TNC Kazchrome JSC
2020 ANNUAL REPORT

From resilience to SUSTAINABILITY

CONTENTS

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.

TNC Kazchrome JSC is a modern, vertically integrated company and one of the world's largest high-carbon ferrochrome producers. Kazchrome has a unique resource base and has been a leader in the mining and metals industry of Kazakhstan for 25 years.

OUR VALUES

- Safety
- Unity
- Efficiency
- Development
- Responsibility

Statement of the Chairman of the Board of Directors TNC Kazchrome JSC

Dear colleagues, partners and investors,

As we look back on the performance of TNC Kazchrome JSC (Kazchrome) in 2020, we feel proud. Stable results, achieved by the Company during this complex and challenging year, prove that we are successfully implementing our strategy, creating long-term value for all our stakeholders and improving our social responsibility performance. In addition, 2020 marked Kazchrome's 25th anniversary: a quarter of a century that is a major milestone on our transformation and development journey.

Despite the negative impact of external factors and the harsh conditions faced by the entire global community due the COVID-19 pandemic, the Company maintained its performance levels. Nevertheless, the situation certainly had a significant effect on our business, our processes and our team.

Given the price volatility of the ferroalloys market, we recorded a decline in key financial indicators compared with 2019. However, the pandemic did not impede the implementation of our key strategic projects, including the capacity expansion of the 10th Anniversary Mine at Donskoy Mining and Processing Plant, an increase in the production capacity of smelting shop No. 6 and expansion of the smelting building and the finished product warehouse in smelting shop No. 1 at Aksu Ferroalloys Plant.

> **Stable results, achieved by the Company during this complex and challenging year, prove that we are successfully implementing our strategy, creating long-term value for all our stakeholders and improving our social responsibility performance.**

We continued to implement projects aimed at developing the Company and enabling it to remain a leader in the ferroalloys industry. Thus, in 2021, we will continue to upgrade workshops No. 1 and 2 of Aktobe Ferroalloys Plant and implement the new Environmental Strategy, which includes the replacement of wastewater treatment facilities at the 10th Anniversary Mine, an overhaul of gas scrubbers at Aksu Ferroalloys Plant and filter upgrades at Aktobe Ferroalloys Plant.

It should also be noted that we owe our impressive results to the way in which we managed to protect our teams and prevent widespread outbreaks of the COVID-19 at our production sites. It is with great sadness that we marked the passing of a number of colleagues from the virus, and we send our condolences to their families and friends. Safety and unity are among the key values shared by all ERG companies, including Kazchrome. Modern and effective preventive safety measures enabled us to maintain the continuity of production processes and, in doing so, fulfil our financial obligations to our stakeholders.

Over the past year, we made considerable progress in the development of digital transformation processes. We moved many areas of our operations on to online platforms and these proved viable.

During the pandemic, we focused on ensuring the safety of our employees and their families. We also increased financial support provided to local communities in our regions of operation. The events of 2020 highlighted once again the importance of a holistic management approach taking into account all aspects of the business: operations, finance and sustainable development. Over the past year, we all became stronger and gained valuable new experiences, which I believe will benefit the future implementation of our plans and strategy.

Serik Shakhazhanov
Chairman of the Board of Directors of TNC Kazchrome JSC

Statement of the President TNC Kazchrome JSC

Dear partners, colleagues and friends,

2020 was a year of global challenges. But even in the midst the global COVID-19 pandemic, Kazchrome demonstrated the potential of its team for action, an efficient development strategy and management that was both mobile and flexible. During this year, we celebrated the 25th anniversary of our Company. As we passed this quarter-of-a-century milestone, we still remain a leader in our industry. During this time, Kazchrome demonstrated a steady growth in its operating results and implemented promising and innovative projects, underpinned by the principles of efficiency and sustainability. In total, over this period, the Company produced 31.2 mln tonnes of ferroalloys.

Despite the risks related to the pandemic, importantly, the Company achieved its production targets. Enhanced safety measures were introduced across all Kazchrome branches to prevent the spread of COVID-19. We were also able to quickly mobilise our resources and transform those processes that had previously involved foreign partners in order to complete scheduled activities on time without external assistance. This enabled us to maintain production levels and fulfil all our financial commitments.

The COVID-19 has undoubtedly affected the chrome ore and ferroalloys market. However, there have been no major changes in the Company's sales profile. A highly diversified customer base and geographical footprint provide us with additional flexibility in terms of product sales, as required.

Although 2020 proved a complex year, we did not need to put any of our strategic projects and initiatives on hold. The Company has continued with the implementation of its development strategy, which includes technical measures aimed at improving furnace productivity. One of the highlights of the last year was the completion of a number of projects aimed at increasing high-carbon ferrochrome production.

The Company remains committed to achieving a stable supply of materials for our ferroalloy plants. Donskoy Mining and Processing Plant, a branch of Kazchrome, is actively implementing a strategic project to build Phase 2 of the 10th Anniversary Mine, which will enable the steady operation of the plant. We also plan to continue investing in the expansion of our resource base. In addition, in order to maintain a stable level of reserves, in 2020, Kazchrome carried out further geological exploration of promising deposits, as well as extended exploration and development of a number of small deposits and pit reserves.

> **"2020 was a year of global challenges. But even in the midst the global COVID-19 pandemic, Kazchrome demonstrated the potential of its team for action, an efficient development strategy and management that was both mobile and flexible.**

Environmental responsibility is a core value for both Kazchrome and ERG, and one which is increasingly integrated into our operational objectives. Alongside a wide range of measures to mitigate the impact of our operations, we have also adopted new environmentally friendly technologies. We make every effort to minimise the environmental impact of our operations and to reduce slag generation and operational waste disposal. Kazchrome works continuously to improve its equipment, process waste, build waste processing facilities and increase the waste product lines outsourced to specialist service providers for subsequent processing and use in other operations.

Sadly, we have to report one fatal accident in 2020, which occurred at our mining operations of Donskoy GOK. Safety rules are put in place to protect the life and health of all our employees and the Company has a zero-tolerance approach to any non-compliance.

During this challenging year, the Company fulfilled all of its social commitments. Moreover, Kazchrome reallocated funds initially intended for its 25th anniversary celebrations towards helping to prevent and fight against COVID-19. The Company invested in medical supplies for employees and their families and also delivered essentials to medical centres. We greatly value every Kazchrome employee and seek to fulfil all our social obligations to our team. This attitude is consistent with the Company's corporate values, held for a quarter of a century, as it strives to meet the expectations of our partners, employees and shareholders.

Arman Yessenzhulov
President of TNC Kazchrome JSC

Safety

- We put safety first
- We ensure safe labour conditions for all our employees and contractors, continuously working to prevent any injuries occurring in the workplace

Unity

- We work together as a team of passionate people aiming to achieve our set goals
- We respect the cultural and regional traditions where we operate

Efficiency

- We do not work for the sake of it – we are focused on delivering results
- We manage our resources carefully to achieve results
- We prioritise the most relevant issues
- We minimise tasks that do not add value

Development

- We appreciate our employees and create conditions for their development
- We efficiently implement new technologies and develop as a company
- We ensure the sustainable development of the Group

Responsibility

- We fulfil our obligations to our employees, their families, customers, partners, shareholders and society
- We carefully manage the resources and the environment entrusted to us
- We build a culture of mutual confidence and respect in the Group, as well as with partners and customers

About the Company

General description

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 has one of the most diversified customer bases amongst the major ferrochrome producers. The Company plays an important role in China's 'Belt and Road Initiative' (BRI) and is strategically located near its major customers – the world's leading stainless steel producers – in China, Japan and South Korea. Kazchrome also sells its products to customers in the US, Europe and the CIS.

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

Kazchrome ranks first in the world

in terms of chrome content in its products

Kazakhstan is the world's third largest

producer of chrome alloys in terms of production and sales volumes

Key performance indicators

FINANCIAL INDICATORS

Thousand Tenge	2018	2019	2020
Revenue	750,056,337	698,307,440	**664,189,693**
EBITDA	351,145,749	280,737,926	**274,505,574**
Net profit	169,876,022	149,096,587	**132,155,848**
Capital expenditure	68,982,042	85,245,751	**77,666,598**

In 2020, revenue decreased by 34.1 bln Tenge (4.9%) compared with 2019. The decline in revenue, as well as a decrease in EBITDA by 6.2 bln Tenge (2.2%), was caused by a drop in prices on the ferroalloys market, including high-carbon ferrochrome prices.

The reduction in revenue as well as foreign exchange losses and revaluation of investments at fair value were partially offset by an increase in finance income related to the positive impact of loan restructuring and a reduction in expenses, driven mainly by the optimisation of general and administrative expenses. As a result, net profit decreased by 16.9 bln Tenge (11.4%) in 2020 compared to 2019.

In 2020, Kazchrome's capital expenditures on development and care and maintenance projects totalled 77.7 bln Tenge and were allocated for:

- development of the 10th Anniversary Mine;
- expansion of the smelting building and the finished product warehouse in workshop No. 1, renovation of workshop No. 6, expansion of ASD. No. 3 (phase two) and capitalised repairs of furnaces at Aksu Ferroalloys Plant;
- increased production capacity of workshop No. 4 and capitalised repairs of furnaces at Aktobe Ferroalloys Plant;
- stripping and development of ore reserves at small-scale deposits (Geologicheskoye 1, Dubersay).

OPERATIONAL INDICATORS

Thousand tonnes	2018	2019	2020
Extraction and production			
Chrome ore extraction	5,639	6,024	**5,613**
Production of ferroalloys	1,742	1,811	**1,793**
Sales volume			
High-carbon ferrochrome	1,394	1,481	**1,480**
Refined ferrochrome	59	64	**52**
Silicon alloys	138	138	**134**
Total ferroalloys	1,591	1,683	**1,666**

The decrease in chrome ore production volumes by 6.8% is due to lower volumes in accordance with the approved mining plan at 40th Anniversary of KazSSR-Molodezhnoye field. A reduction in total ferroalloy output was caused by a decrease in demand for ferrosilicochrome and the resulting transition of furnaces No. 43 and 44 in workshop No. 4 of Aksu Ferroalloys Plant to ferrosilicon production, accompanied by a decline in productivity.

A reduction in sales volumes by 17 thousand tonnes in 2020 compared with 2019 was related to changes in market conditions and demand.

COVID-19 PANDEMIC

In March 2020, the World Health Organisation declared a global pandemic related to COVID-19. Kazchrome continues to work closely with its local communities in managing the impact of the COVID-19 pandemic on its people and its business. The Company's well-established prevention practices and procedures help it in addressing this new and unprecedented reality. Kazchrome has a strong culture of caring for the welfare of its employees and communities. However, the Company is deeply saddened by the passing of a number of employees from COVID-19 and would like to send its sincere condolences to the friends and families of those who passed away. Kazchrome has also been actively supporting the responses of the Government of the Republic of Kazakhstan to the coronavirus pandemic, both financially and by using its supply chain to secure key supplies for the benefit of the society. Although Kazchrome has adjusted some of its operating procedures, to date, its operations have not been significantly impacted by COVID-19. The Company recognises that the situation remains dynamic and, continues to monitor developments around the world. The Management believes that Kazchrome is well positioned to overcome the challenges it is facing.

Business model

Kazchrome is the world's largest manufacturer of ferroalloys and chrome ore, ranking first in terms of chrome content in its products.

Kazchrome has an integrated production chain ranging from the extraction and beneficiation of chrome ore as well as beneficiation of slimes at Donskoy Mining and Processing Plant (Donskoy GOK) and manganese ore at the Kazmarganets Mining Enterprise (Kazmarganets) to ferroalloy production at Aksu and Aktobe Ferroalloys Plants and ferrosilicomanganese production at the Aksu Ferroalloys Plant.

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 subsidiaries supply the rest of the electric power for Aktobe Ferroalloys Plant and all the electric power for Aksu Ferroalloys Plant. ERG subsidiary Shubarkol Komir JSC is one of coal and semi-coke suppliers for both Aktobe Ferroalloys Plant and Aksu Ferroalloys Plant. Semi-coke is used as a reducing agent in ferroalloys production. The logistics company, part of ERG, is responsible for the transportation of chrome products and manganese ore between Kazchrome operating assets.

The Company continuously increases the volume of raw materials for ferroalloy furnaces, achieves gains in extraction, growth in metal production and cost reduction at all process stages, conducts waste recycling, etc.

Our advantages:

Unique production cost advantage

- Kazchrome holds 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.

Powerful position in the market with growth forecast

- Continuing 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 Kazchrome 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 Company's integration within ERG, utilising the infrastructure and logistics of Kazchrome.

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

How we create value

OUR RESOURCES

Operational resources

Donskoy GOK
- two mines
- an open-pit mine
- two chrome ore beneficiation and pelletising plants

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

Aktobe Ferroalloys Plant
- three smelting shops
- slag processing shop
- auxiliary workshops
- captive power plant

Aksu Ferroalloys Plant
- four smelting shops
- 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.

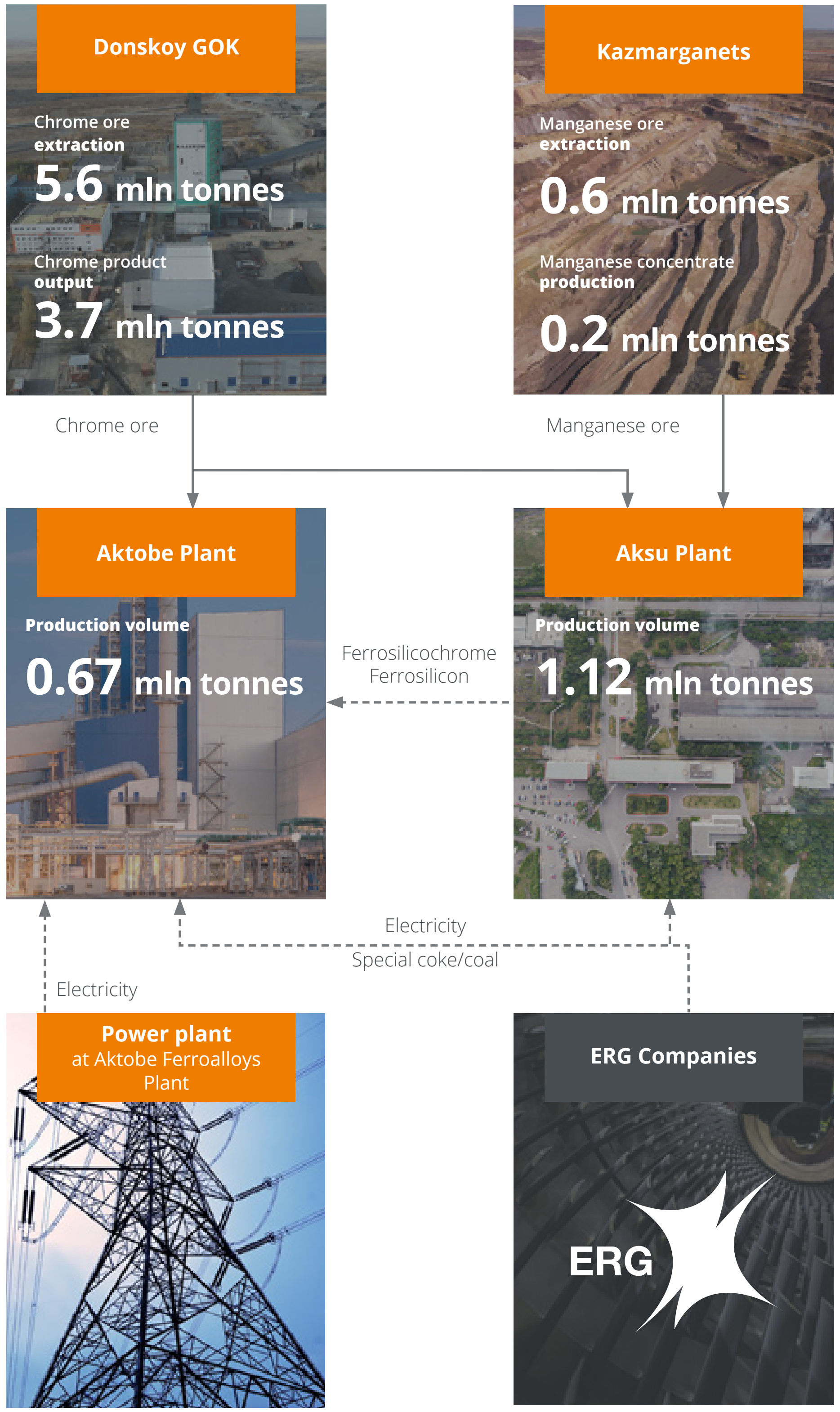
Human resources

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 stability or growth of sales volumes.

KEY PROCESSES



KEY PRODUCTS

Ferroalloys (output)

1.55 mln tonnes

High-carbon ferrochrome

0.06 mln tonnes

Refined ferrochrome

0.19 mln tonnes

Silicon alloys

OUR CONSUMERS

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.

China

Japan

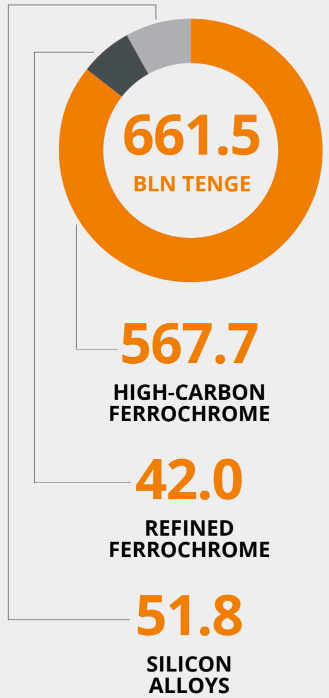
South Korea

Europe

US

OUR RESULTS

Ferroalloys sales



567.7
HIGH-CARBON FERROCHROME

42.0
REFINED FERROCHROME

51.8
SILICON ALLOYS

Sales volumes

1.48 mln tonnes
HIGH-CARBON FERROCHROME

0.05 mln tonnes
REFINED FERROCHROME

0.13 mln tonnes
SILICON ALLOYS

Capital expenditures

77.7
BLN TENGE

MINING | PROCESSING | METALLURGY AND SMELTING

Donskoy GOK

2.89 mln tonnes per year
High-grade ore, low-grade ore
10th Anniversary Mine

2.01 mln tonnes per year
Medium-grade ore
Molodezhnaya Mine

0.72 mln tonnes per year
Medium-grade, high-grade ore
Yuzny Open-Pit Mine

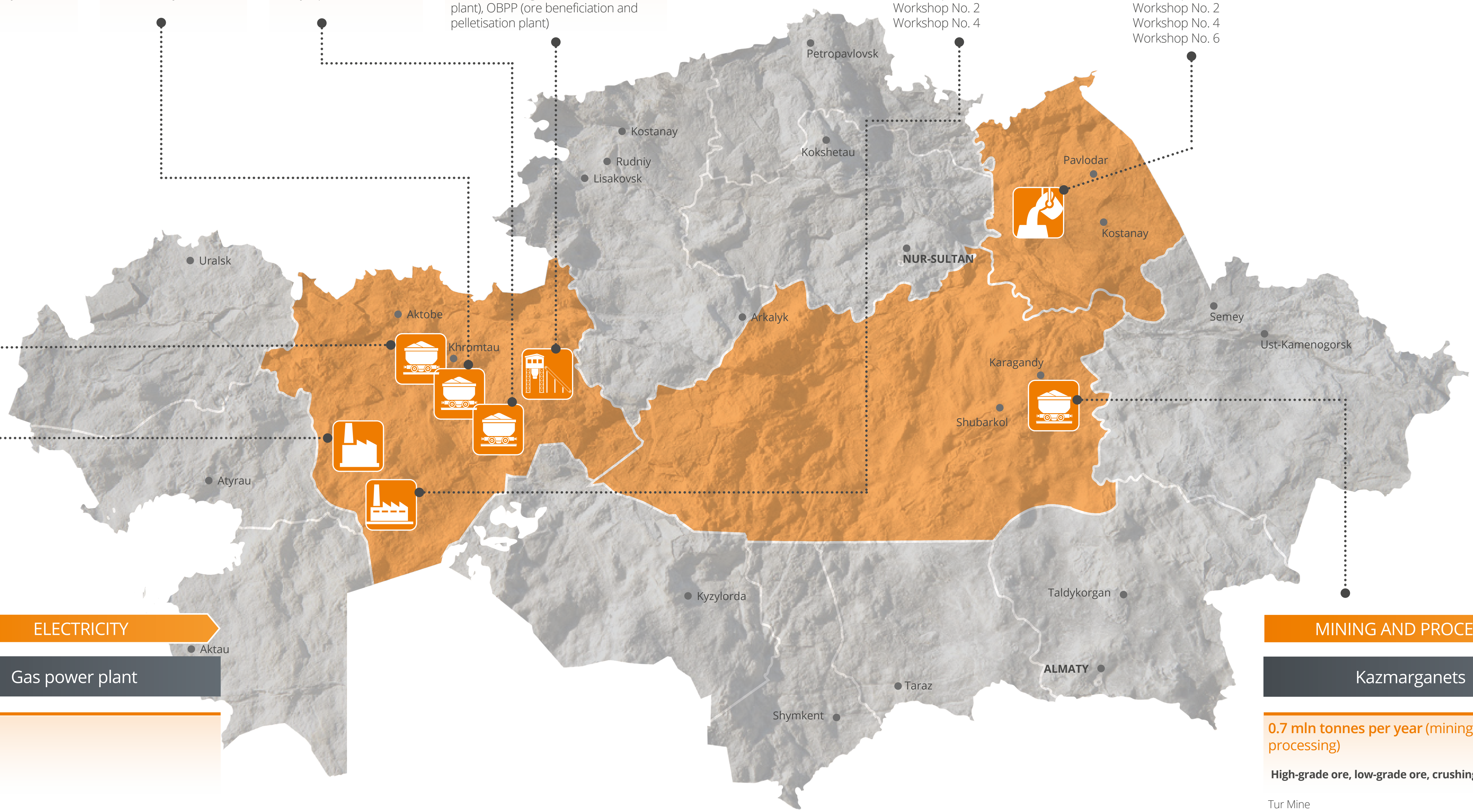
6.0 mln tonnes per year
High-grade ore, concentrate, pellets, briquettes
CBP-1 (crushing and beneficiation plant), OBPP (ore beneficiation and pelletisation plant)

Aktobe Plant

0.73 mln tonnes per year
Ferrochrome
Workshop No. 1
Workshop No. 2
Workshop No. 4

Aksu Plant

1.25 mln tonnes per year
Ferrochrome, ferrosilicochrome, ferrosilison, ferrosilicomanganese
Workshop No. 1
Workshop No. 2
Workshop No. 4
Workshop No. 6



ELECTRICITY

Gas power plant

135 MW

MINING AND PROCESSING

Kazmarganets

0.7 mln tonnes per year (mining and processing)
High-grade ore, low-grade ore, crushing and screening
Tur Mine

Note: The information is based on 2020 capacities. Processing volumes include the previously stored waste (slimes).

Market overview

Macroeconomic situation

The COVID-19 pandemic was the key event in 2020 that affected ferroalloys prices. Global industrial output slumped in the midst of the 'first wave' of the pandemic: by 12.2% in April and 11.5% in May 2020, compared with April and May 2019 respectively. As the global economy gradually adapted to the new situation, in the second half of the year the global manufacturing PMI rose above 50, which reflected the gradual recovery in the global manufacturing industry. However, by the year end, output in key stainless steel end-use segments outside China remained below 2019 levels. For example, vehicle manufacture in Europe declined by ~18%, while cutlery production decreased by ~8%.

China, as, the main driver of the commodity market prices, provided the strongest support for stainless steel and ferrochrome prices. The Chinese authorities imposed strict lockdowns in early 2020 to prevent the spread of COVID-19 and China was the first country to contain and eliminate outbreaks of the disease, which enabled an earlier economic recovery in the region. This, together with economic support measures focused primarily on the construction sector, helped China to boost its economy by 2.3% and to increase stainless steel production in the region by ~4% in 2020, compared with a ~8% decline in the rest of the world.

Ferrochrome demand, supply and prices overview

While a number of ferrochrome producers, such as Kazchrome, Glencore-Merafe and Samancor, with 15%, 9% and 9% of the chrome market in chrome equivalent respectively, own chrome ore deposits, a substantial number of the ferrochrome producers need to purchase chrome ore. China, the largest producer of ferrochrome with a 44% share of the global market in chrome equivalent, does not have its own chrome reserves and so 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 determines world prices for ferrochrome.

The chrome market had been in surplus for several years; as a result, by early 2020, market players were conservative about the short-term prospects. The COVID-19 pandemic further exacerbated the situation on the market as it caused a decline in global stainless steel consumption as well as disrupting production and supply chains. However, unlike numerous other commodities, the decrease in chrome supply due to the lockdown and the overall economic situation (by ~16% year on year) was more severe than the fall in demand (by ~4% year on year). Due to lockdowns in South Africa, India and Zimbabwe, which lasted from late March until late May, 70% of global chrome supply was absent from the market for two months. At the same time, stainless steel demand decreased only marginally as stimulus programmes were launched in key stainless steel-producing regions. This situation helped to accelerate the rebalancing of the chrome market, which enabled a recovery in ferrochrome prices to acceptable levels.

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, stainless steel market will increase by about 3% CAGR 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 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 2020, 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 and when completed:

- Kazchrome expects to start ore extraction at a potential small-scale site (Geologicheskoye 1)
- The Company is currently assessing reserves and developing a mining plan now that drilling has been completed at the Geophysical VII deposit.

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. The beneficiation plant is scheduled for operation in 2022.

Sand thickening in the pelletising area
Development of project documentation and preparation for the start of site construction; 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

Full-scale ramp-up of capacity at Aktobe Ferroalloys Plant workshop No. 4
Completion of most projects aimed at further increasing the productivity of the workshop.

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.

5 mm sludge processing at Aksu Ferroalloys Plant The project is aimed at processing of fine sludge at Aksu Ferroalloys Plant. Work on the project is currently underway in accordance with the approved schedule.

Kazchrome 2.0 – expansion of existing capacity project

Kazchrome 2.0 will strengthen the position of the Company as a key strategic supplier in the ferrochrome market and allow it to gain industry advantage, both in terms of prices and in the production of chrome ore and ferrochrome. Kazchrome 2.0 envisages a major expansion of the entire Kazchrome's value chain, including the 10th Anniversary Mine, additional processing facilities and metallurgic facilities.

The Company is currently carrying out a more detailed feasibility study of the project, focused primarily on selecting an optimal mining technique for Phase 2 of the 10th Anniversary Mine. To date, drilling has been completed and updates to geological models are being finalised. The next step is to select the optimal mining technique and develop detailed designs.

Overview of operational results

Products, sales, markets and consumers

Kazchrome produces high-quality ferroalloy products. 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 2020, the Company sold more than 1,480 thousand tonnes of high-carbon ferrochrome and more than 185 thousand tonnes of other ferroalloys, with ferroalloy sales totalling 1,666 thousand tonnes.

Kazchrome meets all the requirements of legislation for health and safety impacts and there were no cases of product non-compliance. There were also no recalls of poor-quality products in 2020. The products were delivered in accordance with regulatory requirements. The products sold were not the subject of public discussion, including advertising and promotion.

SALES, MARKETS 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.

2020 SALES PROFILE

Indicator	Quantity, thousand tonnes	Amount, thousand Tenge
High-carbon ferrochrome	1,480	567,655,267
Refined ferrochrome	52	42,007,441
Silicon alloys	134	51,806,927

Note: Sales do not include other income.

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. Additionally, Kazchrome currently implements a regional exploration programme involving drilling operations in the Geofizichesky region, about 10 km north of the Molodezhnaya Mine.

Kazchrome has also completed field surveys and laboratory studies as part of the regional exploration programme in the Geofizichesky region, about 10 km north of the Molodezhnaya Mine. The Company is assessing reserves and preparing a reserve report to be submitted for approval to the State Commission on Mineral Reserves of the Republic of Kazakhstan.

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 has been prepared for the potential development of the deposit, and the reserves have been recorded in the state register of reserves.

Additional exploration of the Geophysical VII chrome ore deposit under the exploration contract for the South Kempirsai ore field is nearing completion. Kazchrome is currently preparing the Mineral Resources and Reserves Report for the deposit in accordance with the KAZRC Code.

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. All such contracts include renewal provisions and are usually extended until the end of each mine's life.

SUBSOIL USE CONTRACTS

Contract	Location	Start Date	Contract Renewal 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	Nura district of Karaganda region	1999	2021	Tur Mine	Kazmarganets
Exploration for chromite-containing ore	Khromtau district of Aktobe region	2015	2021	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

Note: In January 2019, Kazchrome entered into a contract for chromite ore exploration at Bilge ore occurrence in Aktobe region for the period of six years. In October 2019, Kazchrome entered into a contract for chromite ore exploration within the Daul-Kokpekti area of Aktobe region for the period of five years. In 2019, Kazchrome obtained a subsoil use licence for solid minerals exploration within the Assambai, Ushkuduk and Karakuduk ore occurrence areas in Aktobe region for the period of six years.

MINERAL RESOURCES AND RESERVES REPORT[2]

Kazchrome has the industry's largest resource base, which includes 211.9 mln tonnes 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 167.4 mln tonnes 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, mln tonnes	Average Cr_2O_3 ore content, %	Cr_2O_3 content, mln tonnes
10th Anniversary Mine	Proved and probable reserves	**160.8**	**41.8**	**67.3**
	Measured indicated resources	169.2	50.5	85.4
	Inferred mineral resources	34.0	47.9	16,3
	Total mineral resources	**203.1**	**50.0**	**101.7**
Molodezhnaya Mine	Proved and probable reserves	**5.1**	**38.6**	**2.0**
	Measured indicated resources	5.4	51.0	2.8
	Inferred mineral resources	–	–	–
	Total mineral resources	**5.4**	**51.0**	**2.8**
Yuzny Open-Pit Mine	Proved and probable reserves	**1.4**	**44.0**	**0.6**
	Measured indicated resources	1.2	51.7	0.6
	Inferred mineral resources	–	–	–
	Total mineral resources	**1.2**	**51.7**	**0.6**
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**
Zapadny	Proved and probable reserves	–	–	–
	Measured indicated resources	1.5	43.7	0.7
	Inferred mineral resources	–	–	–
	Total mineral resources	**1.5**	**43.7**	**0.7**
Dubersai	Proved and probable reserves	–	–	–
	Measured indicated resources	0.3	43.8	0.1
	Inferred mineral resources	–	–	–
	Total mineral resources	**0.3**	**43.8**	**0.1**
Total: Donskoy GOK	Total proved and probable reserves	167.4	41.8	69.9
	Total measured indicated resources	177.9	50.4	89.7
	Total inferred resources	34.0	47.9	16.3
	Total mineral resources	211.9	50.0	106.0

MANGANESE ORE RESERVES AND RESOURCES: KAZMARGANETS

Deposit	Category	Quantity, mln tonnes	Mn content, %	Fe content, %	Mn content, mln tonnes	Fe content, mln tonnes
Tur Mine	Proved and probable reserves	**1.4**	**25.5**	**7.5**	**0.4**	**0.1**
	Measured indicated resources	1.4	27.5	8.0	0.4	0.1
	Inferred mineral resources	0.0	19.8	9.4	0.0	0.0
Total: Kazmarganets	**Total mineral resources**	**1.4**	**27.4**	**8.0**	**0.4**	**0.1**

[2] **Source:** The information presented in the table above is based on a Competent Persons Report (CPR) under the international standard of Joint Ore Reserves Committee (JORC) prepared by SRK Consulting (UK) limited as at 1 January, 2020.

Note: Kazchrome prepares its Mineral Resources and Reserves Reports for the State Commission on Mineral Reserves of the Republic of Kazakhstan pursuant to Kazakhstan's local regulatory requirements. SRK regarded them as Mineral Resources and Ore Reserves in accordance with the terms and definitions of JORC Code (developed by the Australian Institute of Mining and Metallurgy). It is reported that Measured and Identified Resources include the material restated to Ore Reserves.

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 2018, 2019 and 2020.

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 2018–2020.

Thousand Tenge	2018	2019	2020
Revenue	750,056,337	698,307,440	**664,189,693**
Cost of sales	(357,709,908)	(392,100,431)	**(393,152,679)**
Gross profit	**392,346,429**	**306,207,009**	**271,037,014**
Other operating income/(expense)	8,314,015	417,679	**(5,251,553)**
Distribution costs	(5,658,876)	(7,283,654)	**(6,222,455)**
General and administrative expenses	(77,214,740)	(64,288,937)	**(37,755,600)**
Operating profit	**317,786,828**	**235,052,097**	**221,807,406**
Finance income	76,278,317	36,543,354	**107,199,569**
Finance costs	(191,329,830)	(81,130,821)	**(154,465,433)**
Profit before tax	**202,735,315**	**190,464,630**	**174,541,542**
Income tax expense	(32,859,293)	(41,368,043)	**(42,385,694)**
Profit for the year from continuing operations	**169,876,022**	**149,096,587**	**132,155,848**
Profit for the year from discontinued operations	7,072,180	–	**–**
Profit for the year	**176,948,202**	**149,096,587**	**132,155,848**

Kazchrome finished 2020 with a net profit of 132.2 bln Tenge, which is 11.4% lower than in the previous year. These results were achieved amid a decline in revenue and foreign exchange losses, primarily through active optimisation of general and administrative expenses and the positive impact of loan restructuring.

General and administrative expenses decreased by 16.3 bln Tenge (89.1%), due to a reduction in sponsorship and other financial aid-related expenses, and the cost of managerial, professional and agency services decreased by 7.2 bln Tenge (26.3%).

Finance income increased by 70.7 bln Tenge, mainly driven by proceeds from loan restructuring. At the same time, finance costs increased by 73.3 bln Tenge due to foreign currency translation differences related to loans and borrowings and revaluation of investment in Eurasian Digital Ventures I Limited Partnership at fair value. An increase in other operating income (expense) by 5.7 bln Tenge was mainly related to decrease in insurance reimbursement and foreign currency translation differences.

REVENUE

In 2020, revenue decreased by 34.1 bln Tenge (4.9%) compared with 2019 due to a fall in ferroalloys selling prices and sales volumes which was counterbalanced by weakening of the national currency against USD Dollar.

FERROALLOYS PRODUCTION, SALES VOLUMES AND REVENUE

	2018	2019	2020
FERROALLOYS PRODUCTION, THOUSAND TONNES			
High-carbon ferrochrome	1,482	1,557	**1,546**
Refined ferrochrome	59	57	**56**
Silicon alloys	201	197	**191**
Total ferroalloys production	**1,742**	**1,811**	**1,793**
Ferroalloys sales, thousand tonnes			
High-carbon ferrochrome	1,394	1,481	**1,480**
Refined ferrochrome	59	64	**52**
Silicon alloys	138	138	**134**
Total ferroalloys sales	**1,591**	**1,683**	**1,666**
FERROALLOYS AVERAGE SELLING PRICE, US$*			
High-carbon ferrochrome	1,157	1,014	**929**
Refined ferrochrome	2,486	2,245	**1,956**
Silicon alloys	1,121	972	**936**
REVENUE, THOUSAND TENGE			
High-carbon ferrochrome	619,418,207	574,438,951	**567,655,267**
Silicon alloys	59,415,243	51,550,340	**51,806,927**
Refined ferrochrome	56,343,927	54,898,291	**42,007,441**
Other	14,878,960	17,419,858	**2,720,058**
Total revenue	**750,056,337**	**698,307,440**	**664,189,693**

* The following exchange rates were used to calculate average ferroalloys selling prices: KZT 384.20/US$ for 2018; KZT 382.59/US$ for 2019; KZT 412.95/US$ for 2020.

COST OF SALES

In 2020, the cost of sales remained flat year-on-year, as increases and decreases in various cost items offset each other.
A decrease in the cost of materials by 15.1 bln Tenge (8.2%) was caused primarily by lower prices for electrode paste, shot coke and other reducing agents, as well as changes in unit consumption rates for electrode paste and graphitised electrodes and in the structure of consumption of reducing agents.A decrease in other costs by 5.5 bln Tenge (16.3%) was achieved through production cost optimisation. Other cost of sales included expenses on insurance, repair and maintenance, other taxes, etc.

The positive impact of the cost reduction was offset in 2020 by an increase in personnel costs by 10.5 bln Tenge (21.3%). These included an increase in salaries, a rise in electricity costs by 5.7 bln Tenge (8.5%), due to higher prices for electricity and related services and higher consumption volume. Additionally, there was an increase in depreciation and amortisation costs by 6.7 bln Tenge (17.5%), due to an adjustment in capital development costs and a shift to different horizons for reserve extraction.

Thousand Tenge	2018	2019	2020
Materials and components used	164,276,499	183,719,761	**168,597,943**
Power and energy	67,864,563	66,531,190	**72,212,021**
Staff costs	43,437,311	49,430,162	**59,974,287**
Depreciation and amortisation	37,244,238	38,102,943	**44,757,679**
Mineral extraction tax	19,554,497	20,408,379	**19,223,968**
Other	25,332,800	33,907,996	**28,386,781**
Total cost of sales	**357,709,908**	**392,100,431**	**393,152,679**

GENERAL AND ADMINISTRATIVE EXPENSES

In 2020, following cost optimisation initiatives and during the pandemic, Kazchrome managed to reduce the amount of general and administrative expenses by 26.5 bln Tenge (41.3%). This was mainly due to the reduction in sponsorship and other financial aid-related expenses by 16.3 bln Tenge (89.1%) and in the cost of managerial, professional and agency services by 7.2 bln Tenge (26.3%).

Other general and administrative expenses included expenses on materials, other taxes, repair and maintenance, etc.

Thousand Tenge	2018	2019	2020
Management fees, professional and other services	32,850,046	27,679,919	**20,402,467**
Staff costs	8,418,942	9,929,114	**8,964,494**
Sponsorship and donations	27,789,514	18,338,188	**2,007,143**
Depreciation and amortisation	1,876,861	2,152,634	**1,272,066**
Other	6,279,377	6,189,082	**5,109,430**
Total general and administrative expenses	**77,214,740**	**64,288,937**	**37,755,600**

Capital expenditure

From 2018 to 2020, Kazchrome invested US$620 mln in the business, including US$259 mln for development projects and US$361 mln for care and maintenance projects.

The main items of capital expenditures for the period from 2018 through 2020 were:

- ongoing expenditure in the project of production capacity expansion of the 10th Anniversary Mine;
- capitalised repairs of furnaces at Aksu and и Aktobe Ferroalloys Plant;
- expenditure to increase the production capacity of workshop No. 4 of Aktobe Ferroalloys Plant;
- renovation of workshop No. 6 at Aksu Ferroalloys Plant;
- expansion of ASD No. 3 (phase two) at Aksu Ferroalloys Plant;
- expansion of the smelting building and the finished product warehouse in workshop No. 1 at Aksu Ferroalloys Plant;
- stripping and development of ore reserves at small-scale deposits (Geologicheskoye 1, Dubersay).

US$ mln	2018	2019	2020
Development projects	104	117	**38**
Care and maintenance projects	99	109	**153**
Total capital expenditures	**203**	**226**	**191**

Current debt

On October 22, 2018, VTB Bank PJSC, acting as the Lender, KCR International B.V., and TNC Kazchrome JSC, acting as the Borrowers, signed an Agreement for opening a credit line for an amount not exceeding US$3.1 bln.

In 2019, Kazchrome signed an amendment to the existing loan agreement with VTB Bank (PJSC) for additional tranches in total amount of US$250 mln with the maturity in 2024. In December 2019, VTB Bank (PJSC) transferred a loan issued to Kazchrome in the amount of US$1.7 bln to RCB Bank LTD.

During 2020, Kazchrome signed several amendments to the existing loan facility agreement with VTB Bank (PJSC) to receive an additional tranches in the amount of up to US$350 mln with an extended final maturity date, a more favourable interest rate and improvements in certain other commercial terms, including financial covenants. As of December 31, 2020, the amount of US$100 mln was drawn down from this facility, and assigned from VTB Bank (PJSC) to CQUR Bank LLC, another lender under the loan agreement.

These measures have not only improved the Company liquidity and enhanced its financial resilience, but will also enable Kazchrome to invest in future growth.

Risk management

Risk management system

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[3]) 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.

In 2020, all risk functions of ERG subsidiaries in Kazakhstan were 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.

In 2020, Kazchome continues to advance its risk management practice through a range of new measures, including the application of Business Continuity Management (BCM) methodology). Following BCM methodology approval, a pilot development and implementation of the business continuity plan was initiated at Aktobe Ferroalloys Plant; work on this will continue in 2021.

Kazchrome also advanced the implementation of the Risk Management Information System (RMIS), including its further improvement and rolling out across all entities The RMIS assists us in 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.

In March 2020, the World Health Organisation declared a global pandemic related to COVID-19. We promptly established a crisis management office, which developed a comprehensive set of measures to mitigate risks linked to COVID-19, whilst optimising Kazchrome's liquidity and financial performance.

Key area of focus included:

- personnel protection;
- sales support;
- supply chain optimisation;
- production stability;
- project management;
- liquidity management.

Implementation of these measures at Kazchrome is monitored on a weekly basis. The extent to which COVID-19 impacts future business activity or financial results, and the duration of any such negative impact, will depend on future developments, which are highly uncertain and unknown at this time.

The main risks that result from the current uncertain situation regarding COVID-19 are the possibility of lockdowns in our key regions or an outbreak of COVID-19 amongst staff, delays in the supply chain or production interruption, all of which could affect revenues and profitability. In the case of a possible production interruption, liquidity could be impacted with related impact on the going concern. The possible impact on going concern is addressed in note 1 in the financial statements. These risks are mitigated by continuous monitoring, diversifying the supply chain and adjustment of shifts to limit the risks of outbreaks.

[3] Environment, social, governance.

Key risks and their management

Kazchrome's financial performance, operations, project implementation strategy and reputation can be affected by the incidence of one or more of the key risks described below. Continuous risk management efforts include ongoing monitoring, risk mitigation actions and the development of contingency plans to ensure business continuity.

Risk area and description	Selected mitigation actions
Political risks Changing political and economic dynamics of Kazakhstan may affect the Company's financial and operational performance.	• Monitoring and analysis of political and macroeconomic trends in Kazakhstan.
Regulatory and legal risks A number of factors could affect our regulatory context. This includes the introduction of new (or changes to existing) laws and regulations in Kazakhstan.	• Monitoring of potential legislative and regulatory changes; • Representation of Kazchrome interests through professional bodies/associations; • Monitoring of compliance with licence and permit obligations.
Price risks A substantial decline in – or volatility around – commodity prices could materially affect the Company's business, including its financial results and our liquidity.	• Maintenance of long-term sales contracts that link commodity prices to benchmarks; • Development of alternative sales channels.
Production and operational risks Challenging operational performance has the potential to result in business interruption, damage to physical property, unplanned downtime, uncertainty in geological formations and mineralisation, serious safety incidents and environmental harm.	• Risk-based reliability planning and maintenance; • Independent technical diagnostics focused on machinery; • Maintenance of a resilient power supply system/long-term contracts with reliable suppliers; • Control of input materials (quality and specification); • Implementation of business continuity management processes; • Infill drilling and ore body modelling; • Maintenance of property damage/business interruption insurance.
Supply chain and logistics risks Kazchrome's large supply chain exposes it to risks relating to contractual non-compliance by suppliers, including non-delivery; changes in prices for purchased goods; shortage of transportation for goods.	• 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 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 our ability to attract future financing).	• Systematic, transparent and stage-gated project implementation process; • Enhanced project due diligence, independent project reviews and mine planning process; • Application of project management tools and best practices on the front-end loading stages; • Monitoring/control of project deadlines, budgets, etc
Financial risks Kazchrome is exposed to a number of financial risks: liquidity risk (i.e. inability to meet our existing financial obligations), risk of non-compliance with loan covenants, foreign exchange risk, tax risks, credit risk and interest rate risk.	• Maintenance of strong relationships with existing lenders, the expansion of the Company credit lines, as well as improvements to its debt portfolio, funding opportunities and conditions; • Regular updating of cash flow plan and control of the liquidity level; • Compliance with the Company's covenants; • Monitoring of open foreign exchange position; • Monitoring of tax legislation compliance; • Credit control implementation.

Risk area and description	Selected mitigation actions
Personnel management risks Operating in remote locations exposes us to risks in terms of our ability to attract personnel with the skills and experience that we need; the outflow of qualified personnel	• Maintenance of competitive remuneration packages; • Training and development to maintain the skills pipeline; • Development of a talent pipeline and internal job rotation; • Implementation of an effective incentivisation and retention system; • Development of a system for the recruitment of young professionals in cooperation with colleges and universities; • Recruitment of employees with rare and hard-to-find qualifications on the external market; • Continuous monitoring of employee satisfaction and engagement.
Social risks Kazchrome's business activities may negatively affect nearby communities. This poses a risk of social tension within the communities.	• Community social investment; • Monitoring of social attitudes and community grievance mechanisms; • Engagement of local residents in the allocation of budget revenue from the Company's operations (the Participatory Budget pilot project, Khromtau) • Social support provided to employees under the collective agreement; • Social insurance; • Corporate donations; • Social benefits provided to Kazchrome employees (many of whom are from our local communities) as part of our wider human resources management approach.
Health, safety and security risks In the absence of appropriate controls, the nature and location of Kazchrome's operations have the potential to affect the physical well-being and health of our employees, contractors and community members.	• Implementation of ISO 45001-certified and/or aligned occupational health and safety management systems; • Zero-harm approach towards critical health and safety risks.
Environmental and climate change risks In the absence of appropriate controls, the nature of Kazchrome's activities and processes have the potential to harm the environment. Additionally, due to substantial greenhouse gas emissions, the Company faces direct and indirect risks in relation to future regulatory attempts to limit an organisation's emissions.	• Implementation of ISO 14001-certified and/or aligned environmental management systems; • Implementation of ISO 50001-certified energy management systems in Kazakhstan; • Front-end planning and implementation of renewable energy projects; • Carbon footprint analysis.
Compliance risks Kazchrome has a presence/does business in locations that are considered to pose higher levels of legal compliance risks in the following areas: • combatting bribery and corruption; • sanctions; • human rights; • personal data protection; • anti-money laundering and counter-financing of terrorism.	• Monitoring of adherence to ERG compliance policies; • An extensive compliance training and awareness programme; • Regular counterparty and supply chain due diligence; • Implementation of the ERG Sanctions Compliance Programme; • Measures to ensure compliance with the EU General Data Protection Regulation (EU GDPR) and other applicable laws; • Maintenance of a whistle-blower system, including an anonymous and confidential 24-hour, independently operated ERG Hotline.

Risk area and description	Selected mitigation actions
IT and information security risks In the context of the digitalisation and enhancement of its information technology (IT) landscape, the Company recognises that this exposes Kazchrome to potential risks. These include: loss of access to IT infrastructure; disruption in business processes; internal and/or external fraud; data leakage and data breaches; non-compliance with information security regulations; violation of software licence agreements.	• Building of a robust cyber-resilience framework; • Prompt responses to IT failures and cyber security incidents; • Implementation of continuity plans for critical IT processes; • Monitoring of software licence compliance.

There may be additional risks yet unknown to Kazchrome, and other risks currently not believed to be material that could have a significant impact on our business performance and financial results.

Sustainable development review

Sustainable development (or ESG) is integral to the ERG business model – and is therefore increasingly integrated into core business processes. This is best demonstrated by the ERG 2025 strategy, which is underpinned by well-defined strategic goals, key performance indicators (KPIs) and implementation levers. This will help ERG to achieve the vision of being 'an international, sustainable, socially responsible and efficient natural resources company'.
ERG's sustainable development efforts are guided by the Ten Principles of the UN Global Compact, the world's largest voluntary corporate social responsibility initiative. ERG has been a member of the UN Global Compact since 2019[4].

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

- responsible management from the perspective of the ESG impacts;
- achieving 'true business sustainability' – by ensuring that the ERG business is fit for the 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.

Since 2007, Kazchrome has implemented integrated safety and environmental protection management systems at its branches. All necessary preventive measures have been taken by the Management and standards agreed with all the relevant state bodies. In January 2021, TÜV, an international assurance organisation, confirmed that the Company's management systems are in compliance with ISO 9001 (quality), ISO 14001 (environment), ISO 45001 (occupational health and safety) and ISO 50001 (energy) international management system standards.

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

Under our Human Rights Policy, the Company is committed to respecting universally recognised human rights and labour standards through:

- The provision of safe and healthy work conditions;
- Respect for employees' rights to freedom of association and collective bargaining;
- The provision of a secure work place;
- The prevention of forced and child labour;
- Respect for equality, diversity and non-discrimination.

In managing 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. The Company focuses on a range of issues including:

- Healthcare;
- Infrastructure and social welfare;
- Education and support for youth initiatives;
- Sports and promotion of healthy lifestyles;
- Preservation of cultural heritage;
- Economic development, as well as community training and development programmes;
- Human rights programmes.

In 2020, Kazchrome approved the ERG Supplier Code of Conduct, which introduces uniform ERG rules regarding 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 Kazakhstan.

Prior to onboarding, each supplier and constructor is assessed in relation to its legal standing, commercial viability and compliance criteria, and is also subject to our Counter-Party Due Diligence process. In addition, our contracts with companies providing onsite services integrate a range of 'beyond compliance' health, safety and environment elements, including (amongst other things):

- Compliance with relevant ERG policies
- Provision of certifications in relation to company qualifications and worker training
- The right for ERG to carry out occupational health and safety audits
- Provision of occupational health and safety incident data to ERG
- Waste removal and disposal
- The use of low-energy equipment and technology

COVID-19 PANDEMIC

Given the unprecedented nature of the COVID-19 pandemic – as well as associated government responses – ERG implemented a co-ordinated, multi-layered response to ensure the safety of the workforce, the continuity of its business and the wellbeing of communities. The efforts were co-ordinated through a specially established Anti-Crisis Control Centre, with strategic support from Health and Safety and Human Resources functions.

ERG's measures during the year were focused on prevention, testing and treatment – and were informed by direct engagement with the World Health Organisation and a range of leading medical specialists.

Prevention

- Employee awareness-raising and the provision of personal protective equipment and hand sanitisers;
- Flu and pneumonia vaccinations for vulnerable employees to prevent double-infections;
- The disinfecting of facilities and buses;
- Temperature testing;
- Social distancing in the workplace and the use of additional buses to safely transport employees;
- Remote working and amended shift patterns to minimise human contact.

Testing

- The rollout of a PCR[5] diagnostic testing programme;
- The rollout of an antibody testing programme;
- The opening of an own ERG testing laboratory.

Treatment

- The provision of free medical support (screening, providing medicines, remote medical consultations) during treatment for employees at Eurasia Medical Centre;
- Daily monitoring of employees with COVID-19.

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

[4] For more information on ERG approaches and initiatives in the sphere of sustainable development, see the ERG Sustainable Development Report for 2020.

Our employees

Our employees are Kazchrome's most valuable asset and vital partners in achieving our strategic goals. We have prioritised employees' wellbeing and the creation of a favourable working environment for their growth and development.

EMPLOYEE MOTIVATION

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 neighbouring Russia. Over the last three years, the average salary of Kazchrome's employees has increased by 26%. 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 2020, 6.2% of Kazchrome's employees underwent performance evaluation:

	Share, %
CATEGORY	
Managers	23
Specialists	77
GENDER	
Women	50
Men	50

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 invested14.33 bln Tenge on the social wellbeing of its employees, including healthcare, employee transportation, social support for employees and their family members. 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.

There were a total of 676 employees on maternity/paternity leave (including five male employees) at the end of 2020.

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.

WORKFORCE PROFILE

19,192 employees
Kazchrome headcount as at 31 December 2020

40 years
average age of Kazchrome's employees

191
new jobs created in 2020

11 years
average length of service of Kazchrome's employees

5.2%
average staff turnover rate in 2020 (including managers, professionals, workers – 4,3%, labourers – 5,4%)

24.2%
of the workforce is female

10%
new employees hired in the reporting year

[5] Polymerase chain reaction

LABOUR RELATIONS

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 2020 all employees were the participants of collective agreement.

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. The Company will not tolerate any retaliatory actions against any person who has reported in good faith an alleged violation of the Corporate Code of Conduct.

Employees can also discuss any issues related to human resources management, for example, promotion or any salary-related issue, with the local HR department. There were no serious labour relations-related complaints in 2020.

The Company attaches particular importance to compliance with the applicable legislative requirements and provisions of the Company's policies and procedures in its activities, including the recruitment and onboarding of new employees. We run a training and communication programme to help ensure that all employees understand our ethical standards and proper behaviour models in the course of daily activities and decision-making. 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;
- risks and hazards existing in the Company and the relevant controls, as well as first-aid rules;
- the procedure for accident investigation and the analysis of lessons learned.

In 2020, 9.7% of newly hired employees underwent this training, with the number of training hours totalling 14,840 hours.

Additionally, in October 2020, Kazchrome launched an online training course on conflicts of interest for senior and middle managers. This course enables them to deepen their knowledge of the fundamental rules that ERG's employees must follow in order to properly disclose, prevent and settle conflicts of interest, and how to apply these rules in practice. A total of 903 employees completed this course in 2020. In addition, in the final quarter of 2020, 56 employees of Kazchrome (including its branches and subsidiaries), who are involved in third-party contracting processes, received training in counterparty due diligence.

DIVERSITY AND EQUAL OPPORTUNITIES

We are committed to providing employees with ample opportunities for professional fulfilment, regardless of their origin, social, status, position and financial situation, gender, language, religion, convictions, residence, age and membership in any public associations.

GENDER DIVERSITY AS OF 31 DECEMBER 2020

Region	Men	Women
Aktobe Region	9,128	3,122
Pavlodar Region	5,075	1,430
Karaganda Region	359	78
Total	**14,562**	**4,630**

AGE OF EMPLOYEES AS OF 31 DECEMBER 2020

Category	2020
Up to 30 years old	**4,949**
31 to 50 years old	**9,980**
Over 50 years old	**4,263**
Total	**19,192**

ETHNIC COMPOSITION OF EMPLOYEES AS OF 31 DECEMBER 2020, %

Ethnic groups	Managers, professionals, workers		Labourers	
	Men	Women	Men	Women
Kazakhs	8	3	49	9
Russians	3	2	10	6
Ukrainians	1	1	2	1
Others	1	1	2	1

AVERAGE SALARY RATIO FOR MEN AND WOMEN AS OF 31 DECEMBER 2020, %

Category	Aktobe Region	Pavlodar Region	Karaganda Region
Managers, professionals, workers	55.7	70.9	71.4
Labourers	67.3	75.6	67.5

EMPLOYEE COMPETENCY DEVELOPMENT

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 assessment.

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

Improving employee competence is one of the most important goals within the Company's HR management strategy and includes:

- training prescribed by the legislation of the Republic of Kazakhstan;
- 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.

Training programmes for employees are conducted by both third-party organisations and by our employees at Kazchrome's branches and cover all employee categories. In 2020, the average training hours for all employees totalled 23.26 hours, including 21.49 hours for managers, professionals and workers and 23.60 hours for labourers; 21.61 hours for men and 21.87 hours for women.

Donskoy GOK and Kazmarganets meet all the obligations under the subsoil-use contract to finance training and skills development programmes and retrain a certain number of Kazakhstan staff.

The Company's branches conduct training for workers in new occupations, retraining, skills development, second- occupation training and training for managers and specialists. 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 qualified employees at the Company's branches.

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.

Occupational health and safety

Occupational health and safety (OHS) is one of the key priorities for the Company's management. Kazchrome complies with national OHS standards and continuously monitors OHS performance at our branches. This includes measures to prevent fatalities, physical injuries and occupational diseases, as well as reporting any incidents.

All Kazchrome branches operate an Occupational Health and Safety Management System (OHSMS). This system meets the requirements of national and international OHS standards. Compliance with international standards is confirmed in 2020 by independent auditors

Key occupational safety indicators	2019	2020
Fatalities (employees and contractors)	2	**1**
Lost-time injuries (employees and contractors)	34	**39**
Lost-time injury frequency rate (LTIFR) (only employees, including fatalities)	0.87	**1.11**
Accident severity rate	80.32	**84.91**
Fatality rate (FAR)	4.83	**2.42**

We are deeply saddened by the death of our employee (male) of Donskoy GOK in 2020. The accident was subject to a comprehensive investigation followed by implementation of appropriate measures.

Following the investigation, we implemented the following measures:

- The purchase of upgraded drilling equipment to further reduce the risk of injury or fatality;
- The development of a revised audit procedure for machinery and equipment to enhance the oversight of fatality risks;
- Provision of specialised first aid training for employees.

No fatalities were recorded among contractors.

In 2018, the Company analysed the findings of investigations and injury rates for 2015–2017. Based on this analysis, the Company developed and launched a Corporate Occupational Safety Improvement Programme. The Programme defines key focus areas, medium-term goals and initiatives until 2025. During 2020 the following measures were implemented:

- Kazchrome assessed workplace risks using a new hazard identification (HAZID) methodology. Inspections were conducted at 30 facilities in 12 manufacturing divisions of Kazchrome branches. Inspections revealed 223 hazards and165 recommendations for risk minimisation were produced. Some of these measures were implemented during 2020. The implementation of the remaining measures is scheduled for 2021 and 2022. In 2021, Kazchrome plans to continue using the HAZID methodology within its risk assessments.
- In 2019, ERG launched a corporate working at heights safety programme, which includes the rollout of a safety standard for working at heights and the purchase of modern collective and personal protective equipment. An assessment of risks associated with work at heights performed by a contractor has been carried out; based on the findings of the assessment, Kazchrome has developed and is implementing a medium-term plan to provide both permanent and temporary work sites where such operations are performed with safety systems, including anchor lines, rescue and evacuation equipment, etc. In 2020, Kazchrome purchased fall arrest systems and started to install them on mining vehicles and equipment (such as excavators and drilling rigs). State-of-the-art training facilities have been installed in three branches of Kazchrome; employees who have completed preliminary theoretical training in classrooms use these facilities in order to hone their skills in using fall arrest equipment in practice. Given a strict lockdown throughout 2020, Kazchrome has developed and implemented a specialised online training course for employees.
- The Company started the SCOUT project (a satellite control, analytics and transport management system), which is aimed at reducing the number of injuries and traffic 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 mechanisation of manual labour programme, the Company's branches purchased tools, devices and equipment (hydraulic jacks, hydraulic lifts, forklift trucks) that help reduce the load on employees carrying heavy items or performing work involving the use of hand tools.

All Kazchrome branches are required to register and investigate accidents, in accordance with the legislation of the Republic of Kazakhstan. An automated accident registration and notification process (including fires), ensures that relevant employees are notified about any accidents as soon as possible. Investigations and reporting are carried out in accordance with the required standards of the Company.

In 2019, Aktobe Ferroalloy Plant introduced a video monitoring system, 'People's Control', about observing health and safety rules, which was carried out by employees with disabilities. The pilot project has shown its effectiveness and was recommended by state regulatory bodies for implementation at industrial companies in Kazakhstan. It is currently cascading to all Kazchrome branches.

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 inpatient and outpatient treatment, on an annual basis at Medical Centre Eurasia LLP. 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.

Kazchrome holds an annual contractors forum in July, as well as monthly meetings and sessions to help improve communications and involve contractors in occupational safety issues The Company is keen to build long-term working partnership with contractors.

FIRE SAFETY

A Fire Safety Programme has been developed to prevent fires on the premises of Kazchrome branches, in which changes in national fire safety standards are monitored. A long-term project has been developed to equip facilities in Kazchrome branches with automatic fire-exinguishing systems, fire alarm systems and automatic vehicle fire-extinguishing systems for heavy trucks. 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 2020, 29 fire cases were recorded; one case could potentially have had severe consequences. In preparation for an emergency response, 1,021 drills were conducted in 2020 in accordance with the emergency response plan.

In 2021, a scheduled assessment of workplace working conditions is to be carried out at Donskoy GOK and Aktobe Ferroalloys Plant. Based on the findings of the assessment, the Company will develop a set of administrative and technical measures to improve working conditions and minimise exposure to identified occupational hazards in the workplace.

Environmental protection

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.

The Company takes these environmental issues into account when setting strategic objectives and planning measures for management of their environmental impact.

Kazchrome has an Environmental Policy that meets the expectations and requirements of the Company and its stakeholders. It ensures environmental management compliance with the requirements of international standard ISO14001:2015. The main objectives of this policy are the sustainable use and preservation of natural resources, minimising the Company's environmental footprint and preservation of biodiversity.

Kazchrome actively engages in initiatives aimed at environmental protection and preservation including:

- air quality control (atmospheric emissions purification, state-of-the-art gas cleaning units during metallurgical production, dust suppression and tree planting);
- water quality control and monitoring (waste water monitoring, waste water treatment processes, including quarry and mine water);
- waste management (ferroalloy slag processing, waste recycling, waste sorting, extended producer responsibility, waste management programmes);
- ongoing study of legislative documents and regulations by employees and improvement of compliance with statutory requirements.

ENVIRONMENTAL PROTECTION EXPENDITURES

Thousand Tenge	2019	2020
Waste management	10,380,898	**11,679,978**
Environmental protection fixed assets overhaul costs*	4,978,649	**2,920,967**
Protection of atmospheric air	4,416,454	**4,982,067**
Protection of water resources	3,407,808	**3,636,269**
Land reclamation**	1,537,028	**84,835**
Total	**24,720,837**	**23,304,116**

* The decrease was mainly due to reduction in the acquisition and installation of the essential equipment, dismantling for the reconstruction of gas cleaning furnace No. 44.

** The decrease was mainly due to the decrease in the total area of reclaimed land.

Kazchrome also focuses on implementing improvements to its production processes to reduce its environmental impact. This includes the following:

- A planned replacement of storm water and wastewater treatment facilities at the production site of 10th Anniversary Mine will prevent excess discharges at Donskoy GOK and update treatment facilities. The installation will result in a more efficient treatment of wastewater and a minimisation of environmental impact.
- Installation of equipment for the reconstruction of the gas cleaning system of furnace No.44 is ongoing at Aksu Ferroalloys Plant. Work is in progress to reconstruct the gas cleaning system for furnace No.43 and replace dust-trapping equipment at smelting workshops No.1 and 2 dosing sections;
- In order to reduce pollutant emissions, project work is continuing at Aktobe Ferroalloys Plant to contain fugitive gas and dust emissions from smelting workshops No. 1 and 2 and to upgrade electrostatic precipitators in smelting workshop No. 2.

Whenever 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).

Kazchrome complies with all applicable environmental regulations. There were no significant complaints from the environmental protection regulatory authorities about Kazchrome branches.

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 per 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.

Kazchrome branches carry out industrial environmental control to track the environmental impact of its production activities, including quarterly monitoring of environmental emission sources (emissions, discharges and wastes). In 2020, the monitoring was carried out under industrial environmental control programmes by the 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.

In 2020, state inspections for compliance with environmental legislation requirements were carried out at Kazchrome's branches. The results of these inspections proved that the actual volumes of emissions and content of pollutants, in genera,l did not exceed the limits established by the environmental emission permits.

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. There were no unforeseen incidents that significantly contributed to environmental pollution at Kazchrome production sites in 2020. There were also no emergency or irregular discharges of pollutants in 2020.

WASTE MANAGEMENT

Kazchrome manages the wastes 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.

TOTAL VOLUME OF WASTE FOR 2020

Thousand tonnes	Green	Amber	Red	Mining industry and quarry waste	Total
Generated amount of waste	2,188.28	327.42	0.02	16,274.33	18,790.04
Amount of waste outsourced to entities specialising in collection, transportation, recycling, processing and disposal of waste	321.37	77.60	0.02	0	398.99
Amount of waste processed, recycled by the waste owner at the production site	1,472.53	101.51	0	10,782.72	12,356.76
Amount of dumped (buried) waste	196.97	149.09	0	2,216.93	2,562.99

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

ENERGY CONSUMPTION AND EFFICIENCY

ENERGY CONSUMPTION, TJ

Type of use	Source of energy	2019	2020
Direct	Coal	2,500	**2, 559**
	Natural gas	12,266	**10,597**
	Diesel fuel	878	**903**
	Heavy fuel oil	159	**74**
	Petrol	51	**48**
	Total	**15,854**	**14,181**
Indirect	Electricity	29,330	**30,507**
	Thermal power	94	**80**
	Steam	63	**110**
	Total	**29,487**	**30,697**
Total		**45,341**	**44,878**

* The decrease in natural gas consumption is due to the overhaul of the power plant of the Aktobe Ferroalloy Plant.

In 2020 energy intensity per tonne of ferroalloys produced was equal to 0.025 TJ.

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

Type	2019	2020
Scope 1*	1,110,089	**1,003,193**
Scope 2**	3,582,090	**3,718,240**

* 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. CO_2, CH_4 and N_2O only. Conversion factors from 2006 IPCC Guidelines for National Greenhouse Gas Inventories – Stationary and Mobile Combustion.

** 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); and (2) Purchased heat and steam – Supplier data and default factors from 2006 IPCC Guidelines for National Greenhouse Gas Inventories – Stationary and Mobile Combustion.

In 2020 CO_2 intensity per tonne of ferroalloys produced was equal to 2.633 tonnes.

WATER CONSUMPTION, M³

Water consumption by types	2019	2020
Total consumption of fresh water, including:	**27,689,839**	**26,000,728**
Surface water	10,437,630	**10,649,547**
Subsurface water	17,252,209	**15,351,181**
Waste water	**4,643,304**	**4,607,488**

DISCHARGE OF WASTEWATER

ENVIRONMENTAL POLLUTION VOLUME

Tonnes	2019	2020
Kazmarganets	5,341	**4,821**
Donskoy GOK	1,902	**2,021**

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

Wastewater, stormwater and shaft water **at Donskoy GOK** are treated using the following facilities: municipal treatment facilities and treatment facilities within the central site's industrial sewerage system, transportation department's vehicle-wash, 40th Anniversary of KazSSR production site, Mugodzhary recreational centre, 10th Anniversary Mine. Treated wastewater is discharged onto the ground (except for outlet No.2, which discharges water into the containment pond).

The treatment facilities **at Kazmarganets** are utility treatment system and treatment facilities for utility-sanitary effluents at Tur mine Central station. Treated wastewater is discharged onto the ground.

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

BIODIVERSITY

Biodiversity is a prerequisite for ecological wellbeing. Consequently, the following principles lie at the core of biodiversity issues management:

- 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 as acceptable.

Social investments

Kazchrome fulfils all of its obligations under the subsoil use contract on an annual basis, including ERG's commitments related to social and economic development. As an enterprise of ERG, Kazchrome leverages the scale of its operations in order to actively contribute to social and economic development and maintain its ties with local communities in the Republic of Kazakhstan. In recent years, ERG has committed to developing welfare programmes for the benefit of its employees and provided sponsorship and donations to local communities.

Kazchrome invests in corporate social responsibility projects that support the sustainable development of the regions of its operations.

In 2020, the Company piloted the Participatory Budget project (later renamed the Municipal Initiative) in Khromtau, where Donskoy GOK is situated. The project is aimed at promoting the development of local government in Kazakhstan through the adoption of participatory budgeting principles or participation of local residents in determining municipal budget allocation priorities. As part of the pilot project, local residents participated in allocating budget revenue from the operations of Donskoy GOK as a subsoil user. Following the successful implementation of the pilot project, in 2021, the initiative will be rolled out in two more regions of operation of ERG companies.

In 2020 restrictions imposed during the lockdown resulted in a decrease in the number of requests for sponsorship and relevant activities, while, donations continued in the form of cash, materials and services.

CORPORATE SOCIAL RESPONSIBILITY PROJECTS, US$ MLN

Year	2019	2020
Value	52.2 (-35%)	**9.0 (-83%)**

Note: the calculations are based on the average exchange rate for each quarter of reporting period.

During 2020 donation and other financial aid was allocated for:

- local educational institutions (for example, Aksu College of Ferrous Metallurgy, Khromtau Mining and Technical College);
- assistance in the procurement of anti-coronavirus drugs;
- assistance to socially disadvantaged groups;
- purchase of special equipment and containers for municipal solid waste to support public utilities;
- supporting international and country-level sports events;
- equipment for the local medical facilities.

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.
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 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

INFORMATION AS AT 31 DECEMBER 2020

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

Nominal value per one share is 1,000 Tenge.

SHAREHOLDERS WITH SHARE OWNERSHIP OF 5% OR MORE AS AT 31 DECEMBER 2020

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

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 and removal of non-hazardous wastes	Talgat Kalenov	100%
Donskaya Petroleum Tank Farm JSC 464130, Aktobe region, Khromtau district, Khromtau, 12 Okraina Str.	Fuel and lubrication materials storage and sales services	Natalya Ivanova	70.38%
BTS LLP 010000, Nur-Sultan, Yessil district, 29 Syganak Str.	ERP systems development and support	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 LLP 010000, Nur-Sultan, 55/17 Mangilik Yel ave., office 145.	Venture capital investment	Galymzhan Akhmetov	62.31% 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 are exercised in accordance with the Republic of Kazakhstan Law on 'Joint Stock Companies' (RK Law on JSC), provisions of the Company Charter and internal documents. The minority shareholders interaction system is based on the provisions of the RK Law on JSC, the Company Charter, and applicable 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.

Nine General Meetings of Shareholders were held in 2020.

BOARD OF DIRECTORS

Members of the Company's Board of Directors are elected by the General Meeting of Shareholders by means of the 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, 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. The Company's Corporate Governance Code provides for assessment of the activities of the Board of Directors by the General Meeting of Shareholders. No assessment was conducted in 2020.

In accordance with the provisions of the Article 53 of RK Law on JSC, 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 2020, 41 meetings of the Board of Directors were held where the following key issues were considered:

- transactions that lead to increased liabilities of 10% and more of the total amount of Company's equity;
- convening the General Meeting of Shareholders and agreeing the agenda;
- preliminary approval of the Company's financial statements;
- suggestions on the procedure of distribution of the Company's net profit for 2019 and 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 October 2015 – October 2018: Director of the Financial Planning and Analysis Department of ERG Reporting Services LLP
Arman Yessenzhulov (born in 1964) Member of the Board of Directors	March 2018 – Present: President of TNC Kazchrome JSC January 2015 – March 2018: President of Aluminium of Kazakhstan 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
Yerik Yedygenov (born in 1942) Member of the Board of Directors – Independent Director	July 1999 - Present: Deputy Director for Research at the Kunayev Mining Institute

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 2021 – Present: Director of Donskoy GOK; • December 2018 – March 2021: Vice President for Technical Development of TNC Kazchrome JSC; • April 2017 – Present: Member of the Management Board of TNC Kazchrome JSC; • March 2017 – December 2018: First Deputy President – Vice President for Production and Technical Matters of TNC Kazchrome JSC.
Venera Mukhamedzyanova (born in 1963)	• January 2021 – Present: Operational Director for Staff and Social Affairs of SSGPO JSC; • 8 July 2020 – January 2021: Member of the Management Board of TNC Kazchrome JSC; • September 2018 – January 2021: Vice President for Staff and Social Affairs of TNC Kazchrome JSC; • 2004 – September 2018: Head of the HR Department at TNC Kazchrome JSC.

During 2020, the following members resigned from the Management Board: Isaac Buitendag (as of 8 July), Serik Donbekbayev and Sergei Petukhov (as of 27 November).

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 5.7 of the listing rules of Kazakhstan Stock Exchange.

Tenge	31 December 2020	31 December 2019
Book value of an ordinary share	2,118	1,437
Book value of a preference share	945	953

Tenge	2020	2019
Basic and diluted earnings per ordinary share from continuing operations	1,203	1,357

DIVIDENDS PAID FROM 2018 TO 2020

Dividend Period	Dividend per ordinary share, Tenge	Dividend per preference share, Tenge	Basis
For the 3rd quarter of 2017	90,000	90,000	Company Charter, Minutes of an extraordinary General Meeting of Shareholders as of 16 January 2018
For the 1st half of 2018	40,100	40,100 including the guaranteed dividend per a preference share of the Company for 2018	Company Charter, Minutes of an extraordinary General Meeting of Shareholders as of 27 August 2018
For the 3rd quarter of 2018	395.20	395.20	Company Charter, Minutes of an extraordinary General Meeting of Shareholders as of 4 December 2018
For 2018	167.88	167.88	Company Charter, Minutes of an extraordinary 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	100.00	63.50	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

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 RK Law on JSC. Remuneration amount paid to the members of the Board of Directors and the Management Board in 2020 for 2019 totalled 1,062 mln Tenge after income tax (2019: 1,258 mln 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;
- 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 Compliance Programme: Key Components.

The Company draws up an annual calendar of corporate events and follows it throughout the year.

Key management team

Arman Yessenzhulov

President of TNC Kazchrome JSC

Arman Yessenzhulov has for more than 30 years' experience of working in ERG. After graduation from Moscow Institute of Steel and Alloys in 1986, he started his career in 1986 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 process of attaining the design capacity of smelting shop No. 4 of Aktobe Ferroalloys Plant reached another stage 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 hygiene 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

Vice-President for Technical Development 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 all 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 divisions and the production unit has been completely reorganised. Since 2017, he went on the ferroalloy division, and he joined the management unit of TNC Kazchrome JSC as a First Deputy President – Vice President for Production and Technical Matters.

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 the Production and Repairs stream of Project Arrow as a business analyst for the Repairs process area. From February 2014 to August 2014, he supervised the Repairs process area of Project Arrow. 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 of TNC Kazchrome JSC

Marat Kudekov has over 15 years of experience in finance management in various positions in ERG 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 Block, 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 ERG. 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 an 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 ERG 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.

Venera Mukhamedzyanova
Vice President for Staff and Social Affairs of TNC Kazchrome JSC

Venera Mukhamedzyanova has more than 30 years' human resources management experience in various positions at Aktobe Ferroalloys Plant and TNC Kazchrome JSC.

After graduating from Karaganda Polytechnic Institute in 1985, she worked as an engineer in Aktobe Ferroalloys Plant's Chief Mechanic Department.

From 1991 to 1995, she worked as a rationing engineer in Smelting Workshop No. 2. Then, from 1995 to 2003, she was Head of the Bureau for Tariffs and Regulations as well as an Economist in the Labour Organisation and Wages Department, where she was also in charge of the development and implementation of the remuneration and compensation system. In 2003, she continued her career at Aktobe Ferroalloys Plant, first becoming the Deputy and then the Head of Labour Organisation and Motivation.

From 2004 to 2018, she held the position of Head of the HR Department at TNC Kazchrome JSC. During her tenure, a number of initiatives were implemented to develop the talent pipeline and enhance the HR policy, the remuneration and benefits system, career guidance and onboarding, youth policy, and employee training and performance evaluation.

In September 2018, she joined the management unit of Kazchrome and became Vice-President for Staff and Social Affairs. Her duties include the improvement of personnel 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

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 2020, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2020;
- 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). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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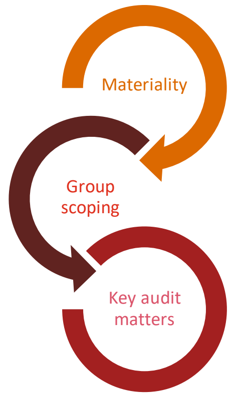
INDEPENDENT AUDITOR'S REPORT (Continued)

Our audit approach

Overview



- Overall Group materiality: 9,920 million of Kazakhstani Tenge, which represents approximately 5% of the average profit before tax for the past three years.

- We conducted audit procedures over the Company only.
- Our audit covered 99% of the Group's total assets, 99% of total revenue and 99% of the Group's profit before tax.

- Going concern
- 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

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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	9,920 million Kazakhstani Tenge
How we determined it	approximately 5% of the average profit before tax for the past three years
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 used average of profit before tax for past three years due its fluctuation caused by ferroalloy price volatility. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this industry.

INDEPENDENT AUDITOR'S REPORT (Continued)

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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
Going concern *Refer to Note 2 to the consolidated financial statements.* 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 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 co-guarantor along with the other ERG subsidiary on the loans the subsidiary has attracted (Note 15). Accordingly, in assessing the Group's going concern position management considers the overall consolidated financial position of ERG. As described in Note 2 ERG and the Group evaluate impact of Covid-19 on its operations and appreciates the dependence of liquidity on commodity prices in their key markets and ability to raise additional funding when required. The Managers of ERG concluded that ERG Group have sufficient resources and access to external financing to continue its business operations for the foreseeable future and that the preparation of its consolidated financial statements under the going concern basis is appropriate. Based on ERG's Managers conclusion above and forecasts of the future operating activities of the Group, management of the Group believes that the Group has access to sufficient resources to continue its operations in the foreseeable future and that preparation of these consolidated financial statements on the going concern basis is appropriate. 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 response to the risk* As part of our assessment of going concern assumption, we focused our attention on the ERG and Group's ability to repay its liabilities when they come due and on the ERG and Group's compliance with the debt covenants. Our procedures included the following: • confirming with the ERG Group audit team the overall ERG group financial position and its ability to settle its obligations in due course; • review of the terms associated with the borrowings and the amount of the facility available for drawdown and required to be repaid; • confirming with the ERG Group audit team that ERG and its subsidiaries are compliant with each financial and non-financial covenant of the borrowings including waivers received, if any; • checking that the Group is compliant with each financial and non-financial covenant of the borrowings including waivers received, if any; • consideration of the liquidity position of the Group; • verification of the appropriateness of classification of the borrowings and measurement of the financial guarantees. • verification of the appropriateness of relevant disclosures in the consolidated financial statements We have assessed the completeness and adequacy of the presentation and disclosure in the consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT (Continued)

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Key audit matter	How our audit addressed the key audit matter
Revenue recognition *Refer to Note 18 and Note 25 to the consolidated financial statements* 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 18, revenue for 2020 includes loss from sources other than contracts with customers in the amount of Tenge 7,562,538 thousand (2019: loss in the amount of Tenge 24,622,365 thousand loss). As indicated in Note 26, a ten percent decrease in ferroalloys market prices would decrease profit before tax by Tenge 11,636,524 Thousand (2019: decrease of Tenge 10,36,320 thousand). Therefore, there is a risk of revenue from sources other than from contracts with customers being misstated as a result of inaccurate determination 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 response to the risk* 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 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.

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INDEPENDENT AUDITOR'S REPORT (Continued)

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Key audit matter	How our audit addressed the key audit matter
	As part of this, we made enquiries of the Group's management to obtain understanding of the fluctuations of shipping volumes closely 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). The Annual Report is expected to be made available to us after the date of our 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 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.

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INDEPENDENT AUDITOR'S REPORT (Continued)

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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 (IFRS), 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.

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 skepticism 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.

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INDEPENDENT AUDITOR'S REPORT (Continued)

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- 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.

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.

6 May 2021
Almaty, Kazakhstan

Approved and signed by:

Dana Inkarbekova

Managing Director
PricewaterhouseCoopers LLP
(General State License of the Ministry of
Finance of the Republic of Kazakhstan
Finance of the Republic of Kazakhstan

The engagement partner on the audit resulting in
this independent auditor's report and
Auditor in charge (Qualified auditor certificate
№0000492 dated 18 January 2000)

Consolidated Balance Sheet

In thousands of Kazakhstani Tenge	Note	31 December 2020	31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	5	**488,080,660**	462,622,549
Intangible assets		**621,196**	1,175,557
Investments at fair value	6	**16,890,047**	27,910,139
Loans receivable	4, 9	**411,667,304**	302,387,038
Deferred income tax asset	23	**214**	5,509,329
Other		**19,227,399**	12,826,335
Total		**936,486,820**	**812,430,947**
Current assets			
Inventories	7	**107,345,475**	116,365,078
Trade and other receivables	8	**119,245,218**	89,104,515
Loans receivable	4, 9	**311,265**	–
Current income tax prepaid		**1,591,932**	170,511
Cash and cash equivalents	10	**55,685,373**	35,700,055
Other		**31,007**	52,634
Total		**284,210,270**	**241,392,793**
TOTAL ASSETS		**1,220,697,090**	**1,053,823,740**
EQUITY			
Share capital	11	**106,505,027**	106,505,027
Treasury shares		**(184,411)**	(184,411)
Other reserves		**536,462**	30,556
Retained earnings		**108,083,322**	41,051,878
Equity attributable to the Company's equity holders		**214,940,400**	**147,403,050**
Non-controlling interest		**50,923**	**42,453**
TOTAL EQUITY		**214,991,323**	**147,445,503**
LIABILITIES			
Non-current liabilities			
Borrowings	12	**810,510,861**	755,060,316
Lease liability	12	**3,059,075**	1,868,519
Provision for assets retirement obligations	14	**3,706,377**	4,832,396
Preference shares liability	12	**6,688,851**	6,767,177
Deferred income tax liability	23	**751,855**	–
Employee benefit obligations	15	**5,107,978**	6,451,133
Financial guarantees	16	**20,982,460**	11,464,039
Total		**850,807,457**	**786,443,580**
Current liabilities			
Borrowings	12	**45,514,752**	1,362,573
Lease liability	12	**809,220**	197,041
Trade and other payables	13	**89,200,494**	104,933,529
Financial guarantees	16	**3,009,324**	4,047,057
Current income tax payable		**8,162**	6,070
Provision for assets retirement obligations	14	**342,861**	444,230
Employee benefit obligations	15	**498,501**	453,033
Other taxes payable		**15,514,996**	8,491,124
Total		**154,898,310**	**119,934,657**
TOTAL LIABILITIES		**1,005,705,767**	**906,378,237**
TOTAL LIABILITIES AND EQUITY		**1,220,697,090**	**1,053,823,740**

The accompanying notes on pages 66 to 89 are an integral part of these consolidated financial statements.

Signed on 6 May 2021 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	2020	2019
Revenue	18	**664,189,693**	698,307,440
Cost of sales	19	**(393,152,679)**	(392,100,431)
Gross profit		**271,037,014**	**306,207,009**
Other operating income		**3,545,728**	12,558,590
Other operating expense		**(8,797,281)**	(12,140,911)
Distribution costs		**(6,222,455)**	(7,283,654)
General and administrative expenses	20	**(37,755,600)**	(64,288,937)
Operating profit		**221,807,406**	**235,052,097**
Finance income	21	**107,199,569**	36,543,354
Finance cost	22	**(154,465,433)**	(81,130,821)
Profit before tax		**174,541,542**	**190,464,630**
Income tax expense	23	**(42,385,694)**	(41,368,043)
Profit for the year		**132,155,848**	**149,096,587**
Other comprehensive income/(expense):			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of post-employment benefit obligations	15	**632,383**	(23,000)
Income tax recorded directly in other comprehensive income	23	**(126,477)**	(42,963)
Other comprehensive income/(expense)		**505,906**	**(65,963)**
Comprehensive income for the year		**132,661,754**	**149,030,624**
Profit for the year attributable to:			
Company's equity holders		**132,146,520**	149,088,919
Non-controlling interest		**9,328**	7,668
Profit for the year		**132,155,848**	**149,096,587**
Comprehensive income for the year attributable to:			
Company's equity holders		**132,652,426**	149,022,956
Non-controlling interest		**9,328**	7,668
Comprehensive income for the year		**132,661,754**	**149,030,624**
Basic and diluted earnings per ordinary share *(in Tenge)*	17	**1,203**	1,357

The accompanying notes on pages 66 to 89 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					Non-controlling interest	Total equity
		Share capital	Treasury shares	Other reserves	Retained earnings	Total		
Balance at 1 January 2019		**106,500,059**	**(184,411)**	**96,519**	**20,642,112**	**127,054,279**	**35,643**	**127,089,922**
Profit for the year		–	–	–	149,088,919	149,088,919	7,668	149,096,587
Other comprehensive expense		–	–	(65,963)	–	(65,963)	–	(65,963)
Comprehensive (expense)/income for the year		**–**	**–**	**(65,963)**	**149,088,919**	**149,022,956**	**7,668**	**149,030,624**
Dividends	11	–	–	–	(128,679,153)	(128,679,153)	(858)	(128,680,011)
Issue of shares		4,968	–	–	–	4,968	–	4,968
Balance at 31 December 2019		**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	11	–	–	–	(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**

The accompanying notes on pages 66 to 89 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

In thousands of Kazakhstani Tenge	Note	2020	2019
Cash flows from operating activities:			
Profit before tax		**174,541,542**	190,464,630
Adjustments for:			
Depreciation of property, plant and equipment		**46,616,267**	39,956,398
Amortisation of intangible assets		**636,987**	1,614,809
Long-term employees benefits		**(672,380)**	329,728
Financial guarantees		**8,480,689**	(4,046,225)
Provision for asset retirement obligations: amount reversed through cost of sales and other operating expenses		**(1,681,575)**	(2,651,832)
Provisions for obsolete and slow-moving inventory		**(1,078,932)**	2,104,405
Loss allowance for trade and other receivables		**449,259**	150,231
Foreign exchange		**(773,165)**	2,396,014
Finance income		**(91,686,622)**	(32,318,768)
Finance cost		**131,575,399**	81,130,821
Other		**347,736**	253,786
Operating cash flow before working capital changes:		**266,755,205**	**279,383,997**
Change in inventories		**3,273,575**	(11,035,407)
Change in trade and other receivables		**(28,985,476)**	(10,058,762)
Change in restricted cash		**(200,589)**	(35,098)
Change in trade and other payables		**(20,971,791)**	30,417,254
Change in provisions for assets retirement obligations		**(92,694)**	(1,804,224)
Change in other taxes payable		**(1,806,191)**	(248,297)
Cash generated from operations:		**217,972,039**	**286,619,463**
Income taxes paid		**(34,189,746)**	(53,208,409)
Interest received		**3,986,672**	2,046,127
Interest paid		**(8,448,567)**	(41,319,778)
Withholding income tax reimbursed		**3,409,257**	6,531,280
Net cash from operating activities		**182,729,655**	**200,668,683**
Cash flows from investing activities:			
Purchases of property, plant and equipment and intangible assets		**(63,368,775)**	(84,511,478)
Loans receivable		**(95,066,939)**	(44,367,650)
Bank deposits placed		**(3,186)**	(44,055)
Bank deposits withdrawal		**7,764**	80,289
Repayment of loans		**29,523,370**	25,326,850
Acquisition of investments		**(10,418,023)**	(20,387,918)
Proceeds from disposal of investments		**2,449,000**	–
Net cash used in investing activities		**(136,876,789)**	**(123,903,962)**
Cash flows from financing activities			
Proceeds from borrowings		**40,151,000**	96,594,900
Repayments of borrowings		**–**	(59,640,717)
Commission on loans origination		**(3,416,108)**	(2,584,178)
Dividends paid	11	**(65,163,319)**	(129,006,497)
Lease liability paid		**(374,296)**	(71,321)
Placement of shares		**–**	11,968
Net cash used in financing activities		**(28,802,723)**	**(94,695,845)**
Effect of exchange rate changes on cash and cash equivalents		**2,935,175**	(487,737)
Net change in cash and cash equivalents		**19,985,318**	**(18,418,861)**
Cash and cash equivalents at the beginning of the year	10	**35,700,055**	54,118,916
Cash and cash equivalents at the end of the year	**10**	**55,685,373**	**35,700,055**

The accompanying notes on pages 66 to 89 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements – 31 December 2020

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 2020 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 2019–2020
Donskaya Neftebaza JSC	Kazakhstan	Warehousing services and sales of combustive and lubricating materials	70.38
Akzhar Chrome LLP	Kazakhstan	Slag recycling	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 2020 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

COVID-19 pandemic

In March 2020, the World Health Organisation declared a global pandemic related to COVID-19. Despite various COVID-19 related challenges, the assets of ERG and its subsidiaries ("ERG Group") have continued to operate. ERG Group, including the Group, has made efforts to safeguard the health of our employees, while continuing to operate safely and responsibly maintain employment and economic activity, and has incurred COVID-19 safety and social costs of US$39 million at 31 December 2020.

ERG Group has not experienced significant disruption to supply chains and product shipments since the onset of the COVID-19 pandemic and ERG Group is working to manage the logistical challenges presented by the closure of trade borders, using alternative routes where feasible.

In addition, significant number of steps were taken to keep ERG Group's liquidity at satisfactory level, including but not limited to deferrals of non-critical spend, revision of capital investment programmes, renegotiation of consumables prices, and arrangement of additional facilities with banks.

Whilst 2021 may be a year of uncertainty as the world continues to grapple with and recover from the COVID-19 pandemic, ERG Group is confident that ERG Group can successfully continue developing as a socially responsible, resilient and efficient business with the support of our partners and employees.

Liquidity forecast

The Board of Managers of ERG has reviewed the liquidity available for the period until 30 June 2022. Throughout the period under review ERG Group generates sufficient cash flow to maintain a position above minimum working capital requirements.

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 2020, ERG Group complied with applicable covenants.

ERG Group is actively pursuing significant mitigating actions in its business plan to manage liquidity and the covenant position during the period under review. These actions, inter alia, include:

- renegotiation with ERG Group's main providers of finance to give rise to an additional liquidity before 30 June 2022 of up to US$290 million;
- cost reduction and restructuring within the business which will generate annual savings of approximately US$83 million;
- enhanced management of working capital to generate further liquidity but also enhance flexibility regarding the deployment of cash resources (for example, by management of expenditure within the period under review).

These actions will further support ERG Group's liquidity and the plan of management is to generate a sufficient liquidity 'buffer' to provide further headroom should market conditions further worsen.

ERG Group maintained its B2 rating from Moody's in March 2020, with a shift in outlook from stable to negative to reflect the low commodity prices and growing risks of recession at the onset of the COVID-19 outbreak. Nonetheless, in December 2020, Standard & Poor's affirmed the Group to B- but improved the outlook from negative to stable thanks to favourable commodity prices and the launch of ERG Group's Metalkol RTR cobalt and copper project.

The global spread of COVID-19 towards the end of Q1 2020 pushed commodity prices downward reflecting reduced demand, the impact of lockdowns, closures and other measures enacted by the governments to fight the pandemic. The trend continued into Q2 2020, however, then reversed following the swift recovery of economic activity and government stimulus packages. Prices returned largely to pre-pandemic levels, with iron ore and copper reaching multi-year highs prompted by increased demand in China and exacerbated by mine closures and supply cuts.

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

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

Therefore, management believe that the Group has access to adequate resources to continue its operations in its current capacity for the foreseeable future and that the preparation of these consolidated financial statements under a going concern basis is appropriate.

New accounting pronouncements

The amendments to standards and interpretation enacted from 1 January 2020 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 2021 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 consolidated financial statements are presented in thousands of Kazakhstani Tenge ("Tenge"), unless otherwise stated. The functional currency of Company and its subsidiaries is Tenge.

Foreign currency transactions. Monetary assets and liabilities of the Group denominated in foreign currency at 31 December 2020, 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 2020 the official exchange rate used for translating foreign currency balances was US Dollar (US$) 1 = Tenge 420.91 (31 December 2019: US$1 = Tenge 382.59). 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.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 18.

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.

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.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, demand deposits or deposits that mature 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.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. At the commencement of the lease 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.

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 initially recognised at their fair value, which is usually evidenced by the amount of fees received and subsequently recorded at amortised cost. 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.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

In 2020 Group's management made a decision to derecognize provisions for asset retirement obligations for workshops #1 and #2 at Aktobe Ferroalloy existed as at 31 December 2019 due to revision of the assets use strategy (Note 14).

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 2020.

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 2020 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.

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 impact 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 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	–
Other current assets	–	–	31,007	–	–
Cash and cash equivalents	–	–	48,169,857	2,231	–
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 9.

As of 31 December 2020 the Group has had an undrawn commitment to invest capital of up to US$106 million 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 (2019: US$128 million).

4. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

At 31 December 2019, 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	–	27,910,139	–	–	–
Loans receivable*	302,387,038	–	–	–	–
Other non-current assets	–	95,709	1,810,496	–	–
Trade and other receivables	–	3,100,715	1,768,816	1,224,265	–
Other current assets	–	–	45,934	–	–
Cash and cash equivalents	–	–	35,425,796	3,297	–
LIABILITIES:					
Leases	–	4,210	–	276,884	–
Preference shares liabilities	6,285,711	–	–	–	–
Employee benefits	–	–	–	–	71,618
Financial guarantees	15,400,238	–	–	–	–
Trade and other payables	918,946	31,857,711	561,975	1,326,939	–

*ECL allowance on loans receivable is disclosed in Note 9.

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	–	(83,674,924)	(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	–	(101,710)	(4,354)	(409,294)	–
General and administrative expenses	–	(18,965,821)	(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.

The income and expense items with related parties for the year ended 31 December 2019 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	–	10,661,525	14,133	808,278	–
Cost of sales	–	(79,960,311)	(8,352,890)	(19,602,604)	–
Other operating income	–	2,229,556	9,386,901	–	–
Other operating expense	–	(1,556,238)	(304,653)	(1,075,795)	–
Distribution costs	–	(446,374)	(2,352)	(435,927)	–
General and administrative expenses	–	(41,793,593)	(521,038)	(270,932)	(1,264,224)
Finance income	23,941,108	–	1,553,197	–	–
Finance cost*	(10,190,272)	(13,310,340)	(342,680)	(32,438)	–

*Finance cost includes ECL allowance on loans receivables from Parent company in the amount of Tenge 2,174,696 thousand and also foreign exchange gain and loss related to loans receivable and deposits.

Key management compensation of Group is presented below:

In thousands of Kazakhstani Tenge	2020	2019
Wages, salaries and other bonuses	**483,141**	884,692
Post-employment and other long-term benefits	**233,898**	379,532
Total key management compensation	**717,039**	**1,264,224**

Entities under common control. During 2020 and 2019, 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 constru-ctions	Machinery and equipment	Other	Construction in progress	Total
Cost at 1 January 2019	5,133,109	194,548,961	281,065,078	22,169,692	130,225,502	633,142,342
Accumulated depreciation	–	(72,431,090)	(151,583,223)	(11,165,813)	–	(235,180,126)
Carrying amount at 1 January 2019	**5,133,109**	**122,117,871**	**129,481,855**	**11,003,879**	**130,225,502**	**397,962,216**
Additions	9,804	481,075	9,862,225	1,865,521	88,468,684	100,687,309
Changes in estimates of assets retirement obligations	–	(772,105)	(6,055)	–	–	(778,160)
Transfers	–	3,845,022	16,560,173	651,311	(21,056,506)	–
Transfers (to)/from inventories	–	–	–	(204,000)	7,426,394	7,222,394
Depreciation charge	(16,211)	(8,750,331)	(31,641,965)	(1,797,429)	–	(42,205,936)
Disposals	–	–	(16,773)	–	(132,995)	(149,768)
Impairment	–	(25,963)	(51,350)	–	(38,193)	(115,506)
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 to construction in progress include capitalised borrowing costs 8,425,912 thousand (2019: Tenge 2,572,009 thousand). Capitalization rate was 0.84% (2019: 0.76%).

As at 31 December 2020, the carrying amount of right-of-use assets was Tenge 3,759,567 thousand (1 January 2020: Tenge 780,090 thousand).

6. INVESTMENTS AT FAIR VALUE

Company name	Registration country	Operations	2020		2019	
			Thousands Tenge	Share, %	Thousands Tenge	Share, %
Eurasian Digital Ventures 1 Limited Partnership	Kazakhstan (AIFC)	Venture investment	**11,521,929**	**62.31**	20,386,813	78.12
Business and Technology Services LLP	Kazakhstan	Adaption and support of ERP-systems	**5,364,899**	**37.99**	7,521,222	37.99
ENRC Credit LLP	Kazakhstan	Financing	**3,219**	**0.0016**	2,104	0.0008
Total investments at fair value			**16,890,047**		**27,910,139**	

7. INVENTORIES

In thousands of Kazakhstani Tenge	2020	2019
Purchased raw materials	**64,036,426**	75,992,381
Produced raw materials	**23,976,401**	23,263,655
Work in progress	**22,971,289**	20,199,814
Finished goods	**9,072,326**	10,618,068
Other	**19,952**	110,269
Less: provision for obsolete and slow-moving inventories	**(12,730,919)**	(13,819,109)
Total inventories	**107,345,475**	**116,365,078**

8. TRADE AND OTHER RECEIVABLES

In thousands of Kazakhstani Tenge	2020	2019
Trade receivables provisionally priced	**58,818,098**	42,532,727
Trade receivables	**9,318,422**	10,472,372
Other	**841,993**	1,185,021
Less: ECL allowance	**(470,372)**	(225,611)
Total financial assets	**68,508,141**	**53,964,509**
VAT recoverable and other taxes	**36,753,481**	28,310,892
Prepayments	**15,035,430**	7,780,223
Other	**209,785**	118,721
Less: impairment provision	**(1,261,619)**	(1,069,830)
Total non-financial assets	**50,737,077**	**35,140,006**
Total trade and other receivables	**119,245,218**	**89,104,515**

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

In thousands of Kazakhstani Tenge	31 December 2020			31 December 2019		
	Gross carrying amount	ECL	Net amount	Gross carrying amount	ECL	Net amount
Current	**7,532,357**	**(74,788)**	**7,457,569**	**9,201,480**	**(16,439)**	**9,185,041**
Less than 3 months overdue	**1,493,903**	**(74,343)**	**1,419,560**	1,334,605	(12,623)	1,321,982
3 to 6 months overdue	**396,234**	**(68,694)**	**327,540**	54,520	(1,287)	53,233
6 to 12 months overdue	**169,860**	**(93,199)**	**76,661**	81,373	(5,670)	75,703
More than 12 months overdue	**211,604**	**(159,348)**	**52,256**	357,313	(189,592)	167,721
Total past due	**2,271,601**	**(395,584)**	**1,876,017**	**1,827,811**	**(209,172)**	**1,618,639**
Total current and past due	**9,803,958**	**(470,372)**	**9,333,586**	**11,029,291**	**(225,611)**	**10,803,680**

9. LOANS RECEIVABLE

In thousands of Kazakhstani Tenge	2020	2019
ECL allowance at 1 January	**4,169,165**	**1,994,469**
Loans issued	**2,371,783**	1,044,500
Loans repaid	**(659,207)**	(602,055)
Changes to ECL measurement assumptions and modification of contract terms	**2,294,471**	1,732,251
ECL allowance at 31 December	**8,176,212**	**4,169,165**

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 and increasing the interest rate. The Group provided a loan to the Parent company in the amount of US$227 million repayable until 2025.

In 2019 the Group signed an addendum with the Parent company that comprises extension of loan's maturity to 8 November 2023, increase in the interest rate and payment of principal and interest at maturity date.

In 2019 the Group provided a new credit line to the Parent company in the amount of US$150 million at a rate within the current range of credit portfolio with a maturity in November 2025. At 31 December 2019 US$50 million of this credit line was disbursed.

Loans receivable bear interest at a rate of 6.16–6.73% per annum (2019: 5.96–6.73% per annum) and mature in 3-5 years (2019: 4-6 years).

10. CASH AND CASH EQUIVALENTS

In thousands of Kazakhstani Tenge	31 December 2020	31 December 2019
Term deposits	**8,456,558**	35,585,094
Cash in bank accounts and on hands	**47,228,815**	114,961
Total cash and cash equivalents	**55,685,373**	**35,700,055**

11. SHARE CAPITAL

In thousands of Kazakhstani Tenge	31 December 2019 and 31 December 2020	
	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 598 (2019: Tenge 1,180) per ordinary share was declared. Dividend of Tenge 535 (2019: Tenge 1,080) per preference share was declared.

The par value of ordinary shares is Tenge 1,000 per share (2019: Tenge 1,000 per share). Each ordinary share carries one vote. In 2020 and 2019 the Company did not issue ordinary shares.

The par value of preference shares is Tenge 1,000 per share (2019: 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.

11. SHARE CAPITAL (CONTINUED)

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	2020			2019		
	Ordinary shares	Preference shares		Ordinary shares	Preference shares	
		Equity	Liability		Equity	Liability
Dividends payable at 1 January	**598,888**	**5,222,668**	**989,334**	597,551	5,550,491	988,481
Dividends declared	**59,822,137**	**5,293,797**	**989,334**	117,990,044	10,689,967	990,154
Dividends paid	**(59,820,422)**	**(5,342,897)**	**(989,334)**	(117,988,707)	(11,017,790)	(989,301)
Dividends payable at 31 December	**600,603**	**5,173,568**	**989,334**	**598,888**	**5,222,668**	**989,334**

For the year ended 31 December 2020 dividends on preference shares at guaranteed fixed amount of Tenge 100 per share were not accrued as a part of non-current preference shares (31 December 2019: Tenge 6,999 thousand).

12. BORROWINGS

During the year, the Group signed amendments to the existing loan facility agreement with VTB Bank (PJSC) in order to receive an additional tranches in the total amount of up to US$350 million, 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, the amount of the credit line in the amount of US$100 million was drawn down, and assigned from VTB Bank (PJSC) to CQUR Bank LLC, another lender under the loan agreement.

In 2019 the Group signed an amendment to the existing loan agreement with VTB Bank (PJSC) for additional tranches in total amount of USD 250 million. The amendment provides the maturity of the principal payment in 2024 and an increase in the interest rate on trances by 0.35% per annum.

In December 2019 VTB Bank (PJSC) transferred a loan issued to the Group in the amount of USD 1,700 million to RCB Bank LTD.

In thousands of Kazakhstani Tenge	Borrowings	Dividends	Lease liabilities	Preference shares liabilities	Total
Financial liabilities at 1 January 2019	**700,389,055**	**7,136,523**	**284,463**	**6,830,891**	**714,640,932**
Cash movements	(10,408,538)	(129,995,798)	(71,411)	–	(140,475,747)
Foreign exchange adjustments	(4,417,887)	–	250	–	(4,417,637)
Other non-cash movements	70,860,259	129,670,165	1,852,258	(63,714)	202,318,968
Financial liabilities at 31 December 2019	**756,422,889**	**6,810,890**	**2,065,560**	**6,767,177**	**772,066,516**
Cash movements	27,613,772	(66,152,653)	(545,718)	–	(39,084,599)
Foreign exchange adjustments	78,429,888	–	21,219	–	78,451,107
Other non-cash movements	(6,440,936)	66,105,268	2,327,234	(78,326)	61,913,240
Financial liabilities at 31 December 2020	**856,025,613**	**6,763,505**	**3,868,295**	**6,688,851**	**873,346,264**

Other non-cash movements include primarily interest expense and gain/loss on modification.

13. TRADE AND OTHER PAYABLES AND OTHER LONG-TERM LIABILITIES

In thousands of Kazakhstani Tenge	2020	2019
Trade payables	**70,906,558**	86,050,372
Dividends payable	**6,763,505**	6,810,890
Other payables	**1,227,553**	1,444,672
Total financial liabilities	**78,897,616**	**94,305,934**
Payables to employees	**6,675,185**	6,319,078
Advances received*	**484,094**	1,294,911
Other payables	**3,143,599**	3,013,606
Total non-financial liabilities	**10,302,878**	**10,627,595**
Total current trade and other payables	**89,200,494**	**104,933,529**

*Advances received represent contract liability. As of 31 December 2020 advances received in the amount of Tenge 484,094 thousand (2019: Tenge 1,294,911 thousand).

In current reporting period revenue recognised in the amount of Tenge 1,294,911 thousand in relation to advances received at the beginning of the reporting year (2019: Tenge 5,103,230 thousand).

14. PROVISIONS FOR ASSETS RETIREMENT OBLIGATIONS

In thousands of Kazakhstani Tenge	2020			2019			
	Mining assets	Waste polygons	Total	Mining assets	Waste polygons	Other assets	Total
Long-term portion	**1,391,039**	**2,315,338**	**3,706,377**	1,115,746	2,299,838	1,416,812	4,832,396
Short-term portion	**231,625**	**111,236**	**342,861**	321,734	122,496	–	444,230
Total	**1,622,664**	**2,426,574**	**4,049,238**	**1,437,480**	**2,422,334**	**1,416,812**	**5,276,626**

In thousands of Kazakhstani Tenge	Mining assets		Waste polygons		Other assets	Total
	Decommissioning costs	Landfill site restoration	Decommissioning costs	Landfill site restoration	decommissioning costs	
Carrying amount at 1 January 2019	**997,371**	**468,372**	**52,040**	**3,845,435**	**4,427,215**	**9,790,433**
Utilised during the year	–	–	–	(1,804,224)	–	(1,804,224)
Change in estimates	(122,875)	(17,506)	–	39,493	(3,329,104)	(3,429,992)
Unwinding of the present value discount	75,344	36,774	–	289,590	318,701	720,409
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**

Changes in estimates of reserves for obligations for liquidation and restoration of other assets in the amount of Tenge 1,681,575 thousand led to a decrease the cost of sales (2019: Tenge 2,651,832 thousand) (Note 3).

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

In percent	2020	2019
Discount rate	**9.84-11.00**	9.09-10.16
Inflation rate	**5.30-6.80**	4.80-5.40

15. 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	2020	2019
Present value of defined benefit obligations in the beginning of the year	**6,904,166**	**6,547,845**
Unwinding of the present value discount	**573,692**	544,778
Benefits paid	**(566,616)**	(584,147)
Current service cost	**205,677**	272,608
Remeasurements	**(1,510,440)**	123,082
Present value of defined benefit obligations in the end of the year	**5,606,479**	**6,904,166**

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

In thousands of Kazakhstani Tenge	2020	2019
Loss from change in financial assumptions	**(605,659)**	112,995
Loss from change in demographic assumptions	**(123,278)**	23,748
Experience adjustments	**96,554**	(113,743)
Total remeasurements of post-employment benefit obligations	**(632,383)**	**23,000**

Principal actuarial assumptions at the reporting date are as follows:

In percent	2020	2019
Discount rate	**10.00**	8.29
Salary growth rate	**6.20**	8.00
Average staff turnover rate	**6.81**	6.79

The sensitivity analysis for the post-employment employee benefits obligations at 31 December 2020 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	(378,362)
Decrease by 3 percent	369,653
Future salary growth rates and minimum calculation index	
Increase by 3 percent	298,270
Decrease by 3 percent	(314,367)
Average staff turnover rate	
Increase by 3 percent	(212,249)
Decrease by 3 percent	251,985

16. FINANCIAL GUARANTEES

Entity	Guaranteed obligations 31 December 2020	Guaranteed obligations 31 December 2019	Period of the guarantee
Parent Company	541,921,625	511,714,125	2028
Third parties	2,162,934	2,288,200	2036–2039
Total	**544,084,559**	**514,002,325**	

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

17. EARNINGS PER SHARE AND BOOK VALUE PER SHARE

In thousands of Kazakhstani Tenge	2020	2019
Profit for the year	**132,146,520**	149,088,919
Profit attributable to preference shares	**(11,901,768)**	(13,427,684)
Net profit attributable to ordinary shareholders	**120,244,752**	135,661,235
Weighted average number of ordinary shares in issue	**99,953,446**	99,953,446
Basic and diluted earnings per ordinary share (Tenge)	**1,203**	**1,357**

The book value per one ordinary share is provided below:

Book value per one ordinary share

In thousands of Kazakhstani Tenge	31 December 2020	31 December 2019
Assets	**1,220,697,090**	1,053,823,740
Intangible assets	**(621,196)**	(1,175,557)
Liabilities	**(1,005,705,767)**	(906,378,237)
Share capital, preference shares	**(2,664,662)**	(2,664,662)
Net assets for ordinary shares	**211,705,465**	**143,605,284**
Number of ordinary shares (units)	**99,953,446**	99,953,446
Book value per 1 ordinary share (Tenge)	**2,118**	**1,437**

Book value per one preference share

In thousands of Kazakhstani Tenge	31 December 2020	31 December 2019
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	**6,688,851**	6,767,177
Total	**9,353,513**	**9,431,839**
Number of preference shares (units)	**9,893,344**	9,893,344
Book value per 1 preference share (Tenge)	**945**	**953**

Book values of ordinary and preference shares are calculated in line with Annex 5.7 of the Listing Rules of Kazakhstan Stock Exchange.

18. 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	2020	2019
Europe	**631,411,721**	645,850,442
Eurasia	**29,682,766**	46,753,167
Kazakhstan	**3,095,206**	5,703,831
Total revenue	**664,189,693**	**698,307,440**

The table below provides revenue by product:

In thousands of Kazakhstani Tenge	2020	2019
High-carbon ferrochrome	**567,655,267**	574,438,951
Silicon alloys	**51,806,927**	51,550,340
Refined ferrochrome	**42,007,441**	54,898,291
Other	**2,720,058**	17,419,858
Total revenue	**664,189,693**	**698,307,440**

Revenue from one customer amounted to Tenge 631,408,478 thousand (2019: Tenge 637,730,020 thousand). Revenue for 2020 includes Tenge 7,562,538 thousand loss from sources other than contracts with customers (2019: Tenge 24,622,365 thousand loss).

19. COST OF SALES

In thousands of Kazakhstani Tenge	2020	2019
Materials and components used	**168,597,943**	183,719,761
Power and energy	**72,212,021**	66,531,190
Staff costs	**59,974,287**	49,430,162
Depreciation and amortisation	**44,757,679**	38,102,943
Mineral extraction tax	**19,223,968**	20,408,379
Other	**28,386,781**	33,907,996
Total cost of sales	**393,152,679**	**392,100,431**

20. GENERAL AND ADMINISTRATIVE EXPENSES

In thousands of Kazakhstani Tenge	2020	2019
Management fees, professional and other services	**20,402,467**	27,679,919
Staff cost	**8,964,494**	9,929,114
Sponsorship and donations	**2,007,143**	18,338,188
Other taxes, except for income tax	**1,356,126**	564,476
Depreciation and amortisation	**1,272,066**	2,152,634
Other	**3,753,304**	5,624,606
Total general and administrative expenses	**37,755,600**	**64,288,937**

For the twelve months ended 31 December 2020 the Group did not make any contributions to non-recurring individual social development infrastructure projects at the national level in Kazakhstan (2019: Tenge 14,450,810 thousands), and primarily related to education, cultural and recreation projects.

21. FINANCE INCOME

In thousands of Kazakhstani Tenge	2020	2019
Gain on modification of borrowings	**59,132,475**	–
Interest income	**23,885,136**	18,151,675
Gain on early derecognition of financial guarantees	**11,492,054**	–
Amortisation of discount on financial guarantees	**4,020,893**	4,046,226
Reimbursement of withholding income tax on borrowings	**3,409,257**	6,531,280
Amortisation of loss from borrowings	**2,949,923**	22,974
Gain on initial recognition of loans receivable	**196,389**	2,753,814
Net foreign exchange gain	**–**	3,488,629
Other	**2,113,442**	1,548,756
Total finance income	**107,199,569**	**36,543,354**

Gain on modification of borrowings resulted from revision of certain credit facility agreements. Under the revised terms, the aggregate interest rates were reduced (Note 12).

22. FINANCE COST

In thousands of Kazakhstani Tenge	2020	2019
Interest expense	**54,131,189**	43,051,946
Net foreign exchange loss	**43,554,234**	–
Loss on initial recognition and renewal of financial guarantees	**23,993,635**	69,217
Revaluation of investments at fair value	**18,155,813**	–
ECL allowance on loans receivables	**4,007,047**	2,174,696
Amortisation of financial instruments	**2,733,607**	15,022,758
Loss on initial recognition of loans receivable	**2,269,452**	5,662,215
Loss on borrowings	**–**	12,018,268
Other	**5,620,456**	3,131,721
Total finance cost	**154,465,433**	**81,130,821**

In 2019 loss on modification of borrowings resulted from the revision of estimated future cash flows.

23. INCOME TAXES

In thousands of Kazakhstani Tenge	2020	2019
Current income tax expense	**33,455,249**	44,905,815
Current income tax expense – prior periods	**2,795,952**	4,882,242
Current excess profit tax benefit – prior periods	**–**	(3,749)
Total current income tax expense	**36,251,201**	**49,784,308**
Deferred income tax expense/(benefit)	**6,134,493**	(8,416,265)
Total deferred income tax expense/(benefit)	**6,134,493**	**(8,416,265)**
Income tax expense for the year	**42,385,694**	**41,368,043**

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

In thousands of Kazakhstani Tenge	2020	2019
Profit before tax	**174,541,542**	**190,464,630**
Tax charge at statutory rate of 20%	**34,908,308**	38,092,926
Tax effect of non-deductible or non-taxable items:		
– income tax – prior periods	**2,795,952**	4,882,242
– income tax and non-deductible expenses under investment contract	**(2,544,515)**	(4,568,961)
– revaluation of investments	**3,631,163**	–
– other	**3,594,786**	2,961,836
Income tax expense for the year	**42,385,694**	**41,368,043**

In thousands of Kazakhstani Tenge	1 January 2020	Charged to profit or loss	Charged to other comprehensive 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
Vacation provision	840,660	18,214	–	858,874
Provision for asset retirement obligation	505,637	(411,563)	–	94,074
Other	954,678	976,856	–	1,931,534
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)

23. INCOME TAXES (CONTINUED)

In thousands of Kazakhstani Tenge	1 January 2019	Charged to profit or loss	Charged to other comprehensive income	31 December 2019
Tax effect of deductible/(taxable) temporary differences				
Property, plant and equipment	(8,182,622)	1,717,532	–	(6,465,090)
Borrowings	(2,586,986)	4,986,045	–	2,399,059
Inventories	2,357,139	406,683	–	2,763,822
Loans receivable and other receivables	516,754	1,525,059	–	2,041,813
Employee benefits	1,018,844	279,438	(42,963)	1,255,319
Taxes accrued but not paid	1,023,486	189,945	–	1,213,431
Vacation provision	929,083	(88,423)	–	840,660
Provision for asset retirement obligation	1,416,637	(911,000)	–	505,637
Other	643,692	310,986	–	954,678
Net deferred income tax position	**(2,863,973)**	**8,416,265**	**(42,963)**	**5,509,329**
Presented as:				
Recognised deferred income tax asset	–			5,509,329
Recognised deferred income tax liability	(2,863,973)			–

24. 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 2020 the financial statements have no provision for potential tax liabilities (2019: no provision recorded).

Contractual capital expenditure commitments. As at 31 December 2020, the Group has contractual capital expenditure commitments in respect of acquisition of property, plant and equipment totalling Tenge 59,807,650 thousand (2019: Tenge 29,129,700 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.

25. 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 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)**
As of 31 December 2019						
Assets	383,206,400	1,543,317	–	43,341,337	–	428,091,054
Liabilities	(763,612,015)	(7,084,085)	(6,686,614)	(81,958,830)	(220,016)	(859,561,560)
Net exposure to currency risk	**(380,405,615)**	**(5,540,768)**	**(6,686,614)**	**(38,617,493)**	**(220,016)**	**(431,470,506)**

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	
	At 31 December 2020	At 31 December 2019
US$ strengthening/weakening by 20%	(50,826,614)/ 50,826,614	(60,864,898)/ 60,864,898
Euro strengthening/weakening by 20%	(2,048,599)/ 2,048,599	(1,069,858)/ 1,069,858
Russian Rouble strengthening/weakening by 20%	(406,483)/ 406,483	(886,523)/ 886,523

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 11,636,524 thousand (2019: Tenge 10,396,320 thousand increase), and a ten percent decrease in prices would increase profit before tax by Tenge 11,636,524 thousand (2019: Tenge 10,396,320 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 2020 the credit rating of banks, where the Group has placed its financial instruments, varied from B2 (Moody's) to BBB (Fitch) (2019: from B2 (Moody's) to BBB- (Fitch)). In relation to financial guarantees the Group guaranteed the obligations of related parties.

As at 31 December 2020, the Group placed cash and deposits to financial institutions with credit ratings ranging from BBB to BBB- in the amount of Tenge 7,582,234 thousand (2019: Tenge 267,243 thousand) and from BB+ to B2 in the amount of Tenge 57,175,779 thousand (2019: Tenge 43,801,816 thousand), respectively.

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 2020 the Group had only 4 main trade customers. The total trade receivables for main products from four customer are Tenge 64,274,356 thousand (2019: four main debtors of Tenge 48,896,113 thousand) or 94.33% of the total trade and other receivables (2019: 92.25%). 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.

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 table below represents information for 2019:

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	756,422,889	962,514,773	54,048,264	54,437,125	54,586,678	697,350,454	102,092,252	–
Leases	2,065,560	2,983,365	208,719	433,400	408,426	380,821	373,597	1,178,402
Preference shares liabilities	6,767,177	20,776,022	–	989,334	989,334	989,334	989,334	16,818,686
Trade and other payables	94,305,934	94,305,934	94,305,934	–	–	–	–	–
Total	**859,561,560**	**1,080,580,094**	**148,562,917**	**55,859,859**	**55,984,438**	**698,720,609**	**103,455,183**	**17,997,088**
Assets								
Loans receivable	302,387,038	390,821,646	506,719	1,155,953	1,155,953	365,953,552	1,159,120	20,890,349
Trade and other receivables	53,964,509	54,181,661	54,181,661	–	–	–	–	–
Cash and cash equivalents	35,700,055	35,700,055	35,700,055	–	–	–	–	–
Other financial assets	36,039,452	36,907,096	144,155	137,582	6,149,026	211,803	31,645	30,232,885
Total	**428,091,054**	**517,610,458**	**90,532,590**	**1,293,535**	**7,304,979**	**366,165,355**	**1,190,765**	**51,123,234**

The Group guaranteed obligations of ERG's subsidiaries (Note 16).

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	2020	2019
Borrowings	**856,025,613**	756,422,889
Equity attributable to the Company's shareholders	**214,940,400**	147,403,050
Total capital	**1,070,966,013**	**903,825,939**

26. 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 2020 the fair value of loans receivable amounted to Tenge 427,553,313 thousand (31 December 2019: Tenge 302,822,020 thousand). As of 31 December 2020 the fair value of borrowings amounted to Tenge 884,106,046 thousand (31 December 2019: Tenge 766,190,808 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 58,818,098 thousand (31 December 2019: Tenge 42,532,727 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 11,521,929 thousand (31 December 2019: Tenge 20,386,813 thousand). During the year the Group invested Tenge 10,416,908 thousand, as at the reporting date the fair value decreased by Tenge 18,155,813 thousand.

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.

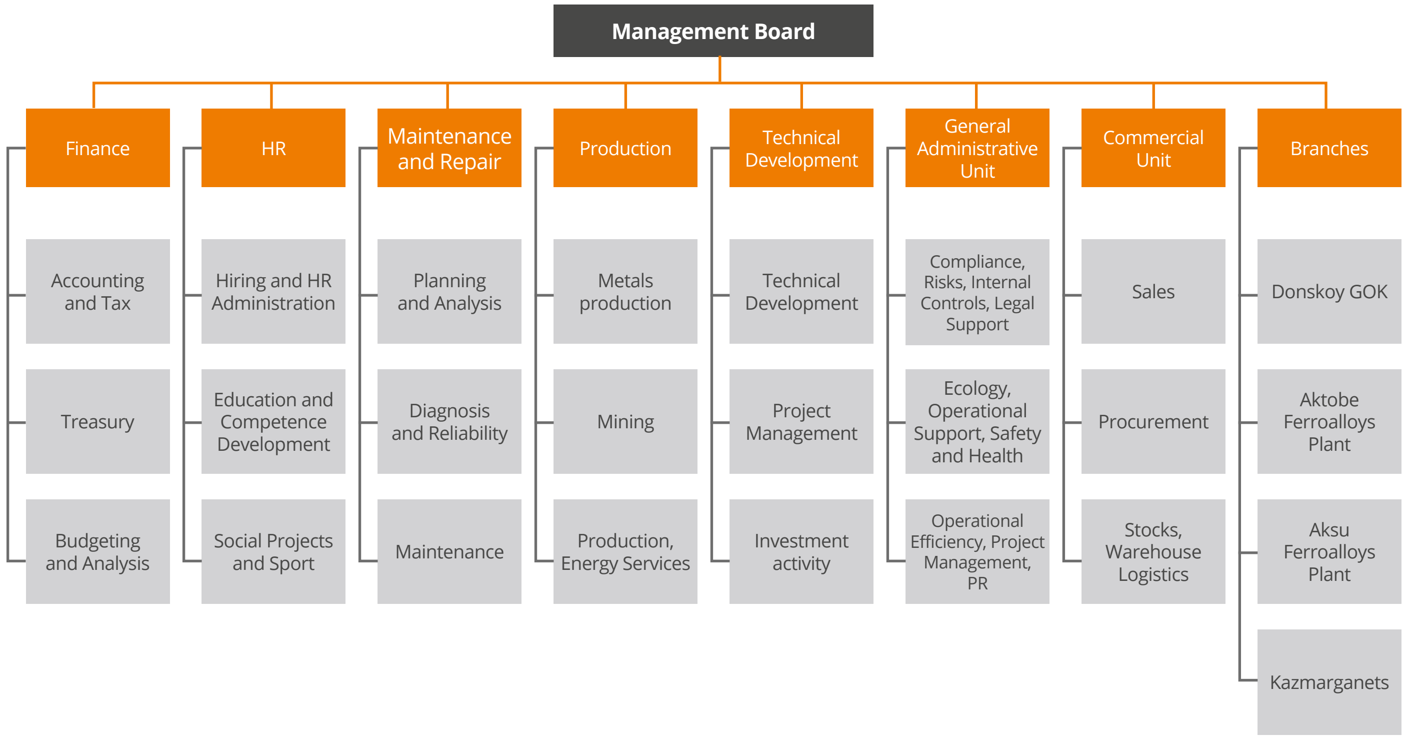
27. EVENTS AFTER THE BALANCE SHEET DATE

On 2 January, 2021 new environmental code of the Republic of Kazakhstan was signed. Impact of the new environmental code on the Group's operations is subject to further analysis.

The Group signed Complex ecological permit, which provides an exemption from environmental charges for the period from 2022 to 2030, subject to the fulfillment of the program for the implementation of best available technologies.

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	Viktor Valdemarovich Til
Aktobe Ferroalloys Plant	Zhalgasbai Bereketovich Mussabekov
Aksu Ferroalloys Plant	Sergey Leonidovich Prokopiyev
Kazmarganets Mining Enterprise	Bagdat Tlyubergenovich Zhakbayev
Akzhar Chrome LLP	Talgat Mukhambetovich Kalenov
Donskaya neftebaza JSC	Natalya Frolovna Ivanova

Name of the branch or subsidiary	Average number of employees in 2020	Gender	
		Women	Men
Executive office	717	498	219
Donskoy GOK	7,222	1,868	5,354
Aktobe Ferroalloys Plant	4,264	773	3,491
Aksu Ferroalloys Plant	6,505	1,445	5,060
Kazmarganets Mining Enterprise	476	86	390
Subsidiaries	35	26	9
TOTAL:	**19,219**	**4,696**	**14,523**

ANNEX 2: GLOSSARY

Abbreviations

IFRS – International Financial Reporting Standards

ISO – International Organisation for Standardisation

HAZID – hazard identification

LTIFR – Lost Time Injury Frequency Rate

OHSAS – Occupational Health and Safety Assessment Series

Measurement units

Km – Kilometres
km² – Square kilometre
m³ – Cubic metres
mln – million
bln – 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.

Inflation – a process characterised by the rise of the overall price level in the economy or, equivalently, by the erosion of money purchasing power.

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.

Special coke (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.

Ferrosilicomanganese – an alloy of iron, silicon and manganese used in metallurgy for steel alloying and deoxidising, and imparting strength, wear resistance and impact resistance to ferrous alloys.

Ferrosilicochrome – a ferroalloy used in metallurgy for alloying and deoxidising of steel and alloys, for cast iron modifying and also used as a reducing agent in ferrochrome smelting.

Ferrosilicon – ferroalloy, the main components of which are iron and silicon, used in metallurgy as deoxidising and alloying additive for the smelting of silicon-sheet, spring, corrosion- and heat-resistant steels.

Ferroalloys – alloys of iron with other elements (chrome, silicon, manganese, titanium, etc.) used mainly for oxidising and alloying purposes, made of ore or concentrates in electric furnaces.

Ferrochrome – iron-chrome alloys used in metallurgy for alloying of steel and alloys.

Chrome ore – a natural mineral assembly containing chrome in concentrates and quantities making production of metallic chrome and its compounds economically feasible.

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