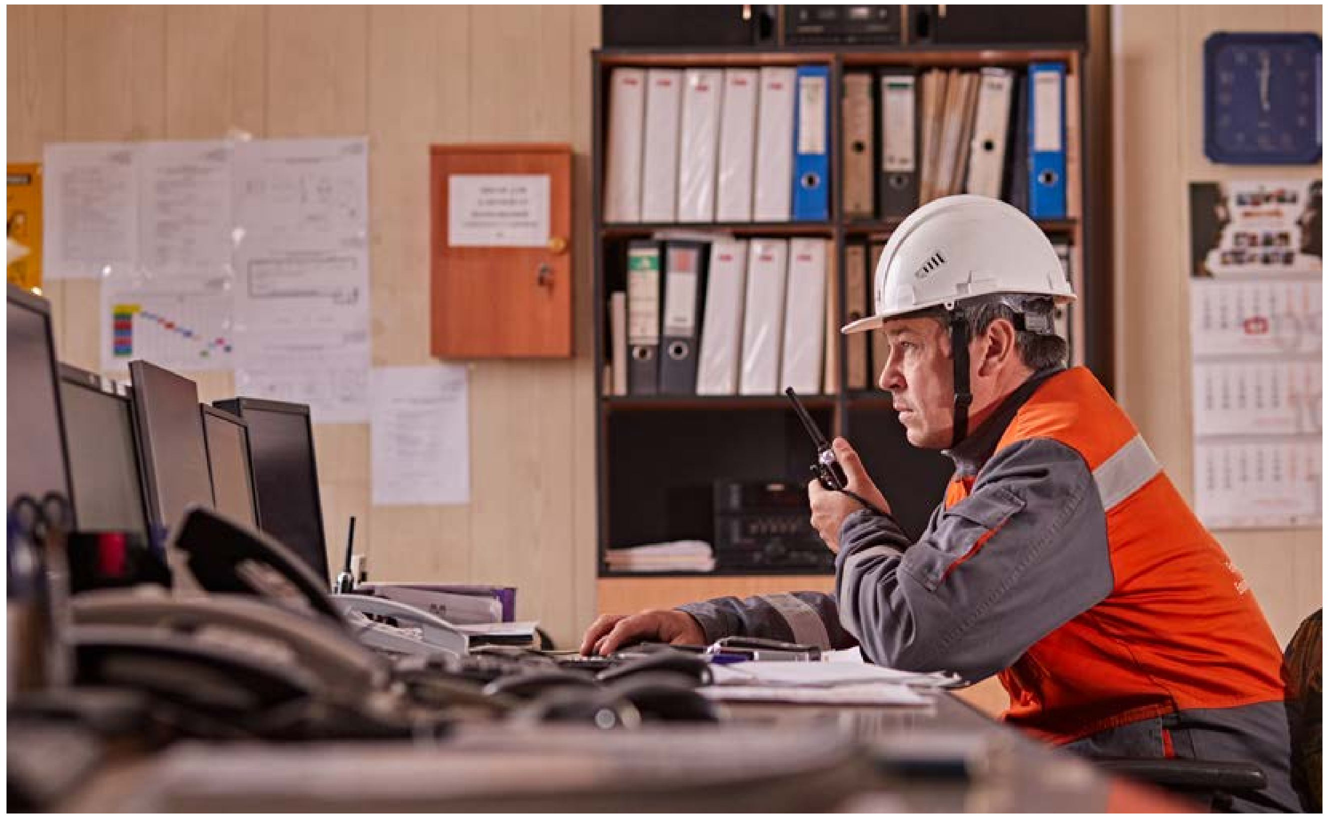
Kazchrome risk management system provides sufficient confidence in the achievement of its strategic and operational goals. The risk management process covers key areas (strategic management, budgeting, investment activities, ESG[7]) and all levels of the Company's activities.

All Kazchrome employees are involved in the risk management process and are responsible for effective mitigation of emerging risks. The risk management system includes clearly defined oversight functions at the Company level (Management Board and Board of Directors), which are complemented by functions forming part of the second and third line of defence, including the risk management and internal control function, security, the compliance function and internal audit.

All the risk functions within ERG subsidiaries in Kazakhstan have been centralised into a shared service centre (SSC). The dedicated SSC provides risk analysis, reporting, control and insurance services to ERG companies. This centralisation has enabled ERG to enhance the quality of risk management, control and insurance, and optimise the relevant costs. All risks, including those faced by Kazchrome, are reviewed by the ERG Risk and Compliance Management Committee on a quarterly basis.

Kazchrome also advanced the implementation of the Risk Management Information System (RMIS), including its further improvement and roll out across all entities The RMIS assists the Company with consolidating risk descriptions, mitigating actions and exposure information. It provides the tracking and management reporting capabilities to enable risk managers and risk owners to monitor and control our efforts to manage risks, thereby increasing overall risk management efficiency.

Kazchrome's principal risks are set out in the table below. There may be additional risks yet unknown to the Company, and other risks currently not believed to be material that could have a significant impact on our business performance and financial results.



7 Environment, social, governance.

KEY RISKS AND THEIR MANAGEMENT

Key risk areas	Selected mitigation actions
Environmental risks The nature of the Company's activities and processes mean they have, in the absence of appropriate controls, the potential to harm the environment.	• ISO 14001-certified and/or aligned environmental management system. • Implementation of ERG Environmental Strategy, including the phased implementation of advanced filter and air technology at its key operations. • Group-level, large-scale waste storage facility risk review process.
Climate change risks The Company faces regulatory and market risks in relation to its GHG emissions that require the implementation of appropriate management actions.	• Short-term implementation of wind-power projects and longer-term development of larger-scale renewable energy projects. • Implementation of energy efficiency measures, as well as ISO 50001-certified energy management system. • Analysis of carbon transition risks to better understand and manage exposure, and inform future carbon strategy. • Factoring-in of GHG emission implications when making long-term investment decisions, with the aim of reducing our emissions where it is commercially feasible to do so.
Social risks The Company's business activities may negatively affect nearby communities. Therefore, there is a risk this could affect its social license to operate. Similarly, a failure to deliver broader social benefits to the Company's workforce would result in a loss of talent and skills and would make it hard to recruit new employees.	• Community social investment (including through Regional Memoranda of Understanding with regional governments, aimed at promoting socio-economic development). • Implementation of housing programmes for employees, as well as the improvement of local urban environments. • Monitoring of social attitudes and the maintenance of community grievance mechanisms.
Health, safety and security risks The nature and location of the Company's operations mean they have, in the absence of appropriate controls, the potential to affect the physical well-being and health of its employees, contractors and community members. This includes the potential for COVID-19 infections both inside and outside of work.	• ISO 45001-certified occupational health and safety management systems. • Zero Harm approach towards critical health and safety risks. • Safety management system audits. • Integration of safety targets into managers' KPIs. • Risk assessment using Hazard Identification (HAZID) methodologies. • Dedicated programme to address COVID-19 risks in the Company's workforce, while maintaining operational continuity (including personal protective equipment, social distancing, changed working patterns, screening, testing and other related approaches).
Compliance and governance risks The Company is subject to a range of internal and external compliance obligations, including those relating to sanctions, confidentiality, data protection legislation breaches, anti-competitive legislation breaches, human rights, money laundering/the financing of terrorism and bribery and corruption. Any non-compliance in this regard could results in financial and non-financial sanctions, as well as reputational damage	• Group Compliance Programme, including training / monitoring of adherence to policies and guidance (Corporate Code of Conduct, Supplier Code of Conduct, etc.). • Updated counterparty and supply chain due diligence processes, including a focus on human rights / OECD Due Diligence Guidance[8]. • Sanctions Compliance Programme. • Data protection Programme. • Maintenance of whistleblower system.
Regulatory and legal risks There are a number of factors that could affect regulatory context and present risks to the Company business. This includes the introduction of new (or changes to existing) laws and regulations	• Monitoring of potential legislative and regulatory changes. • Representation of the Company's interests through professional bodies/ associations. • Monitoring of compliance with the Company's licence and permit obligations.

8 OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

Key risk areas	Selected mitigation actions
Political risks The Company conducts its business in complex environments, which are characterized by ever-changing political dynamics and the potential for unexpected risks.	• Monitoring and analysis of political and macroeconomic trends in the Company's regions of operation.
Price risks A substantial decline in – or volatility around – commodity prices could materially affect the Company's business, including its financial results and liquidity.	• Regular review and forecast of short and medium-term market fundamentals (consumption, supply, availability, etc). • Maintenance of long-term sales contracts that link commodity prices to benchmarks. • Price analysis and hedging of commodity prices. • Development of alternative sales channels.
Production and operational risks Challenging operational environments have the potential to result in business interruption, damage to physical property, unplanned downtime, asset shutdowns, and uncertainty in geological formations and mineralisation.	• Risk-based reliability planning and maintenance. • Maintenance of a resilient power supply system/long-term contracts with reliable suppliers. • Control of input materials, including the introduction of a raw material control system. • Implementation of business continuity management processes. • Infill drilling and ore body modelling. • Maintenance of property damage/business interruption insurance.
Supply chain and logistics risks The Company's large supply chain exposes it to risks relating to contractual non-compliance by suppliers, including non-delivery, changes in prices for purchased goods and shortages of transportation for goods.	• Creation and maintenance of supplementary stocks of critical items (including PPE). • Regular review of supplies of critical reagents/materials. • Quality/specification/completeness controls related to the supply of goods and services. • Long-term contracts and category strategies for key goods/ services (including formula pricing). • Maintenance of our own fleet of railway wagons.
Capital project execution risks A failure to deliver major capital projects within planned timeframes, budgets and quality criteria could negatively affect long-term profitability and reputation, including ability of the Company to attract future financing.	• Systematic, transparent and stage-gated project implementation process. • Enhanced project due diligence, including independent project reviews prior to stage gates. • Contingency planning based on quantitative schedule and cost-risk analysis. • The insurance of construction risks and risks relating to the delayed start-up of critical capital projects. • Monitoring/control of project deadlines, budgets and ramp-up, etc.
Financial risks Risks relating to ability of the Company to carry out necessary operational and investment activities, and the potential for these to be undermined by credit risks, liquidity risks, foreign exchange risks and interest rate risks. Also, any deterioration in cash flow and profitability that could adversely affect the Company's ability to meet itsexisting financial obligations, including debt repayments, and lack of access to commercially viable external financing.	• Maintenance of strong relationships with existing lenders, the expansion of the Company's credit lines, as well as improvements to its debt portfolio, funding opportunities and conditions. • Regular updating of the Company's cash flow plan and control of its liquidity level. • Compliance with covenants. • Monitoring the Company's open foreign exchange position. • Monitoring tax legislation compliance. • Credit control process implementation, including the setting of counterparty credit limits and alignment control.
Personnel management risks The fact the Company operates in remote locations poses risks in terms of ability to attract personnel with the necessary skills and experience, as well as the outflow of qualified personnel.	• Maintenance of competitive remuneration packages. • Training and development to maintain the skills pipeline. • Implementation of an effective incentivisation and retention system. • Implementation of social support programmes for personnel.

Key risk areas	Selected mitigation actions
IT and information security risks In the context of its digitalisation and the enhancement of its Information Technology (IT) landscape, the Company recognizes that this exposes it to potential risks, including, but not limited to: loss of access to IT infrastructure, disruption of business processes including Industrial Control Systems, internal and/or external fraud, data leakage and data breaches, non- compliance with information security regulations and other related risks.	• Vulnerability management (and patching), regularly external and internal network perimeter scanning, penetration testing and Red teaming[9]. • Hardening of infrastructure, services and operating systems to reduce vulnerabilities. • Classification of company data and setup control on all company data according to criticality. • User awareness training. • Continuous improvement of our detection and response capabilities by our Security Operations Centre and Information Security teams using sophisticated tools (e.g. Endpoint Detection and Response, web filtering, Data Leakage Prevention). • Enhancement of the Company's email security through the roll out of security awareness training and simulated phishing campaigns for all users. • Implementation of identity and access management framework. • Implementation of network security controls (e.g. encryption of structured critical data, network segmentation) in the Company's IT and OT environments. • Backup testing and Disaster Recovery exercises for all critical systems.

[9] Red teaming is a full-scope, multi-layered attack simulation designed to assess the cybersecurity of systems.

SUSTAINABLE DEVELOPMENT REVIEW

SUSTAINABILITY IN ACTION

Company Sustainability Awards

Responsible Chromium Award
International Chromium Development Association (ICDA)

Paryz in the category **'Best Collective Agreement'**

Golden Hephaestus in the category **'The Best Energy Saving Solution'**

Altyn Sapa in the category **'Best Manufacturing Enterprise'**

Diploma of Akim of Aktobe region **'The best enterprise that creates favourable conditions for women working in the metallurgical industry'**

Diploma of Aktobe Regional Center of Trade Unions **'Best Collective Agreement'**

MANAGEMENT APPROACH

Kazchrome is part of the ERG and in its activities follows the principles and approaches of sustainable development carried out by the Group. This includes responsible management of environmental, social and governance impacts, and taking action to maintain the ability of its business to generate long-term value, provide benefits to stakeholders and foster a global transition to new energy sources. This approach is reflected in the integrated ERG Strategy, which is underpinned by well-defined strategic goals, key performance indicators and implementation levers.

In 2021, ERG established an Environmental, Social and Governance (ESG) Committee, tasked with the integration of sustainability practices into the Group strategy and decision-making processes. The Committee includes Group-level executives as well as senior managers with various backgrounds. In 2021, the Committee launched an internal process to develop long-term ESG goals and action plans, including goals to increase the proportion of renewable energy sources and reduce greenhouse gas emissions by 2030.

In Kazakhstan, ERG is implementing a number of strategic sustainability initiatives. This includes, for example:

- Implementation of an Environmental Strategy, which takes into account international best practice and ensures that the Group complies with the requirements of the new Environmental Code.
- Implementation of an initiative to reduce carbon emissions in electricity production. Priority areas include the commissioning of the wind power project near Donskoy GOK (WPP[10] Khromtau-1), as well as consideration of expanding wind generating capacity at this site through the construction of a second power plant with a capacity of 150 MW (Khromtau-2), which is currently at the design stage. The commissioning of wind power facilities will partially replace the electricity that is currently produced at coal power generated assets. In addition, the Group is considering other sites in Kazakhstan where additional large-scale wind-and-solar energy generation projects can be implemented in the future.
- Implementation of a three-year regional development programme in co-operation with regional executive authorities.

In addition, ERG is party to the United Nations Global Compact and supports the United Nations Sustainable Development Goals (SDGs).

For more information on ERG's sustainability activities, see the ERG Sustainable Development Report, which is available on the website www.eurasianresources.lu.

For Kazchrome, as well as other ERG subsidiaries, sustainable development is:

- responsible management from the perspective of ESG impacts;
- achieving 'true business sustainability' – by ensuring that the ERG business is fit for future changes and can generate long-term value;
- sustained and profitable growth that delivers ongoing benefits to stakeholders – including employees, shareholders, customers, business partners, host countries and local communities.

More detailed information on certain areas of Kazchrome sustainable development is presented in the thematic sections below.

[10] Wind power plant.

Human Capital Management

Our employees are Kazchrome's most valuable asset and vital partners in achieving our strategic goals. The Company's priority is the well-being of all employees, the creation of decent working conditions and a favourable environment for their growth and development.

MANAGEMENT APPROACH

Constructive interaction with employee associations on various issues, such as wages, social benefits and occupational safety, is the key component of our approach to labour relations. We respect our employees' right to join labour unions and participate freely in collective agreements. As at 31 December 2021, all employees were participants in the collective agreement. We adhere to the principle of equal employment opportunities and create fair working conditions without discrimination. This includes covering the costs associated with the recruitment process, providing employees with safe and healthy working conditions, fair assessment of their contribution to the Company, assistance in developing their professional skills, open and constructive discussion of the quality and efficiency of their work, ensuring equal opportunities for professional growth. We treat our employees fairly, equally and without prejudice, regardless of their origin, social, status, position and financial situation, gender, race, nationality, language, religion, convictions, residence, age, disability or sexual orientation and membership in any public associations. Kazchrome values the experience and opinion of each employee and does not permit any form of discrimination.

We focus on embedding innovative ways of working throughout every level of our organisation. In line with our Values and our strategic priorities, we place particular emphasis on the development of our employees' strategic skills and competencies, as well as our high-potential individuals and leadership pipeline. We take a comprehensive and forward-looking approach to talent management to ensure we have the right skills mix to meet the current and future needs of our business. These efforts are of increasing importance in the context of a shortage of young mining specialists, the ongoing transformation of our business and the impact of technological change in reshaping mining professions.

Our approach to employee relations is shaped by the significant inter-connectivity between our workforce and local communities. We place particular emphasis on the social needs of our employees and their families in our operating regions.

KAZCHROME EMPLOYEE PROFILE

19,388
employees
Kazchrome headcount as at 31 December 2021

40
years
average age of Kazchrome's employees

192
new jobs created in 2021

14.5%
new employees hired in the reporting year

7.7%
average staff turnover rate in 2021

10
years
average length of service of Kazchrome's employees

23.8%
of the workforce is female

4%
female employees in management positions (excluding the Board of Directors)

0.5%
disabled employees

EMPLOYEE STRUCTURE AS OF 31 DECEMBER 2021

Category	Managers		Professionals and workers		Labourers	
	Men	Women	Men	Women	Men	Women
Up to 30 years	243	18	338	222	3,719	740
From 31 to 50 years	796	114	633	597	5,795	1,968
From 51 to 60 years	215	44	147	145	2,343	755
Over 61 years	56	2	47	6	440	5
Total	**1,310**	**178**	**1,165**	**970**	**12,297**	**3,468**

ETHNIC COMPOSITION OF EMPLOYEES AS OF 31 DECEMBER 2021, %

Ethnicity	Managers, professionals, workers		Labourers	
	Men	Women	Men	Women
Kazakhs	8.8	3.0	49.3	9.4
Russians	2.6	2.0	9.0	5.6
Ukrainians	0.7	0.5	2.3	1.3
Others	0.7	0.4	2.8	1.6

Employee headcount and structure

Kazchrome headcount as at 31 December 2021 was 19,388 employees, of which 76.2% were men and 23.8% were women. The main portion of employees (51,1%) is represented in the age group from 31 to 50 years old. Young people under the age of 30 was 27.2% and employees from 50 to 61 years old were 21.7% of the total headcount; 2.9% were employees over the age of 61. The ethnic composition of the Company's employees is represented by Kazakhs, Russians, Ukrainians, Germans, Tatars, Uzbeks and other nationalities. Kazakhs make up 70.5% of the total headcount with other nationalities accounting for the remaining 29.5%.

The number of jobs created in 2021 was 192, or 1.0% of the headcount. The average staff turnover rate for 2021 was 7.7%, including managers, professionals and workers – 7.4%, labourers – 7.7%.

KEY ISSUES AND INITIATIVES

EMPLOYEE REMUNERATION AND MOTIVATION

The level of remuneration of Kazchrome employees is competitive in the labour market. When developing regulations on wages, the Company, among other things, takes into account the opinion of trade union organisations.

The current corporate remuneration system provides:

- a fair level of remuneration comparable to other large companies in Kazakhstan;
- a two-component remuneration system consisting of a fixed part and a variable (bonus) part;
- indexation of salaries for employees in production units based on the level of inflation in Kazakhstan.

The employee motivation system consists of a fixed and a variable portion. In determining the size of the fixed portion, the Company focuses on salary benchmarks, both in Kazakhstan and in Russia. Over the last three years, the average salary of Kazchrome's employees has increased by 30%. The variable portion depends on an employee's performance in a given period.

The variable portion for production employees depends on the operating performance of the Company. Administrative staff are rewarded based on the results of an annual performance evaluation. In 2021, 100% of administrative staff, 18.2% of Kazchrome's employees, underwent performance evaluation:

Category	
Managers	41%
Specialists	59%
Gender	
Women	30%
Men	70%

RATIO OF WOMEN'S AVERAGE SALARY TO MEN'S AS OF 31 DECEMBER 2021, %

Category	Aktobe Region	Pavlodar Region	Karaganda Region
Managers, professionals, workers	54.0	67.8	73.7
Labourers	62.3	77.0	67.3

Note: The salary level of employees with the same qualification in an identical position is equal. The gap is due to the proportion of men/women in the respective category and is not related to gender.

EMPLOYEE COMPETENCY DEVELOPMENT

The competency development system consists of competency assessment, a plan for the training and development of the Company's employees, intra-Group corporate training events and the development of a talent pool for key positions.

Improving employee competence includes:

- training prescribed by the legislation of the Republic of Kazakhstan;
- training based on the Company's corporate standards: compliance, information security, corporate security;
- training aimed at developing professional competencies;
- corporate training programmes aimed at supporting and implementing common approaches to the Company's business processes, and at developing and preparing the Company's talent pool.

The Company's branches conduct training for workers in new occupations, retraining, skills development, second-occupation training and training for managers and specialists. The need for employee competency development is determined through the analysis of Kazchrome's strategic development plan and aligned to changes in the Company's business processes as well as employee competency assessments.

An annual plan of professional training, by operating units and by types of training, is prepared based on requests filed by the operating units. Theoretical and practical training are conducted by both third-party organisations and by qualified employees at the Company.

An introductory briefing is held for all new employees, which covers:

- matters related to employment legislation of the Republic of Kazakhstan, the rights and responsibilities of employees and the employer in the sphere of health and safety;
- industrial and fire safety and workplace hygiene requirements and other health and safety matters, as well as first-aid rules;
- existing risks and hazards within the Company, including IT-risks, and the relevant controls;
- the procedure for accident investigation and the analysis of lessons learned.

New workers hired for apprentice positions participate in vocational and technical training in accordance with the programmes approved by the corresponding branch to match qualification requirements. The period of training corresponds to the difficulty of the occupation.

All branches of Kazchrome have fully equipped computer classrooms for training in line with modern requirements

The Company identifies individuals for inclusion in the talent pools on an ongoing basis through the annual employee competency evaluation programme, as well as through large-scale events, such as the League of Professionals and other leadership programmes. Foremen, heads of workshops, heads of sections (437 people) took part in the Leagues of Professionals in 2021. Development programmes were developed for different groups of employees. Young specialists were trained under the ERG New Leaders programme with enrolment in the talent pool (44 employees completed the training). Experienced managers were trained as line managers under the ERG Line Leaders programme to fill the positions of shop managers (27 people completed the training).

18%
of employees regularly undergo performance appraisals and assessments of professional growth opportunities

75%
of employees completed professional training

LABOUR RELATIONS

Kazchrome's comprehensive approach to employee relations means that we focus on the provision of comfortable working conditions, as well as on the social needs of our employees and their families. Priority areas include:

- ongoing improvement and standardisation of the physical working conditions of our employees, and the enhancement of our employee benefits;
- raising of living standards for employees and their families.

The Company uses the findings from comprehensive socio-economic surveys in our operating regions to prioritise actions in these areas. Since 2018 Kazchrome has, therefore, been conducting sociological surveys of employee satisfaction and engagement. About 7,000 employees took part in the survey conducted in December 2021. Surveys identify general level of workplace satisfaction, as well by the components of labor activity (salary level, opportunities for professional work and career growth, relations with management, safe working conditions, etc.). In 2021, the Company also carried out psychological testing in order to determine employees' psychological well-being. Based on the research results, Kazchrome has developed an action plan aimed to create the most favourable and comfortable working conditions.

The types of social support funded by Kazchrome are stipulated in the collective agreement and set out in the Company's regulations. Over the last three years, Kazchrome has invested 15.3 billion Tenge in the social well-being of its employees, including the healthcare and medical examination of all employees, employee transportation, social support for employees and their family members, childcare allowance, etc. Compensation for overtime and work on weekends and holidays is set out in the Company's collective agreement.

Employees are provided with additional paid rest days for length of service in the metallurgical and mining industries. Extra paid vacation days are granted to women before going on maternity leave, as well as to women with two or more children under 12 years of age.

Assistance programmes are also enshrined in the collective agreement for employees who have ceased working as a result of retirement or termination of employment. These include benefits, compensation and remuneration, as well as guarantees of employment and occupational retraining at the expense of Kazchrome in the event of staffing reductions.

The social guarantees also apply to temporary and part-time employees. Kazchrome also runs and maintains leisure facilities available to both its employees and the general population in its operating regions.

To improve the living standards of our employees and their families we undertake measures to improve the living conditions of employees.

The minimum period of notification for employees of any changes related to Kazchrome activity is determined by the Labour Code. In the event of any change in labour conditions, Kazchrome shall notify its employees in writing no later than 30 calendar days prior to such change.

If any employee of our Company has any reason for concern or suspicion that any other employee or a counterparty has violated any provision of ERG's Corporate Code of Conduct, they can either report it directly to their immediate superior, higher ranking superior, compliance specialist or any legal adviser of the Company or via ERG's 24/7 Hotline, which is a completely confidential communication channel maintained by an independent body.

Employees can also discuss any issues related to human resources management with the local HR department.

PERFORMANCE

In 2021, the Company identified no cases of discrimination as well as no cases of infringement of employees' rights to freedom of participation in associations and to the conclusion of employment contracts.

In addition, there were no serious labour relations-related complaints in 2021.

As noted above, employees at Donskoy GOK (Kazchrome) took part in broader country-wide social protests in Kazakhstan (p. 2). This was limited in nature and was resolved peacefully and rapidly, with no material impact on production.

EMPLOYEE TRAINING DATA FOR 2021

Indicator	All employees	Category		Gender	
		Managers, professionals and workers	Labourers	Men	Women
Average training hours	19,78	27,75	17,15	22,06	20,25

In 2021, 14.5% of newly hired employees underwent this training, with the number of training hours totalling 22,432 hours.

During the year, Kazchrome invested 5,886 million Tenge in employees' social well-being.

Also, in 2021, 140 Kazchrome employees from among key professions, highly qualified specialists and young personnel were provided with high-quality and affordable housing.

There were a total of 569 employees on maternity/paternity leave (including eleven male employees) at the end of 2021.

100%
employees are members of the collective agreement

100%
employees have officially elected representatives

Occupational health and safety

Occupational health and safety (OHS) is one of the key priorities for the Company. Kazchrome is fully committed to delivering a healthy, safe, productive and stable working environment for all its employees and contractors. This includes ongoing efforts to continually improve the Company safety performance and to achieve zero harm.

We aim to achieve
Zero Harm

MANAGEMENT APPROACH

All Kazchrome branches operate an Occupational Health and Safety Management System (OHSMS). During 2021, the international certification body TÜV confirmed the certificate of compliance with the ISO 45001 occupational health and safety management systems standard for the Company's management system. At the same time, Kazchrome complies with national OHS standards and constantly monitors OHS activities in its branches. This includes measures to prevent fatalities, physical injuries and occupational diseases, improving incidents reporting as well as trainings on OHS issues for employees and contractors working on the Company's premises and etc.

KEY ISSUES AND INITIATIVES

ENSURING SAFETY OF EMPLOYEES

All Kazchrome divisions have developed and apply consistent reporting of the registration, investigation and documentation of accidents, as required by the Company and taking into account the legislation of the Republic of Kazakhstan. The process of registration and notification of accidents (including fires) is automated, which allows relevant employees to be notified about any accident as soon as possible. Investigation and reporting are executed in accordance with uniform requirements established in the Company.

Based on the results of investigations of each accident, root causes were identified, mechanisms and measures were developed to implement a programme to improve the level of industrial safety. During 2021, the following activities were implemented:

- In order to identify and rectifying deficiencies in the OHS management system, the regulation 'Prompt notification, recording and internal investigation of incidents in the field of occupational health and safety' was implemented at Kazchrome branches.
- The Company conducted a workplace risk assessment using the new HAZID methodology. The study was conducted at 21 Kazchrome production units. As a result, 566 hazards were identified and 135 recommendations were developed to minimise risks, some of which were implemented during 2021. The remaining activities are planned for completion in 2022 and 2023. During 2022, the risk assessment using the HAZID method will continue.
- The implementation of the corporate programme to ensure safety of working at heights, launched in 2019, continued in 2021. Permanent and temporary workplaces at height at Donskoy GOK, the Aktobe Ferroalloy Plant and the Aksu Ferroalloy Plant production units are equipped with security systems, in particular, anchor lines, rescue and evacuation equipment.
- State-of-the-art training sites have been installed at three branches of Kazchrome to enable employees, who have undergone preliminary theoretical training in classrooms, to practice and increase their skills of using fall protection equipment. Taking into account the strict quarantine conditions during 2021, a specialised online course was developed and implemented for employees. Employees who perform work at height, engineering and technical supervisors of this type of work and the specialists who develop the relevant documentation all undergo this training. During 2021, the Company purchased a total of 1,821 pieces of fall protection equipment, including its components.
- In 2021, equipment was purchased and delivered for the implementation of the SCOUT[11] project aimed at reducing the number of injuries and accidents involving corporate vehicles. This project helps to prevent the risk of traffic accidents and improve the efficiency of vehicle use.
- As part of the manual labour mechanisation programme, the Company purchased tools, devices and equipment that help reduce the load on employees carrying heavy items or performing work involving the use of hand tools (in particular, hydraulic jacks, hydraulic lifts, forklift trucks, etc.).
- Kazchrome holds a regular meetings and sessions with contractors to help improve communications and involve them in occupational safety issues.

[11] SCOUT - a satellite control, analytics and transport management system.

HEALTHCARE

Some of our workplace activities, if not proactively managed, can present latent risks to the health of our employees (e.g. potential exposure to dust, noise, vibrations and heat). As such, we implement comprehensive occupational health programmes for all our employees.

All Kazchrome employees undergo obligatory regular medical examinations to monitor their health, diagnose systemic diseases and detect early signs of occupational diseases or poisoning. Employees are provided with preventive and rehabilitation treatment for occupational and non-occupational diseases, which includes both annual inpatient and outpatient treatment at a medical centre. If necessary, employees who have suffered a workplace injury are referred for rehabilitation treatment to relevant healthcare institutions in the Republic of Kazakhstan or abroad.

Also, in Kazchrome, in accordance with the programme for measuring harmful and physical factors, certain measures are being taken to monitor and regulate harmful and physical factors. Under this programme, an accredited laboratory annually measures the noise level at workplaces. If necessary, measurements can be conducted more frequently. In production premises, in order to exclude noise exposure, employees are equipped by anti-noise ear plugs or noise-cancelling headphones (as required by the rules for the free provision of personal protective equipment). If the excess of dust emissions over the maximum allowable concentrations is detected, strong measures are developed to reduce the dust and gas pollution of the air in the work area, which are reported to branch management. A complete workplace assessment is carried out by the Company every five years.

In 2021, the Company began providing a second set of specialist clothing to those working in areas of increased pollution. This has been rolled out to 50% of these employees with 100% coverage scheduled for 2022.

FIRE SAFETY

Kazchrome facilities are equipped with fire-extinguishing equipment, fire alarms and automatic fire-extinguishing systems in accordance with the facility fire hazard category and the legislative fire safety requirements of the Republic of Kazakhstan. All Kazchrome branches are serviced by Centralised Republican Headquarters of Militarised Professional Emergency Rescue Services LLP, which are equipped with the necessary firefighting equipment, tools and facilities.

In 2021, 26 fire cases were recorded; one of which could potentially have had severe consequences. In preparation for an emergency response, 1,118 drills were conducted in 2021 in accordance with the emergency response plan.

In order to prevent fires on the Company's premises, a Fire Safety Programme has been developed. This long-term project will retrofit the facilities of Kazchrome branches with automatic fire-extinguishing systems, fire alarm systems and automatic fire-extinguishing systems for heavy machinery, in accordance with the new legislative requirements in the Republic of Kazakhstan. As part of this framework, in 2021, automatic fire alarms were installed at 17 facilities of Kazchrome branches and a technical inspection of existing fire alarm systems was carried out.

PERFORMANCE

FATALITIES

The Company is deeply saddened by the death of one employee of the Aktobe Ferroalloy Plant and three employees of Donskoy GOK in 2021 (2020: one employee of Donskoy GOK). We express our sincere condolences to all those affected by these tragic events. All fatal accidents are unacceptable and we continue to work to further reduce their frequency.

The fatalities were carefully investigated to develop preventive measures and reduce the risk of recurrence. As a result of the investigation, the following actions have been taken:

- tightening the procedure for checking machinery and equipment to improve the efficiency of fatality risk control;
- stricter processing requirements for compiling passports for drilling and blasting operations (based on three experimental explosions);
- procurement of individual video recorders to further reduce the risk of injury and fatality when performing high-risk work;
- acquisition of factory-made electric sound signals to warn of the start-up of drilling and blasting operations in mines;
- carrying out specialised theoretical and practical training for employees performing work at height.

COVID-19

During the year, tragically, ten colleagues died from health complications relating to COVID-19 or pneumonia. We send our sincere condolences to their loved ones during this difficult time.

Kazchrome continues to implement a comprehensive COVID-19 response plan of organisational and sanitary-epidemiological measures to protect the health and well-being of its employees. In view of the high incidence rate of COVID-19 infection and in order to reduce the spread of the disease and to help create corporate immunity, all employees were offered vaccinations at Eurasia medical centres in the Company operating regions. At the end of 2021, 96% of employees were fully or partially vaccinated.

LOST TIME INJURIES

There were 49 lost time injuries (LTI) in 2021 (2020: 39), resulting in a lost time injury frequency rate (LTIFR) of 1.46 (2020: 1.11).[12]

KEY OCCUPATIONAL SAFETY INDICATORS

Indicators	2020	2021
Fatalities (employees and contractors)	1	4
Lost-time injuries (employees and contractors)	39	49
Lost-time injury frequency rate (LTIFR)1	1.11	1.46
Accident severity rate	84.91	39.47
Fatality rate (FAR)	2.42	9.82

PLANNING FOR THE FUTURE

Introduced in 2019 at the Aktobe Ferroalloy Plant, the video monitoring system 'People's Control' for compliance with OHS rules, carried out by employees with disabilities, has proved exceptionally effectiveness. As a result, the project has also been launched and is currently being implemented at the Aksu Ferroalloy Plant with plans for its introduction at Donskoy GOK during 2022

In February 2022, the design of a system for locating people and vehicles in the mine was completed. The implementation of the project will begin in June 2022. This system enables us to locate and search for people in an emergency with an accuracy of 5 m. The system also has the ability to position mine transport, regulate traffic lights, and operate an anti-collision system to prevent collisions between personnel and underground transport, as well as communicating with mine personnel and video monitoring of production processes.

In order to prevent fires on the Company's premises in 2022, installation of automatic fire alarms is planned at another 26 Company facilities as well as equipping vehicles with automatic fire-extinguishing systems and replacing the fire trucks at the Aktobe plant (fire aerial ladder, tower ladder).

[12] Only employees, including fatalities.

Environmental protection

Kazchrome is committed to preserving and maintaining healthy, natural environments through the application of sustainable practices wherever it operates. The Company's commitment is supported by the requirements of the Group Health, Safety and Environment (HSE) Policy Statement.

MANAGEMENT APPROACH

Kazchrome's core activity is ferroalloys production, the development of production technology and the extraction of chromium and manganese ores. The Company's activity is characterised by a wide range of activities that have the potential to cause environmental impacts. The most significant issues are:

- atmospheric pollutant emission and discharge of wastewater;
- use of land resources and soil contamination;
- generation and disposal of wastes;
- use of natural resources (water, fuel, energy) and raw materials.

In 2021, the international certification body TÜV confirmed the compliance of the Company's environmental management system with ISO14001:2015 standard. During 2021, the Company also switched from the energy management system standard ISO 50001:2015 to the new version of the ISO 50001:2018 standard.

As a matter of course, the Company takes environmental issues into account when setting strategic objectives and planning measures for to manage environmental impact.

Kazchrome has an Environmental Policy that meets the expectations and requirements of the Company and its stakeholders, and ensures that the environmental management system complies with international standards. The Policy also helps Kazchrome to comply with the requirements of the new Environmental Code of the Republic of Kazakhstan.

The main area of environmental management are:

- reduction of emissions;
- conservation of water resources;
- restoration of disturbed lands;
- waste management;
- preservation of biodiversity;
- improving the efficiency of environmental monitoring.

The main control measures for the detection, prevention and/or reduction of pollutant emissions into local water supply systems and into the atmospheric air include:

- air pollutants emissions purification (atmospheric emissions purification, state-of-the-art gas cleaning units during metallurgical production, dust suppression and tree planting);
- waste water treatment and water reuse (waste water monitoring, waste water treatment processes, including quarry and mine water, aimed at preserving the environment);
- waste management (ferroalloy slag processing, waste recycling, waste sorting, extended producer responsibility, waste management programmes);
- engineering and technical controls to reduce the risk of environmental pollution;
- continuous monitoring of air and water quality.

Kazchrome manages the waste generated in the course of its activities in compliance with existing systems of environmental management and the Republic of Kazakhstan Environmental Code requirements. In accordance with the current legislation of the Republic of Kazakhstan, all waste is subdivided into the following three categories: 'Green', 'Amber' and 'Red'.

As with any mining and metallurgical company, wastes such as overburden, furnace wastes, tailings, beneficiation wastes, slag and aspiration dust are generated in the course of operations. Production activity also results in the generation of production waste, such as scrap metal, wood waste, etc. This waste is collected, transported, processed and/or removed by specialist organisations authorised to undertake these processes.

Kazchrome branches carry out industrial environmental control to track the environmental impact of their production activities, including quarterly monitoring of environmental emission sources (emissions, discharges and wastes). In 2021, the monitoring was carried out under industrial environmental control programmes by specialists from the accredited Environmental Protection Laboratory of our branches and other contracted organisations. Reports on the implementation of the industrial environmental control programme are sent to ecology departments on a quarterly basis, in accordance with the law.

When undertaking any major developments or operational changes, Kazchrome conducts comprehensive impact assessments and community consultations in line with national legal requirements and relevant international standards. All modernisation and expansion projects for the production process implemented by the Company have successfully passed mandatory State Environmental Reviews (SERs).

Emergencies may occur, due to both natural and man-made factors, which might lead to the unplanned discharge of waste or an unplanned increase in the volume of controlled waste. Kazchrome has emergency response plans in place for all potential emergencies. Kazchrome has also developed an action plan to enable it to respond to all adverse weather conditions.

KEY ISSUES AND INITIATIVES

Management of environmental risks and, accordingly, decision-making on them, is based on their assessment. As a result of the assessment and to minimize the risks certain measures are developed and implemented. During 2021, environmental risk assessments were carried out at 29 branches of the Aksu plant, 19 branches of the Aktobe plant, 27 branches of the Donskoy GOK and three branches of RU Kazmarganets.

In 2021, Kazchrome implemented a number of measures to reduce the negative impact on the environment, which are part of the ERG Environmental Strategy in Kazakhstan. This includes the following:

- As part of the implementation of environmental measures for 2021 at the Aksu Ferroalloy Plant installation of equipment for the reconstruction of the gas cleaning system of furnace No.44 was completed; work is underway on projects to reconstruct the gas cleaning system of furnace No.43 and replace the dust-trapping equipment at smelting shops No.1 and 2 dosing sections. In 2021, bag filters were replaced at seven gas cleaning facilities.
- At the Aktobe Ferroalloy Plant, in order to reduce pollutant emissions, the project for the reconstruction of aspiration and processing facilities of buildings MB04, MB05, MB06 at smelting shop No.4 was implemented. The project to contain fugitive gas and dust emissions from smelting shops No.1 and 2 and to upgrade electrostatic precipitators in smelting shop No.2 was included in the 2022 Investment Programme.
- In general, all new equipment installed in the Company's branches fully complies with the environmental law requirements of.
- As a part of regular work on implementing improvements to its production processes and reducing the impact on the environment the following actions were taken:
- At all branches, an industrial environmental control programme has been developed in accordance with the legislation of the Republic of Kazakhstan, on the basis of which quarterly control is carried out at emission sources equipped with air purification units. The total number of emission sources at the enterprise is 662: organised – 306, unorganised – 356, equipped with treatment facilities – 83.
- At Donskoy GOK, in order to prevent excess discharges and to update obsolete treatment facilities, we take to replace the rainwater and domestic wastewater treatment facilities at the industrial site of the 10th Anniversary Mine. This installation will result in a more efficient treatment of wastewater and minimise the environmental impact.
- As part of dust suppression and tree planting measures and "Zhasyl El" programme, 4,440 seedlings were planted by Kazchrome's divisions in 2021.

In addition, during 2021, 39 employees of the Company's Environmental Protection Department took part in the XIV international conference 'Dust and Gas Treatment – 2021' in Moscow and completed training courses and seminars on environmental protection, covering:

- developing a strategy and effective management of greenhouse gases as well as Carbon Tax in the context of the concept of low-carbon development of Kazakhstan
- new approaches to environmental regulation and state control within the framework of the new Environmental Code of the Republic of Kazakhstan, including those related to environmental impact assessment (EIA), best available technology (BAT) and analysis of stakeholder expectations and others.

In 2019, it was discovered that three waste contractors serving Aktobe Ferroalloys Plant had not disposed of part of Amber category waste (which had been transferred to them in 2018) as set out in the terms of their contracts and service payment. Instead of processing the waste, one of the contractors had dumped it on open plots of land and in a rented warehouse in Aktobe. As a result, legal proceedings were instituted in 2020 and the court ruled in favour of Kazchrome. Nevertheless, Kazchrome voluntarily disposed of the waste dumped by the contractor in bad faith. In 2021, the Aktobe Ferroalloy Plant removed waste from site 453 previously owned by Zelenstroy LLP and site 412 previously owned by Sailan Aktobe LLP. Due to severe weather conditions, the removal of the remaining waste from site 412 has been postponed to April 2022.

PERFORMANCE

There were no significant complaints from the environmental protection regulatory authorities about Kazchrome branches in 2021.

There were no unforeseen incidents that significantly contributed to environmental pollution at Kazchrome production sites in 2021. There were also no emergency or irregular discharges of pollutants in 2021.

ENVIRONMENTAL PROTECTION EXPENDITURES

Tenge'000	2020	2021
Waste management	11,679,978	14,545,051
Environmental protection fixed assets overhaul costs	2,920,967	1,174,325
Protection of atmospheric air	4,982,067	5,537,016
Protection of water resources	3,636,269	4,213,059
Land reclamation	84,835	29,822
Total	**23,304,116**	**25,499,272**

The increase in waste management investments is due to the processing of old slag at the ash dump in accordance with the Mining Plan as well as the increase in overburden storage costs during the development of new deposits.

The decrease in investments for environmental protection fixed assets overhaul is mainly due to the completion of the main work on the reconstruction of gas cleaning furnace No. 44 at Aksu Ferroalloy Plant. In 2021, equipment installation and commissioning were mainly carried out.

WATER CONSUMPTION, M³

Indicators	2020	2021
Total consumption of fresh water, including:	**26,000,728**	**27,150,855**
Surface water	10,649,547	10,525,849
Subsurface water	15,351,181	16,625,006
Waste water	**4,607,488**	**6,053,089**

ENVIRONMENTAL POLLUTION VOLUME, T

Branches	2020	2021
Kazmarganets	4,821	5,372
Donskoy GOK	2,021	4,179

The volume of discharges into water bodies and the content of pollutants therein during 2021 also did not exceed the established limits. The increase in environmental discharge volumes compared with the previous period is due to an increase in the total volume of water discharged; while the concentration of pollutants remained at the level of the previous year.

Kazchrome does not discharge into open-water bodies and does not affect water bodies or their associated habitats.

Treated wastewater at Donskoy GOK and Kazmarganets is discharged onto the ground.

Aktobe Plant and Aksu Plant do not discharge any pollutants into the environment.

TOTAL VOLUME OF WASTE FOR 2021

kt	Green	Amber	Red	Mining industry and quarry waste	Total
Generated amount of waste	2,241.4	302,73	0.02	20,203.95	**22,748.09**
Amount of waste outsourced to entities specialising in collection, transportation, recycling, processing and disposal of waste	308.1	61.88	0.02	0	**370.04**
Amount of waste processed, recycled by the waste owner at the production site	1,743.41	110.38	0	18,835.35	**20,689,14**
Amount of dumped (buried) waste	198.64	172.33	0	1,368.6	**1 739,57**

In 2021, dumped (buried) waste intensity was 1.03 tonnes per tonne of ferroalloys produced (2020: 1.43 tonnes).

ENERGY AND CLIMATE CHANGE

The Company focuses on climate change issues and implements initiatives aimed to reduce carbon emissions, including improving the energy efficiency of production and developing its own capacity to generate electricity from renewable sources.

In 2021, Group ESG Committee launched an internal process to develop long-term ESG goals and action plans, including targets to increase the portion of renewable energy sources and reducing greenhouse gas emissions by 2030.

In addition, ferroalloys play an important role in the production of special sorts of steels for gas, wind and nuclear energy infrastructure development in various countries.

The Company is certified to the ISO 50001/ EN 16001 energy management system standard. Aktobe Ferroalloys Plant's own natural gas power station supplies more than 30% of the electric power required by the plant, while the rest of the electric power is bought from energy system[13].

KEY ISSUES AND INITIATIVES

Energy efficiency improvement

In 2021, Kazchrome branches continued to implemente energy efficiency improvement programme. The programme allowed to save 17,764 mWh or 63.95 TJ.

In addition, the implementation of the plan to organize production through the use of ferroalloy gas continues. It is a by-product of ferroalloy production and reduces primary energy consumption. As part of this initiative, a feasibility study was completed for the construction of a 100 MW ferrogas power plant at the Aktobe Ferroalloy Plant; the start of preparation of working documentation is scheduled for 2022.

In addition, the possibility of installing a ferrogas-fired power plant at the Aksu Ferroalloy Plant is being evaluated. As part of the assessment, the conversion of worn-out coal-fired boilers to ferrogas at one of the boiler houses of the Aksu Ferroalloy Plant is considered.

In 2021, 97 Kazchrome's employees were participated in energy management courses named:

- Energy management systems. ISO 50001:2018" (60 people);
- Integrated management system based on ISO 9001:2015, ISO14001:2015, ISO 45001:2018, ISO 50001:2018 with an overview of the requirements of ISO 31000:2042 (37 people).

Renewable energy

It is continuing to implement an initiatives to develop a portfolio of renewable energy projects. This includes the wind power project with a capacity of 150 MW near Donskoy GOK (WPP Khromtau-1). A feasibility study was completed in 2021; start of construction is scheduled for 2022.

it is also considering a potencial for further expanding of wind generating capacity at this site through the construction of a second power plant with a capacity of 150 MW (Khromtau-2), which is currently at the design stage.

PERFORMANCE

ENERGY CONSUMPTION, MWH

Type of use	Source of energy	2020	2021
Direct	Coal	710,834	781,390
	Natural gas	2,943,613	3,377,225
	Diesel fuel	250,834	278,889
	Heavy fuel oil	20,556	58,333
	Petrol	13,333	11,945
	Total	**3,939,170**	**4,507,781**
Indirect	Electricity	8,474,173	6,343,162
	Thermal power	22,222	25,556
	Steam	30,556	18,333
	Total	**8,526,951**	**6,387,651**
Total		**12,466,121**	**10,894,832**

During 2021, increase in natural gas consumption year-on year and the decrease in consumption of indirect electricity are both linked to the completion in 2020 of the overhaul of the power plant at the Aktobe Ferroalloy Plant.

In 2021, energy intensity per tonne of ferroalloys produced was equal to 7.222 mWh TJ (2020: 6.944 mWh).

[13] Unified electric power system of the Republic of Kazakhstan

GREENHOUSE GAS (GHG) EMISSIONS AND OTHER POLLUTANTS, TONNES OF CO_2 (EQUIVALENT)

Type,	2020	2021
Scope 1[14]	1,003,193	1,145,718
Scope 2[15]	3,715,019	3,405,132
Total	**4,718,212**	**4,550,850**

In 2021, CO_2 intensity per tonne of ferroalloys produced was equal to 2.69 tonnes (2020: 2.63 tonnes).

The total decline in GHG emissions in 2021 by 167,362 tonnes (3.5%) is due to a decrease in the consumption of indirect electricity from a third-party organisation in 2021.

BIODIVERSITY

Biodiversity is a prerequisite for ecological well-being. Consequently, the following principles lie at the core of managing biodiversity issues:

- identification and assessment of environmental risks and their impact;
- implementation of preventive measures;
- ongoing improvement of the management system for environmental protection.

Kazchrome's production assets are located in Karaganda, Aktobe and Pavlodar regions, away from major surface water bodies (except for Aktobe Ferroalloys Plant). There are no natural reserves, specially protected natural areas or cultural heritage sites in close proximity to Kazchrome's operating assets.

There are no unique, rare or especially valuable animal communities requiring protection in the area of deposits in Karaganda region. Approximately 20 rare, endemic and relict species listed in the Red Book of Kazakhstan dwell in the Aktobe region but none are close to Kazchrome's operating assets. Wildlife in areas adjacent to the Pavlodar region live in groups in open terrain; no additional influence on species composition, animal populations, ecosystem and reproduction conditions has been identified.

All employees working at deposits are warned about the need to preserve rare species. Any hunting or fowling is prohibited.

The impact of operations carried out in the territory of the Company's production sites on flora and fauna is considered acceptable.

14 i.e. GHG emissions that result from the consumption of direct energy for generation of electricity, heat/steam, used in mining, production, and for Kazchrome-controlled transportation activities. CO2, CH4 and N2O only. Conversion factors from 2006 IPCC Guidelines for National Greenhouse Gas Inventories – Stationary and Mobile Combustion.

15 i.e. GHG emissions that result from the consumption of indirect energy purchased from third parties not owned or controlled by Kazchrome. Based on operational control of assets. Conversion factors: (1) Purchased electricity – Country-specific WBCSD and WRI: GHG Protocol – Calculation tool for purchased electricity v4.3 (2008 values); (2) Purchased heat and steam – Supplier data and default factors from 2006 IPCC Guidelines for National Greenhouse Gas Inventories – Stationary and Mobile Combustion.

Local communities

Kazchrome has prioritised its contribution to the socio-economic development and well-being of communities in regions of operation. This includes, in particular, ongoing community engagement and the maintenance of international environmental standards, as well as support for entrepreneurship and the development of the business environment.

Human rights is the key to the Company and local communities' sustainable development in operating regions.

In order to manage community development and well-being Kazchrome respects the rights, cultural heritage and customs of local communities; engages with local communities to assess the potential impact of our activities – including a focus on risks, impacts, remediation, mitigation and monitoring, and integrates engagement feedback into project planning and community investment activities.

COMMUNITY IMPACT MANAGEMENT

The impact on local communities is managed through environmental management systems that promote international standards.

Prior to the implementation of any major projects or operational changes, Kazchrome conducts a comprehensive environmental impact assessment and public hearings in accordance with the requirements of the legislation of the Republic of Kazakhstan and international standards. All production modernisation and expansion projects implemented by the Company have successfully passed the mandatory state environmental review. For example, in 2020, we held a range of public consultations related to various projects including construction of a new sludge processing plant, construction of a water supply system, construction of an automated system for real-time monitoring of pollutants in the atmospheric air at Donskoy GOK in Khromtau city, etc.

In addition, local communities can raise grievances or any concerns through the publicly available ERG Hotline (https://erg.integrityline.org/).

Also, Donskoy GOK does not carry out construction of residential buildings in areas adjacent to the territory of production units. The Aksu plant is located outside the urban settlement. There are no residential buildings near the plant. There is also no construction work in the area of the Aktobe plant.

Industrial tour

In November 2021, Kazchrome launched an industrial tour of the Aktobe Ferroalloy Plant as a pilot scheme. This is the first industrial tour in Kazakhstan, although there are similar tours in Russia and abroad. The tour lasts an hour and a half. Before entering the workshops, everyone is provided with personal protective equipment and undergoes a safety briefing. Then the visitors visit the main areas of the enterprise – two smelting shops, the control room and the shipping shop. The purpose of the project is not only to show achievements, but also to inform the public about strategically important projects, including the environmental programme. In 2022, ERG plans to organise production tours to other key Group enterprises.

SOCIAL INVESTMENTS

In 2021, the Company continued the implementation of a three-year programme to support long-term social and economic development in its operating regions. The programme is implemented in partnership with Government agencies at national and regional levels, including through regional memoranda on mutual co-operation.

The programme is based on the results of an in-depth analysis of development needs in each region identified during annual sociological surveys.

Priority areas include the following:

- improving the standard of living (including housing and communal infrastructure, public transport and urban space improvement);
- education and professional development of young people;
- healthcare (including the modernisation of medical institutions and advanced training of doctors);
- promotion of sports and healthy lifestyle (including the development of local sports infrastructure and youth sports leagues).

SOCIAL INVESTMENTS,KZT M

Type of investments	2020	2021
Direct investments	146	5,399
Regional memoranda of understanding	3,124	5,186

During 2021, charitable and other assistance were allocated for:

- local educational institutions (for example, Aksu College of Ferrous Metallurgy, Khromtau Mining and Technical College, secondary schools No.5 and No.6 of the city of Khromtau);
- local medical institutions for procurement of equipment and to attract young professionals;
- socially disadvantaged groups and regional orphanages;
- supporting public utilities through the purchase of special equipment;
- the repair of facades and roofs of residential buildings;
- supporting international and country-level sports events and the participation of children in sports competitions;
- the construction of sports facilities (children's sports grounds, including those for children with disabilities).

In 2021, Kazchrome also launched the project 'Construction of a park in the 22 quarter microdistrict' in the city of Khromtau (a three-year program). To date, work is underway to develop design estimate documentation. Under this project, a modern, comfortable and safe place for citizens will be created in the city of Khromtau.

In 2020, the Company piloted Tugan Kala[16] participatory (initiative) budget project in Khromtau. The project is aimed at promoting local residents to participate in determining priorities in subsoil user funds allocation. Since 2021, the programme, has been implemented in Aksu city. Within this framework, city residents not only put forward ideas for improving the social infrastructure of the region, but also vote for the most interesting projects, as well as supervising their implementation.

Integrity and complience

One of the Company's fundamental obligations is to maintain the highest standards of business ethics and professionalism.

These standards are reflected in the ERG Corporate Code of Conduct, which sets standards and policies on key legal, moral and ethical issues, including anti-corruption, respect for human rights, equality, management of conflicts of interest, protection of confidential information and personal data, and is binding on the Board of Managers, all ERG employees regardless of their position, as well as ERG counterparties anywhere in the world.

Key compliance risks include those relating to:

- Anti-bribery and corruption;
- Anti-money laundering (AML);
- Human rights infringement;
- Personal data protection requirements;
- Sanctions regimes.

To manage those risks, Kazchrome has approved relevant policies and procedures, which include, but are not limited to, Corporate Code of Conduct, Group Supplier Code of Conduct, Counterparty Due Diligence Regulation, CSR Projects and Sponsorship Policy, Charity and Sponsorship Regulation, Compliance Risk Management Procedure.

The Company has also adopted a Data Protection Policy and Data Protection Compliance Programme. Within recruitment and onboarding, every new employee signs a consent regarding personal data processing. Personal data clauses are included into the contract templates with third parties. The Company's Procurement Portal also includes personal data consent for potential suppliers within the attestation process

Internal Audit (IA) conducts its activities according to Audit Charter, which specifies that the scope of the function ensures employees actions are in accordance with applicable laws and regulations (including anti-bribery, anti-corruption, anti-money laundering, etc). While executing its mandate, IA executes its scope in the following areas:

- audit of business/operational reviews, where relevant risks and effectiveness of controls are assessed;
- review/consulting engagements of particular topics/areas which include review of anti-bribery and anti-corruption risks;
- fraud Investigations, which also cover the areas specified.

In 2021, several reviews based on hotline reports were conducted and relevant remediating measures were implemented.

The Company runs a training and awareness programme to help ensure that employees understand our ethical standards and appropriate behaviours in their day-to-day business and decision-making. In 2020–2021, due to COVID-19 quarantine measures, face-to-face compliance training was suspended and replaced by online courses and communication. In 2021, within T&A programme, the Company launched ABC online training for employees. 474 Kazchrome employees or 98% of target audience passed this course. In addition, ABC risk was discussed during counterparty due diligence training for 82 target employees and the conflict of interest online course with participation of 1,213 Kazchrome employees or 98% of target audience.

During online training on the Code of Corporate Conduct, dedicated to the values and standards of business conduct of ERG, Kazchrome employees, among other things, studied aspects of fair employment practices, protection of human rights and competition. As of May 2022, 1,972 employees completed this training (48% of the planned number for 2022); training continues. In addition, sessions were held for employees on Hotline issues ("Reporting violations") within ERG League of Professionals and personal data protection ("Data Protection") within ERG Youth Council.

[16] In 2021, it was called "Berekely bastama / City initiative"

In 2022, the launch an online course on the ERG Corporate Code of Conduct is planned for all employees and will include training on the 'Competition' section.

The Company has established an information security management process. In 2021, online IT security and threat awareness courses were completed by 87% (4,030 out of 4,647 PC users). Online trainings include:

- information security training for new employees;
- annual obligatory information security trainings;
- newsletters on information security;
- awareness check using a phishing service;
- specialised awareness courses for specific departments.

To report information security concerns or any other compliance queries (corruption and bribery, anti- competitive practices, etc.) the Company offers its stakeholder access to the ERG Whistleblowing Hotline which is 100% confidential, anonymous and operated 24 hours a day, seven days a week by an independent company. The Hotline is available for all ERG entities, including Kazchrome and third parties, outlined in the Corporate Code of Conduct, with contact details for the public listed on the ERG and Kazhrome websites https://www.erg.kz/en/content/o-kompanii/eticheskie-principy, https://www.kazchrome.com/en/compliance/whistleblowing-hotline/

In 2021 there were 42 whistleblowing messages received through Hotline, except inquiry category. There were no confirmed ABC whistleblowing messages and whistleblowing messages on Data Protection and Misuse of Confidential Information.

In order to inform its employees about compliance-related issues, certain articles on Whistleblowing (four), Corporate Code of Conduct (one), Gifts & Entertainment (one) were published in the corporate newspaper during 2021.

Kazchrome's has adopted a Policy on compliance with anti-trust and competition laws. In particular, the Policy has in place control systems to monitor the effectiveness of anti-competitive practices. At the regional level, including Kazchrome, there are also procedures aimed at preventing anti-competitive agreements as well as approved actions to prevent the violation of the Republic of Kazakhstan's anti-monopoly legislation by potential dominants (monopolists). In 2021, there were no inspections by state authorities for violations of anti-trust and competition laws.

INTERACTION WITH SUPPLIERS

In 2020, Kazchrome approved the ERG Supplier Code of Conduct, which introduced uniform ERG rules regarding the compliance of its business partners, contractors, agents and suppliers with the highest ethical and legal standards.

The Code is compliant with relevant international conventions, including the Universal Declaration of Human Rights, the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work and the United Nations Convention against Corruption. It supports ERG's participation in the UN Global Compact and supplements Kazchrome's existing responsible management practices within the supply chain. In addition, suppliers are also required to ensure that their subcontractors comply with the Code.

Basic requirements of the ERG Supplier Code of Conduct:

- Provide employees with a safe and healthy working environment that meets the requirements of relevant ERG policies and procedures and applicable national or international standards, whichever prevail.
- Show zero tolerance for bribery and corruption.
- Exclude any use of forced or child labour.
- Comply with the ERG Human Rights Policy, as well as the UN Guiding Principles on Business and Human Rights, the OECD Du e Diligence Guidance for Responsible Supp ly Chains of Minerals and the Voluntary Principles on Security and Human Rights.
- Co-operate with ERG on requests for information during due diligence in relation to ore and minerals supplies.

As part of the implementation of the ERG Supplier Code of Conduct:

- The Code was sent to key Kazchrome suppliers.
- The requirements of the Code have been incorporated into Kazchrome contracts.
- The requirements of the Code were included in the process of due diligence of counterparties before entering into contracts.

The ERG Supplier Code of Conduct complements Kazchrome's responsible supply chain management practices. Its requirements include the assessment of suppliers and contractors before entering into a contract for legal status, solvency and compliance with legal requirements, as well as passing counterparty due diligence.

In addition, contracts with companies providing services at production sites contain conditions (reservations) concerning industrial safety and environmental protection that go beyond the requirements established in law across a number of aspects, from having all the necessary certification to the removal and disposal of waste. Such contractors undergo a preliminary assessment of compliance with safety requirements, the violation of which is subject to fines in established amounts. Contracts with contractors performing high-risk work allow for additional supervision and control measures.

Contracts contain provisions that reflect the complex nature of compliance requirements needed in order to mitigate compliance risks in contractual relationships with third parties.

Kazchrome continues to develop relationships with local suppliers. In 2021 purchases from local suppliers amounted 51% of the total.

In 2021, as part of the annual competition "ERG Supplier Award" among suppliers of goods, works and services for ERG enterprises, a new category "Sustainability Award" was addedю in this category the suppliers were assessed in compliance with the best practices in sustainable development aspects, including human rights issues, environmental protection, anti-corruption.

CORPORATE GOVERNANCE

Corporate governance at Kazchrome is based on the principles of justice, fairness, responsibility, transparency, professionalism and competence. The effective corporate governance structure supports respect for the rights and interests of all stakeholders and contributes to the success of Kazchrome, including its market value growth and sustained financial stability and profitability.

Kazchrome corporate governance principles are aimed at building trust in relations, emanating from the management of the Company, and constitute the basis for all rules and recommendations contained in the Corporate Governance Code adopted by the General Meeting of the Company on 13 March 2017.

The fundamental principles of our corporate governance are as follows:

1. Protection of shareholders' rights and interests
Kazchrome ensures that shareholders exercise their basic rights as stipulated by the Republic of Kazakhstan law on 'Joint-Stock Companies' and enables effective participation by shareholders in key corporate decision-making processes.

2. Effective management of the Company by the Board of Directors and the executive body
The Board of Directors duties are based upon the principle of maximum observance of shareholders' interests, general management of the Company's operations with the aim of increasing the Company's market value.

The Board of Directors ensures effective operation of the risk management system and controls, and regulates corporate conflicts.

The Management Board's duties are based upon the principle of maximum observance of shareholders' interests and it is fully accountable to the General Meeting of Shareholders and the Board of Directors of Kazchrome.

3. Transparency and objectivity in the disclosure of information about the Company's activities
Kazchrome discloses information on a timely basis about the main results, plans and prospects of its activities, which can significantly impact property and other rights of shareholders and investors. It also provides timely and full answers to shareholders' enquiries within the timeframes specified in Kazchrome's Charter.

4. Legality and ethics
Kazchrome operates in strict compliance with the laws of the Republic of Kazakhstan, generally accepted good corporate conduct and the Company's internal documents. The Company's internal documents have been developed based on applicable legal requirements and good corporate conduct.

5. Effective Dividend Policy
The Company's Dividend Policy is pursued in strict compliance with the applicable legislation of the Republic of Kazakhstan and the Dividend Policy, approved by the General Meeting of Shareholders of Kazchrome in 2021.

6. Effective employee policy
Corporate governance within Kazchrome is based upon the protection of the rights of the Company's employees, as specified in the Labour agreement including applicable labour legislation of the Republic of Kazakhstan. It aims to develop partnerships between the Company and its employees in order to regulate working conditions and resolve social issues.

7. Environmental protection
Kazchrome implements responsible environmental management practices in the course of its operations.

8 . Corporate conflict resolution
In the event of a corporate conflict, the parties involved seek ways to resolve the conflict through negotiations in order to ensure effective protection of both shareholders' rights and the Company's business reputation.

Where it is impossible to resolve corporate conflicts through negotiations, they should be addressed strictly in compliance with the applicable legislation of the Republic of Kazakhstan.

Kazchrome carries out its activity in compliance with various applicable regulatory requirements in all its jurisdictions, including subsurface management rights and that of natural monopolies.

SHARE CAPITAL AND SHAREHOLDERS

SHAREHOLDERS WITH SHARE OWNERSHIP OF 5% OR MORE AS AT 31 DECEMBER 2021

Shareholder	Total number of shares held	Type of share	Ratio of the number of shares held to the total number of placed shares of the Company, %
KCR INTERNATIONAL B.V.	99,940,708	Ordinary	90.98
	9,189,460	Preference	8.37

INFORMATION OF THE ISSUE OF SECURITIES AS AT 31 DECEMBER 2021

Company securities	Total number	Number of ordinary shares	Number of preference shares
Authorised shares	158,069,700	142,949,700	15,120,000
Placed shares	109,850,711	99,953,939	9,896,772
Treasury shares	3,921	493	3,428

SUBSIDIARIES AND AFFILIATES

Name and Address	Principal activity	Director	Participation Interest
Akzhar-Chrome LLP Aktobe region, Khromtau district, Khromtau city, 2 Okraina Str., bld.2	Processing of man-made mineral formations (sludge tailings)	Elena Gaidukova	100%
Donskaya Petroleum Tank Farm JSC 464130, Aktobe region, Khromtau district, Khromtau, 12 Okraina Str.	Production and sale of goods, including petroleum products, consumer goods	Natalya Ivanova	95.53%
BTS LLP 010000, Nur-Sultan, Yessil district, 29 Syganak Str.	Development and implementation of IT solutions for business	Andrey Antonikov	37.99%
ERG Komek Corporate Fund 010000, Nur-Sultan, Yessil district, 30 Kabanbay batyr Avenue	Non-profit charity organisation	Bolat Orazov	
Eurasian Digital Ventures I Limited Partnership 010000, Nur-Sultan, 55/17 Mangilik Yel ave., office 145.	Venture capital investment	Galymzhan Akhmetov	69.51% TNC Kazchrome JSC is a limited partner

MANAGEMENT STRUCTURE

Shareholder body	General Meeting of Shareholders
Management body	Board of Directors
Executive body	Management Board

General Meeting of Shareholders

The General Meeting of Shareholders is the supreme body of the Company that decides on all the key issues of the Company's activity and development, and plays a major role in enforcing shareholders' rights.

The organisation and procedure of the General Meeting of Shareholders are described in the Company Charter and should adhere to the following requirements:

- fair and equal treatment of all shareholders;
- free and unhindered participation in the General Meeting for all shareholders;
- provision of organisational and reporting information of the maximum possible scope;
- simplicity and transparency of the General Meetings of Shareholders.

The rights of minority shareholders as well as the minority shareholders interaction system are exercised in accordance with the Republic of Kazakhstan Law on 'Joint Stock Companies', provisions of the Company Charter and internal documents. Minority shareholders participate in the management of the Company in accordance with the procedure provided for by the Republic of Kazakhstan legislation and the Company Charter.

Seven General Meetings of Shareholders were held in 2021.

Board of Directors

Members of the Company's Board of Directors are elected by the General Meeting of Shareholders by means of an election procedure, transparent and clear for all shareholders. This process is implemented taking into account the opinions and interests of all shareholders, including those holding a minority interest in the Company's share capital. Candidates and members of the Board of Directors require positive achievements and a good reputation in the business world. At least 30% of the members of the Company's Board of Directors shall be independent Directors. Members of the Board of Directors shall perform their duties in good faith and intelligently with all due care and prudence on behalf of the Company and its shareholders, avoiding any conflict of interests. They shall ensure full compliance not only with the requirements of the legislation and the Company's Corporate Governance Code but also with generally accepted standards of business ethics.

The Board of Directors tracks and, if possible, eliminates potential conflicts of interests at the level of officials and shareholders, including misuse of the Company's assets and corrupt practices in the execution of transactions in which they may have an interest. The Board of Directors approves strategy and key policies, and controls the efficiency of the Company's corporate governance practice.

Every member of the Board of Directors, participating in various issues proposed for consideration to the Board of Directors, shall have the right to express their opinion and independently make decisions based on their experience and knowledge in a particular field

In accordance with the provisions of the Article 53 of the Republic of Kazakhstan Law on 'Joint Stock Companies', the Board of Directors shall consider and approve the annual financial statements of the Company, reviewing the financial position, performance and cash flows of the Company for the reporting period prior to its approval by the General Meeting of Shareholders. In the course of preparation for Board of Directors meetings, its members are all provided with the materials about each issue on the agenda, containing complete and reliable information.

In 2021, 46 meetings of the Board of Directors were held where the following key issues were considered:

- entering by the Company into interested party transactions;
- transactions that lead to increased liabilities of 10% and more of the total amount of Company's equity;
- convening the General Meetings of Shareholders, agreeing and supplementing the agenda of such meetings;
- preliminary approval of the Company's financial statements;
- suggestions on the procedure of distribution of the Company's net profit for 2020 and the third quarter of 2021, and on the amount of dividend per an ordinary share.

Full name, year of birth	Positions over the last three years in chronological order (including part-time positions)
Serik Shakhazhanov (born in 1977) Chairman of the Board of Directors	July 2017 – Present: Chairman of the Management Board of Eurasian Group LLP
Daniyar Rakhmatullayev (born in 1985) Member of the Board of Directors	October 2018 – Present: Deputy Chairman for Finance of the Management Board of Eurasian Group LLP
Arman Yessenzhulov (born in 1964) Member of the Board of Directors	March 2018 – Present: President of TNC Kazchrome JSC
Batyrkhan Bekmurzayev (born in 1953) Member of the Board of Directors – Independent Director	January 2013 – Present: Professor of the Al-Farabi Kazakh National University
Beibit Toleuov (born in 1958) Member of the Board of Directors – Independent Director	February 2021 – Present: Mining engineer – mining surveyor at Temirtau Electrometallurgical Plant JSC (TEMK) 2013 – February 2021: Chief geologist, Managing director for subsoil use at Fincraft Resorsces JSC

Management Board

Full name, year of birth	Positions over the last three years in chronological order (including part-time positions)
Arman Yessenzhulov (born in 1964)	• March 2018 – Present: President of TNC Kazchrome JSC; • January 2015 – March 2018: President of Aluminium of Kazakhstan JSC.
Azamat Bektybayev (born in 1964)	• April 2017 – Present: Member of the Management Board of TNC Kazchrome JSC; • April 2021 – Present: Director of Donskoy GOK, a branch of TNC Kazchrome JSC; • December 2018 – March 2021: Vice President for Technical Development of TNC Kazchrome JSC; • March 2017 – December 2018: First Deputy President – Vice President for Production and Technical Matters of TNC Kazchrome JSC.
Sofya Levitina (born in1979)	• January 2021 – Present: Member of the Management Board of TNC Kazchrome JSC • January 2021 – Present: TNC Kazchrome JSC Human Resources and Social Policy Chief Operating Officer • November 2019 – December 2020: TransCom LLP Human Resources and Social Policy Directorate Head, HR Business Partner • June 2018 – October 2019: Aluminium of Kazakhstan JSC Human Resources Department Head

During 2021, Venera Mukhamedzyanova resigned from the Management Board (from 11 January) and Independent Director Yerik Yedygenov resigned from the Board of Directors (from 31 May).

No member of the Board of Directors or the Management Board of the Company has any participatory interest (share) in the capital of the Company, its subsidiaries or affiliates.

Information on dividends

Book value of ordinary and preference shares calculated in accordance with appendix 2 of the listing rules of Kazakhstan Stock Exchange.

Tenge	31 December 2020	31 December 2021
Book value of an ordinary share	2,118	5,391
Book value of a preference share	945	937

Tenge	2020	2021
Basic and diluted earnings per ordinary share from continuing operations.	1,203	3,856

DIVIDENDS PAID FROM 2019 TO 2021

Dividend Period	Dividend per ordinary share, Tenge	Dividend per preference share, Tenge	Basis
For 2018	167.88	167.88	Company Charter, Minutes of an Annual General Meeting of Shareholders as of 17 May 2019
For the 1st quarter of 2019	392.62	392.62	Company Charter, Minutes of an extraordinary General Meeting of Shareholders as of 3 June 2019
For the 1st half of 2019	303.86	303.86	Company Charter, Minutes of an extraordinary General Meeting of Shareholders as of 11 October 2019
For the 3rd quarter of 2019	316.09	316.09	Company Charter, Minutes of an extraordinary General Meeting of Shareholders as of 3 December 2019
For 2019	63.50	100.00	Company Charter, Minutes of the Annual General Meeting of Shareholders dated 27 June 2020
For the 3rd quarter of 2020	535.00	535.00	Company Charter, Minutes of an Extraordinary General Meeting of Shareholders dated 4 December 2020
For 2020	666	666	Company Charter, Minutes of an Annual General Meeting of Shareholders as of 31 May 2021
For the 3rd quarter of 2021	319.84	319.84	Company Charter, Minutes of an extraordinary General Meeting of Shareholders as of 3 December 2021

Information policy and disclosure of information on Kazchrome's operations

Information on Kazchrome's activity is disclosed in accordance with the Republic of Kazakhstan legislation and the Company Charter. In disclosing information, Kazchrome follows the principles of completeness, accuracy and timeliness of disclosed information.

Kazchrome discloses information on the main results, plans and prospects of its activity that may significantly impact property and other rights of shareholders and investors on a timely basis. It also provides timely and full answers to shareholders' inquiries within the deadlines specified in the Company Charter.
The Company discloses information on corporate events online through such resources as: financial reporting depository, Kazakhstan Stock Exchange and informational platform of the Astana International Financial Centre – AIX.

Kazchrome responds in a timely manner to all inquiries from its shareholders and other stakeholders, and in full extent within the time set by the legislation of the Republic of Kazakhstan and the Company Charter.

Interaction with stakeholders

The Company has approved and applies the following documents for interaction with stakeholders:

- Methodological Instruction on the procedure of assessment of risks and opportunities – this internal document defines the procedure of identification of risks and opportunities of the Company in interaction with stakeholders.
- Related-Party Contracts Policy – this policy is applied for the consideration and approval of contracts with related parties determined in the given policy.

Management remuneration

The determination of the remuneration of the members of the Board of Directors, as well as the salary levels and conditions of remuneration and bonuses of the members of the Management Board is carried out in accordance with the Republic of Kazakhstan Law on 'Joint Stock Companies'.
Remuneration amount paid to the members of the Board of Directors and the Management Board for 2021 performance totalled 844 million Tenge after income tax (2019: 1,062 million Tenge after income tax). No accumulations for the provision of pension remuneration are envisaged for the members of the Board of Directors or the Management Board.

Report on compliance with the Corporate Governance Code of the Company

In its activities, the Company is guided by the Corporate Governance Code approved by the resolution of the General Meeting of Shareholders of the Company dated 13 March 2017.

The Company complies with the following internal documents duly approved by its competent bodies:

- Regulations of the Board of Directors;
- Corporate Code of Conduct;
- ERG Supplier Code of Conduct;
- Policy on Compliance with Corporate Rules and Regulations by Agents;
- Anti-money Laundering Policy;
- Anti-bribery and Corruption Policy;
- Anti-fraud Policy;
- Policy on Compliance with Anti-trust and Competition Laws;
- Policy on Conflict of Interest;
- Personal Data Protection Policy;
- Information Security Policy;
- Gifts and Hospitality Policy;
- Policy on Related Party Transactions;
- International Economic Sanctions Compliance Policy;
- Information Classification Policy;
- Policy on Human Rights;
- Policy on CSR Projects and Sponsorship;
- ERG Sanctions Compliance Programme: Key Principles;
- ERG Data Protection Programme: Key Components.

KEY MANAGEMENT TEAM

Arman Yessenzhulov

President of TNC Kazchrome JSC

Arman Yessenzhulov has more than 30 years' experience of working in ERG. After graduation from Moscow Institute of Steel and Alloys in 1986, he started his career as a smelter at Aktobe Ferroalloys Plant, where he progressed to Chief Engineer of the enterprise.

In April 2006, he was appointed as General Director of Serov Ferroalloy Plant, ERG company. Within two years, he managed to transform the loss-making plant into one of the industrial leaders of the Russian Federation. He implemented a large-scale reconstruction programme to upgrade the production process and resolved many social issues.

In July 2008, he became the head of Aksu Ferroalloys Plant, which is part of ERG. During his leadership, amid the global financial crisis, the plant retained its personnel, increased production capacity and became one of the world leaders in ferroalloys production and quality of its products. Sales markets were also expanded.

In September 2014, Arman Yessenzhulov was appointed First Vice President of Aluminium of Kazakhstan JSC and, in January 2015, was appointed President of the company. During this period, due to a change in the approach to investment programme planning, projects were launched to upgrade and maintain production capacities. Arman Yessenzhulov initiated the revision of the company's collective agreement, with the addition of some significant provisions. That period gave impetus for the development of ore base of the company, which made it possible to increase work efficiency.

In March 2018, Arman Yessenzhulov was appointed President of TNC Kazchrome JSC. Under his leadership, work has begun on systematising the implementation of investment projects. The design capacity of smelting shop No.4 of Aktobe Ferroalloys Plant was reached and a strategy was developed to extend the functioning of smelting shops 1 and 2. Research has begun on the development of new solutions for processing production wastes.
The Company's employee healthcare and amenities improvement programme have been revised and implemented. New projects for creating a talent pool and aligning the commitment of line managers to the main objectives and values of the Company have been initiated.

In 2011 he was awarded a Master of Business Administration (MBA) degree from Lomonosov Moscow State University.

Azamat Bektybaev

Director of Donskoy GOK of TNC Kazchrome JSC

Azamat Bektybaev holds a PhD in Technical Sciences and has more than 30 years' experience of working in the mining industry, including 10 years in executive positions. Since 2004, he has worked for ERG.

Azamat Bektybaev graduated from V.I. Lenin Kazakh Polytechnic Institute in 1986.

He started his professional career as a miner at the 50th Anniversary of the USSR Belogorsky GOK Ognevka mine. In 1994, Azamat Bektybaev worked in the field of science, defended his PhD thesis and received a PHD degree.

In 2004, he was appointed head of Mining Unit in Mining Department. In 2014, Azamat Bektybaev was appointed Production Deputy Chairman. In this role, he was responsible for overall production performance of enterprises of the largest mining and metallurgical company in the country – ERG. In particular, the fields of responsibility were ore mining and the manufacturing of marketable products: ferroalloys, iron ore raw materials, alumina, aluminium, coal and electric power. He oversaw the development and introduction of new technologies at ERG companies, as well as economic efficiency programmes.

Azamat Bektybaev initiated the implementation of systematic strategic planning in the company, using such advanced tools as geographic information systems (GIS). Under his leadership, new approaches have been adopted in terms of the choice of technologies, equipment and materials for the branches and the production unit has been completely reorganised.

From 2017, he joined the management unit of TNC Kazchrome JSC as a First Deputy President – Vice President for Production and Technical Matters.

In 2009, Azamat Bektybaev received a Master of Business Administration (an MBA) degree and successfully graduated from Lomonosov Moscow State University. He is the author of more than 50 scientific articles and the creator of 12 inventions.

Sergey Prokopyev

Vice-President for Production

Sergey Prokopyev has over 20 years of experience in the production of ferroalloys in various positions at the Aksu Ferroalloys Plant.

Sergey Prokopyev started his professional career in 2002 as a tapper at ferroalloy furnace of the ferroalloy shop at the Aksu Ferroalloy Plant. From 2006, after graduating from the Innovative University of Eurasia, he held the positions of foreman at the hot work shop, senior supervisor and superintendent of the ferroalloy shop. In 2013, he was appointed to the position of Production and Technical Division Head; in 2014 he was appointed to the position of Deputy Operations Director and then to the position of Director of the Aksu Ferroalloy Plant.

During his time at the plant, Sergei Prokopyev made a great contribution to the development of production. Sergei Prokopyev initiated and led the implementation of the following initiatives, which made it possible to produce additional volumes of marketable products at the plants:

creation of a shelter for a jigging complex in order to obtain additional marketable products and metal concentrate in the winter period. This project has been implemented and brings additional volume of commercial ferrochrome and metal concentrate;

change in technology in terms of the use of metal concentrate produced by KazRudProm as a filling at two ferroalloy plants;

change in the slag processing scheme at the Aksu Ferroalloy Plant;

implementation of a pilot project for the automation of pouring machine No.4 at the Aksu Ferroalloy Plant.

In April 2021, Sergey Prokopyev joined the management team of TNC Kazchrome JSC and became Vice-President for Production. His priority tasks include the introduction of advanced technologies for the production of ferroalloys, the introduction of advanced technologies for the extraction and strengthening of rocks and the introduction of advanced methods to raise productivity.

Konstantin Semerenko

Vice President for Technical Maintenance and Repair of TNC Kazchrome JSC

Konstantin Semerenko has more than 20 years' experience of working in various equipment maintenance and repairs positions at Aksu Ferroalloys Plant and TNC Kazchrome JSC.

After graduating from Pavlodar State University in 2000, Konstantin Semerenko started his career as a maintenance technician in smelting shop No.4 at Aksu Ferroalloys Plant.

Starting from 2007, he held the positions of shop mechanic responsible for repairing lifting mechanisms, foreman in charge of mechanical equipment maintenance and repairs, and assistant to the shop foreman in charge of mechanical equipment in the same workshop, where he was responsible for setting up and managing the mechanical equipment maintenance and repairs system in smelting shop No.4.

In 2013, Konstantin Semerenko was invited to participate in implementation of ERP system as a business analyst. During 2014, he supervised the Repairs process area of this project.

After the completion of the project in 2014, he returned to Aksu Ferroalloys Plant as the chief mechanic. In 2018, he was offered the position of Head of Reliability in the Executive Office of TNC Kazchrome JSC.

In December 2020, Konstantin Semerenko joined the management team of TNC Kazchrome JSC and became the Vice President for Technical Maintenance and Repair. His priority tasks include promoting the introduction of advanced repair techniques and comprehensive maintenance systems enabling timely equipment adjustment and repairs, maintaining adequate technical condition and stable operation of equipment, reducing downtime and enhancing the maintenance and repairs system in the Company.

Marat Kudekov

Vice-President for Financial and Economic Affairs

Marat Kudekov has over 15 years' experience in finance management in various positions in ERG Group offices in Kazakhstan and Europe.

In 2001, Marat Kudekov graduated from the Kazakh State Academy of Management in Almaty with a degree in International Economic Relations. He also obtained an MSc degree in Finance from Cass Business School in 2009 and an MBA degree from London Business School in 2016. After graduating from the university and before joining ERG, he worked for Kazakh and international microfinance organisations.

Marat Kudekov joined the team of Eurasian Group in 2006. He started his career as a specialist in the Ecology, Standardisation and Certification Department of the holding company's office in Kazakhstan. He was later transferred to the Finance function, where he held various positions in ERG offices in Kazakhstan and Europe.

In 2013, he was appointed Deputy Director of the Strategic Planning and Investment Analysis Department of the Group. His responsibilities included managing the long-term planning process and developing a system for financial evaluation of capital projects and a Group-level investment decision-making system.

Between 2015 and 2017, Marat Kudekov worked as a consultant for international consultancy Bryanston Resources in London and was involved in long-term strategic planning processes with a focus on ERG assets in Africa.

Between 2018 and 2020, he held the position of Director of the Long-Term Planning Department in ERG, supervising long-term financial planning for all of the Group's assets.

In January 2021, Marat Kudekov joined the senior management team of JSC TNC Kazchrome as Vice-President for Financial and Economic Affairs. His responsibilities include managing all of the Company's financial and economic activities and maintaining relations with business partners and government representatives. He is also responsible for the ongoing monitoring and analysis of the Company's development strategy amid changing market trends. He participates in the development of the Company's business plan and budget, and monitors their implementation.

Sofya Levitina

Human Resources and Social Policy Chief Operating Officer of TNC Kazchrome JSC

Sofya Levitina has more than 10 years' experience in personnel management in various positions at the Group's enterprises. She graduated from Pavlodar State University named after S. Toraigyrov in 2005.

Sofya Levitina started her professional career in 2002 at the CHPP of Aluminum of Kazakhstan JSC. From 2002 to 2018, she held various positions in the field of economics, planning and analysis: economist, Economic Planning Department Bureau Head, Planning and Compensation Directorate Head Deputy, Budgeting and Analysis Directorate Head, Economics Department Head of Aluminum of Kazakhstan JSC. The range of issues dealt with by Sofya Levitina included, among other things, the development and implementation of the remuneration and compensation system. From 2018 to 2019, she held the position of Human Resources Department Head at Aluminum of Kazakhstan JSC.

From 2019 to 2020, she held the position of Human Resources and Social Policy Directorate Head at TransCom LLP. During this period, she led the work carried out on creating a succession pool, improving HR policy, the system of wages and benefits, career guidance and adaptation, youth policy, training and evaluation of the labour activity of personnel.

In January 2021, she joined the management team of TNC Kazchrome JSC and became Human Resources and Social Policy Chief Operating Officer. Her tasks include the improvement of HR policy, strategy for the development and recruitment of personnel, as well as the promotion of corporate culture and performance management.

DATA RELIABILITY STATEMENT

In compliance with the Company's Corporate Governance Code, the Board of Directors and the Management Board are responsible for reliability of the annual report and financial statements of Kazchrome.

FINANCIAL STATEMENTS

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Independent Auditor's Report

To the Shareholders and the Board of Directors of TNC Kazchrome JSC:

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of TNC Kazchrome JSC ("the Company") and its subsidiaries (together – "the Group") as at 31 December 2021, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2021;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Kazakhstan. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Republic of Kazakhstan that are relevant to our audit of the consolidated financial statements.

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Our audit approach

Overview

- Overall Group materiality: 19,171,350 thousand of Kazakhstani Tenge, which represents approximately 3.7% of profit before tax.

- We conducted audit work at one reporting unit in one country.
- The Group engagement team visited the following locations - cities of Aktobe, Kromtau and Aksu.
- Our audit scope addressed 99% of the Group's total assets, 99% of total revenue and 99% of the Group's profit before tax.

- Compliance with debt covenants
- Revenue recognition

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	19,171,350 thousand of Kazakhstani Tenge
How we determined it	approximately 3.7% of profit before tax
Rationale for the materiality benchmark applied	We use profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 3.7% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above 958,000 thousand of Kazakhstani Tenge, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Compliance with debt covenants	
Refer to Note 2 to the consolidated financial statements.	*Our response to the risk*
The Group is a subsidiary of Eurasian Resources Group S.à.r.l. ("ERG"). During preceding and current periods ERG and its subsidiaries have attracted a number of debt facilities to finance its various activities. The Group is a party to those arrangements and in addition to the loans it carries on its balance sheet, it is also a guarantor on the loans the Group's immediate parent company has attracted (Note 17). As indicated in Note 2, ERG, including the Group, complied with complied with applicable covenants at 31 December 2021. Compliance with debt covenants is considered a highly important as it impacts classification of the Group's borrowings and measurement of financial guarantees as well as overall liquidity position of the Group. We considered this matter to be a key audit matter due to its high importance to the Group and to the consolidated financial statements.	Our audit procedures included assessment of the ERG and Group's compliance with the debt covenants. We focused on the following: – review of the terms associated with the borrowings and the amount of the facility available for drawdown and required to be repaid; – checking that the Group is in compliance with each financial and non-financial covenant of the borrowings including waivers received, if any; – confirming with the ERG Group audit team the overall ERG Group and its subsidiaries compliance with debt covenants; – verification of the appropriateness of classification of the borrowings and measurement of the financial guarantees.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
Refer to Note 19, Note 26 and Note 27 to the consolidated financial statements.	*Our response to the risk*
The ferroalloys delivered to the customers are provisionally priced at the date revenue is recognised. Such adjustments to revenue fall under the scope of IFRS 9 'Financial Instruments' rather than IFRS 15 'Revenue from Contracts with Customers' and therefore represent revenue from sources other than contracts with customers. As discussed in Note 19, revenue for 2021 includes Tenge 110,119,693 thousand revenue from sources other than contracts with customers (2020: loss from sources other than contracts with customers in the amount of Tenge 7,562,538 thousand). As indicated in Note 26, a ten percent decrease in ferroalloys market prices would decrease profit before tax by Tenge 5,942,773 Thousand (2020: Tenge 4,879,742 thousand). Therefore, there is a risk of revenue from sources other than from contracts with customers being misstated as a result of inaccurate calculation of fair value of the accounts receivable and incorrect calculations of the change in the fair value at the year-end, which impacts the revenue recognition. There is also a risk that revenue may be overstated due to management override through manipulation of the estimates involved and premature revenue recognition resulting from the pressure local management may feel to achieve performance targets. We considered this matter to be a key audit matter due to a significant effect on our overall audit strategy and allocation of resources in planning and completing our audit as significant effort was required in evaluating the appropriateness of the revenue recognition.	Our audit procedures included, among others, obtaining an understanding of, evaluating the design and testing the operating effectiveness of controls over the Group's revenue recognition process, which includes, but not limited to, contract authorisation, approvals of price addendums, determination of the timing of revenue recorded and adjustments based on the most recent provisional prices. We also evaluated the design and tested the operating effectiveness of automated controls over revenue recognition assisted by our IT professionals. We evaluated management's accounting policies and the methodology used by management to determine the provisional prices. In addition, our audit procedures included testing of all reconciliations between the data records from the system generated sales reports to the general ledger to ensure accurate calculation of the adjustments posted to reflect the most recent provisional prices and final prices. In order to assess the accuracy of the provisional prices determined at the year-end, on a sample basis, we tested the benchmark price forecasts against the external analysts' data. On a sample of basis, we: – reviewed contracts and price addendums; – recalculated revenue recognised based on the provisional prices available at the date of transaction; and – tested shipping documents focusing on the period shortly before year-end. We circularised the main customer to test whether the volumes shipped during the year were accurate. We also assessed the adequacy of the Group's disclosures in respect to the accounting policies on revenue recognition.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The assets and operations of the Group are spread amongst the Company and its two subsidiaries (components). Out of these, we have identified the Company as the only material component where we performed full-scope audit procedures. We have identified other companies of the Group as not material components, for which we carried out audit procedures for the most material line items of the financial information and general analytical procedures. In general, the scope of our audit covered 99% of total assets, 99% of total revenue and 99% of the absolute value of net profit of the Group. The procedures performed have enabled us to obtain sufficient appropriate audit evidence in relation to the consolidated financial statements of the Group and provide a basis for our audit opinion on it.

Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (Continued)

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Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

INDEPENDENT AUDITOR'S REPORT (Continued)

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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Dana Inkarbekova.

On behalf of PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Approved and signed by:

Dana Inkarbekova
Managing Director
PricewaterhouseCoopers LLP
(General State License of the Ministry of Finance of the Republic of Kazakhstan №0000005 dated 21 October 1999)

Auditor in charge
(Qualified Auditor's Certificate №0000492 dated 18 January 2000)

6 May 2022

Almaty, Kazakhstan

CONSOLIDATED BALANCE SHEET

In thousands of Kazakhstani Tenge	Note	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	5	543,461,869	488,080,660
Intangible assets		580,607	621,196
Investments at fair value	6	29,133,179	16,890,047
Loans receivable	4, 10	472,063,447	411,667,304
Deferred income tax asset	24	1,176,596	214
Other	7	40,343,963	19,227,399
Total		**1,086,759,661**	**936,486,820**
Current assets			
Inventories	8	163,973,551	107,345,475
Trade and other receivables	9	196,640,950	119,245,218
Loans receivable	4, 10	4,360,145	311,265
Current income tax prepaid		103,889	1,591,932
Cash and cash equivalents	11	217,816,572	55,685,373
Other		87,243	31,007
Total		**582,982,350**	**284,210,270**
TOTAL ASSETS		**1,669,742,011**	**1,220,697,090**
EQUITY			
Share capital	12	106,505,027	106,505,027
Treasury shares		(184,411)	(184,411)
Other reserves		318,811	536,462
Retained earnings		435,362,135	108,083,322
Equity attributable to the Company's equity holders		**542,001,562**	**214,940,400**
Non-controlling interest		**51,050**	**50,923**
TOTAL EQUITY		**542,052,612**	**214,991,323**
LIABILITIES			
Non-current liabilities			
Borrowings	13	943,369,917	810,510,861
Lease liability	13	2,309,895	3,059,075
Provision for assets retirement obligations	15	6,023,291	3,706,377
Preference shares liability	13	6,600,719	6,688,851
Deferred income tax liability	24	–	751,855
Employee benefit obligations	16	5,519,735	5,107,978
Financial guarantees	17	17,981,342	20,982,460
Total		**981,804,899**	**850,807,457**
Current liabilities			
Borrowings	13	1,433,946	45,514,752
Lease liability	13	795,220	809,220
Trade and other payables	14	93,023,844	89,200,494
Financial guarantees	17	3,009,324	3,009,324
Current income tax payable		36,401,474	8,162
Provision for assets retirement obligations	15	390,422	342,861
Employee benefit obligations	16	564,867	498,501
Other taxes payable		10,265,403	15,514,996
Total		**145,884,500**	**154,898,310**
TOTAL LIABILITIES		**1,127,689,399**	**1,005,705,767**
TOTAL LIABILITIES AND EQUITY		**1,669,742,011**	**1,220,697,090**

The accompanying notes on pages 72 to 93 are an integral part of these consolidated financial statements.

Signed on 6 May 2022 for approval of the annual general meeting of shareholders:

Yessenzhulov A.B.
President

Kudekov M.T.
Vice-president on financial and economic matters

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

In thousands of Kazakhstani Tenge	Note	2021	2020 (restated)*
Revenue	19	1,059,418,450	664,189,693
Cost of sales	20	(458,741,785)	(402,233,936)
Gross profit		**600,676,665**	**261,955,757**
Distribution costs		(8,178,147)	(6,717,544)
General and administrative expenses	21	(39,950,114)	(25,809,903)
Research, business development and exploration expenditures		(6,674,905)	(3,441,892)
Other operating expense		(9,431,195)	(7,724,740)
Other operating income		7,203,130	3,545,728
Operating profit		**543,645,434**	**221,807,406**
Finance income	22	37,906,793	107,199,569
Finance cost	23	(64,800,781)	(154,465,433)
Profit before tax		**516,751,446**	**174,541,542**
Income tax expense	24	(82,169,350)	(42,385,694)
Profit for the year		**434,582,096**	**132,155,848**
Other comprehensive (expense)/income:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of post-employment benefit obligations	16	(272,069)	632,383
Income tax recorded directly in other comprehensive income	24	54,418	(126,477)
Other comprehensive (expense)/income		**(217,651)**	**505,906**
Comprehensive income for the year		**434,364,445**	**132,661,754**
Profit for the year attributable to:			
Company's equity holders		434,581,111	132,146,520
Non-controlling interest		985	9,328
Profit for the year		**434,582,096**	**132,155,848**
Comprehensive income for the year attributable to:			
Company's equity holders		434,363,460	132,652,426
Non-controlling interest		985	9,328
Comprehensive income for the year		**434,364,445**	**132,661,754**
Basic and diluted earnings per ordinary share (in Tenge)	18	3,956	1,203
*Note 2			

The accompanying notes on pages 72 to 93 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of Kazakhstani Tenge	Note	Attributable to the Company's shareholders						
		Share capital	Treasury shares	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2020		**106,505,027**	**(184,411)**	**30,556**	**41,051,878**	**147,403,050**	**42,453**	**147,445,503**
Profit for the year		–	–	–	132,146,520	132,146,520	9,328	132,155,848
Other comprehensive income		–	–	505,906	–	505,906	–	505,906
Comprehensive income for the year		**–**	**–**	**505,906**	**132,146,520**	**132,652,426**	**9,328**	**132,661,754**
Dividends	12	–	–	–	(65,115,076)	(65,115,076)	(858)	(65,115,934)
Balance at 31 December 2020		**106,505,027**	**(184,411)**	**536,462**	**108,083,322**	**214,940,400**	**50,923**	**214,991,323**
Balance at 1 January 2021		**106,505,027**	**(184,411)**	**536,462**	**108,083,322**	**214,940,400**	**50,923**	**214,991,323**
Profit for the year		–	–	–	434,581,111	434,581,111	985	434,582,096
Other comprehensive expense		**–**	**–**	**(217,651)**	**–**	**(217,651)**	**–**	**(217,651)**
Comprehensive expense for the year		–	–	(217,651)	434,581,111	434,363,460	985	434,364,445
Dividends	12	–	–	–	(107,302,298)	(107,302,298)	(858)	(107,303,156)
Balance at 31 December 2021		**106,505,027**	**(184,411)**	**318,811**	**435,362,135**	**542,001,562**	**51,050**	**542,052,612**

The accompanying notes on pages 72 to 93 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

In thousands of Kazakhstani Tenge	Note	2021	2020
Cash flows from operating activities:			
Profit before tax		516,751,446	174,541,542
Adjustments for:			
Depreciation of property, plant and equipment		49,979,517	46,616,267
Amortisation of intangible assets		429,847	636,987
Long-term employees benefits		430,430	(672,380)
Financial guarantees		(3,001,119)	8,480,689
Provision for asset retirement obligations: amount reversed through cost of sales and other operating expenses		(48,277)	(1,681,575)
Provisions for obsolete and slow-moving inventory		128,619	(1,078,932)
Loss allowance for trade and other receivables		1,012,193	449,259
Foreign exchange		(4,527,963)	(773,165)
Finance income		(34,905,674)	(91,686,622)
Finance cost		66,903,750	131,575,399
Other		(40,192)	347,736
Operating cash flow before working capital changes:		**593,112,577**	**266,755,205**
Change in inventories		(66,443,045)	3,273,575
Change in trade and other receivables		(84,448,746)	(28,985,476)
Change in restricted cash		(230,099)	(200,589)
Change in trade and other payables		(3,020,223)	(20,971,791)
Change in provisions for assets retirement obligations		(29,821)	(92,694)
Change in other taxes payable		(5,345,509)	6,924,963
Cash generated from operations:		**433,595,134**	**226,703,193**
Income taxes paid		(39,546,049)	(34,189,746)
Withholding income tax paid		(11,636,820)	(8,731,154)
Interest received		3,186,769	3,986,672
Interest paid	13	(91,865,477)	(8,448,567)
Withholding income tax reimbursed		–	3,409,257
Net cash from operating activities		**293,733,557**	**182,729,655**
Cash flows from investing activities:			
Purchases of property, plant and equipment and intangible assets		(94,698,548)	(63,368,775)
Loans receivable		(41,964,948)	(95,066,939)
Repayment of loans		22,209,417	29,523,370
Bank deposits placed		(23,430)	(3,186)
Bank deposits withdrawal		18,763	7,764
Acquisition of investments		(16,636,198)	(10,418,023)
Proceeds from disposal of investments		–	2,449,000
Net cash used in investing activities		**(131,094,944)**	**(136,876,789)**
Cash flows from financing activities			
Proceeds from borrowings	13	106,702,500	40,151,000
Commission on loans origination	13	(772,671)	(3,416,108)
Dividends paid	12	(107,638,313)	(65,163,319)
Lease liability paid	13	(948,532)	(374,296)
Net cash used in financing activities		**(2,657,016)**	**(28,802,723)**
Effect of exchange rate changes on cash and cash equivalents		2,149,602	2,935,175
Net change in cash and cash equivalents		**162,131,199**	**19,985,318**
Cash and cash equivalents at the beginning of the year	11	55,685,373	35,700,055
Cash and cash equivalents at the end of the year	**11**	**217,816,572**	**55,685,373**

The accompanying notes on pages 72 to 93 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINACIAL STATEMENTS – 31 DECEMBER 2021

1 The Company and its Operations

TNC Kazchrome JSC (the "Company") was incorporated on 20 October 1995. The Company is a joint-stock company and operates in accordance with the legislation of the Republic of Kazakhstan. The consolidated financial statements for the year ended 31 December 2021 have been prepared for the Company and its subsidiaries (the "Group").

The immediate parent company of TNC Kazchrome JSC is KCR International B.V. incorporated in the Kingdom of the Netherlands. The ultimate parent company is Eurasian Resources Group S.à r.l. ("ERG") incorporated in the Grand Duchy of Luxemburg.

The principal activity of the Group includes the extraction of chrome and manganese ores, sale of chrome ore, and production and sale of ferroalloys. The Group's production assets are located in the Republic of Kazakhstan.

The Company's registered address and domicile: 030008, Republic of Kazakhstan, Aktobe city, 4A M. Mametova Street.

Subsidiaries	Country of registration	Principal activity	Ownership, % in 2021	Ownership, % in 2020
Donskaya Neftebaza JSC	Kazakhstan	Warehousing services and sales of combustive and lubricating materials	95.53	70.38
Akzhar Chrome LLP	Kazakhstan	Water production on major pipelines	100.00	100.00

2 Basis of Preparation and Significant Accounting Policies

Basis of preparation. These consolidated financial statements of the Group for the year ended 31 December 2021 have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The accounting policies used in preparation of the consolidated financial statements are described below and are based on IFRS. These standards are subject to interpretations issued from time to time by the International Financial Reporting Standards Interpretation Committee.

These consolidated financial statements are also prepared under the historical cost convention, except for the initial recognition of the financial instruments at fair value and revaluation of the financial instruments categorised at fair value through profit or loss.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise their judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

GOING CONCERN BASIS

Whilst macroeconomic uncertainty persists as the world continues to grapple with and recover from the COVID-19 pandemic, management of ERG and its subsidiaries ("ERG Group") is confident that the ERG Group can successfully continue developing as a socially responsible, resilient and efficient business with the support of our partners and employees.

In February 2022, a military conflict between Ukraine and Russia commenced. A number of countries and international organisations, including the United States of America, the European Union, Switzerland and the United Kingdom imposed a series of sanctions against the Russian government, various companies, including major lenders of the ERG Group (Sberbank of Russia and VTB), and certain individuals. This resulted in significant disruption to financial and commodity markets. The ERG Group complies with all sanctions applicable to its business activities in accordance with adopted compliance policies.

The Board of Managers of ERG has reviewed the liquidity available for the period until 30 September 2023. Throughout the period under review the ERG Group generates sufficient cash flow to maintain a position above minimum working capital and debt servicing requirements. The Board of ERG considered downside scenarios reflecting additional potential sanctions to ensure proactive measures would be executed.

The ERG Group continuously monitors its financial position to ensure adequate liquidity headroom is in place to support its business needs and to ensure compliance with loan covenants or to obtain waivers where appropriate. As of 31 December 2021, the ERG Group, including the Group, complied with applicable covenants.

In March and April 2022, the ERG Group has renegotiated and amended applicable terms of certain financing arrangements, as well as terminated certain transactions and other business activities with Sberbank of Russia and VTB Bank (PJSC). The ERG Group has also terminated business activities with certain counterparties in view of, among other things, operational and other concerns in the context of the sanctions in relation to certain Russian entities and individuals.

In June 2021, Standard & Poor's affirmed B- rating of the ERG Group but improved the outlook to positive from stable thanks to surging commodity prices and stable output. In June 2021, Moody's upgraded the rating to B1 from B2, and improved the outlook to stable from negative, to reflect the recovery in commodity prices while continuing growth of cobalt and copper production in the ERG Group's Metalkol RTR processing facility.

The ERG Group appreciates the dependence of liquidity on commodity prices in its key markets, the exposure to foreign exchange volatility, and ability to raise additional funding when required. To ensure adequate liquidity is available to meet contractual obligations, the ERG Group ensures continuing focus on operational efficiency, working capital improvements and allocation and spending of capital expenditures budget.

The Managers of ERG therefore consider that the ERG Group can access adequate resources to continue its business operations for the foreseeable future, and therefore, management of the Group consider that the Group can access adequate resources to continue its business operations for the foreseeable future and that the preparation of these financial statements under a going concern basis is appropriate.

NEW ACCOUNTING PRONOUNCEMENTS.

The amendments to standards and interpretation enacted from 1 January 2021 did not have a significant impact on the Group. The Group has not early adopted any standard, interpretation or amendment that have been issued, but are not yet effective. The amendments to standards enacted from 1 January 2022 are not expected to have a significant impact on the Group. The Group assesses the potential impact of other new standards, amendments to standards, and interpretations.

Functional and presentation currency. All amounts in these separate financial statements are presented in thousands of Kazakhstani Tenge ("Tenge"), unless otherwise stated. The functional currency of the Company is Tenge.

Foreign currency transactions. Monetary assets and liabilities of the Group denominated in foreign currency at the reporting date are translated into Tenge at the official exchange rate of the Kazakhstan Stock Exchange ("KASE") at that date. On initial recognition, foreign currency transactions are accounted for at the exchange rate of the KASE prevailing at the date of the transaction. Subsequently, assets and liabilities of the Group denominated in foreign currency are restated on a monthly basis at KASE rate as at the month end. Gains or losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currency are recognised in the statement of profit or loss.

At 31 December 2021 the official exchange rate used for translating foreign currency balances was US Dollar (US$) 1 = Tenge 431.8 (31 December 2020: US$1 = Tenge 420.91). Currency control rules apply to converting Tenge into other currencies. Tenge is not freely convertible outside of the Republic of Kazakhstan.

Consolidated financial statements. Subsidiaries are those investees, including structured entities that the Group controls. The Group controls the investee when:

(i) has power to direct relevant activities of the investees that significantly affect their returns;

(ii) has exposure, or rights, to variable returns from its involvement with the investees; and

(iii) has the ability to use its power over the investees to affect the amount of investor's returns.

The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made.

The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee.

Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

Intercompany transactions between the Company and its subsidiaries, unrealised gains on transactions and also intercompany balances are eliminated. Unrealised losses are also eliminated however considered as impairment indicators of the assets transferred. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is the share in the net results of operations and equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Group. Non-controlling interest forms a separate component of the Group's equity.

Segment reporting. Group's operations are highly integrated and defined by Group's chief operating decision maker as a single reportable segment. Ferroalloy production includes production of chrome ore and sale of ferrochromium and other ferroalloys.

The Group's chief operating decision maker (CODM) is the person or group of persons who allocates resources and assesses the performance for the Group's operating segments. The CODM identified an operating business unit based on the reports used for strategic decision making. When making decisions, management evaluates the segment's performance based on operating profit and profit before tax.

Information about revenue structure by geographic regions is disclosed in Note 19.

Economic environment in the Republic of Kazakhstan. The economic environment where the Group operates is subject to commodity price fluctuations. Management takes all necessary measures to ensure sustainability of the Group.

Earnings per share. Preference shares are not redeemable and are considered participating shares. Earnings per share are determined by dividing the profit or loss attributable to the owners of the Company by the weighted average number of participating shares outstanding during the year.

Property, plant and equipment. Property, plant and equipment is stated at cost less accumulated depreciation and impairment provision. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overhead costs.

The individual significant parts of an item of property, plant and equipment (components), whose useful lives are different from the useful life of the given asset as a whole are depreciated individually, applying depreciation rates reflecting their anticipated useful lives. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired. Gains or losses on replaced parts' write-off are recognised in the statement of profit or loss.

2 Basis of Preparation and Significant Accounting Policies (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss.

Gains and losses on disposals of property, plant and equipment determined by comparing the proceeds with carrying amount are recognised in the statement of profit or loss.

Mining assets are carried at cost less accumulated depreciation and less any accumulated impairment losses. Expenditures, including evaluation costs, incurred to establish or expand production capacity, as well as to conduct works for mining-construction, and mine preparation during the period of establishing project capacity or during mine reconstruction, are capitalised to mining assets as part of buildings and constructions.

Depreciation. Land is not depreciated. The cost of each item of property, plant and equipment is depreciated over its useful life to residual value. Each item's estimated useful life has due regard to both its own physical life limitations and/or the present assessment of economically recoverable reserves of the mine property at which the item is located.

Mining assets are depreciated using the units-of-production method based on the estimated economically recoverable proved and probable reserves to which they relate. If the estimated useful life of a particular asset is less than the corresponding useful life of the mine, then for such mining assets depreciation is calculated using the straight-line method or units of production method depending on the asset's production characteristics. Depreciation is charged to profit or loss.

Changes in estimates, which affect unit-of-production calculations, are accounted for prospectively. The expected useful lives are as presented in the table below.

	Useful life in years
Buildings and constructions	10 – 60
Machinery and equipment	5 – 30
Other equipment and motor vehicles	3 – 30
Mining assets – open pits and mines infrastructure	2 – 30
Mining assets – other	unit-of-production method

The residual value of an asset is the estimated amount that the Group would currently receive from disposal of the asset less the estimated costs of disposal, if the asset was already of age and in condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed and adjusted, if necessary, at the end of each reporting period.

Construction in progress is recognised at historical cost. When construction in progress is completed, the assets are transferred to property, plant and equipment at their carrying amounts. Construction in progress is not depreciated until the asset is ready for its intended use.

Stripping costs. Stripping (i.e. overburden and other waste removal) costs as the result of development of mines and open pits before production commences are capitalised as part of the cost of mining asset, and subsequently amortised using units of production method over the useful life of the mines or open pits. The stripping costs incurred subsequently during the production stage are included in cost of inventory to the extent that the benefit from the stripping activity is realised in the form of inventory produced.

In case if the benefit improves the access to the ore body in future, then the Group recognises the subsequent costs as a non-current asset – "stripping activity asset".

The Group recognises stripping activity asset where the following criteria are met:

- it is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the Group;
- the Group can identify the component of the ore body for which access has been improved; and
- the costs relating to the stripping activity associated with that component can be measured reliably.

The Group accounts for a stripping activity asset as an addition to, or as an enhancement of, an existing asset to which it relates. A stripping activity asset is initially measured at cost, which includes accumulated costs which are directly related to stripping activities that improve access to identifiable component of the ore body, plus allocation of costs that are directly related to overheads. Subsequently a stripping activity asset is carried at cost less depreciation or amortisation and impairment losses just as the existing asset of which it forms an integral part. A stripping activity asset is amortised using the units of production method in proportion to ore mined.

When the costs of the stripping activity asset and the inventory produced are not separately identifiable, production stripping costs are allocated between the inventory produced (current stripping costs) and the stripping activity asset, the Group allocates costs on the basis of the stripping coefficient.

Impairment of non-financial assets. At the end of each reporting period management assess whether indicators of impairment of non-financial assets exist. The carrying amounts of property, plant and equipment, intangible assets and all other non-financial assets are reviewed for impairment if there is any indication that the carrying amounts may not be recoverable.

When a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of: "value in use" (being the net present value of expected future cash flows of the relevant cash generating unit) and "fair value less costs to sell" (the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date). Where there is no binding sale agreement or active market, fair value less costs of disposal are based on the best information available to reflect the amount the Group could receive for the cash generating unit in an arm's length transaction.

A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups.

The estimates used for impairment reviews are based on detailed production plans and operating budgets, modified as appropriate to meet the requirements of IAS 36 "Impairment of Assets". Future cash flows are based on:

- estimates of the quantities of the reserves for which there is a high degree of confidence of economic extraction;
- future production levels;
- future commodity prices (assuming the current market prices will revert to the Group's assessment of the long-term average price, generally over a period of three to five years); and
- future costs of production, capital expenditures, assets retirement and land restoration.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is recognised in the statement of profit or loss so as to reduce the carrying amount in the consolidated balance sheet to its recoverable amount.

A previously recognised impairment loss is reversed only if, from the last recognition of an impairment loss, there have been changes in the accounting estimates used to determine the recoverable amount of the asset. This reversal is recognised in the statement of profit or loss, and is limited to the carrying amount that would have been determined, net of depreciation, if no impairment loss been recognised in prior years.

Classification and subsequent measurement of financial assets. The Group classifies its financial assets into the following measurement categories: financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, and financial assets at amortised cost. The classification and subsequent measurement of debt financial assets depends on the Group's business model for managing the corresponding financial assets' portfolio and the cash flow characteristics of the asset. Management determines the classification of financial assets at initial recognition.

The Group classifies financial assets as carried at amortised cost only if both of the following requirements are met: (a) the asset is held within a business model with the objective of collecting the contractual cash flows; and (b) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Financial assets carried at amortised cost include loans receivable, trade receivables, excluding provisionally priced trade receivables, cash and cash equivalents and other financial assets held to collect the contractual cash flows.

After initial measurement at fair value, the financial assets, other than investments at fair value and provisionally priced trade receivables, are measured at amortised cost net of the loss allowance. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

The amortisation is included in finance income in the consolidated statement of profit or loss. Expected credit losses are charged to profit or loss.

Trade and other receivables. Trade and other receivables (other than provisionally priced trade receivables carried at fair value through profit or loss) are recognised initially at fair value and are subsequently carried at amortised cost less provision for impairment.

Prepayments. Prepayment is recognised in the financial statements at cost less provision for impairment. Prepayments paid to suppliers for future deliveries of property, plant and equipment are recognised within other non-current assets. Prepayments for future deliveries of inventories are recognised within other current assets.

Foreign currency denominated prepayments for goods and services represent non-monetary items and, therefore, are measured at market exchange rate at the date of prepayment, and are not subject to remeasurement at the end of reporting period. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly, and a corresponding impairment loss is charged to profit or loss.

Investments at fair value. The Group does not have control or significant influence in relation to the investees if the Group does not participate in decision making regarding financing and operating activities of these entities. Such investments are classified as investments at fair value. Changes in value of investments at fair value are recognised in profit or loss.

Financial assets impairment. The Group assesses the expected credit losses ("ECL") for the financial assets carried at amortised cost. The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation. This judgement is based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Financial assets carried at amortised cost are presented in the consolidated balance sheet net of expected credit losses allowance.

The Group applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity. If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL.

Impairment of trade receivables. The Group applies the simplified approach to measuring ECL based on a provision matrix, which uses a lifetime expected loss allowance for trade receivables. The provision matrix is based on historical credit losses, adjusted to reflect forward-looking information on macroeconomic factors and updated at each reporting date. Trade receivables are grouped based on the days past due, and ECL are determined on the basis of historical analysis of default rates. Changes in ECL allowance are recorded in general and administrative expenses in the statement of profit or loss.

2 Basis of Preparation and Significant Accounting Policies (continued)

Derecognition of financial assets. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets have otherwise expired or (b) the Group has transferred the rights to cash flows from the financial assets or entered into agreement to transfer and (i) transferred substantially all the risks and rewards of ownership of the assets or (ii) neither transferred nor retained substantially all risks and rewards of ownership, but has not retained control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Inventories. Inventories are carried at the lower of cost and net realisable value. Cost of inventory is determined on a weighted average cost basis. Chrome, manganese and other extracted minerals are recognised as raw materials when extracted and valued at the average cost of extraction. The cost of finished goods and work in progress comprises the cost of raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less any further costs expected to be incurred to completion and sale.

Cash and cash equivalents. Cash and cash equivalents include balances in bank accounts, cash in hand, deposits held at call with banks or having original maturities within three months, and other short-term highly liquid investments with original maturity of less than three months.

Cash placed in banks for a period over three months, unless it is restricted, and is available and intended for early withdrawal, is also included into cash and cash equivalents.

However, cash placed in banks for a period over three months in order to generate investment income, not intended for early withdrawal, is included into other current or non-current assets.

Cash restricted for more than three months are included in other current or non-current assets depending on the maturity.

Share capital. Ordinary shares are classified as equity. Preference shares are compound financial instruments that contain both an equity component and a liability. The liability is initially recognised at its fair value by applying a market interest rate to the amount of mandatory annual dividends using a net present value formula for the period equal to the useful life of the mines.

The useful life of mines is used rather than a perpetuity since the Group will not generate cash flows or profits beyond the useful life of the mines.

Subsequently, the liability is measured at amortised cost. Effects of changes in cash flow estimates on carrying amounts are charged to the financial results. At initial recognition, the equity component is the residual, i.e. it is the proceeds received from the issuance of the preference shares less the fair value of the liability. The equity component is not subsequently re-measured.

Treasury shares. Where the Company or its subsidiaries purchase the Company's equity instruments, the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from the equity attributable to the Company's owners until the equity instruments are reissued, disposed of or cancelled. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's owners.

Dividends. Dividends, except for the mandatory annual dividends on preference shares, are recognised as a liability and deducted from equity at the end reporting date only if they are declared before or on the reporting date. Mandatory annual dividends on preference shares are recognised as finance cost in the statement of profit or loss.

Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorised for issue.

Provisions for liquidation and restoration of assets. Assets retirement obligations are recognised when it is highly probable to incur the costs and those costs can be measured reliably.

Asset retirement obligations include the costs of rehabilitation and costs of liquidation (demolition of buildings, constructions and infrastructure, dismantling of machinery and equipment, transportation of the residual materials, environmental clean-up, monitoring of wastes and land restoration).

Provisions for the estimated costs of liquidation, rehabilitation and restoration are established and charged to the cost of property, plant and equipment in the reporting period when an obligation arises from the respective land disturbance in the course of mine development or environment pollution, based on the discounted value of estimated future costs.

Provisions for asset retirement obligations do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure and restoration plan.

The cost estimates are calculated annually during the course of the operations to reflect known developments, e.g. updated cost estimates and revised term estimated lives of operations, and are subject to formal reviews on a regular basis.

The Group estimates its costs based on feasibility and engineering studies using current restoration standards and techniques for conducting restoration and retirement works.

The amortisation or "unwinding" of the discount applied in establishing the net present value of provisions is charged to the financial results in each reporting period. The amortisation of the discount is disclosed as finance cost.

Other movements in the provisions for assets retirement obligations, arising from new cases of disturbance as a result of mine development, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate using the depreciation methods applied to those assets.

Movements in the provisions for asset retirement obligations that relate to disturbance caused by the production phase are charged to the statement of profit or loss.

Where restoration works are conducted systematically over the period of operational activity, rather than at the date of liquidation, provisions are made for the estimated outstanding restoration work at the end of each reporting period, and the expenses are charged to profit or loss.

Leases. At contract inception, the Group assesses whether the contract as a whole or its individual components is a lease. The contract as a whole or its components is a lease if the contract transfers a right to control the use of an identified asset for a certain period in exchange for a consideration. The Group applies a uniform approach to recognition and measurement of all types of leases except for short-term leases and leases of low value items. At the commencement date, the Group recognises the lease liability and the right-of-use asset.

Right-of-use assets. The Group measures the right-of-use assets at historical cost, less accumulated depreciation and accumulated impairment losses, adjusted for the remeasurement of the lease liability as a result of the lease modification. Initial cost of the right-to-use asset includes:

(a) the amount of initial recognition of the lease liability;

(b) lease payments made at or before the commencement of the lease term, less any received lease incentives;

(c) any initial direct costs incurred; and

(d) an estimate of the costs that would be incurred by the lessee to dismantle the underlying asset, restore the site on which it is located or restore the underlying asset to the condition required under the lease, unless such costs are incurred to produce inventories. The lessee's liability in respect of such costs arises either at the commencement of the lease or as a result of the use of the underlying asset within a specified period.

Depreciation of right-of-use assets is calculated using the straight-line method. If the lease transfers the ownership of the underlying asset to the lessee before the end of the lease term or if the initial value of the right-of-use asset reflects the lessee's intention to exercise the purchase option, the depreciation on the right-of-use assets is charged from the date of commencement of the lease until the end of the useful life of the underlying asset. Otherwise, the depreciation of the right-of-use asset is charged from the commencement of the lease until the earlier of the following dates: date of expiry of the useful life of the right-of-use asset or the date of expiry of the lease. Right-of-use assets are also subject to impairment.

Lease liabilities. At the commencement of the lease the Group recognises the lease liability at the present value of the lease payments, which have not yet been made at that date. The Group discounts lease payments using the interest rate implicit in lease or incremental borrowings rate in case it is impracticable to determine the rate implicit in lease. After the date of commencement of the lease, the Group assesses the lease liability as follows:

(a) by increasing the carrying amount to reflect the interest on the lease liability;

(b) by decreasing the carrying amount to reflect the lease payments made; and

(c) by revaluing the carrying amount to reflect the reassessment or modification of the lease.

Classification of financial liabilities. The Group classifies financial liabilities in the following measurement categories: financial liabilities measured at fair value through profit or loss and financial liabilities carried at amortised cost. Management classifies its financial liabilities at initial recognition.

Borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently carried at amortised cost.

Where a loan is obtained at interest rates different from market rates, the loan is measured at origination at its fair value, being future interest payments and principal repayments discounted at market interest rates for similar loans.

The difference between the fair value of the loan at origination, net of transaction costs and net proceeds from the loan, represents an origination gain/loss. The origination/loss gain is recognised in the consolidated statement of profit or loss and other comprehensive income within finance income/expenses.

Subsequently, the carrying amount of the borrowings is adjusted for amortisation charged at the amount of profit or loss at initial recognition of borrowings, with the amount of amortisation reflected as financial costs or income on borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of reporting period.

The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditures on qualifying assets. Capitalised borrowing costs are calculated on the basis of the Group's average funding cost (the weighted average interest cost is applied to capital expenditures on qualifying assets), except to the extent that funds have been borrowed to prepare a qualifying asset for use. When this occurs, actual borrowing costs incurred on specific borrowings during the period are capitalised, net of any investment income earned on the temporary investment of those borrowings.

The capitalisation commences when (a) the Group incurs the costs on a qualifying asset; (b) it incurs the borrowing costs; and (c) it takes steps to prepare the asset for use. Capitalisation of borrowing costs is suspended when construction and preparation of the qualifying asset for use is interrupted over an extended period of time. Capitalisation of borrowing costs continues until the date when substantially all the work required to prepare the asset for use or sale is completed.

2 Basis of Preparation and Significant Accounting Policies (continued)

Derecognition of financial liabilities. The Group derecognises the financial liability when it is discharged, or cancelled, or it has expired.

If an existing financial liability is replaced by another financial liability with the same creditor or if there has been a significant change in the terms of the existing financial liability, such substitution or change should be accounted for as a repayment of the original financial liability and recognition of a new financial liability.

The Group estimates the materiality of the change on the basis of qualitative and quantitative factors. If the existing financial liability is replaced by another financial liability with the same creditor on terms that are insignificantly different from the original ones, or if the changes in the terms of the existing liability are insignificant, such replacement or change is not accounted for as a repayment of the original financial liability and recognition of a new financial liability. The difference in the respective carrying amounts is charged to the profit or loss of the reporting period.

Financial guarantees. Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees are recognised when a premium is paid or in case of a premium-free guarantees (intra group guarantees) when the borrower receives the money from the financing entity.

When the Group issues a premium-free guarantee or a guarantee at a premium different from market premium, fair value is determined using valuation techniques (e.g. market prices of similar instruments, interest rate differentials, etc.).

Losses at initial recognition of a financial guarantee liability are recognised in profit or loss within other finance cost. Financial guarantee liabilities are amortised on a straight-line basis over the life of the guarantees with respective income presented within other finance income. At end of each reporting period, the guarantees are measured at the higher of (i) the unamortised balance of the amount at initial recognition and (ii) the amount of the loss allowance for the guaranteed exposure determined based on the expected credit loss model. The procedure for determining the amount of the estimated loss allowance on financial guarantees is similar to that for impairment of loans receivable.

Trade and other payables. Trade and other payables are accrued when the counterparty performed its contractual obligations. The Group recognises trade payables at fair value. Subsequently, trade payables are carried at amortised cost.

Income taxes. Income taxes are recognised and measured in the consolidated financial statements in accordance with the legislation of the Republic of Kazakhstan effective at the reporting date. The income tax charge comprises current tax (corporate income tax) and deferred tax. The income tax charge is recognised in the statement of profit or loss, except for where it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to or recovered from the state budget in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the consolidated financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses. Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

In accordance with the exception for initial recognition, deferred income tax is not accounted for temporary differences arising from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit. The deferred tax assets and liabilities are netted only within each separate subsidiary included in the consolidated financial statements of the Group. Deferred tax balances are measured at corporate income and excess profit tax rates enacted or substantively enacted at the end of reporting period which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient future taxable profit available against which the deductions can be utilised.

Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. When determining the future taxable income and tax benefits, which are probable in future, management applies judgements and estimates on the basis of taxable income for the last two years as well as expectations of future income, which are reasonable under the current circumstances.

Revenue recognition. Revenue from contracts with customers is recognised when control of the goods (generally, upon delivery) or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenue is recognised in the amount of transaction price, net of VAT and discounts.

Revenues from the sale of certain goods may be subject to adjustment as a result of commodity price changes at the time the goods are delivered to the point of destination, as well as a result of the customers' checking the quantity and quality of the products. In such cases, revenues are initially recognised at fair value at the time the goods are shipped. The prices are generally finalised within 3 months. Such adjustments to revenue are dealt with under IFRS 9 'Financial Instruments' rather than IFRS 15 'Revenue' and therefore the IFRS 15 'Revenue' rules on variable consideration do not apply. Such adjustments therefore represent revenue from sources other than contracts with customers.

Revenue from the sale of ferroalloys and other products is recognised at a point in time.

Employee benefits. The Group provides long-term employee benefits to employees at the end of employment (lump-sum payments at retirement, financial assistance) and other long-term employee benefits (financial aid for employees' disability, significant anniversaries and funeral aid to the Group's employees) as in accordance with the provisions of the Collective agreement.

The entitlement to some benefits is usually conditional on the employee remaining employed until the retirement age and the completion of a minimum service period.

Such benefits are valued consistent with an unfunded defined plan in accordance with the revised IAS 19 "Employee Benefits". In this case actuarial and investment risks related to the unfunded defined benefit plans remain with the Group.

Finance income and finance cost. Finance income includes unwinding of discount, amortisation of financial guarantees, gain on modification of loans, interest income on deposits, loans receivable and other investments. Finance cost include interest expense on loans, loss on recognition of financial guarantees, interest expense from unwinding of discount on provisions for assets retirement obligations, loss on modification of loans, etc.

Finance income and costs also include foreign exchange gains and losses related to respective financial assets and liabilities.

Interest income and expenses are recognised on a time proportion basis, using the effective interest method. All interest and other costs incurred in connection with borrowings are expensed as incurred as part of finance cost unless incurred on borrowings to finance the acquisition of a qualifying asset. In this case, such expenses are capitalised in the period required for construction of an asset and bringing it for intended use.

Comparative information. The Group has improved its classification of costs to better reflect the function of costs and be consistent with mining industry practice. Comparative information was restated.

In thousands of Kazakhstani Tenge	2020	Reclassification	2020 (restated)
Cost of sales	393,152,679	9,081,257	402,233,936
Other operating expense	8,331,484	(606,744)	7,724,740
Distribution costs	6,222,455	495,089	6,717,544
Research, business development and exploration expenditures	465,797	2,976,095	3,441,892
General and administrative expense	37,755,600	(11,945,697)	25,809,903

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and judgements that affect the reported amounts of assets and liabilities within the next financial period. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial period include:

Subsurface use contracts. The major contract of the Group on subsurface use for the extraction of chromium ore expires in 2041. Management of the Group expects that this contract will be extended at nominal cost until the end of the useful life of the mine which is expected to be in 2074.

In these consolidated financial statements, the depreciation charge and the carrying amounts of property, plant and equipment were recorded on the assumption that the subsurface use contracts will be extended until the end of the useful life of the mine.

Estimated useful life of mining assets and mineral reserves. The mining assets, classified within property, plant and equipment, are depreciated over the respective life of the mine using the unit-of-production (UOP) method based on proved and probable mineral reserves.

Estimates of ore reserves can differ from period to period. This can affect the Group's financial results. Such changes in reserves can affect the depreciation charge, carrying amount of assets and provisions for asset retirement liabilities.

The Group's ore reserves are based on the best available estimates of volumes of product which can be technically and economically justified, and, based on legal rights, obtained from the corresponding mining asset. The estimates are based on a range of factors, including the volume and grade of ore, production technologies and norms for extraction, forecasted commodity prices and production cost.

Ore reserves are estimated mainly on the basis of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code", 2012), which requires the use of substantiated assumptions, including:

- estimation of future production, including proved and estimated reserves, estimation of reserves and liabilities for expansion;
- expected future commodity prices based on the current market price, forward prices, and the Group's estimate of the long-term average price; and
- future cash expenses for production, capital expenditures and liabilities for restoration.

Provisions for assets retirement obligations. In accordance with the environmental legislation and the subsurface use contracts, the Group has a legal obligation to remediate damage caused to the environment from its operations and to decommission its mining assets and waste polygons and restore a landfill site after its closure.

Provisions are made, based on the net present values, for site restoration and rehabilitation costs as soon as the obligation arises from past mining activities.

The provisions for assets retirement obligation are estimated based on the Group's interpretation of current environmental legislation in the Republic of Kazakhstan and the Group's related program for liquidation of subsurface use consequences on the contracted territory and other operations supported by the feasibility study and engineering researches in accordance with the existing restoration and retirement standards and techniques.

Provisions for asset retirement obligations are subject to potential changes in environmental regulatory requirements and the interpretation of the legislation.

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

Provisions for assets retirement obligations are recognised when there is a certainty of incurring such liabilities and when it is possible to measure the amounts reliably.

Impairment of non-financial assets. At the end of each reporting period the Group is analysing assets (cash generating units) to identify impairment indicators. On the basis of internal and external factor review, management concluded that there were impairment indicators at the end of the reporting period. The Group conducted an impairment test, as a result of which no impairment of non-financial assets was identified in 2021.

Impairment of loans receivable. The evaluation of ECL requires the use of significant assumptions including the probability of default, collection and timing of the expected recovery of future cash flows on loans. Changes in such assumptions may affect the recoverable amount or the allowance for such assets. Management regularly reviews assumptions. ECL on loans receivable were calculated based on the credit risk of companies with comparable rating. As of 31 December 2021 the loans receivable were classified in the Stage 1. Such management's judgment is based on the going concern assessment of ERG.

Measurement of financial guarantees. The Group applies the credit swap method to determine the fair value of financial guarantees. The fair value of the financial guarantee liability is calculated by reference to the guaranteed borrowing amount, interest rate and risk indicators. For borrowing facility agreements where the Group is liable jointly and severally with other guarantors, the market commission determined with reference to credit default swaps is apportioned between the guarantors. This represents management's best estimate of the Group's exposure to credit risk associated with the issued guarantees. Such management's judgment is based on the going concern assessment of ERG Group.

Cost of guarantees is allocated between co-guarantors based on fair value of co-guarantors net assets.

Management concluded that it is unlikely that the Group will be required to settle the guaranteed obligations.

Tax and transfer pricing legislation. Kazakhstan tax and transfer pricing legislation is subject to varying interpretations.

Investments at fair value. The Group does not have control or significant influence in relation to the entities since the Group cannot make decisions regarding financing and operating activities of these entities.

4 Balances and Transactions with Related Parties

Parent company: Information is disclosed in Note 1.

Entities under common control: entities under control of ERG.

Entities under control of Class B Managers: Class B Managers and all entities under their control are related parties of the Group as a result of Class B Managers' indirect interests in the ordinary shares of ERG. Class B Managers are members of the Board of Managers of ERG.

Government related entities: The Republic of Kazakhstan and related legal entities. The Republic of Kazakhstan is the Group's related party based on significant influence on ERG.

Key management: persons with direct or indirect authority and responsibility for planning, coordination and control of the Group's operations.

At 31 December 2021, the outstanding balances with related parties were as follows:

In thousands of Kazakhstani Tenge	Parent Company	Entities under common control	Entities under control of Class B Managers	Government related entities	Key management
Assets:					
Investments at fair value	–	29,133,179	–	–	–
Loans receivable*	476,423,592	–	–	–	–
Other non-current assets	–	1,876,480	2,536,428	435,394	–
Trade and other receivables	–	30,381,545	299,143	788,996	–
Cash and cash equivalents	–	–	58,431,386	–	–
Other current assets	–	–	87,243	–	–
Liabilities:					
Leases	–	–	–	271,897	–
Preference shares liabilities	5,294,012	–	–	–	–
Employee benefits	–	–	–	–	28,890
Financial guarantees	20,891,859	–	–	–	–
Trade and other payables	918,946	19,606,780	287,483	590,553	–

*ECL allowance on loans receivable is disclosed in Note 10

As of 31 December 2021 the Group has had an undrawn commitment to invest capital of up to US$58 million (Tenge 25,044,400 thousand) to Eurasian Digital Ventures 1 Limited Partnership, a subsidiary undertaking of ERG S.à r.l., during the period up the year of 2025, subject to certain conditions being satisfied (2020: US$106 million (Tenge 44,616,460 thousand)).

At 31 December 2020, the outstanding balances with related parties were as follows:

In thousands of Kazakhstani Tenge	Parent Company	Entities under common control	Entities under control of Class B Managers	Government related entities	Key management
Assets:					
Investments at fair value	–	16,890,047	–	–	–
Loans receivable*	411,978,569	–	–	–	–
Other non-current assets	–	174,443	2,141,391	–	–
Trade and other receivables	–	2,871,740	635,912	1,781,131	–
Cash and cash equivalents	–	–	48,169,857	2,231	–
Other current assets	–	–	31,007	–	–
Liabilities:					
Leases	–	2,343	–	275,013	–
Preference shares liabilities	6,212,958	–	–	–	–
Employee benefits	–	–	–	–	27,703
Financial guarantees	23,886,961	–	–	–	–
Trade and other payables	918,946	28,251,039	321,898	1,130,295	–

*ECL allowance on loans receivable is disclosed in Note 10

The income and expense items with related parties for the year ended 31 December 2021 were as follows:

In thousands of Kazakhstani Tenge	Parent	Entities under common control	Entities under control of Class B Managers	Government related entities	Key management
Revenue	–	1,695,290	7,147	967,703	–
Cost of sales	–	(109,737,518)	(9,711,272)	(25,704,250)	–
Other operating income	–	3,376,151	8,754	2,935	–
Other operating expense	–	(274,879)	(537,128)	(10,161)	–
Distribution costs	–	(809,213)	(4,611)	(411,020)	–
Research, business development and exploration expenditures	–	(1,702,908)	(712)	(35,869)	–
General and administrative expenses	–	(25,627,455)	(394,259)	(203,885)	(827,106)
Finance income	36,790,063	–	915,511	9,088	–
Finance cost*	13,303,426	(7,911,712)	2,112,932	(123,858)	–

*Finance cost includes recovery of ECL allowance on loans receivables from Parent company in the amount of Tenge 1,122,048 thousand and also foreign exchange gain related to loans receivable and deposits.

The income and expense items with related parties for the year ended 31 December 2020 were as follows:

In thousands of Kazakhstani Tenge	Parent	Entities under common control	Entities under control of Class B Managers	Government related entities	Key management
Revenue	–	891,594	11,923	261,384	–
Cost of sales	–	(90,877,928)	(9,283,481)	(26,143,412)	–
Other operating income	–	2,368,373	653,964	5,508	–
Other operating expense	–	(1,374,947)	(366,346)	(296,770)	–
Distribution costs	–	(526,279)	(4,354)	(409,294)	–
Research, business development and exploration expenditures	–	–	–	(213,502)	–
General and administrative expenses	–	(11,338,248)	(476,129)	(151,598)	(717,039)
Finance income	40,186,776	292,677	688,135	–	–
Finance cost*	(1,303,926)	(19,021,247)	1,366,848	–	–

*Finance cost includes ECL allowance on loans receivables from Parent company in the amount of Tenge 4,007,047 thousand and also foreign exchange gain and loss related to loans receivable and deposits.

4 Balances and Transactions with Related Parties (continued)

Key management compensation of Group is presented below:

In thousands of Kazakhstani Tenge	2021	2020
Wages, salaries and other bonuses	575,577	483,141
Post-employment and other long-term benefits	251,529	233,898
Total key management compensation	**827,106**	**717,039**

Entities under common control. During 2021 and 2020, the Group mainly sold ferroalloys and also received financing for working capital replenishment. Prices for ferroalloys depends on the global markets. The Group purchased materials, electricity and management services and provided sponsorship aid.

Entities under control of Class B Managers. Balances and transactions with entities under control of class B Managers comprise mainly treasury operations carried out through a bank under control of Class B Managers, and insurance services.

Government related entities. The Group performs transactions on purchase and sale of goods and services with government related entities. Such transactions are usually carried out on market conditions or on the basis of tariffs established for all market participants. The Group procured natural gas supply and transportation services, railway services, and electricity transportation services.

5 Property, Plant and Equipment

In thousands of Kazakhstani Tenge	Land	Buildings and constructions	Machinery and equipment	Other	Construction in progress	Total
Cost at 31 December 2019	5,142,913	198,803,467	300,340,633	24,115,746	204,892,886	733,295,645
Accumulated depreciation	(16,211)	(81,907,898)	(176,152,523)	(12,596,464)	–	(270,673,096)
Carrying amount at 31 December 2019	**5,126,702**	**116,895,569**	**124,188,110**	**11,519,282**	**204,892,886**	**462,622,549**
Additions	36,084	240,074	8,823,919	3,176,928	56,622,184	68,899,189
Changes in estimates of assets retirement obligations	–	51,024	12,840	–	–	63,864
Transfer to assets held for sale	–	(86,145)	(21,694)	–	–	(107,839)
Transfers	(6,732)	28,615,280	44,144,940	2,026,790	(74,780,278)	–
Transfers (to)/from inventories	–	(18,025)	16,856	–	6,822,710	6,821,541
Depreciation charge	(16,946)	(14,654,074)	(33,050,457)	(2,175,062)	–	(49,896,539)
Disposals	(13,148)	(88,686)	(7,002)	–	(6,021)	(114,857)
Impairment	–	(43,399)	(1,712)	–	(162,137)	(207,248)
Cost at 31 December 2020	5,159,116	226,945,427	352,143,088	29,185,462	193,389,344	806,822,437
Accumulated depreciation	(33,156)	(96,033,809)	(208,037,288)	(14,637,524)	–	(318,741,777)
Carrying amount at 31 December 2020	**5,125,960**	**130,911,618**	**144,105,800**	**14,547,938**	**193,389,344**	**488,080,660**
Additions	143,176	1,109,802	12,219,988	2,506,086	82,841,457	98,820,509
Changes in estimates of assets retirement obligations	–	2,011,671	6,144	–	–	2,017,815
Transfers	29,129	23,535,226	37,147,183	1,532,492	(62,244,030)	–
Transfer to assets held for sale	(5,849)	(749,693)	(75)	–	–	(755,617)
Transfers (to)/from inventories	–	(614,839)	614,839	–	9,625,112	9,625,112
Depreciation charge	(25,343)	(15,160,336)	(35,488,803)	(2,490,347)	–	(53,164,829)
Disposals	(65,818)	(988,389)	(78,096)	(2,972)	(68,385)	(1,203,660)
Impairment reversal/ (impairment)	–	9,943	(38,425)	–	70,361	41,879
Cost at 31 December 2021	5,259,754	246,245,694	396,649,030	32,775,974	223,613,859	904,544,311
Accumulated depreciation	(58,499)	(106,180,691)	(238,160,475)	(16,682,777)	–	(361,082,442)
Carrying amount at 31 December 2021	**5,201,255**	**140,065,003**	**158,488,555**	**16,093,197**	**223,613,859**	**543,461,869**

Additions to construction in progress include capitalised borrowing costs Tenge 9,155,095 thousand (2020: Tenge 8,425,912 thousand). Capitalization rate was 8.4% (2020: 10.07%).

As at 31 December 2021, the carrying amount of right-of-use assets was Tenge 3,207,288 thousand (31 December 2020: Tenge 3,759,567 thousand).

6 Investments at Fair Value

Company name	Registration country	Operations	2021		2020	
			Thousands Tenge	Share, %	Thousands Tenge	Share, %
Eurasian Digital Ventures 1 Limited Partnership	Kazakhstan (AIFC)	Venture investment	23,765,061	69.51	11,521,929	62.31
Business and Technology Services LLP	Kazakhstan	Adaption and support of ERP-systems	5,364,899	37.99	5,364,899	37.99
ENRC Credit LLP	Kazakhstan	Financing	3,219	0.0016	3,219	0.0016
Total investments at fair value			**29,133,179**		**16,890,047**	

7 Other non-current assets

Other non-current assets are represented mainly by long-term advances paid for property, plant and equipment and related services in amount of Tenge 37,680,522 thousand. (2020: Tenge 17,840,090 thousand).

8 Inventories

In thousands of Kazakhstani Tenge	2021	2020
Purchased raw materials	97,395,832	64,036,426
Work in progress	33,748,261	22,971,289
Produced raw materials	29,461,735	23,976,401
Finished goods	15,969,645	9,072,326
Other	173,379	19,952
Less: provision for obsolete and slow-moving inventories	(12,775,301)	(12,730,919)
Total inventories	**163,973,551**	**107,345,475**

9 Trade and Other Receivables

In thousands of Kazakhstani Tenge	2021	2020
Trade receivables provisionally priced	106,104,233	58,818,098
Trade receivables	16,738,234	9,318,422
Letter of credit	7,086,550	152,237
Other	548,981	689,756
Less: ECL allowance	(666,318)	(470,372)
Total financial assets	**129,811,680**	**68,508,141**
Prepayments	47,723,984	15,035,430
VAT recoverable and other taxes	21,017,715	36,753,481
Other	156,036	209,785
Less: impairment provision	(2,068,465)	(1,261,619)
Total non-financial assets	**66,829,270**	**50,737,077**
Total trade and other receivables	**196,640,950**	**119,245,218**

Analysis of ECL for trade receivables carried at amortised cost is presented below.

In thousands of Kazakhstani Tenge	31 December 2021			31 December 2020		
	Gross carrying amount	ECL	Net amount	Gross carrying amount	ECL	Net amount
Current	13,850,647	(269,597)	13,581,050	7,532,357	(74,788)	7,457,569
Less than 3 months overdue	2,419,836	(276,995)	2,142,841	1,493,903	(74,343)	1,419,560
3 to 6 months overdue	8,336	(2,382)	5,954	396,234	(68,694)	327,540
6 to 12 months overdue	68,273	(37,248)	31,025	169,860	(93,199)	76,661
More than 12 months overdue	100,130	(80,096)	20,034	211,604	(159,348)	52,256
Total past due	**2,596,575**	**(396,721)**	**2,199,854**	**2,271,601**	**(395,584)**	**1,876,017**
Total current and past due	**16,447,222**	**(666,318)**	**15,780,904**	**9,803,958**	**(470,372)**	**9,333,586**

10 Loans Receivable

In thousands of Kazakhstani Tenge	2021	2020
ECL allowance at 1 January	**8,176,212**	**4,169,165**
Loans issued	563,720	2,371,783
Loans repaid	(260,712)	(659,207)
Changes to ECL measurement assumptions and modification of contract terms	(1,425,056)	2,294,471
ECL allowance at 31 December	**7,054,164**	**8,176,212**

In 2021 the Group provided a tranche to the Parent in the amount of US$98 million (Tenge 41,964,948 thousand) with a maturity in 2025 with interest rate similar to loans issued in 2020. During the year the Parent company prior to maturity repaid loans in the amount of US$52 million (Tenge 22,209,417 thousand).

For the existing credit lines to the Parent the maturity date was changed to the end of 2024 and the interest rate was decreased for 1.01-1.58% per annum, as well as, according to the changed terms the interest must be paid annually instead of maturity date. Also if accrued interest is not paid in time that interest is capitalized to the principal amount. In 2021 the amount of capitalized interest was US$140 million (Tenge 60,584,405 thousand).

In 2020 the Group signed an addendum to the existing credit line provided to the Parent company increasing the amount up to US$350 million (Tenge 139,058,500 thousand) and increasing the interest rate. The Group provided a loan to the Parent company in the amount of US$227 million (Tenge 95,066,939 thousand) repayable until 2025.

Loans receivable bear interest at a rate of 5.15% per annum (2020: 6.16–6.73% per annum) and mature in 3 years (2020: 3-5 years).

11 Cash and Cash Equivalents

In thousands of Kazakhstani Tenge	31 December 2021	31 December 2020
Term deposits	54,083,079	8,456,558
Cash in bank accounts and on hands	159,431,888	47,228,815
Cash in transit	4,301,605	–
Total cash and cash equivalents	**217,816,572**	**55,685,373**

12 Share Capital

In thousands of Kazakhstani Tenge	31 December 2020 and 2021	
	Quantity	Amount
Ordinary shares	99,953,939	100,058,381
Preference shares	9,896,772	2,664,662
Total nominal issued share capital	**–**	**102,723,043**
Ordinary shares	–	(104,442)
Preference shares	–	(556,462)
Total unpaid charter capital	**–**	**(660,904)**
Share capital indexation for hyperinflation	–	4,442,888
Total share capital	**–**	**106,505,027**

Dividend of Tenge 986 (2020: Tenge 598) per ordinary share was declared. Dividend of Tenge 886 (2020: Tenge 535) per preference share was declared, in excess of the guaranteed amount of Tenge 100.

The par value of ordinary shares is Tenge 1,000 per share (2020: Tenge 1,000 per share). Each ordinary share carries one vote. In 2021 and 2020 the Company did not issue ordinary shares.

The par value of preference shares is Tenge 1,000 per share (2020: Tenge 1,000 per share).

The preference shares do not envisage the obligatory redemption by the company (issuer) and participate in any dividend distribution. The preference shares owners rank ahead of the owners of ordinary shares to receive dividends in a predetermined guaranteed amount established by the charter, and a portion of the property upon liquidation of the Company. Prior to the full payment of dividends on the Company's preference shares, payment of dividends on its ordinary shares should not be made.

The dividends on the preference shares in excess of the guaranteed amount are not contractual and not subject to payment since such distributions can be avoided if dividends on ordinary shares are not distributed. Therefore, the preference share represents a compound instrument which consists of equity and liability components.

The preference shares do not provide their holder with the right to participate in Company's governance, excluding the cases, when:

- General meeting of shareholders of the Company considers a matter, the decision on which may restrict the rights of a shareholder owning preferred shares;
- The General Meeting of Shareholders of the Company considers the issue of approving changes in the methodology for determining the value of preferred shares when they are redeemed by the Company on an unorganized market;
- The General Meeting of Shareholders of the Company considers the issue of reorganization or liquidation of the Company;
- The dividend on the preference share has not been paid in full within three months from the expiration of the period established for its payment.

Dividends declared and paid during the year were as follows:

In thousands of Kazakhstani Tenge	2021			2020		
	Ordinary shares	Preference shares		Ordinary shares	Preference shares	
		Equity	Liability		Equity	Liability
Dividends payable at 1 January	600,603	5,173,568	989,334	598,888	5,222,668	989,334
Dividends declared	98,538,378	8,764,778	989,334	59,822,137	5,293,797	989,334
Dividends paid	(98,751,048)	(8,887,265)	(989,334)	(59,820,422)	(5,342,897)	(989,334)
Dividends payable at 31 December	**387,933**	**5,051,081**	**989,334**	**600,603**	**5,173,568**	**989,334**

13 Borrowings

During the year 2021, the Group received US$250 million (Tenge 106,702,500 thousand) under the existing loan agreement with VTB Bank (PJSC).

During the year 2021, VTB Bank (PJSC) assigned US$14 million (Tenge 5,959,940 thousand) to VTB Bank (Kazakhstan).

During the year 2020, the Group signed amendments to the existing loan facility agreement with VTB Bank (PJSC) in order to receive additional tranche in the total amount of up to US$350 million (Tenge 139,814,500 thousand), extend the final maturity up to 7 years, reduce interest rate by 0.85%-1.2% per annum, and improve certain commercial terms, including financial covenants. As of December 31, 2020, US$100 million (Tenge 40,151,000 thousand) from the credit line was drawn down, and assigned from VTB Bank (PJSC) to CQUR Bank LLC, another lender under the loan agreement.

In thousands of Kazakhstani Tenge	Borrowings	Dividends	Lease liabilities	Preference shares liabilities	Total
Financial liabilities at 1 January 2020	**756,422,889**	**5,821,556**	**2,065,560**	**7,756,511**	**772,066,516**
Cash movements	27,613,772	(65,163,319)	(545,718)	(989,334)	(39,084,599)
Foreign exchange adjustments	78,429,888	–	21,219	–	78,451,107
Other non-cash movements	(6,440,936)	65,115,934	2,327,234	911,008	61,913,240
Financial liabilities at 31 December 2020	**856,025,613**	**5,774,171**	**3,868,295**	**7,678,185**	**873,346,264**
Cash movements	14,264,838	(107,638,313)	(1,149,018)	(989,334)	(95,511,827)
Foreign exchange adjustments	22,399,022	–	72,274	–	22,471,296
Other non-cash movements	52,114,390	107,303,156	313,564	901,202	160,632,312
Financial liabilities at 31 December 2021	**944,803,863**	**5,439,014**	**3,105,115**	**7,590,053**	**960,938,045**

Other non-cash movements include primarily interest expense, unwinding of discount, gain/loss on modification (Note 22 and Note 23) and dividends accrued.

14 Trade and Other Payables

In thousands of Kazakhstani Tenge	2021	2020
Trade payables	67,636,198	70,906,558
Dividends payable	5,439,013	5,774,171
Other	8,353,827	2,216,887
Total financial liabilities	**81,429,038**	**78,897,616**
Payables to employees	10,448,062	6,675,185
Advances received	299,759	484,094
Other	846,985	3,143,599
Total non-financial liabilities	**11,594,806**	**10,302,878**
Total trade and other payables	**93,023,844**	**89,200,494**

In current reporting period revenue recognised in the amount of Tenge 484,094 thousand in relation to advances received at the beginning of the reporting year (2020: Tenge 1,294,911 thousand).

15 Provisions for Assets Retirement Obligations

In thousands of Kazakhstani Tenge	2021			2020		
	Mining assets	Waste polygons	Total	Mining assets	Waste polygons	Total
Long-term portion	3,197,553	2,825,738	6,023,291	1,391,039	2,315,338	3,706,377
Short-term portion	331,015	59,407	390,422	231,625	111,236	342,861
Total	3,528,568	2,885,145	6,413,713	1,622,664	2,426,574	4,049,238

In thousands of Kazakhstani Tenge	Mining assets		Waste polygons		Other assets decommissi-oning costs	Total
	Decommissi-oning costs	Landfill site restoration	Decommissi-oning costs	Landfill site restoration		
Carrying amount at 31 December 2019	**949,840**	**487,640**	**52,040**	**2,370,294**	**1,416,812**	**5,276,626**
Utilised during the year	–	(7,859)	–	(84,835)	–	(92,694)
Change in estimates	91,364	(16,760)	–	(136,592)	(1,535,185)	(1,597,173)
Unwinding of the present value discount	67,626	50,813	–	225,667	118,373	462,479
Carrying amount at 31 December 2020	**1,108,830**	**513,834**	**52,040**	**2,374,534**	**–**	**4,049,238**
Utilised during the year	–	–	–	(29,822)	–	(29,822)
Change in estimates	1,001,876	736,423	–	231,241	–	1,969,540
Unwinding of the present value discount	122,810	44,795	–	257,152	–	424,757
Carrying amount at 31 December 2021	**2,233,516**	**1,295,052**	**52,040**	**2,833,105**	**–**	**6,413,713**

Changes in estimates of reserves for obligations for liquidation and restoration of other assets in the amount of Tenge 34,576 thousand led to a decrease the cost of sales (2020: Tenge 1,681,575 thousand) (Note 3).

Principal assumptions made in calculations of assets retirement obligations are presented below:

In percent	2021	2020
Discount rate	5.44-12.20	9.84-11.00
Inflation rate	4.70-6.40	5.30-6.80

16 Employee Benefits

Changes in benefit obligations related to established pension payments liabilities and other long-term payments liabilities to employees presented below:

In thousands of Kazakhstani Tenge	2021	2020
Present value of defined benefit obligations in the beginning of the year	**5,606,479**	**6,904,166**
Unwinding of the present value discount	565,893	573,692
Benefits paid	(790,268)	(566,616)
Current service cost	234,772	205,677
Remeasurements	467,726	(1,510,440)
Present value of defined benefit obligations in the end of the year	**6,084,602**	**5,606,479**

The remeasurements of the post-employment benefits include the following:

In thousands of Kazakhstani Tenge	2021	2020
Loss from change in financial assumptions	(3,507)	(605,659)
Loss from change in demographic assumptions	(70,030)	(123,278)
Experience adjustments	345,606	96,554
Total remeasurements of post-employment benefit obligations	**272,069**	**(632,383)**

Principal actuarial assumptions at the reporting date are as follows:

In percent	2021	2020
Discount rate	10.32	10.00
Salary growth rate	6.20	6.20
Average staff turnover	6.91	6.81

The sensitivity analysis for the post-employment employee benefits obligations at 31 December 2021 for changes in key assumptions is presented in the table below:

In thousands of Kazakhstani Tenge	Increase/(decrease) in the defined benefit obligations
Discount rate	
Increase by 3 percent	(444,497)
Decrease by 3 percent	434,265
Future salary growth rates and minimum calculation index	
Increase by 3 percent	350,406
Decrease by 3 percent	(369,316)
Average staff turnover rate	
Increase by 3 percent	(249,349)
Decrease by 3 percent	296,030

17 Financial Guarantees

Entity	Guaranteed obligations		Period of the guarantee
	31 December 2021	31 December 2020	
Parent Company	512,762,500	541,921,625	2028 г.
Third parties	2,037,670	2,162,934	2036–2039 г.
Total	514,800,170	544,084,559	

The carrying amount of financial guarantees represents unamortised amount accounted for an initial recognition.

18 Earnings per Share and Book Value per Share

In thousands of Kazakhstani Tenge	2021	2020
Profit for the year	434,581,111	132,146,520
Profit attributable to preference shares	(39,140,520)	(11,901,768)
Net profit attributable to ordinary shareholders	395,440,591	120,244,752
Weighted average number of ordinary shares in issue	99,953,446	99,953,446
Basic and diluted earnings per ordinary share (Tenge)	3,956	1,203

BOOK VALUE PER ONE ORDINARY SHARE

In thousands of Kazakhstani Tenge	31 December 2021	31 December 2020
Assets	1,669,742,011	1,220,697,090
Intangible assets	(580,607)	(621,196)
Liabilities	(1,127,689,399)	(1,005,705,767)
Share capital, preference shares	(2,664,662)	(2,664,662)
Net assets for ordinary shares	**538,807,343**	**211,705,465**
Number of ordinary shares (units)	99,953,446	99,953,446
Book value per 1 ordinary share (Tenge)	**5,391**	**2,118**

BOOK VALUE PER ONE PREFERENCE SHARE

In thousands of Kazakhstani Tenge	31 December 2021	31 December 2020
Share capital, preference shares	2,664,662	2,664,662
Capital attributable to preference shareholders	**2,664,662**	**2,664,662**
Debt component of the first-group preference shares charged to liabilities	6,600,719	6,688,851
Total	**9,265,381**	**9,353,513**
Number of preference shares (units)	9,893,344	9,893,344
Book value per 1 preference share (Tenge)	**937**	**945**

Book values of ordinary and preference shares are calculated in line with Annex 2 of the Listing Rules of Kazakhstan Stock Exchange.

19 Revenue

The table below provides the revenue by geographical location. Revenue by geographical location is allocated based upon geographical domicile of customers, and eventual destination of products sold could be in alternative geographical locations.

In thousands of Kazakhstani Tenge	2021	2020
Europe	997,151,975	631,411,721
Eurasia	56,586,645	29,682,766
Kazakhstan	5,679,830	3,095,206
Total revenue	**1,059,418,450**	**664,189,693**

The table below provides revenue by product:

In thousands of Kazakhstani Tenge	2021	2020
High-carbon ferrochrome	871,917,412	567,655,267
Silicon alloys	105,450,468	51,806,927
Refined ferrochrome	78,843,399	42,007,441
Other	3,207,171	2,720,058
Total revenue	**1,059,418,450**	**664,189,693**

Revenue from one customer amounted to Tenge 997,158,161 thousand (2020: Tenge 631,408,478 thousand). Revenue for 2021 includes Tenge 110,119,693 thousand revenue from sources other than contracts with customers (2020: Tenge 7,562,538 thousand loss).

20 Cost of Sales

In thousands of Kazakhstani Tenge	2021	2020 (restated)
Materials and components used	205,659,314	168,597,943
Power and energy	76,648,940	72,064,587
Staff costs	76,581,326	63,530,909
Depreciation and amortisation	48,206,583	44,547,960
Mineral extraction tax	17,373,301	19,223,968
Other	34,272,321	34,268,569
Total cost of sales	**458,741,785**	**402,233,936**

21 General and Administrative Expenses

In thousands of Kazakhstani Tenge	2021	2020 (restated)
Management fees, professional and other services	19,045,325	13,163,226
Sponsorship and charity	9,965,023	2,007,143
Staff costs	4,300,733	4,874,777
Other taxes, except for income tax	1,260,346	1,353,786
Depreciation and amortisation	895,053	1,203,453
Other	4,483,634	3,207,518
Total general and administrative expenses	**39,950,114**	**25,809,903**

Contributions to a number of various one-off individual infrastructure social development projects at the national level in Kazakhstan for the twelve months ended 31 December 2021 amounted to 5,194,379 thousand Tenge (31 December 2020: none).

22 Finance Income

In thousands of Kazakhstani Tenge	2021	2020
Interest income	25,079,017	23,885,136
Gain on modification of loans receivable	8,715,945	–
Amortisation of financial guarantees	3,001,119	4,020,893
Gain on modification of borrowings	–	59,132,475
Gain on early derecognition of financial guarantees	–	11,492,054
Reimbursement of withholding income tax on borrowings	–	3,409,257
Amortisation of loss from borrowings	–	2,949,923
Gain on initial recognition of loans receivable	–	196,389
Other	1,110,712	2,113,442
Total finance income	**37,906,793**	**107,199,569**

Gain on modification of borrowings resulted from revision of certain credit facility agreements. Under the revised terms, the aggregate interest rates were reduced (Note 13).

23 Finance Cost

In thousands of Kazakhstani Tenge	2021	2020
Interest expense	46,567,088	54,131,189
Revaluation of investments at fair value	8,417,211	18,155,813
Unwinding of discount on financial instruments	5,251,931	2,733,607
Net foreign exchange loss	4,890,842	43,554,234
(Reversal)/accrual of ECL allowance on loans receivables	(1,122,048)	4,007,047
Loss on initial recognition and renewal of financial guarantees	–	23,993,635
Loss on initial recognition of loans receivable	–	2,269,452
Other	795,757	5,620,456
Total finance cost	**64,800,781**	**154,465,433**

24 Income Taxes

In thousands of Kazakhstani Tenge	2021	2020
Current income tax expense	82,768,193	33,455,249
Current income tax expense – prior periods	1,274,976	2,795,952
Total current income tax expense	**84,043,169**	**36,251,201**
Deferred income tax (benefit)/expense	(1,873,819)	6,134,493
Total deferred income tax (benefit)/expense	**(1,873,819)**	**6,134,493**
Income tax expense for the year	**82,169,350**	**42,385,694**

Reconciliation between the theoretical and the actual taxation charge is provided below:

In thousands of Kazakhstani Tenge	2021	2020
Profit before tax	**516,751,446**	**174,541,542**
Tax charge at statutory rate of 20%	103,350,289	34,908,308
Tax effect of non-deductible or non-taxable items:		
non-taxable income and non-deductible expense under investment contract	(24,383,431)	(2,544,515)
income tax – prior periods	1,274,976	2,795,952
revaluation of investments	1,582,310	3,631,163
other	345,206	3,594,786
Income tax expense for the year	**82,169,350**	**42,385,694**

In thousands of Kazakhstani Tenge	1 January 2021	Charged to profit or loss	Charged to other comprehensive income	31 December 2021
Tax effect of deductible/(taxable) temporary differences				
Property, plant and equipment	(2,111,683)	977,812	–	(1,133,871)
Borrowings	(9,968,675)	841,648	–	(9,127,027)
Inventories	2,540,118	14,942	–	2,555,060
Loans receivable and other receivables	3,715,103	(2,086,440)	–	1,628,663
Employee benefits	1,010,823	53,849	54,418	1,119,090
Taxes accrued but not paid	1,178,191	169,409	–	1,347,600
Vacation provision	858,874	84,908	–	943,782
Other	2,025,608	1,817,691	–	3,843,299
Net deferred income tax position	(751,641)	1,873,819	54,418	1,176,596
Presented as:				
Recognised deferred income tax asset	214			1,176,596
Recognised deferred income tax liability	(751,855)			–

24 Income Taxes (continued)

In thousands of Kazakhstani Tenge	1 January 2020	Charged to profit or loss	Charged to other omprehensive income	31 December 2020
Tax effect of deductible/(taxable) temporary differences				
Property, plant and equipment	(6,465,090)	4,353,407	–	(2,111,683)
Borrowings	2,399,059	(12,367,734)	–	(9,968,675)
Inventories	2,763,822	(223,704)	–	2,540,118
Loans receivable and other receivables	2,041,813	1,673,290	–	3,715,103
Employee benefits	1,255,319	(118,019)	(126,477)	1,010,823
Taxes accrued but not paid	1,213,431	(35,240)	–	1,178,191
Other	2,300,975	583,507	–	2,884,482
Net deferred income tax position	**5,509,329**	**(6,134,493)**	**(126,477)**	**(751,641)**
Presented as:				
Recognised deferred income tax asset	5,509,329			214
Recognised deferred income tax liability	–			(751,855)

25 Contingencies, Commitments and Operating Risks

Tax legislation and transfer pricing legislation. Kazakhstani tax legislation and practice is in a state of continuous development, and therefore is subject to varying interpretations and frequent changes, which may have retroactive impact. Therefore, the interpretation of tax legislation by the tax authorities in relation to the Group's transactions and operations, may differ from management's interpretation. In this regard, tax position of the Group in respect of certain transactions may be challenged by the tax authorities, and this may lead to charging of additional tax liabilities, penalties and fines. Audited tax periods remain open for retrospective review by the Kazakhstan tax authorities before the expiration of the applicable statute of limitations. Whilst there is a risk that the Kazakhstan tax authorities may challenge the policies applied by the Group, including those related to transfer pricing, management believes that it will be able to successfully defend its position in case of disputes, and also notes that the amount of a potential claim by the tax authorities is not subject to reasonable assessment. Accordingly, at 31 December 2021 the financial statements have no provision for potential tax liabilities (2020: no provision recorded).

Contractual capital expenditure commitments. As at 31 December 2021, the Group has contractual capital expenditure commitments in respect of acquisition of property, plant and equipment totalling Tenge 176,657,975 thousand (2020: Tenge 59,807,650 thousand).

Legal proceedings. From time to time and in the normal course of business, claims against the Group are received. On the basis of its own estimates and both internal and external professional advice, Management of the Group is of the opinion that no material losses will be incurred in respect of these claims.

26 Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, the risk of interest rate risk affecting fair value and cash flows and price risk), credit risk and liquidity risk. The Group's risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use derivative financial instruments for hedging certain risks

(A) MARKET RISK

Currency risk. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, in particular in relation to US$, Euro and the Russian Rouble. The Group exports ferroalloys abroad and attracts the significant amount of long-term borrowings in foreign currency. The Group does not use derivative financial instruments in order to decrease currency risk, and is thus exposed to foreign exchange risk. The ERG management monitors foreign exchange risk exposure by currency and in total based on the ERG consolidated position.

The table below summarizes the Group's exposure to currency risk at the end of the reporting period:

In thousands of Kazakhstani Tenge	US$	Russian Rouble	Euro	Tenge	Other	Total
As of 31 December 2021						
Assets	778,304,966	5,307,287	108,838	77,132,146	–	860,853,237
Liabilities	(948,415,803)	(6,852,530)	(12,128,594)	(68,369,795)	(172,013)	(1,035,938,735)
Net exposure to currency risk	**(170,110,837)**	**(1,545,243)**	**(12,019,756)**	**8,762,351**	**(172,013)**	**(175,085,498)**
As of 31 December 2020						
Assets	541,477,795	976,863	3	19,696,690	–	562,151,351
Liabilities	(859,144,133)	(3,517,382)	(12,803,748)	(69,695,122)	(319,990)	(945,480,375)
Net exposure to currency risk	**(317,666,338)**	**(2,540,519)**	**(12,803,745)**	**(49,998,432)**	**(319,990)**	**(383,329,024)**

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the respective Group entities, with all other variables held constant:

In thousands of Kazakhstani Tenge	Effect on profit/(loss) and equity	
	31 December 2021	31 December 2020
US$ strengthening/weakening by 20%	(27,217,734)/ 27,217,734	(50,826,614)/ 50,826,614
Euro strengthening/weakening by 20%	(1,923,161)/ 1,923,161	(2,048,599)/ 2,048,599
Russian Rouble strengthening/weakening by 20%	(247,239)/ 247,239	(406,483)/ 406,483

Price risk. The Group sells its products to third parties. The Group is exposed to price risk, since the selling prices for finished products depend on general and market specific fluctuations.

The Group is exposed to price risk, since the selling prices for the Group's ferroalloys depend on changes in prices in prevailing market commodity prices, which in their turn depend on general and specific market fluctuations. The Group does not use derivative financial instruments to hedge its exposure to commodity price risk because as per management's forecasts there is a tendency of historically high prices for ferroalloys, observed during the period before financial crisis, to be recovered.

A ten percent increase in commodity market prices for ferroalloys would increase profit before tax by Tenge 5,942,773 thousand (2020: Tenge 4,879,742 thousand increase), and a ten percent decrease in prices would increase profit before tax by Tenge 5,942,773 thousand (2020: Tenge 4,879,742 thousand decrease), with no additional impact on equity. This analysis assumes that all other variables remain constant.

Fluctuations of metal commodity prices affect the fair value assessment of provisionally priced trade receivables.

The Group is exposed to price risk in respect of investments owned by the Group and stated in consolidated balance sheet as investments at fair value. However, the Group has estimated that this risk is low, as investments represent investments in companies of ERG, which are not traded in an active market and ERG controls expected cash flows related to these investments.

Interest rate risk. Changes in interest rates affect mainly the borrowings and loans issued by changing either their fair value (debt liabilities with a fixed interest rate) or their future cash flows from it (debt with a variable interest rate). When attracting or issuing new loans, management decides on what kind of interest rate – fixed or variable – will be more favorable to the Group over the expected period until maturity, based on its judgement.

Change in market interest rate during the reporting period would not affect profit or loss, due to the fact that all raised borrowings or loans issued were obtained at fixed interest rates. As at the reporting date there was no significant influence of interest rate risk on financial assets of the Group.

Assets and liabilities with fixed interest rates expose the Group to the risk of changes in fair value of such assets and liabilities.

(B) CREDIT RISK.

Credit risk mainly arises from cash and cash equivalents, term deposits, loans receivable issued to related parties, financial guarantees as well as credit exposures to customers, including outstanding receivables and confirmed transactions. As of 31 December 2021 the credit rating of banks, where the Group has placed its financial instruments, varied from B to BBB- (S&P) (2020: from B2 (Moody's) to BBB- (Fitch)). In relation to financial guarantees the Group guaranteed the obligations of related parties.

As at 31 December 2021, the Group placed cash and deposits to financial institutions with credit ratings ranging from BBB to BBB- in the amount of Tenge 362 thousand (2020: Tenge 7,582,234 thousand) and from BB+ to B2 in the amount of Tenge 227,328,122 thousand (2020: Tenge 57,175,779 thousand), respectively.

The Group has policies in place to ensure that sales of products and services are made to customers with good financial position and credit history. The majority sales of iron ore products are made to third parties. Customers, which do not match Group's credit solvency requirements, can carry out transactions with the Group only on prepayment terms. The carrying amount of cash and cash equivalents, short-term bank deposits with maturity of more than 3 months, loans receivable and accounts receivables (including receivables from related parties), net of ECL allowances, guaranteed commitments under financial guarantees, capital and loan commitments represents the maximum amount exposed to credit risk.

At 31 December 2021 the Group had only 4 main trade customers. The total trade receivables for main products from four customer are Tenge 120,966,528 thousand (2020: four main debtors of Tenge 64,274,356 thousand) or 98.47% of the total trade and other receivables (2020: 94.33%). These receivables are short-term with a maturity period from 1 to 3 months, which is in compliance with the contract payment terms. The major part of loans receivable is due from related parties. In respect of other balances there is no history of significant default of counterparties.

Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond ECL allowances already recognised for receivables.

(C) LIQUIDITY RISK.

Liquidity risk is defined as the risk of not meeting financial liabilities when they become due. Prudent liquidity risk management implies maintaining the sufficient cash and marketable securities, availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Further details on the Group's going concern principle are discussed in note 2.

Below is the information on contractual terms of financial liabilities settlement, including interest payments. Amounts in the table below represent the contractual undiscounted cash flows.

26 Financial Risk Management (continued)

The table below represents information for 2021:

In thousands of Kazakhstani Tenge	Carrying value	Contractual cash flows	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Liabilities								
Borrowings	944,803,863	1,479,510,067	55,802,324	55,819,146	55,972,075	55,811,669	55,819,146	1,200,285,707
Leases	3,105,115	3,681,718	937,420	866,930	819,507	666,135	31,209	360,517
Preference shares liabilities	6,600,719	18,797,354	–	989,334	989,334	989,334	989,334	14,840,018
Trade and other payables	81,429,038	81,429,038	81,429,038	–	–	–	–	–
Total	**1,035,938,735**	**1,583,418,177**	**138,168,782**	**57,675,410**	**57,780,916**	**57,467,138**	**56,839,689**	**1,215,486,242**
Assets								
Loans receivable	476,423,592	553,593,093	24,795,587	25,049,438	503,748,068	–	–	–
Trade and other receivables	129,811,680	129,811,680	129,811,680	–	–	–	–	–
Cash and cash equivalents	217,816,572	217,816,572	217,816,572	–	–	–	–	–
Other financial assets	36,801,393	37,053,535	132,958	384,610	143,114	70,345	265,134	36,057,374
Total	**860,853,237**	**938,274,880**	**372,556,797**	**25,434,048**	**503,891,182**	**70,345**	**265,134**	**36,057,374**

The table below represents information for 2020:

In thousands of Kazakhstani Tenge	Carrying value	Contractual cash flows	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Liabilities								
Borrowings	856,025,613	1,381,141,493	93,156,766	48,970,248	48,970,248	49,104,413	48,962,960	1,091,976,858
Leases	3,868,295	5,134,504	957,745	953,918	863,768	816,346	665,961	876,766
Preference shares liabilities	6,688,851	19,786,688	–	989,334	989,334	989,334	989,334	15,829,352
Trade and other payables	78,897,616	78,897,616	78,897,616	–	–	–	–	–
Total	**945,480,375**	**1,484,960,301**	**173,012,127**	**50,913,500**	**50,823,350**	**50,910,093**	**50,618,255**	**1,108,682,976**
Assets								
Loans receivable	411,978,569	514,830,865	2,386,363	5,410,077	406,745,599	5,424,899	94,863,927	–
Trade and other receivables	68,508,141	68,508,141	68,508,141	–	–	–	–	–
Cash and cash equivalents	55,685,373	55,685,373	55,685,373	–	–	–	–	–
Other financial assets	25,979,268	27,081,805	31,099	7,087,995	265,653	101,357	2,914	19,592,787
Total	**562,151,351**	**666,106,184**	**126,610,976**	**12,498,072**	**407,011,252**	**5,526,256**	**94,866,841**	**19,592,787**

The Group guaranteed obligations of ERG's subsidiaries (Note 17).

Capital risk management. Decisions in relation to the Group's activity on funding (through own or borrowed funds) are made at the level of the ERG's management. The ERG's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return on capital of shareholders or sell assets to reduce debt.

The Group considers the following amounts under capital management:

In thousands of Kazakhstani Tenge	2021	2020
Borrowings	944,803,863	856,025,613
Equity attributable to the Company's shareholders	542,001,562	214,940,400
Total capital	**1,486,805,425**	**1,070,966,013**

27 Fair Value of Financial Instruments

FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT AMORTISED COST

Fair value of financial instruments carried at amortised cost is based on the expected future cash flows discounted at current interest rates for new instruments with similar credit risks and remaining maturities.

Fair value of loans receivable and borrowings represents Level 2 of the fair value hierarchy. As at 31 December 2021 the fair value of loans receivable amounted to Tenge 475,192,601 thousand (31 December 2020: Tenge 427,553,313 thousand). As of 31 December 2021 the fair value of borrowings amounted to Tenge 983,657,840 thousand (31 December 2020: Tenge 884,106,046 thousand).

Fair values of other financial assets and liabilities carried at amortised cost approximate their carrying amounts.

FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

The Group applies judgement in categorising financial instruments using the fair value hierarchy in order to choose different techniques and verify assumptions, which are mainly based on the market conditions at each reporting date, and fair value measurement of other parties.

Fair value of provisionally priced trade receivables of Level 2 fair value hierarchy is derived from the forecasted quoted commodity prices and equals to Tenge 106,104,233 thousand (31 December 2020: Tenge 58,818,098 thousand).

The fair value of the investments in Eurasian Digital Ventures 1 Limited Partnership accounted at fair value represents Level 3 of the fair value hierarchy and has been determined as a share in the net assets based on the data extracted from the financial statements of Eurasian Digital Ventures 1 Limited Partnership. The fair value of the investment equals to Tenge 23,765,061 thousand (31 December 2020: Tenge 11,521,929 thousand). During the year the Group invested Tenge 16,636,200 thousand, as at the reporting date the unpaid notices and the fair value decrease are equal to Tenge 4,229,147 thousand and Tenge 8,417,211 thousand, respectively.

The fair value of other investments at fair value represents Level 3 of the fair value hierarchy and has been determined based on the discounted cash flow model. Significant unobservable inputs are revenue and its expected annual growth rate. Despite the assumptions being subjective estimate, management believes that potential alternatives related to this assumption do not have significant impact on overall assessment of the instrument.

28 Events after the Balance Sheet Date

In January 2022, the Republic of Kazakhstan faced extraordinary events associated with significant social unrest. The situation in all regions of the country stabilised by the end of January. The President of the Republic of Kazakhstan announced political and economic reforms which are ongoing.

In February 2022, a military conflict between Ukraine and Russia commenced. A number of countries and international organisations, including the United States of America, the European Union, Switzerland and the United Kingdom imposed a series of sanctions against the Russian government, various companies, including major lender of the Group (VTB Bank (PJSC)), and certain individuals. This resulted in significant disruption to financial and commodity markets. The Group continues to comply with all sanctions applicable to its business activities in accordance with adopted compliance policies.

BORROWINGS

In January and February 2022, RCB Bank Limited and CQUR Bank LLC, lenders of the Group, assigned the aggregate of US$1,800 million borrowings to VTB Bank (PJSC).

In March 2022 the Group signed a waiver with VTB Bank (PJSC) to defer payment of principal, where applicable, and payments of interest on all tranches with further option to defer payments for another year.

LOANS

In January 2022 the Group signed an amendment to the existing syndicated credit line agreement with the entities under common control of ERG to increase the loan amount up to USD 2,000 million (or an equivalent amount in Euro and/or Tenge). In March 2022 the Group provided tranche to the subsidiary of ERG in the amount of USD 98 million (Tenge 49,368,583 thousand). In April 2022 the Group provided tranche to the entity under common control of ERG in the amount of USD 44 million (Tenge 19,663,160 thousand).

In January 2022 the Group signed an agreement to open a new syndicated credit line in the amount of US$1,100 million (or an equivalent amount in Euro and/or Tenge) with the entities under common control of ERG. Agreement duration period – 31 December 2023. The interest rate for USD and EUR – 5.125 – 10% per annum, for Tenge – 7 – 14% per annum.

In January 2022 the Group also signed an agreement with the entity under common control of ERG to open a revolving credit line in the amount of Tenge 4,500,000 thousand with maturity date as 31 December 2023. The interest rate is 1% per annum. Under this agreement the Group provided tranche in the amount of Tenge 2,000,000 thousand.

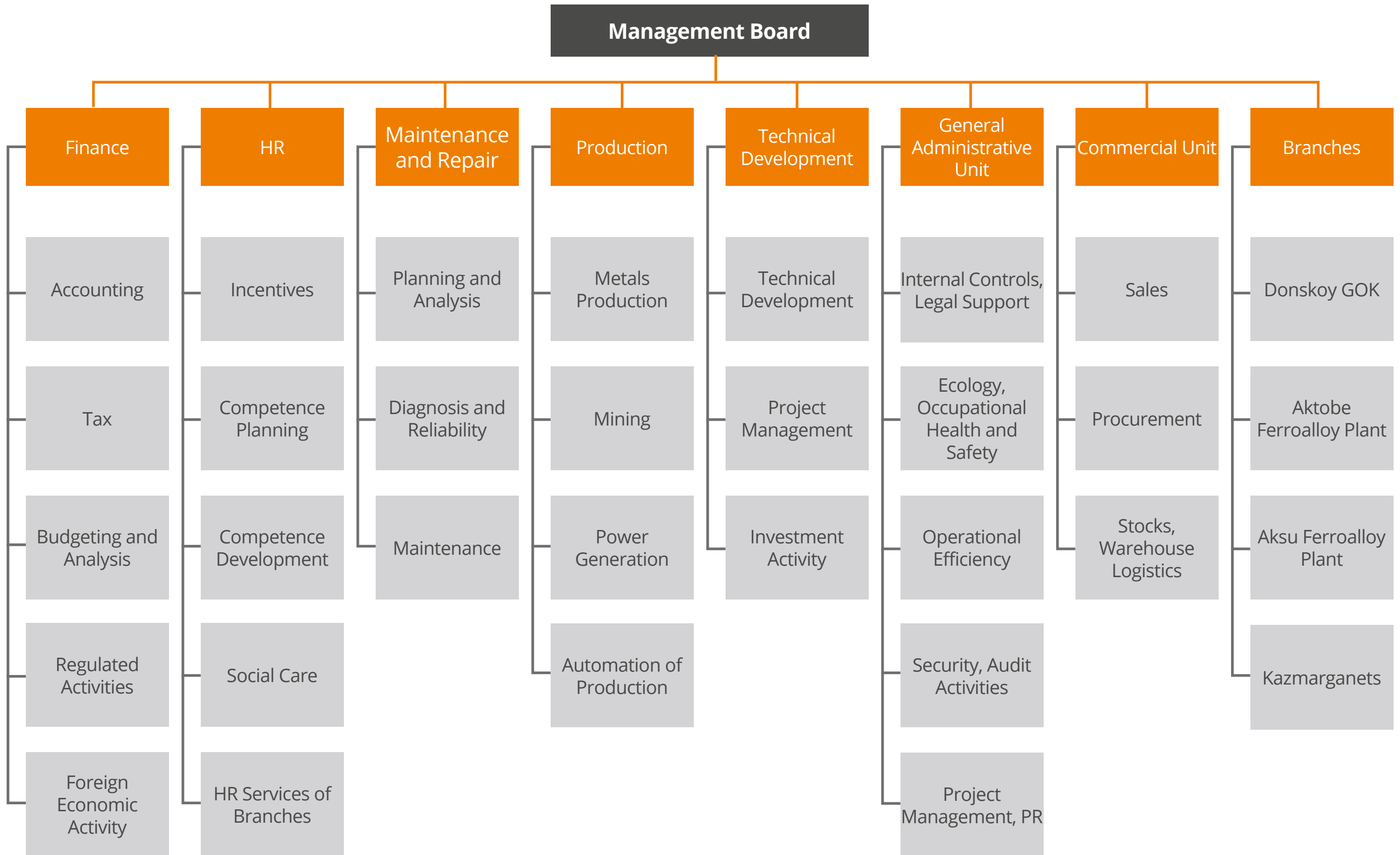
In February 2022 the Group provided a tranche to the Parent in the amount of US$30 million (Tenge 13,116,600 thousand) with a maturity in 2025 with interest rate similar to loans issued in 2021.

OTHER

In March 2022 Group declared dividends in the amount of Tenge 691.79 per ordinary and preference shares. Group accrued dividends in the amount of Tenge 75,990,911 thousand and paid dividends in the amount of Tenge 75,941,682 thousand.

ANNEXES

ANNEX 1: ORGANISATIONAL STRUCTURE



All operating assets of TNC Kazchrome JSC are located in the Republic of Kazakhstan, including:

Name of the branch or subsidiary	Full Name of the Director
Donskoy GOK	Bektybaev Azamat Adylgazynovich
Aktobe Ferroalloys Plant	Zhalgasbai Bereketovich Mussabekov
Aksu Ferroalloys Plant	Chikhichin Valentin Yakovlevich
Kazmarganets Mining Enterprise	Bagdat Tlyubergenovich Zhakbayev
Akzhar Chrome LLP	Gaidukova Yelena Aleksandrovna
Donskaya neftebaza JSC	Natalya Frolovna Ivanova

Name of the branch or subsidiary	Average number of employees in 2021	Gender	
		Women	Men
Executive office	606	386	220
Donskoy GOK	7,407	1,920	5,487
Aktobe Ferroalloys Plant	4,225	781	3,444
Aksu Ferroalloys Plant	6,427	1,423	5,004
Kazmarganets Mining Enterprise	465	76	389
Subsidiaries	32	23	9
TOTAL:	**19,162**	**4,609**	**14,553**

ANNEX 2: GLOSSARY

Measurement units

kt – thousand tonnes

ktpa – thousand tonnes per annum

mt – million tonnes

mtpa – million tonnes per annum

km – kilometres

km² – square kilometre

m³ – cubic metres

m – million

bn – billion

Definitions

SRK – SRK Consulting an independent international consulting company specialising in the mining sector and its activities.

Probable reserves – the estimated volume of reserves which, based on geologic and engineering evidence, can reasonably be expected to exist and is recoverable with presently available technology at an economically viable cost.

Dividend – part of the net profit of the Company distributed among the Company's shareholders.

Dividend policy – a body of principles and methods determining the ratio of the capitalised part of the Company's profit to the part of that paid in the form of dividends, as well as a system of relations and principles determining the procedure and timing of dividend payment and establishing the Company's liability for failure to fulfill the dividends payment obligation.

Proved reserves – mineral reserves, which, according to geological and engineering data, can with a sufficient degree of probability be extracted in the future from known strata under existing economic and external conditions.

Subsidiaries, organisations, enterprises – legal entities, a certain percentage of voting shares of which are held by the Company and, either by virtue of the predominant participation in the authorised capital or under certain concluded agreement or otherwise has the ability to influence the decisions made by such legal entities.

Quarry – mine workings formed by surface mining operations (strip mining); a mining enterprise specialising in open-pit mining of extractable resources.

Indirect use of energy – the consumption of energy produced outside the organisation and used within its limits in intermediate forms of energy.

Listing rules – the mandatory regulations by which a company wishing to list its shares or securities on a stock exchange must comply with.

Manganese concentrate – a product of manganese ore beneficiation with manganese content and general mineralogical makeup meeting the requirements of further metallurgical or other processing for manganese extraction.

Smelting – a process of ore or concentrates smelting aimed at metal separation from impurities.

Refined ferrochrome – ferrochrome with mean/low carbon content.

Mine – a mining enterprise extracting mineral resources (predominantly ore) by underground or surface mining.

Semi-coke – solid carbonaceous reducing agent of 5 to 25mm lump size and ash content not exceeding 10% intended for electrometallurgy purposes.

Alloy – a mix of two or more elements including at least one metal.