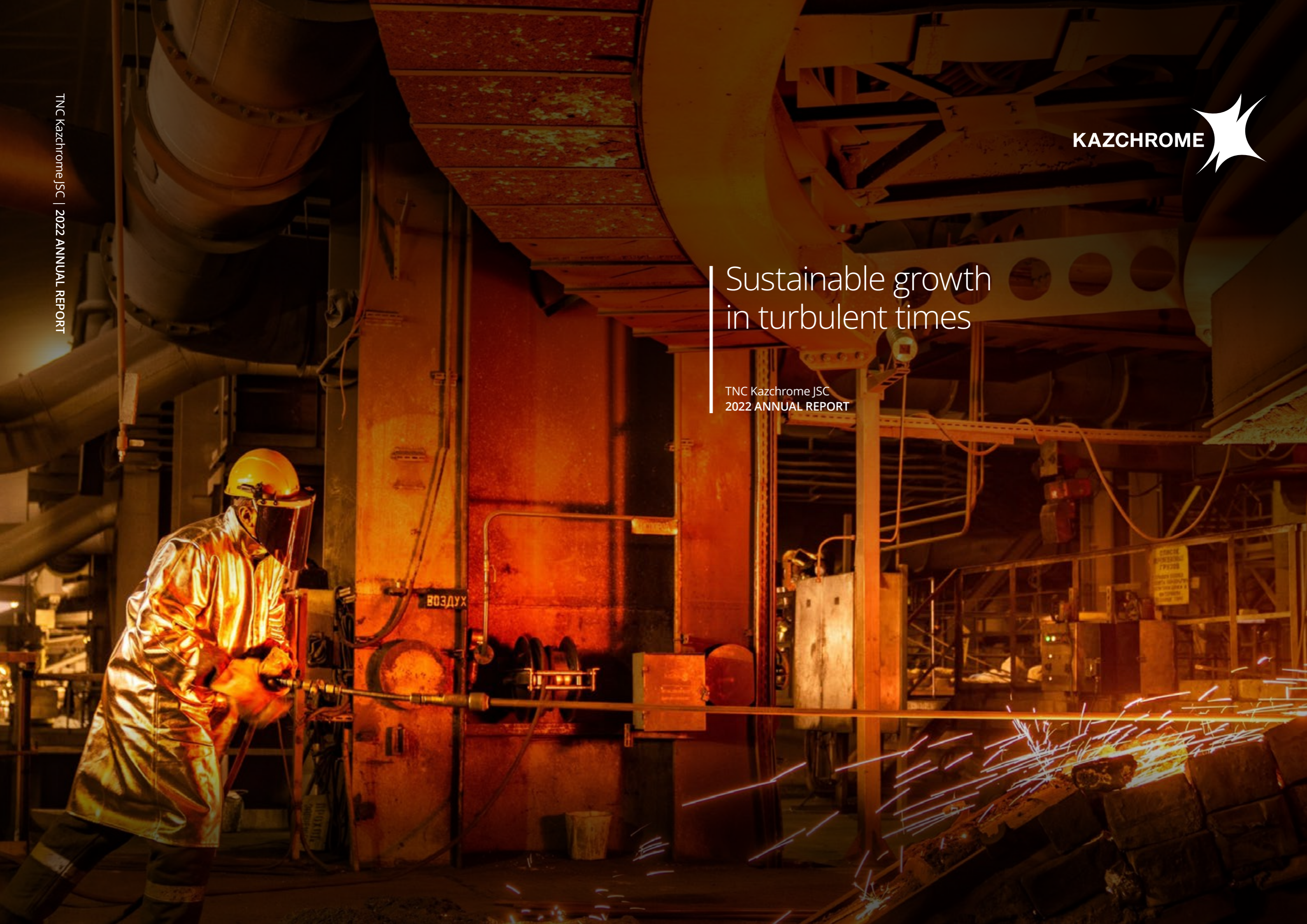




Sustainable growth in turbulent times

TNC Kazchrome JSC
2022 ANNUAL REPORT



TNC Kazchrome JSC is a modern, vertically integrated company and one of the world's largest high-carbon ferrochrome producers

OUR VISION

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

OUR MISSION

Be the best at what we do.
 Navigate global change whilst holding true to our values.
 Responsibly unlock the potential of the Earth and its people, ensuring the prosperity of those who rely on us.

For more information please visit www.kazchrome.com

KEY OUTPUTS

OPERATIONAL

4,829_{kt}
 Chrome ore extraction

1,708_{kt}
 Production of ferroalloys

1,489_{kt}
 Ferroalloys sales volumes

FINANCIAL

KZT 670_{bn}
 EBITDA

KZT 1,289_{bn}
 Revenue

KZT 154_{bn}
 Capital expenditure

SUSTAINABILITY

4,528_{kt}
 CO₂ emissions

12,226_{mWh}
 Energy consumption

24_{Mm³}
 Water withdrawal

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Statement of the Chairman of the Board of Directors



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In 2022, the efficient work of the entire Kazchrome team enabled the Company to successfully meet the most demanding challenges and respond flexibly to the changing environment, particularly the geopolitical situation.



Dear colleagues and partners,

In 2022, the efficient work of the entire Kazchrome team enabled the Company to successfully meet the most demanding challenges and respond flexibly to the changing environment, particularly the geopolitical situation. Timely management decisions helped the Company minimise losses, revise raw material supplies and rebalance supply chains. This made it possible for it to ensure uninterrupted operations and continue its development. Kazchrome has reaffirmed its long-term status as a reliable producer of ferroalloys for Europe, Japan, the US and other global markets.

We maintain our leading position in Kazakhstan's industry and remain a flexible industrial Company, well prepared for any change, whether internal or external. While continuing to pursue efficiency, speed and growth, ERG (of which Kazchrome is a part) has initiated a major transformation of the Company in order to simplify its business processes and increase its governance mobility.

At the same time, our top priority is the health and safety of our people. 2022 was declared the Year of Safety. We continue to strive for a zero harm at our production sites and to improve our operational safety culture. Unfortunately, we were unable to fully meet the targets we had set for ourselves. During operations, we lost one colleagues from the Aksu Ferroalloys Plant and an employee of a contractor at the Donskoy GOK. We extend our heartfelt condolences to everyone affected by these sad events. This has been a great

tragedy and a lesson from which we should all learn. Because of this, we have also declared 2023 the Year of Safety.

In 2022, Kazchrome produced a total of 1,708 thousand tonnes of ferroalloys, which is more than in 2021. Despite numerous challenges, the Company continued to implement projects that are of strategic importance to the entire Group and will set the stage for the Company's successful development in the coming decades. An important milestone was the early extraction of tonnes of ore at the second stage of the 10th Anniversary of Kazakhstan's Independence Mine (Donskoy GOK). In 2022, metallurgists at the Aktobe Ferroalloys Plant achieved a higher-than-designed capacity from the furnaces of smelting shop No.4. This has made it possible to identify the potential to boost ferrochrome output in the future.

One of the Company's strategic goals is to become a recognised leader in the field of environmental safety. Today, ESG factors are closely integrated into Kazchrome's strategy. In 2022, the Company implemented major initiatives to reduce greenhouse gas emissions and continues its effort towards a transition to a low-carbon development model. Once again, this course of action has been confirmed as the right one at a global level. In 2022, Kazchrome received an EcoVadis Platinum Medal, the highest award in the field of sustainability, with a score of 75 out of 100 points. This is the most prestigious award and places Kazchrome among 1% of companies with the highest ESG rating

by EcoVadis in the iron and steel industry.

2022 was another challenging year. It has demonstrated the Kazchrome team's ability to tackle even the most difficult of problems and remain the leader of the ferroalloy industry even during the most turbulent economic conditions. I would like to express my gratitude to our employees and partners for their commitment and their contribution.

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

Statement of the General Director

Dear partners, colleagues and friends,

In 2022, Kazchrome, as many other companies in its industry sector, faced unprecedented economic and social challenges.

The reset of values after the pandemic, the events in Kazakhstan in January and the new challenges related to the escalating international situation demanded a lightning-fast response and prompt decisions.

Our experience, high professionalism and the personal commitment to the common cause of each and every one of our employees have enabled the continuity of our operations.

At the same time, in spite of its difficulties, 2022 was a very important year for us. We continued developing strategic projects and initiatives that have laid the groundwork for the future of our companies, the well-being of our employees and, in some cases, the existence of entire cities.



Kazchrome delivered a high operating performance and strong financial results in 2022. At the end of the year, the Company's revenue increased by 21.7% with its net profit up by 11.8%. Investment increased by 24.9% compared with 2021.

I refer, first and foremost, to the early extraction of tonnes of ore at the second stage of the 10th Anniversary of Kazakhstan Independence Mine (Donskoy GOK). We are opening up new opportunities in ferroalloy production through this state-of-the-art mine, which will revolutionise the approach to deep mining.

We are completing the construction of a sludge processing plant at Donskoy GOK, which will reduce the amount of accumulated waste for the enterprise. We are actively working to design a power plant fuelled by ferroalloy gas waste, which is a unique technology.

Despite the difficulties caused by the global economic slowdown, high inflation and rising commodity prices, Kazchrome delivered a high operating performance and strong financial results in 2022. At the end of the year, the Company's revenue increased by 21.7% with its profit up by 11.8%. Investment increased by 24.9% compared with 2021.

We have been able to achieve these results thanks to the dedication and commitment of our almost 20,000 employees to our common goals. Every day, dozens of initiatives are put into action by Kazchrome's metallurgists and miners, improving our overall efficiency and successfully rolling out ERG's own proprietary production system in the most remote locations.

The high pace of development of Kazchrome's production system, ERG Way, was also noted by the founders of lean manufacturing. In 2022, our Aktobe Ferroalloys Plant subsidiary, was audited by the Toyota Production System experts. It was the first study of this kind to be carried out in Kazakhstan. The Company scored 2.11 as a result of the audit, compared with the usual range of 1.8 to 2.00 for steel mills in Japan. According to the experts, it is a very high score for a company, which only started implementing the production system two years ago. I am sure that we will continue to keep the bar high.

We are convinced that the most important investments to make are those in our employees, their families and their hometowns. Giving the top priority to human life and health, the Company is fully aware of its responsibility to ensure accident-free operations. We deeply regret the accidents involving one employee and that of a contractor that occurred in 2022. We truly believe that every accident can be prevented. Security is therefore deeply integrated into all our processes, from our routine operations to the planning and implementation of our strategic objectives.

As part of ERG's Environmental Strategy, Kazchrome continuously implements large-scale projects aimed at reducing its environmental impact. These include industrial waste recycling and the comprehensive upgrade of furnaces with a focus on introducing new and powerful gas treatment equipment. As part of the enterprises decarbonisation programme, and in line with ESG principles, ERG began designing of its first wind farm at Khromtau in 2022. In addition, the Company is taking measures to foster environmental awareness among Kazakhstan's younger generation by implementing the Green School and Paket, Ket! projects aimed at reducing the use of plastic. The Company provides funding to enable the sterilisation of stray animals free of charge; its waste separation project is in its third year.

Kazchrome's social programmes are aimed at developing the urban infrastructure, promoting a healthy lifestyle and educating the younger generation. In 2022, our Company won the Best Socially Responsible Enterprise in Kazakhstan nomination in the Paryz National Business Social Responsibility Competition.

I am incredibly proud of each and every member of our large team. They personify the Group's culture and, with their strong commitment to corporate values, skilfully adapt to the realities of the fast-changing world. We have so many projects ahead of us. I firmly believe that the strategic path chosen, the high qualification and the co-ordinated efforts of our team will result in their brilliant implementation.



Sergey Prokopyev
General Director of TNC Kazchrome JSC

OUR VALUES



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 Company



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 Company, as well as with partners and customers

ABOUT THE COMPANY

- > General description
- > Generating shared value
- > Business model
- > Performance indicators

General description

KAZCHROME ranks **1-st**

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

KAZAKHSTAN is the world's **3-rd**

largest producer of chrome alloys in terms of production and sales.

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

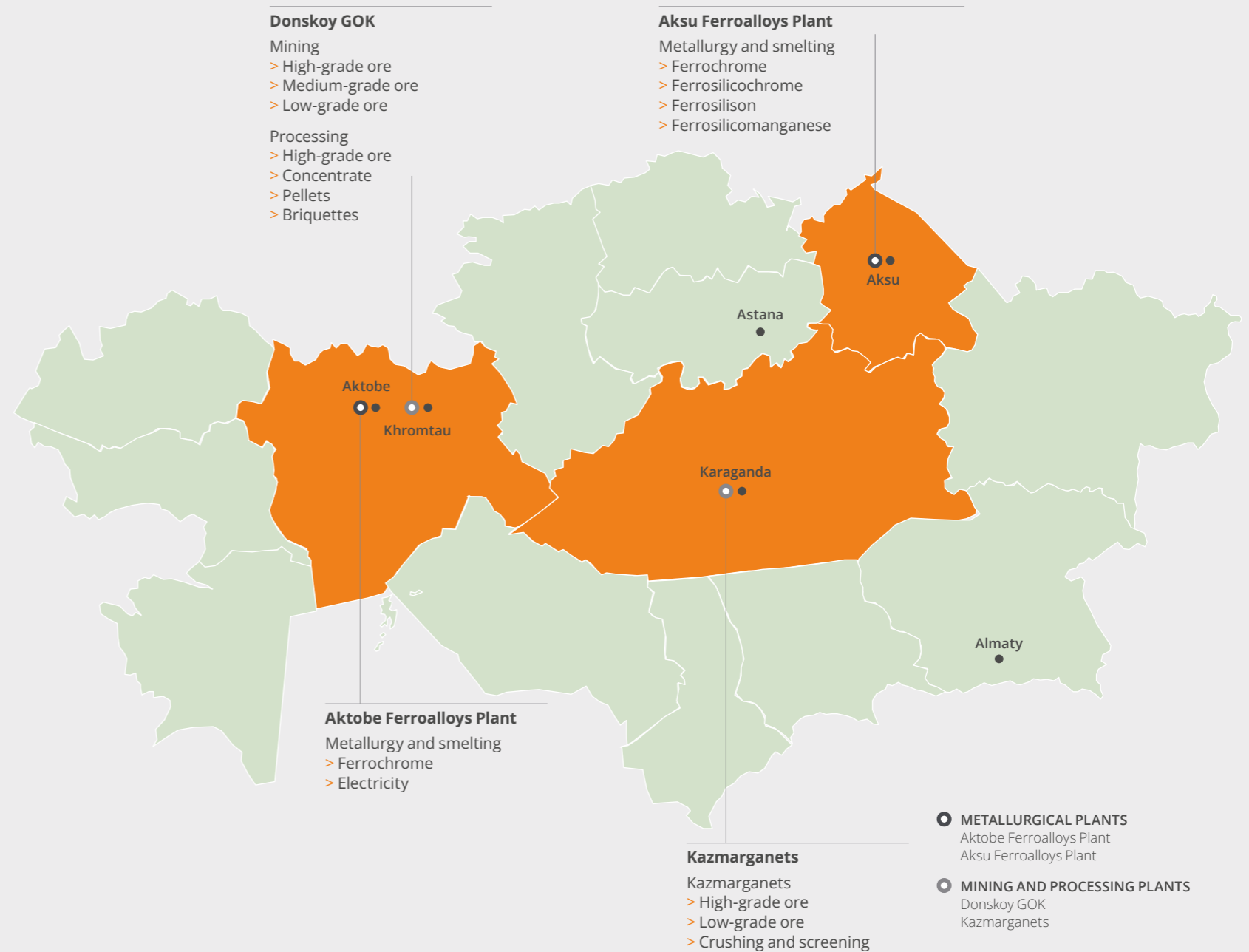
Established in 1995, the Company is currently among the world's leading manufacturers of chrome ore and ferroalloys, with its unique resource base and low production costs.

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

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

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OUR ASSETS



OUR ADVANTAGES



Unique production cost advantage



Well-positioned in the market with favourable growth forecast



Ongoing work on increasing production capacity and effectiveness



Broad diversification of customer base

KEY NUMBERS

KZT670 billion

EBITDA
(2021: KZT594 billion)

1.50

Lost-time injury frequency rate (LTIFR)
(2021: 1.46)

19,987

Headcount – 23.8% of whom are women
(2021: 19,388 – 23.8% of whom were women)

Generating shared value

OUR RESOURCES

Operational resources

Donskoy GOK

- 10th Anniversary Mine
- Molodezhnaya Mine
- Yuzhny Open-Pit Mine, Geologicheskoye I, Geofizicheskoye IX, Geofizicheskoye XI, Iyunskoye
- Crushing and beneficiation plant
- Ore beneficiation and pelletisation plant

Kazmarganets Mining Enterprise

- Transport unit
- Tur Mine and beneficiation complex

Aktobe Ferroalloys Plant

- Three smelting shops ((No.1, No.2, No.4)
- Slag processing shop
- Auxiliary workshops
- Captive power plant

Aksu Ferroalloys Plant

- Four smelting shops ((No.1, No.2, No.4, No.6)
- Slag processing complex
- Agglomeration shop
- Auxiliary workshops

Financial capital

We focus on the efficient use of all our funds, whether obtained through financing or generated from our operations and investments.

Human capital

We rely on the skills, well-being and motivation of our employees, contractors and service providers to generate value.

Social and relationship capital

We seek to build and maintain constructive relationships with all our stakeholders, based on mutual respect, transparency and trust.

Natural capital

It is critical that we responsibly manage all the natural resources used in our business model, given their finite nature.

Manufactured capital

Our capacity to generate long-term value is supported by significant financial investment in the development and maintenance of our assets, as well as in technology and digitalisation.

Intellectual capital

Our accumulated and evolving intellectual capital helps support our strategic objectives and drive our growth, competitiveness and innovation.

KEY PROCESSES

Operating results in 2022

| | | |
|--------------------------|--|-----------------------------------|
| Donskoy GOK | 4.8 mtpa Chrome ore extraction | 3.4 mtpa Chrome product output |
| Kazmarganets | 0.3 mpta Manganese concentrate production | |
| Aktobe Ferroalloys Plant | 0.69 mt Production volume | |
| Aksu Ferroalloys Plant | 1.02 mt Production volume | |

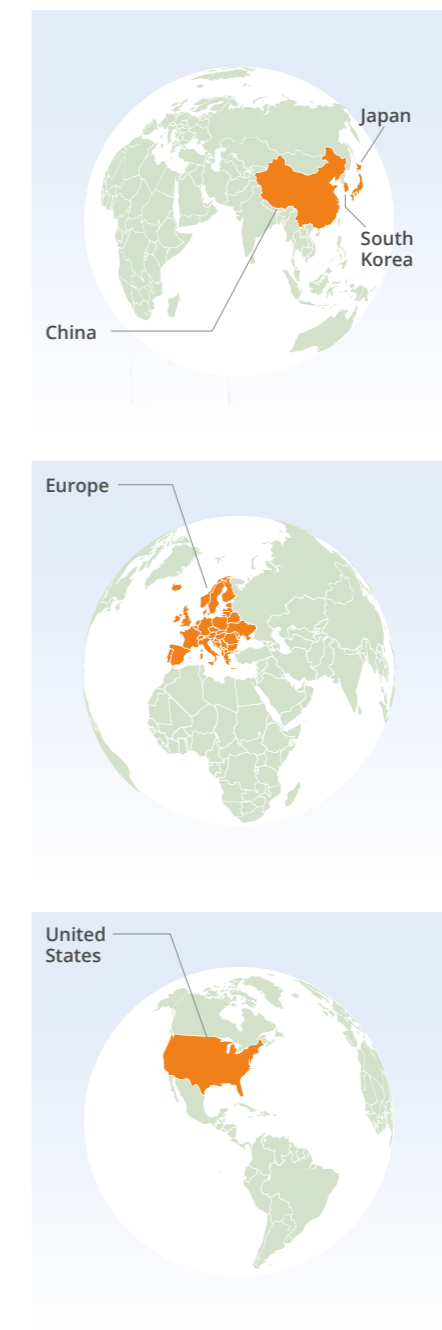


KEY PRODUCTS

- High carbon ferrochrome (HC FeCr)**
The end product of the use of high carbon ferrochrome is stainless steel, which is used in construction, transportation, mechanical engineering and production of industrial pipelines, as well as consumer goods.
- Refined alloys (MC/LC FeCr)**
Medium and low carbon ferrochrome is used in the production of stainless and alloyed steel requiring limited carbon content. It is also used in the production of special alloy steel for ball bearings, tools and devices requiring high durability materials.
- Ferrosilicochrome (FeSiCr)**
Ferrosilicochrome is an intermediate product required for the production of medium- and low-carbon ferrochrome. It is used as a metal for the production of individual types of chromium steels.
- Ferrosilicomanganese (FeSiMn)**
Ferrosilicomanganese is used in the production of steel alloys (Hadfield steel) to improve their characteristics and structure. Areas of use include mining, construction and railroad industries.
- Ferrosilicon (FeSi)**
Ferrosilicon improves durability, elasticity, electrical conductivity and resistance to wearing, corrosion, acid and heat. Ferrosilicon is used in transformer and carbon steel, which are used in car manufacturing.
- Chrome ore (Cr Ore)**
Chrome ore is used for the production of chromium ferroalloys, chromium compounds and refractory materials.

KEY MARKETS

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



KEY OUTPUTS

- Operational**
4,829 kt
Chrome ore extraction
- 1,708 kt
Production of ferroalloys
- 1,489 kt
Ferroalloys sales volumes
- Financial**
KZT 670 bn
EBITDA
- KZT 1,289 bn
Revenue
- KZT 154 bn
Capital expenditure
- Sustainability**
4,528 kt
CO₂ emissions
- 12,226 mWh
Energy consumption
- 24 Mm³
Water withdrawal

Business model



Kazchrome has an integrated production chain ranging from the extraction and beneficiation of chrome and manganese ore to the production of ferrochrome and ferrosilicon alloys.

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

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

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

OUR ADVANTAGES



Unique production cost advantage

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



Well-positioned in the market with favourable growth forecast

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



Ongoing work on increasing production capacity and effectiveness

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



Broad diversification of our customer base made it possible to significantly mitigate the negative effects of sanctions restrictions on Russian companies.

PERFORMANCE INDICATORS

The decrease in chrome ore production by 7% is due to lower volumes in accordance with the approved mining plan at 40th Anniversary of KazSSR-Molodezhnoye field and completion of open-pit extraction at Yuzhny and Geologicheskoye - I mines.

Financial indicators

In 2022, revenue increased by 229.9 billion Tenge (21.7%) year on year. The increase in revenue, as well as the increase in EBITDA by 76.5 (12.9%), was driven by growing prices in the ferroalloys market, including high-carbon ferrochrome prices. The main factor contributing to the increase in the ferroalloys price in 2022 was the shortage of supply in the market and cost increases across the value chain. This positive price impact was partially offset by lower sales volumes and increased operating expenses.

In 2022, Kazchrome's capital expenditure on the development, care and maintenance of its assets totalled 154.1 billion Tenge and were allocated for:

| kt | 2020 | 2021 | 2022 |
|----------------------------------|--------------|--------------|--------------|
| Extraction and production | | | |
| Chrome ore extraction | 5,613 | 5,191 | 4,829 |
| Production of ferroalloys | 1,793 | 1,686 | 1,708 |
| Sales volume | | | |
| High-carbon ferrochrome | 1,480 | 1,288 | 1,264 |
| Refined ferrochrome | 52 | 57 | 52 |
| Silicon alloys | 134 | 152 | 173 |
| Total ferroalloys | 1,666 | 1,497 | 1,489 |

| KZT'000 | 2020 | 2021 | 2022 |
|---------------------|-------------|---------------|---------------|
| Revenue | 664,189,693 | 1,059,418,450 | 1,289,288,331 |
| EBITDA | 274,505,574 | 593,515,553 | 669,984,941 |
| Profit | 132,155,848 | 434,582,096 | 485,912,630 |
| Capital expenditure | 77,666,598 | 123,328,409 | 154,122,759 |

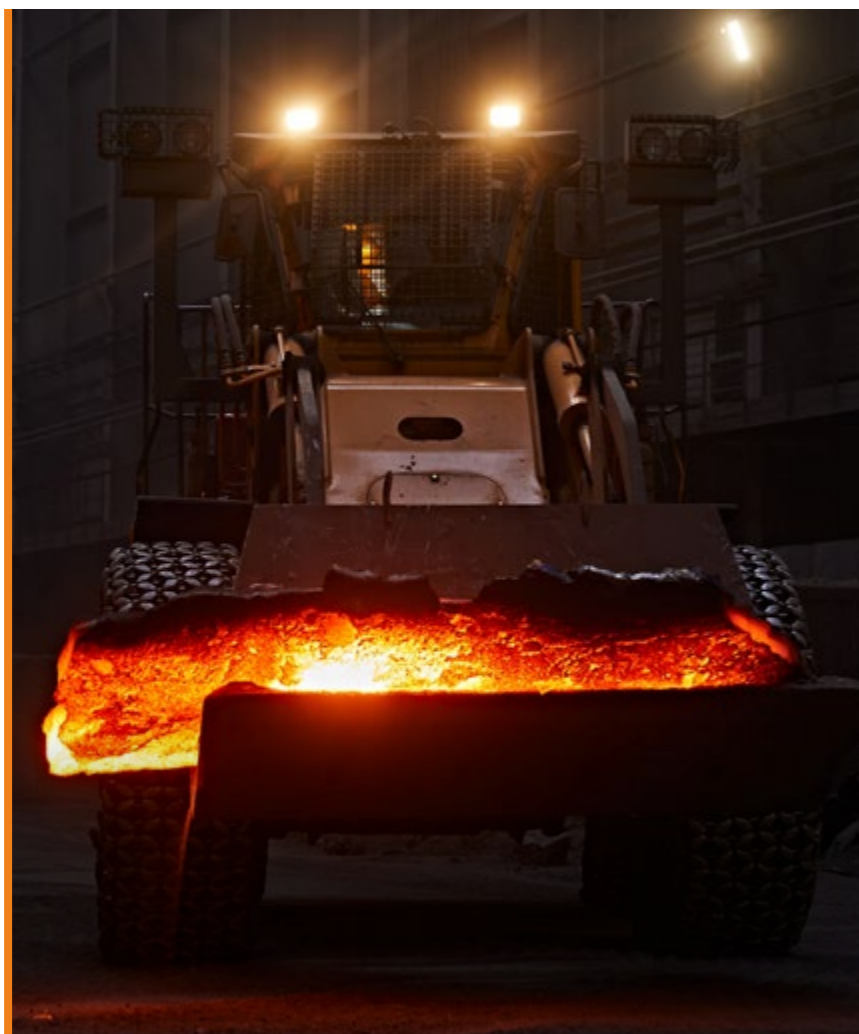
- Expansion of the 10th Anniversary of Kazakhstan Independence Mine;
- Further implementation of Slimes-2 project aimed at improving the technology for further beneficiation of sludge tailings;
- Increasing the capacity of furnace No.64; Comprehensive repairs of the dry gas treatment units of furnaces No.44 and No.42; Renovation of Workshop No.6, completion of the project to expand the smelting building and the finished product warehouse at Workshop No.1 at Aksu Ferroalloys Plant;
- Measures aimed at increasing the production capacity of Workshop No.4, construction of an additional reductant drying line at smelting shop No.4; containing fugitive gas and dust emissions; comprehensive upgrade of furnaces at smelting shop No.1 (furnaces No.11 and No.12); restoration of the outdoor ore warehouse No.2 at Aktobe Ferroalloys Plant.



MARKET OVERVIEW

- > Macroeconomic situation
- > Ferrochrome demand, supply and prices overview

Macroeconomic situation



In 2022, the global economy faced a plethora of challenges including record inflation levels, tighter financial conditions, geopolitical tensions and a significant economic slowdown in China due to major quarantine restrictions amid the proliferation of COVID-19.

At the end of 2021, inflation in the US and Europe equalled the records of recent years, oil approached peaks unseen since 2014 and gas prices matched the topmost in the decade in the US and attained historic highs in Europe. These trends continued to intensify in early 2022, particularly as Europe's energy crisis unfolded further, sending local gas and coal prices and electricity tariffs to new record highs. The conflict between Russia and Ukraine has created significant geopolitical challenges – including logistical problems with the shipment of raw materials and the delivery of goods. This led to increased risks to oil products and coal supplies from Russia as a result of the sanctions imposed by the West, as well as a significant reduction in gas supplies from Russia to Europe. On the back of these developments, the world economy began to slow down in the first quarter of 2022: quarterly GDP growth in OECD countries stood at 0.3% compared with 1.3% in the fourth quarter of 2021. A protracted period of rising inflation triggered the US Federal Reserve's reaction in the second quarter of 2022 and the tightening of monetary policy in most major economies.

This was the first rise in key interest rates since the precipitous cuts in 2020 that were meant to stimulate the economy during the COVID-19 pandemic. In June, the annual inflation rate in the US reached its peak exceeding 9.0%, the highest level since the early 1980s. To moderate inflation, the US Federal Reserve raised its key rate by 2.25% in July 2022 and by 4.25% at the end of the year with further rate increases expected in 2023. With this tighter monetary policy, along with the resolution of supply chain problems, global logistics tariff cuts and the cool down in energy markets, annual inflation in the US began to slow down and had dropped to ~6.5% by the end of 2022.

Another constraint for global economic growth in 2022 was the economic slowdown in China, where the biggest COVID-19 wave in two years hit the major economic and industrial hub of Shanghai and several other provinces. This slowed down the country's economic activity in the first half of the year and limited GDP growth to 2.5% compared with 12.7% for the same period in 2021. The second half of the year saw positive dynamics as China began lifting

quarantine restrictions, which helped improve expectations for medium- and long-term economic performance. But, in the short term, it led to major COVID-19 outbreaks and overload of the healthcare system. In summary, economic growth in China in 2022 dropped to one of its lowest levels in almost half a century, falling below 3% GDP growth; however, as the country heads towards the complete removal of quarantine restrictions, the stage is now set for growth to recover in 2023.

In the commodities sector, energy prices (gas, thermal coal) demonstrated the strongest growth last year amid the energy crisis in Europe. This crisis was primarily caused by a combination of various factors, including the conflict between Russia and Ukraine, which led to disruptions in natural gas supplies to Europe, and a reduction in power generation capacity at nuclear power plants due to the closure of some units for maintenance. Record high gas prices gave a push to the gas-to-coal transition process, with some coal power plants that had earlier been closed re-entering the market to ensure an adequate supply of energy. For example, in Germany

alone, some ~10 GW of coal power generation facilities had been reopened by the end of 2022. As a result, in 2022, the annual average European thermal coal benchmark CIF ARA API2 increased by ~145% year-on-year to reach US\$285/tonne, while the annual average FOB Newcastle Australian API6 (6000 NCV) benchmark hit US\$360/tonne, an ~167% improvement year-on-year. By the end of 2022, however, energy prices and electricity tariffs in Europe started to decline on the back of the record-setting mild winter, but still remained at levels well above the historical average.

Ferrochrome demand, supply and prices overview



While a number of ferrochrome producers own chrome ore deposits (such as Kazchrome, Glencore-Merafe and Samancor, which accounted for 13%, 10% and 10% of the ferrochrome market in chrome equivalent, respectively, in 2022), a substantial number of ferrochrome producers have to purchase chrome ore. In particular, China, the largest producer of ferrochrome with an ~40% share of the global market in chrome equivalent, has little or no chrome reserves and Chinese ferrochrome smelters have to import chrome ore from South Africa, Turkey, Zimbabwe and other countries¹.

Under normal circumstances, global prices for ferrochrome are largely determined by the balance between the demand for stainless steel and the production of chrome ore and ferrochrome. 2022, however, was an exception with significant price fluctuations in the ferrochrome market, particularly in Europe and the US, and some notable spikes in the second quarter of 2022, resulting from geopolitical tensions, between Russia and Ukraine and the energy crisis in Europe.

In May, European prices for high-quality, high-carbon ferrochrome (HC FeCr) and low-carbon ferrochrome (LC FeCr) hit new record highs of ~US\$3.40/lb Cr and ~US\$6.71/lb Cr, respectively, while annual average price levels in 2022 stood at ~US\$2.62/lb Cr and ~US\$5.14/lb Cr, respectively (2021: ~US\$1.47/lb Cr and ~US\$2.64/lb Cr). The strong price performance in Europe and the US was driven by a number of key factors. First, the European market of high-quality HC FeCr experienced a strong supply shock in 2022: in early January-February, Turkey and Albania effected a 50% production cut due to high electricity tariffs; in August-September, Yildirim Group halted operations at almost ~45% of its operating capacity across all assets amid the European energy crisis. Second, Tikhvin Ferroalloys Plant (Russia), part of the Yildirim group of companies, declared force majeure due to logistical uncertainties resulting from the sanctions imposed against Russia. In addition, the reduced supply and growing production costs led some steel smelters into panic-driven purchases to mitigate risks associated with raw material supply and helped keep HC FeCr spot prices at elevated levels throughout the year.

In China, however, ferrochrome prices were less volatile with HC FeCr and LC FeCr reaching their annual peaks in May at ~US\$1.15/lb Cr and ~US\$1.90/lb Cr compared with annual averages of ~US\$1.00/lb Cr and ~US\$1.65/lb Cr, respectively (2021: ~US\$1.08/lb Cr and ~US\$1.68/lb Cr). In the Chinese market, the main price limiting factor in 2022 was lower-than-expected demand, yet HC FeCr

prices continued to be relatively high, helped by higher production costs. Looking at the key factors, in the second quarter, despite the expectations that demand would rebound after the Chinese New Year period, the demand actually deteriorated significantly due to quarantine restrictions in Shanghai, one of the key stainless steel producing regions. The second half of the year also fell short of expectations in terms of stainless steel production due to continuing restrictions in a number of provinces and the tight 'zero COVID-19 tolerance' policy. Despite the weak demand throughout the year, prices were underpinned by high operating costs, especially the cost of the production of chrome ore. For example, prices for South African UG2 (chrome ore concentrate) peaked at around US\$300/tonne in May, which was nearly 60% more than at the beginning of the year. During the year, the average UG2 price stood at ~US\$244/tonne, which was ~44% above previous year's level.

These high chrome ore prices can be explained by serious logistical problems in South Africa, a key region exporting chrome ore. During 2022, the flooding of the port of Durban and cyber-attacks on Transnet (the country's major railway operator) hampered stock replenishment at Chinese ports. As a result, in 2022, inventories reached historic lows for the first time since 2017, both in absolute terms and in weeks of consumption. Despite that, global chrome ore production was relatively stable and demonstrated an ~1.6% year-on-year growth, according to CRU.

In spite of the global decline in stainless steel production in 2022, further growth in demand for stainless steel is expected over the long term, primarily due to continued urbanisation, rising standards of living and economic development in China, India and other developing countries. Current estimates suggest that the stainless steel market will show an annual growth rate of more than 3% by the end of 2030. This is expected to lead to a significant growth in demand for ferrochrome and chrome ore, and to require a major increase in chrome supply with a consequent need for capital investment in new projects in key chrome producing regions, which will only be possible if the prices of chrome ore and ferrochrome are maintained at levels comfortable for both producers and investors.

1. CRU Ferrochrome Market Outlook December 2022

STRATEGY OVERVIEW

> Efficiency and growth initiatives



Efficiency and growth initiatives

In 2022, 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.

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

We are advancing plans to increase production at Donskoy GOK's world-class chrome ore body, having initiated Phase 2 of development. This is focused on advanced sub-level caving, as well as drift and fill mining. This new phase will not only allow us to replace diminishing chromite output from Phase 1 of development and from the Molodezhnaya mine, but will enable us to increase output up to six or more million tonnes of ore per year and, by extension, production at our ferroalloy plants.

In 2022, the project moved to pre-project planning, with a planned completion in 2023.

Geological survey activities at potential sites resulting in

- Ore extraction at potential sites Geofizicheskoye IX, Geofizicheskoye XI, Iyunskoye and Dubersai;
- Launch of ore extraction from 20th Anniversary of KazSSR Deposits, Yuzhny and Geologicheskoye - I Open-Pit Mines expected in 2023.

Expansion of the open-pit mine at Kazmarganets

- In-mine exploration at the Tur Mine showed an increase in ore reserves. In 2022, we performed a revaluation of reserves to account for growth and a part of off-balance reserves at the Zapadny board sites; we are also working towards including these reserves into the state register.

Ore beneficiation stage

ERG Green

As part of our broader Slimes-2 project, the construction of a tailings reprocessing facility 'ERG Green' at Donskoy GOK is nearing completion. The launch is scheduled for the first half year of 2023. It will employ new chrome processing technologies and is made up of gravity, flotation, thickening and filtering sections.

The initiative is aimed at obtaining commodity concentrate from mature and current tailings, which will help to actively reduce volumes of existing tailings at the site. This will supplement our chrome concentrate output at comparable production volumes, which will have a positive impact on the environment and production costs.

Sand thickening in the pelletising area

The initiative is aimed at increasing recovery from slimes in the pelletising area. It was commissioned at the end of 2022 and has already shown good results in thickening and production of additional concentrate.

Enrichment of tailings

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



Metallurgy stage

Further capacity expansion at Aktobe Ferroalloys Plant Workshop No.4

In 2022, we brought the direct current furnaces at Aktobe Ferroalloys Plant Workshop No. 4 to their design capacity. This builds on previous productivity improvements of production equipment, including the conveyor system, furnace, gas cleaning system, thickeners among other production elements. Following these improvements, the focus has now moved to optimising the

workshop's operational parameters.

We are now working to improve the Workshop's operational parameters, in order to achieve an increase of 10-20% of the design.

Modernisation of furnaces at Aksu Ferroalloy Plant

We are continuing to explore options for the optimal development of capacities at Aksu Ferroalloy Plant, taking into account the expected growth in ore production at the Phase 2 of the 10th Anniversary Mine. Various options are

being considered from the modernisation of existing furnaces to the expansion of existing workshops and the completion of furnaces at smelting shops No 1 and No 6.

OVERVIEW OF OPERATIONAL RESULTS

- > Products, sales, markets and consumers
- > Reserves and resources

Products, sales, markets and consumers



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

Products

Kazchrome's key products include high-carbon ferrochrome and refined ferrochrome with a low impurity content.

Ferrochrome products used in the production of various types of corrosion resistant steel, from regular stainless to legi designed and structural.

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.

Sales profile 2022

| Indicator | Quantity, kt | Amount ¹ , KZT'000 |
|-------------------------|--------------|-------------------------------|
| High-carbon ferrochrome | 1,264 | 981,406,656 |
| Refined ferrochrome | 52 | 167,007,793 |
| Silicon alloys | 173 | 137,302,159 |

1. Note: Sales do not include other income.

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

Sales, marketing and consumers

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

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

Kazchrome is, therefore, able to optimise its product range in order to diversify its end-customer base and maximise profit. In 2022, the Company sold more than 1,264 kt of high-carbon ferrochrome and more than 225 kt of other ferroalloys, with ferroalloy sales totalling 1,489 kt.

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

Reserves and resources

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

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

Kazchrome also plans to start in-mine exploration of pit reserves at 20th Anniversary of KazSSR Deposit (Yuzhny Open-Pit Mine), Geologicheskoye - I deposit and Deposit 21 (Mirny Open-Pit Mine). In addition, the Company intends to start operational exploration at the Pervomayskoye deposit from a horizon of 80 metres

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

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

Overview of subsoil use contracts

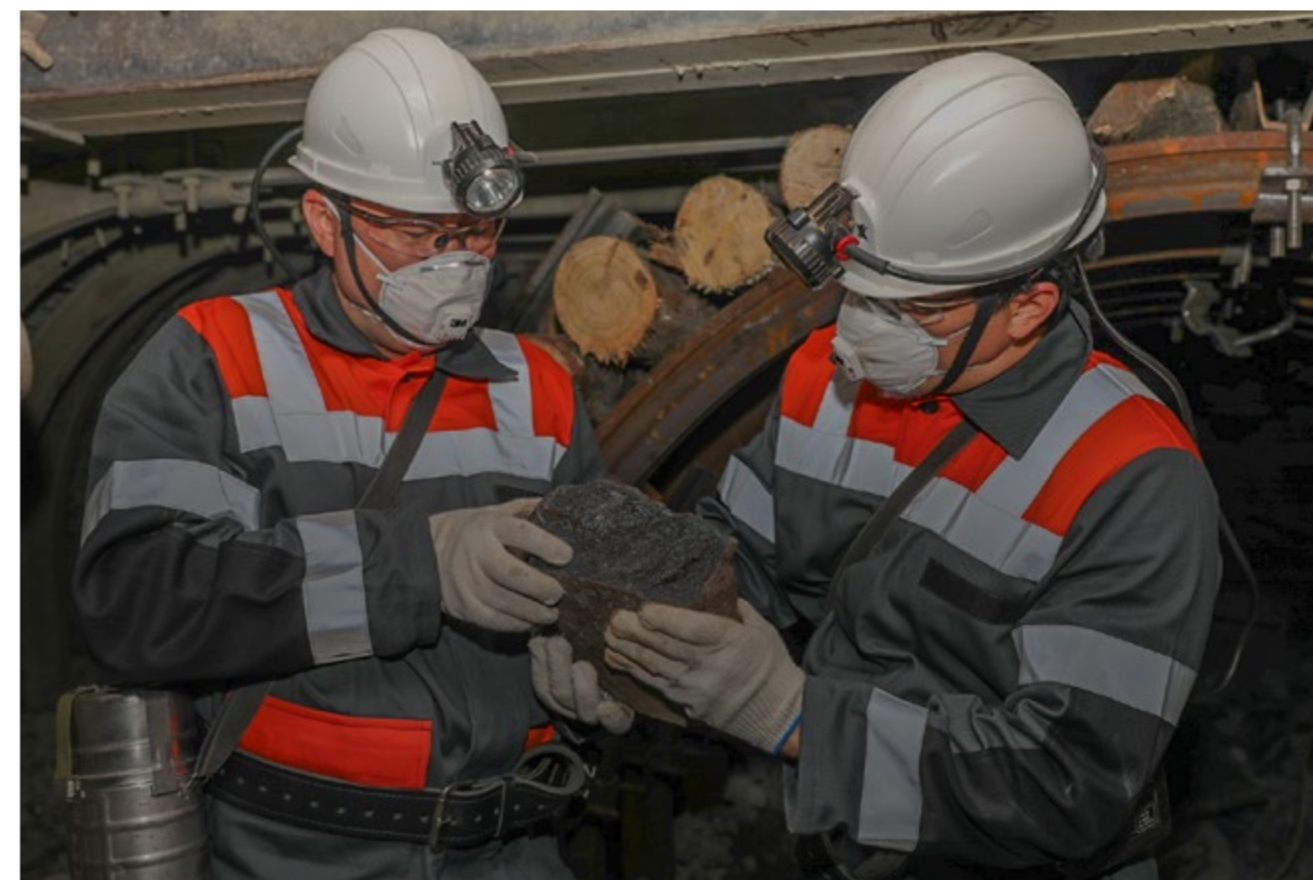
The land and underground resources, waters, flora and fauna, and other natural resources belong to the people. On behalf of the people, the right to property is exercised by the state.

Kazchrome has entered into subsoil use contracts with the Government of the Republic of Kazakhstan. The terms of these contracts vary depending on the mine. Contracts for subsoil use expire between 2041 and 2074. Usually contracts are extended until the end of each mine's life.

The Company has a legal obligation to complete landfill site restoration during mining operations and decommission its mining property after closure.

Subsoil use contracts

| Contracts | Location | Start date | Contract expiration date | Mine(s) | Branch |
|---|---|------------|--------------------------|---|--------------|
| Chrome ore extraction | Khromtau district of Aktobe region | 1997 | 2041 | 10th Anniversary Mine, Molodezhnaya Mine and Donskoy t Mine | Donskoy GOK |
| | Khromtau district of Aktobe region | 2022 | 2025 | Donskoy t Mine | Donskoy GOK |
| Manganese ore extraction | Nura district of Karaganda region | 1999 | 2025 | Tur Mine | Kazmarganets |
| Exploration for chromite-containing ore | Khromtau district of Aktobe region | 2015 | 2023 | South Kempirsai ore field | Donskoy GOK |
| Exploration for chromite ore | Aitekebi and Khromtau districts of Aktobe region | 2019 | 2025 | Bilge ore occurrence | Donskoy GOK |
| | Mugalzhar, Baigany and Shalkar districts of Aktobe region | 2019 | 2024 | Daul-Kokpekty area | Donskoy GOK |
| Exploration for complex ore | Aitekebi district of Aktobe region | 2019 | 2025 | Karakuduk ore occurrence | Donskoy GOK |



Reserves and resources (continued)

Reserves report¹

Kazchrome has the industry's largest resource base, which includes 298.1 mt of chrome ore unique in its quality, with an average chrome content of 51,7% and a low impurity content. Such ore reserves amount 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 balanced reserves: Donskoy GOK

| Deposit | Category ² | Quantity, mt | Average Cr ₂ O ₃ ore content, % | Cr ₂ O ₃ content, mt |
|---------------------------|-------------------------------|--------------|---|--|
| 10th Anniversary Mine | B ₁ C ₁ | 210.4 | 52 | 109.5 |
| | C ₂ | 85.2 | 50.9 | 43.3 |
| | Total mineral reserves | 295.6 | 51.7 | 152.8 |
| Molodezhnaya Mine | B ₁ C ₁ | 1.2 | 49.4 | 0.6 |
| | C ₂ | 0.8 | 49.4 | 0.4 |
| | Total mineral reserves | 2 | 49.4 | 1 |
| Yuzhny Open-Pit Mine | B ₁ C ₁ | 0.2 | 52.8 | 0.1 |
| | C ₂ | - | - | - |
| | Total mineral reserves | 0.2 | 52.8 | 0.1 |
| Geofizicheskoye VII | B ₁ C ₁ | 0.2 | 42.2 | 0.1 |
| | C ₂ | - | - | - |
| | Total mineral reserves | 0.2 | 42.2 | 0.1 |
| Geofizicheskoye IX | B ₁ C ₁ | 0.1 | 35.6 | 0.03 |
| | C ₂ | - | - | - |
| | Total mineral reserves | 0.1 | 35.6 | 0.03 |
| Geofizicheskoye XI | B ₁ C ₁ | 0.02 | 35.6 | 0.01 |
| | C ₂ | - | - | - |
| | Total mineral reserves | 0.02 | 35.6 | 0.01 |
| Iyunskoye | B ₁ C ₁ | 0.01 | 37.7 | 0.0004 |
| | C ₂ | - | - | - |
| | Total mineral reserves | 0.01 | 37.7 | 0.0004 |
| Total: Donskoy GOK | B ₁ C ₁ | 212.1 | 52 | 110.3 |
| | C ₂ | 86 | 50.8 | 43.7 |
| | Total mineral reserves | 298.1 | 51.7 | 154 |

1. Based on reports on the extracted solid minerals with approved reserves according to the classification of the State Commission on Mineral Reserves for the reporting period 2022 (ITPI form)

2. Category B, C₁ - proven reserves, category C₂ - preliminary estimated reserves

Manganese ore balanced reserves: Kazmarganets

| Deposit | Category ² | Quantity, mt | Mn content, % | Fe content, % | Mn content, mt | Fe content, mt |
|----------------------------|-------------------------------|--------------|---------------|---------------|----------------|----------------|
| Tur Mine | B ₁ C ₁ | 0.171 | 27.5 | 8 | 0.05 | 0.01 |
| | C ₂ | - | - | - | - | - |
| Total: Kazmarganets | Total mineral reserves | 0.171 | 27.5 | 8 | 0.05 | 0.01 |



FINANCIAL REVIEW

- > Preparation principles
- > Statement of profit or loss
- > Current debt

ҚАЗАҚСТАН РЕСПУБЛИКАСЫНЫҢ
ЭКОНОМИКАСЫ МЕН
СӨІМДІЛІГІ



Statement of profit or loss

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 2020, 2021 and 2022.

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 the Financial statements.

Statement of profit or loss

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

In 2022, Kazchrome reported profit of 485.9 billion Tenge, which above the result for the previous year by 11,8%. Growing global ferroalloy prices had a strong positive effect on annual net profit. At the same time, the Company's results were negatively affected by an increase in production cost items, general and administrative expenses costs. General and administrative expenses increased by 27.7 billion Tenge (69.3%), due to a growth in sponsorship and other financial aid-related expenses, and the cost of managerial, consulting and other professional services.

The increase in finance income by 68 billion Tenge is associated with a gain on restructuring borrowings and a gain on early derecognition of loans receivable. An increase in finance costs by 68,1 billion Tenge is associated with an increase in loss on initial recognition and modification of loans receivable, loss from revaluation of

| KZT'000 | 2020 (restated) | 2021 | 2022 |
|--|--------------------|--------------------|--------------------|
| Revenue | 664,189,693 | 1,059,418,450 | 1,289,288,331 |
| Cost of sales | (402,233,936) | (458,741,785) | (589,254,987) |
| Gross profit | 261,955,757 | 600,676,665 | 700,033,344 |
| Distribution costs | (6,717,544) | (8,178,147) | (11,424,974) |
| General and administrative expenses | (25,809,903) | (39,950,114) | (67,644,911) |
| Research, business development and exploration costs | (3,441,892) | (6,674,905) | (9,936,937) |
| Other operating income/ (expense) | (4,179,012) | (2,228,065) | 5,277,197 |
| Operating profit | 221,807,406 | 543,645,434 | 616,303,719 |
| Finance income | 107,199,569 | 37,906,793 | 105,906,503 |
| Finance costs | (154,465,433) | (64,800,781) | (132,875,635) |
| Profit before tax | 174,541,542 | 516,751,446 | 589,334,587 |
| Income tax expense | (42,385,694) | (82,169,350) | (103,421,957) |
| Profit for the year | 132,155,848 | 434,582,096 | 485,912,630 |

investments at fair value and unwinding of discount on financial instruments.

Revenue

In 2022, revenue increased by 229,9 billion Tenge (21.7%) year-on-year and was driven by growing prices in the ferroalloys market. An additional revenue driver was the weakening of the Tenge against the US dollar.

Ferroalloys production, sales volumes and revenue

| | 2020 | 2021 | 2022 |
|--|--------------------|----------------------|----------------------|
| Ferroalloys production | | | |
| High-carbon ferrochrome | 1,546 | 1,432 | 1,389 |
| Refined ferrochrome | 56 | 59 | 60 |
| Silicon alloys | 191 | 195 | 259 |
| Total ferroalloys production | 1,793 | 1,686 | 1,708 |
| Ferroalloys sales | | | |
| High-carbon ferrochrome | 1,480 | 1,288 | 1,264 |
| Refined ferrochrome | 52 | 57 | 52 |
| Silicon alloys | 134 | 152 | 173 |
| Total ferroalloys sales | 1,666 | 1,497 | 1,489 |
| Ferroalloys average selling price¹ | | | |
| High-carbon ferrochrome | 929 | 1,589 | 1,687 |
| Refined ferrochrome | 1,956 | 3,248 | 6,979 |
| Silicon alloys | 936 | 1,629 | 1,725 |
| Revenue | | | |
| High-carbon ferrochrome | 567,655,267 | 871,917,412 | 981,406,656 |
| Silicon alloys | 51,806,927 | 105,450,468 | 137,302,159 |
| Refined ferrochrome | 42,007,441 | 78,843,399 | 167,007,793 |
| Other | 2,720,058 | 3,207,171 | 3,571,723 |
| Total revenue | 664,189,693 | 1,059,418,450 | 1,289,288,331 |

Cost of sales

In 2022, the cost of sales increased by 130.5 billion Tenge (28.5%) year-on-year. Cost growth factors included the following:

- Growing prices of purchased materials, including nut coke, medium temperature furnace coke and carbon reducing agent, drove up the cost of feedstock, materials and components by 78.8 billion Tenge (38.3%).
- Personnel costs grew by 31.6 billion Tenge (41.3%) as a result of wage and headcount increases.

- Electricity costs grew by 5.8 billion Tenge (7.6%) as a result of growing tariffs.
- An increase in depreciation expenses by 5 billion Tenge (10.5%) was driven by the commissioning of new facilities purchased under the investment plans.

- An increase in other expenses by 11,1 billion Tenge (32,3%) was due to growth in raw material and supplies processing services, and other services.
- A decrease in the Mineral extraction tax by 1.8 billion Tenge (10,2%) related to the lower output.

| KZT'000 | 2020 (restated) | 2021 | 2022 |
|-------------------------------|--------------------|--------------------|--------------------|
| Materials | 168,597,943 | 205,659,314 | 284,444,069 |
| Payroll and related costs | 63,530,909 | 76,581,326 | 108,190,378 |
| Power and energy | 72,064,587 | 76,648,940 | 82,440,963 |
| Depreciation and amortisation | 44,547,960 | 48,206,583 | 53,256,408 |
| Mineral extraction tax | 19,223,968 | 17,373,301 | 15,596,918 |
| Other | 34,268,569 | 34,272,321 | 45,326,251 |
| Total cost of sales | 402,233,936 | 458,741,785 | 589,254,987 |

1. Note: the following exchange rates were used to calculate average ferroalloys selling prices: KZT412.95/US\$ for 2020. KZT425.91/US\$ for 2021; KZT460.17/US\$ for 2022.

Statement of profit or loss (continued)

General and administrative expenses

In 2021, general and administrative expenses increased by 27.7 billion Tenge (69.3%), mainly as a result of a significant increase (by 15.3 billion Tenge) in sponsorship and donation-related expenses (more than 2.5 times), while the cost of managerial, professional and agency services increased by 9 billion Tenge (47.4%).

| KZT'000 | 2020 (restated) | 2021 | 2022 |
|--|-------------------|-------------------|-------------------|
| Managerial, consulting and other professional services | 13,163,226 | 19,045,325 | 28,066,404 |
| Sponsorship and donation | 2,007,143 | 9,965,023 | 25,290,125 |
| Payroll and related expenses | 4,874,777 | 4,300,733 | 5,351,459 |
| Depreciation and amortisation | 1,203,453 | 895,053 | 910,345 |
| Other | 4,561,304 | 5,743,980 | 8,026,578 |
| Total general and administrative expenses | 25,809,903 | 39,950,114 | 67,644,911 |

Current debt

In January 2022, RCB Bank Limited and CQR Bank LLC, lenders of the Group, assigned an aggregate of US\$1,800 million (KZT786,450,000 thousand) borrowings to VTB Bank (PJSC).

In March 2022, the Company signed a waiver with VTB Bank (PJSC) to defer payment of principal, where applicable, and payments of interest on all tranches for the period up to the first quarter of 2024.

In December 2022, the Group signed a credit line agreement with JSC «Development Bank of Kazakhstan» in the amount of up to US\$77.5 million (KZT35,802,675 thousand) with maturity of 7 years and at an interest rate within the existing range in the Group's debt portfolio. In December 2022, the Company received a tranche in the amount of US\$42.86 million (KZT 19,767,038 thousand).

RISK MANAGEMENT

- > Risk management system
- > Key risks and their 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, ESG¹) and all levels of the Company's activities.

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

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

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.

Kazchrome constantly improves methods and approaches to managing environmental activities and risks, and the necessary resources are allocated for environmental protection.

Key risk areas

Regulatory and legal risks

There are a number of factors that could affect regulatory context. This includes the introduction of new (or changes to existing) laws and regulations

Selected mitigation actions

- 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 volatility around commodity prices could materially affect the Company's business, including its financial results and liquidity

- Regular review and forecast of short- and medium-term market fundamentals (consumption, supply, availability, etc.)
- Maintenance of long-term sales contracts that link commodity prices to benchmarks
- Hedging of commodity prices
- Development of alternative sales channels

Production and operational risks

The Company's production activities are subject to the risks of equipment damage, uncertainty in geological formations and mineralisation, risks of man-made and natural accidents

- Risk-based reliability planning and maintenance
- Independent technical diagnostics focused on machinery
- Control of quality of input materials
- Implementation of business continuity management processes
- Control of production operations for compliance with technical regulations
- Maintenance of property damage/business interruption insurance

Supply chain and logistics risks

The Company sells its finished products and purchases the inventory, raw materials and equipment necessary for its activities from various counterparties, including foreign ones.

The Company may be exposed to the risk of supply disruptions, changes in the prices of purchased and sold goods, and lack of transportation capacity

- Constant search for ways of reducing the logistics burden in certain areas of supply
- Improving the efficiency of external logistics
- Maintenance of own fleet of railway wagons in one of the companies of ERG Group (Transcom)
- Creation and maintenance of supplementary stocks of critical items (including PPE)
- Quality control related to the supply of goods

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 the ability of the Company to attract future financing

- Systematic, transparent and stage-gated project implementation process
- Enhanced project due diligence, including 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
- Contingency planning based on quantitative schedule and cost-risk analysis
- The insurance of construction risks and risks relating to delayed start-up of critical capital projects

1. Environment, social, governance.

Risk management system (continued)

| | | | |
|--|---|--|--|
| <p>Financial risks</p> <p>Kazchrome is exposed to a number of financial risks including 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.</p> | <ul style="list-style-type: none"> • Maintenance of strong relationships with existing lenders, the expansion of the Company's credit lines, as well as improvements to its debt portfolio, funding opportunities and conditions • Regular updating of the Company's cash flow plan and control of its liquidity level • Compliance with covenants • Monitoring the Company's open foreign exchange position • Monitoring tax legislation compliance • Credit control process implementation, including the setting of counterparty credit limits and alignment control. | <p>Health, safety and security risks</p> <p>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</p> | <ul style="list-style-type: none"> • ISO 45001-certified occupational health and safety management systems • Zero Harm approach towards critical health and safety risks • Safety management system audits • Integration of safety targets into managers' KPIs • Risk assessment using Hazard Identification (HAZID) methodologies. |
| <p>Social risks</p> <p>The Company's business activities may negatively affect nearby communities. This poses a risk of social tension within the communities.</p> | <ul style="list-style-type: none"> • Community social investment (including through Regional Memoranda of Understanding with regional governments, aimed at promoting socio-economic development) • Implementation of housing programmes for employees, as well as the improvement of local urban environments • Monitoring of social attitudes and the maintenance of community grievance mechanisms • 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. | <p>Environmental and climate change risks</p> <p>The nature of the Company's activities and processes mean they have, in the absence of appropriate controls, the potential to harm the environment.</p> <p>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.</p> <p>In 2021, the New Environmental Code of the Republic of Kazakhstan was adopted, requiring the elimination of the consequences of operation of production facilities that have a negative impact on the environment upon ceasing of their operation. Elimination of the consequences of operation will depend on the nature of the assets involved and the potential impact on the environment.</p> | <ul style="list-style-type: none"> • Implementation of ISO 14001-certified and/or aligned environmental management system • Implementation of energy efficiency measures, as well as ISO 50001-certified energy management system • Implementation of renewable energy projects. • Carbon footprint analysis • Implementation of ERG Environmental Strategy, including the phased implementation of advanced filter and air technology at its key operations • Group-level, large-scale waste storage facility risk review process • Factoring-in of GHG emission implications when making long-term investment decisions, with the aim of reducing the Company's emissions where it is commercially feasible to do so • Assessing the physical climate risks affecting our operating regions and considering the implementation of recommendations for managing these risks in the Company's long-term strategy • Assessing the nature of the Company's production facilities and their potential impact on the environment • Monitoring of changes in environmental legislation. |
| <p>Personnel management risks</p> <p>The fact the Company operates in remote locations poses risks in terms of ability to attract personnel with the required skills and experience, as well as the outflow of qualified personnel.</p> | <ul style="list-style-type: none"> • 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 to recruit young professionals in co-operation 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. | | |

Risk management system (continued)

Compliance and governance risks

The Company is subject to a range of internal and external compliance obligations, including those relating to:

- Sanctions
- Confidentiality
- Data protection legislation breaches
- Anti-competitive legislation breaches
- Human rights
- Money laundering/ the financing of terrorism
- Bribery and corruption

- Group Compliance Programme, including training/ monitoring of adherence to policies and guidance (Corporate Code of Conduct, Supplier Code of Conduct, etc.)
- Updated counterparty and supply chain due diligence processes, including a focus on human rights/ OECD Due Diligence Guidance¹
- 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

IT and information security risks

In the context of its digitalisation and the enhancement of its Information Technology (IT) landscape, the Company recognises that this exposes it to potential risks, including loss of access to IT infrastructure, disruption of 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
- User awareness training
- Backup testing and Disaster Recovery exercises for all critical systems



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

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

A group of people, likely volunteers or workers, are shown in a field setting. They are wearing bright green t-shirts and matching green caps. Some are wearing face masks. The background consists of green trees and foliage. Large, white, sans-serif text is overlaid on the image, reading "SUSTAINABLE DEVELOPMENT REVIEW".

SUSTAINABLE DEVELOPMENT REVIEW

- > Occupational health and safety
- > Human capital management
- > Environmental stewardship
- > Community development and well-being
- > Ethics and compliance



3D model of our planned Khromtau-1 wind power plant

Management approach

Kazchrome is part of ERG and in its activities follows the principles and approaches of sustainable development carried out by the Group. This includes responsible management of environmental, social and governance impacts, and taking action to maintain the ability of its business to generate long-term value, provide benefits to stakeholders and foster a global transition to new energy sources.

In 2021, ERG established an Environmental, Social and Governance (ESG) Committee, tasked with the integration of sustainability practices into the Group strategy and decision-making processes. In 2022, the ESG Committee continued to work on the development of long-term ESG goals and action plans, including goals to increase the proportion of renewable energy sourced and reduce greenhouse gas emissions.

In Kazakhstan, ERG is implementing a number of strategic sustainability initiatives, which include:

- Implementation of an Environmental Strategy, which takes into account international best practice and ensures that the Group complies with the requirements of the new Environmental Code.
- Implementation of an initiative to reduce greenhouse gas emissions in electricity production. This includes the construction of the wind power

Company Sustainability Awards



Paryz in the category 'Best Socially Responsible Enterprise'



Golden Hephaestus in the category 'Project of the year' for the development of the production system at Aktobe Ferroalloys Plant

plant near Donskoy GOK with a capacity of more than 150 MW (Khromtau-1). The commissioning of wind power facilities will partially replace the electricity that is currently produced at coal-power-generated assets. In addition, the Group is considering other sites in Kazakhstan where additional large-scale wind-and-solar energy generation projects can be implemented over the next 5-10 years.

- Implementation of a three-year regional development programme in co-operation with regional executive authorities.

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

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

www.eurasianresources.lu

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

- Environmental, social and ethical performance through the integration of sustainable development principles into an integrated management system;

- Achieving 'true business sustainability' – by ensuring that the ERG business is fit for future changes and can generate long-term value;
- Sustained and profitable growth that delivers ongoing benefits to stakeholders – including shareholders, customers, business partners, the Government, employees, and local communities.

In 2021 and 2022, the International Chromium Development Association (ICDA) granted the honorary Responsible Chromium Award to Kazchrome in recognition of its responsible and sustainable production practices. Kazchrome has implemented ERG Group policies in line with the UN Guiding Principles on Business and Human Rights, the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals and the Voluntary Principles on Security and Human Rights.

This followed a 2021 evaluation by independent sustainability rating company EcoVadis, which awarded Kazchrome the EcoVadis Silver award. In June 2022, EcoVadis upgraded this to a Platinum award, ranking the Kazchrome among 1% of the global iron and steel industry.

In 2022, Toyota Engineering Corporation carried out an external audit of the application of the lean production system at Aktobe Ferroalloys Plant and gave the operation a high audit score of 2.11 (compared with the usual range of 1.8 to 2.00 for steel mills in Japan). The auditors also suggested improvements based on the principles of the Total Toyota Production System production framework.

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

Occupational health and safety

Management approach

We have prioritised our employees' safety and well-being. This includes the maintenance of safe working conditions and the improvement of employee wellness and health.

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

All Kazchrome branches operate an Occupational Health and Safety Management System (OHSMS). During 2022, the international certification body TÜV confirmed the certificate of compliance with the ISO 45001 occupational health and safety management systems standard for the Company's OHSMS. At the same time, Kazchrome complies with national OHS standards and constantly monitors OHS activities in its branches. This includes measures to prevent fatalities, physical injuries and occupational diseases, improving incidents reporting as well as training on OHS issues for employees and contractors working on the Company's premises.

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

Kazchrome holds a regular meetings and sessions with contractors to help improve communications and involve them in occupational safety issues.

Key issues and initiatives

Ensuring safety of employees

In 2022, the Company implemented the following measures in order to improve its OHSMS:

Working at heights.

The corporate programme for workplace safety at height involved 4,858 employees taking part in training at the Unified Training Centre. Those employees completing preliminary theoretical training in classrooms, then practised and enhanced their skills of using fall protection equipment at training

sites. This training was taken by all employees who perform work at height, as well as engineering and technical supervisors of this type of work and those who develop the relevant documentation.

The Company purchased a total of 3,183 pieces of fall protection equipment and its components.

A qualified organisation audited work at height at railway car unloading sites at Donskoy GOK. The audit results served as the basis for developing and approving a statement of work for the design, supply and installation of safety systems for work at height at railway car unloading sites. Implementation of the project is planned for 2023.

Transport safety

In 2022, the Company took measures to implement the transportation safety project called SCOUT¹, aimed at reducing the



number of injuries and accidents involving corporate vehicles. This project helps to eliminate the risk of traffic accidents and improve vehicle use efficiency.

For the initial stage, the Company branches supervised the installation of equipment and software for the satellite-controlled on-board vehicle monitoring system on cars, buses and, partially, on trucks, covering a total of 231 vehicles. At the second phase, the Company put in place an information service to monitor software analysis of the violations of safety requirements committed by drivers while driving. In the third phase of the SCOUT project, 190 drivers were trained in safe driving. A further 740 vehicle drivers are scheduled to take the training in 2023.

In addition, during 2022, Kazchrome purchased and installed 87 sets of 360° circular cameras (for blind spot monitoring).

Risk assessment

An assessment of workplace risk was carried out under the HAZID methodology. The survey was conducted in Kazchrome's 33 production units. This revealed 12 unacceptable risks with 37 measures implemented to mitigate them; some of which will be implemented during 2023. The risk assessment studies using the HAZID method will continue into 2023.

Labour mechanisation

The Company purchased tools, devices and equipment that help reduce the load on employees carrying heavy items or performing work involving the use of hand tools.

'People's Control' project.

Donskoy GOK implemented a project titled 'People's Control' which has proved effectiveness at the Aksu and Aktobe Ferroalloy Plants. The project is designed to strengthen the supervision of safety at work and labour protection. The main feature of the project is that the controllers are either former employees of the Company who, due to health reasons, cannot work in production or people with disabilities living in the region. Using video cameras, they carry out 24-hour, remote surveillance of compliance with all safety standards at the enterprise.

1. SCOUT - a satellite control, analytics and transport management system.

Occupational health and safety (continued)

Healthcare

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

- Mandatory annual medical examinations;
- Role-specific, pre-shift medical examinations;
- Workplace health risk assessments;
- The provision of relevant medical treatment.

All Kazchrome employees undergo obligatory regular medical examinations to monitor their health, diagnose systemic diseases and detect early signs of

occupational diseases or poisoning. Employees are provided with preventive and rehabilitation treatment for occupational and non-occupational diseases, which includes both annual inpatient and outpatient treatment at a medical centre. If necessary, employees who have suffered a workplace injury are referred for rehabilitation treatment to relevant healthcare institutions in the Republic of Kazakhstan or abroad.

During 2022, particular attention was focused on dispensary patients and workers in high risk groups. To ensure epidemiological vigilance, compulsory medical check-ups, as well as on disease-prevention and health-improvement activities, were taken under special control. In 2022, Kazchrome started to introduce health improvement programmes based on employee working conditions. 3,649 Kazchrome employees

benefited from a health improvement programme at a medical centre. Under the preventive check-up programme, 154 employees underwent cancer screening as part of a pilot initiative.

At the beginning of 2022, there was an increase in the incidence of COVID-19. However, from February onwards, the number of sick employees within the Company declined sharply.

At the end of the year, no deaths or patients with severe illnesses or complications were recorded. Undoubtedly, a series of mandatory preventive sanitary and epidemiological measures have limited the spread of the virus and helped to restore the normal routines of the Company's workforce. Overall, 97.8% of employees have been vaccinated, another important contributory factor.

Implementation of a comprehensive plan of organisational, sanitary and epidemiological measures is underway in order to respond to COVID-19 and other viral diseases in the future. In 2022, employees received two courses of vitamin supplements (at the beginning and end of the year). All employees who also wished to receive the latest generation of influenza vaccine could do so at Eurasia medical centres in the regions where the Company operates.

In addition, within Kazchrome, in accordance with the programme for measuring harmful and physical factors, certain measures are being taken to monitor and regulate harmful and physical factors. Under this programme, an accredited laboratory annually measures the noise level at workplaces; if necessary, this can be conducted more frequently. In production premises, in order to exclude noise exposure, employees are equipped with anti-noise ear plugs or noise-cancelling headphones (as required by the rules for the free provision of personal protective equipment). If the excess of dust emissions over the maximum allowable

concentrations is detected, strong measures are developed to reduce the dust and gas pollution in the air of a work area and are reported to branch management. A complete workplace assessment is carried out by the Company every five years.

During 2022, Kazchrome continued to provide a second set of specialist clothing to those working in highly contaminated environments and achieved 100% coverage.

Fire safety

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

In 2022, 25 fire cases were recorded; one of which could potentially have had severe consequences. In preparation for an emergency response, 1,673 drills were conducted in 2022 in accordance with the emergency response plan and 37 training alarms.

In order to prevent fires on the Company's premises, a Fire Safety Programme has been developed. This long-term project will retrofit the facilities of Kazchrome branches with automatic fire-extinguishing systems, fire alarm systems and automatic fire-

extinguishing systems for heavy machinery, in accordance with new legislative requirements in the Republic of Kazakhstan. In 2022, a technical inspection of existing fire alarm systems was carried out at the facilities of Kazchrome branches.



Occupational health and safety (continued)

Performance

Fatalities

The Company is deeply saddened by the death of one employee at the Aksu Ferroalloy Plant and one contractor at Donskoy GOK in 2022 (2021: one employee at the Aktobe Ferroalloy Plant and three employees at Donskoy GOK). We express our sincere condolences to all those affected by these tragic events. All fatal accidents are unacceptable and we are committed to further reducing their frequency and focusing on achieving Zero Harm.

The fatal accident at the Aksu Ferroalloys Plant was thoroughly investigated in order to develop preventive measures and reduce the risk of recurrence. Following the investigation, the following measures were implemented:

- Tighter control of the condition of the machinery and equipment used;
- Health and Safety Instruction improvement;
- As part of the People's Control initiative, additional video surveillance cameras installed at a number of production sites;

- Implementation of the Policy on an employee's right to refuse to perform hazardous work if it represents a threat to their health and life;
- Implementation of mandatory visits by OHS department experts at height sites before the work starts in order to exercise control over the process of work at height.
- Revising the design of the assembly platform and preparing technical documentation agreed with the manufacturer;
- Monitoring the proper use of safety harnesses when working at heights, including conducting relevant briefings and recording them in the briefing log;
- Prohibiting the operation of a mine hoist without a data logger.

Following the investigation and the analysis of the causes of the fatal accident involving a contractor at Donskoy GOK, an action plan was developed that involved the following:

- Revising the work execution plan, with additional requirements set for the safe delivery of materials to the shaft (as well as the relevant arrangements); revising the list of high-risk activities that specifies work performed in the shaft on assembly platforms and the persons responsible for organising and performing high-risk activities;

Key occupational safety indicators

| Indicators | 2021 | 2022 |
|--|-------|-------|
| Fatalities (employees and contractors) | 4 | 2 |
| Lost-time injuries (employees and contractors) | 49 | 64 |
| Lost-time injury frequency rate (LTIFR) ¹ | 1.46 | 1.50 |
| Accident severity rate | 39.47 | 82.24 |
| Fatality rate (FAR) | 9.82 | 4.55 |

Lost time injuries

There were 64 lost time injuries (LTI) in 2022 (2021: 49), resulting in a lost time injury frequency rate (LTIFR) of 1.50 (2021: 1.46)¹.

1. Only employees, including fatalities.



Human capital management



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

Management approach

Constructive interaction with employee associations on various issues, such as wages, social benefits and occupational safety, is the key component of our approach to labour relations. We respect our employees' right to join labour unions and participate freely in collective agreements. As at 31 December 2022, almost all employees were participants in the collective agreement.

We adhere to the principle of equal employment opportunities and create fair working conditions without discrimination. This includes covering the costs associated with the recruitment process, providing employees with safe and healthy working conditions, fair assessment of their contribution to the Company, assistance in developing their professional skills, open and constructive discussion of the quality and efficiency of their work and ensuring equal opportunities for professional growth. We treat our employees fairly, equally and without prejudice, regardless of their origin, social, status, position and financial situation, gender, race, nationality, language, religion, convictions, residence, age, disability or sexual orientation and membership in any public associations. Kazchrome values the experience and opinion of each employee and does not permit any form of discrimination.

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

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

Kazchrome pays special attention to more active involvement of employees in sports and a healthy lifestyle through the ERG Centre for Medicine, Sports and Healthy Lifestyle.

Human capital management (continued)

Employee headcount and structure

Kazchrome headcount as at 31 December 2022 was 19,987 employees, of which 76.2% were men and 23.8% were women. The majority of employees (52.2%) are aged between 31 and 50 years old. Of the total headcount: 26.1% are aged under 30, 18.8% from 50 to 61 years old and 2.9% are over the age of 61. The ethnic composition of the Company's employees is represented by Kazakhs, Russians, Ukrainians, Germans, Tatars, Uzbeks and other nationalities. Kazakhs make up 72.2% of the total headcount with other nationalities accounting for the remaining 27.8%.

The number of jobs created in 2022 was 432, or 2.2% of the headcount. The average staff turnover rate for 2022 was 6.6%, including managers, professionals and workers – 6.3%, labourers – 6.7%.



Headcount as of 31 December 2022

| Region | Men | Women |
|------------------|---------------|--------------|
| Aktobe Region | 9,747 | 3,148 |
| Pavlodar Region | 5,136 | 1,529 |
| Karaganda Region | 342 | 85 |
| Total | 15,225 | 4,762 |

Employee structure as of 31 December 2022

| Category | Managers | | Professionals and workers | | Labourers | |
|---------------------|--------------|------------|---------------------------|--------------|---------------|--------------|
| | Men | Women | Men | Women | Men | Women |
| Up to 30 years | 226 | 18 | 358 | 212 | 3,663 | 732 |
| From 31 to 50 years | 825 | 113 | 713 | 626 | 6,126 | 2,032 |
| From 51 to 60 years | 195 | 50 | 154 | 157 | 2,400 | 807 |
| Over 61 years | 57 | 2 | 36 | 6 | 472 | 6 |
| Total | 1,303 | 184 | 1,261 | 1,001 | 12,661 | 3,577 |

Ethnic composition of employees as of 31 December 2022, %

| Ethnicity | Ethnic composition of employees as of 31 December 2022, % | | Рабочие | |
|------------|---|---------|---------|---------|
| | Мужчины | Женщины | Мужчины | Женщины |
| Kazakhs | 9.2 | 3.1 | 50.1 | 9.8 |
| Russians | 2.3 | 1.9 | 8.6 | 5.4 |
| Ukrainians | 0.6 | 0.5 | 2.1 | 1.2 |
| Others | 0.7 | 0.4 | 2.6 | 1.5 |

Key issues and initiatives

Employee remuneration and motivation

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

The current corporate remuneration system provides:

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

The employee motivation system consists of a fixed and a variable portion. In determining the size of the fixed portion, the Company focuses on salary benchmarks, both in Kazakhstan and in neighbouring Russia. Over the last three years, the average salary of Kazchrome's employees has increased by 63.1%. 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 2022, all administrative staff, 18.8% of Kazchrome's employees, underwent performance evaluations.

Category

40% Managers
60% Specialists

Gender

31% Women
69% Men

Ratio of women's average salary to men's as of 31 December 2022, %

| Category | Aktobe Region | Pavlodar Region | Karaganda Region |
|----------------------------------|---------------|-----------------|------------------|
| Managers, professionals, workers | 59.9 | 67.4 | 70.7 |
| Labourers | 60.0 | 74.4 | 59.6 |

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

EMPLOYEE HEADCOUNT AND STRUCTURE

19,987 EMPLOYEES
Kazchrome headcount as at 31 December 2022

37.7 YEARS
Average age of Kazchrome's employees

432
New jobs created in 2022

15.5%
New employees hired in the reporting year

6.6%
Average staff turnover rate in 2022

10.5 YEARS
Average length of service of Kazchrome's employees

23.8%
Of the workforce is female

12%
Female employees in management positions (excluding the Board of Directors)

0.7%
Disabled employees

Human capital management (continued)

19%
of employees regularly undergo performance appraisals and assessments of professional growth opportunities

72%
of employees completed professional training

Employee competency development

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

Improving employee competence includes:

- Training prescribed by the legislation of the Republic of Kazakhstan;
- Training based on the Company's corporate standards: compliance¹, information security, corporate security;
- Training aimed at developing professional competencies;
- Corporate training programmes aimed at supporting and implementing common approaches to the Company's business processes, and at developing and preparing the Company's talent pool.

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

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

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

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

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

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

The Company identifies individuals for inclusion in the talent pools on an ongoing basis through the annual employee competency evaluation programme, as well as through large-scale events, such as the League of Professionals and other leadership programmes. Workers, foremen, heads of workshops, heads of sections, managers and ERG Way navigators (259 people) took part in the Leagues of Professionals in 2022. Senior managers (seven people) were trained under the Leadership development module of ERG Line Leaders programme.

Labour relations

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

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

Kazchrome engages directly with its employees to help ensure that it remains responsive to their views on a range of issues, including working conditions. Since 2018, Kazchrome has conducted regular sociological surveys of employee satisfaction and engagement.

About four thousand employees took part in the biggest survey of the year - the Employee Satisfaction Survey - conducted in September 2022. The survey identified the level of workplace satisfaction overall, as well the satisfaction with individual labour components (salary level, opportunities for professional and career growth, relations with management, safe working conditions, etc.)

As part of the ERG Balance psychological support programme for employees, in 2022, two surveys were conducted among the Company's employees to monitor their psychological and emotional state.

We are continuing to implement measures to provide psychological support to Kazchrome's employees:

- Employees can book appointments with psychologists at clinics run by our health centre in Aktobe, Aksu and Khromtau.

- Meetings between psychologists and employees are held in workshops to provide consultations and training focused on mental health.
- Every employee is offered an opportunity to consult a psychologist online.
- A channel has been set up on the SmartERG platform where all employees can obtain information on mental health, learn about stress management techniques and find answers to frequently asked questions.
- Online sessions are held with psychologists and psychotherapists, etc.

Providing comfortable workplaces

The types of social support funded by Kazchrome are stipulated in the collective agreement and set out in the Company's regulations. Over the last three years, Kazchrome has invested 17.76 billion Tenge in the social well-being of its employees, including the healthcare and medical examination of all employees, employee transportation, social support for employees and their family members, childcare allowance, etc. Compensation for overtime and work on weekends and holidays is also set out in the Company's collective agreement.

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

Assistance programmes are also enshrined in the collective agreement for employees who have ceased working as a result of retirement or termination of

employment. These include benefits, compensation and remuneration, as well as guarantees of employment and occupational retraining at the expense of Kazchrome in the event of staffing reductions.

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

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.

1. More details in Ethics and Compliance section

Human capital management (continued)

Providing comfortable workplaces (continued)

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

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

Raising living standards

Kazchrome invests in social infrastructure across its operating regions, including health centres, sports facilities and cultural/recreational areas, and also in a range of educational and entrepreneurship programmes to support regional socio-economic development and future job prospects for community members, including the children of employees (for more details, see page 79).

Supporting employee well-being

In 2022, Kazchrome continued to take a holistic approach to helping its employees adhere to a healthy lifestyle. Such an approach focuses on increasing employees' involvement in sports and improving their way of life.

The Company's employees have the opportunity to attend a number of fitness facilities, either free of charge or at a substantial discount. The Company's wellness programmes include training sessions with psychologists and nutritionists, as well as competitions that motivate employees to achieve particular physical results. Kazchrome promotes employees' motivation and support by financing the participation of employees in city, republican and international competitions in various disciplines.

During 2022, a number of sports events and competitions within the Company were held, such as the Kazchrome Games, as well as various holiday competitions organised jointly with the trade union committee (the Trade Union Committee Cross-Country Skiing Cup, the Trade Union Committee Mini-Football and Basketball Cup).

In addition, employees participated in sporting events such as:

- Eurasian Games, a general competition among ERG companies;
- Kazchrome - Duathlon 2022, a city sports competition in Aktobe dedicated to the Day of Metallurgist (all funds raised and contributions made at the competition were directed to the treatment of an Aktobe girl unable to walk);
- Almaty Marathon 2022;
- ERG Run Fest, the ERG running festival in Khromtau, Pavlodar;
- Various city competitions.

In 2022, the Company identified no cases of discrimination as well as no cases of infringement of employees' rights to freedom of participation in associations and to the conclusion of employment contracts.

In addition, there were no serious labour relations-related complaints in 2022.

In 2022, 62,6% of newly hired employees underwent this training, with the number of training hours totalling 254,515 hours.

During the year, Kazchrome invested 7,691 million Tenge in employees' social well-being.

There were a total of 568 employees on maternity/paternity leave (including 12 male employees) at the end of 2022.

Employee training data for 2022

| Indicator | All employees | Category | | | Gender | |
|------------------------|---------------|-------------------------------------|-----------|------|--------|--|
| | | Managers, professionals and workers | Labourers | Men | Women | |
| Average training hours | 18.2 | 28.3 | 16.2 | 18.1 | 18.3 | |



PERFORMANCE

~100% employees are members of the collective agreement

~100% employees have officially elected representatives

Environmental stewardship



Management approach

Kazchrome is committed to preserving and maintaining healthy, natural environments through the application of sustainable practices wherever it operates. This means carefully managing the resources and environment entrusted to us – including a focus on our climate change impacts and waste.

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.

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

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

Kazchrome has an Environmental Policy that meets the expectations and requirements of the Company and its stakeholders, and ensures that the environmental management system complies with international standards and international best practice. The Policy also helps Kazchrome to comply with the requirements of the new Environmental Code of the Republic of Kazakhstan, which came into force in July 2021.

Kazchrome branches carry out industrial environmental control to track the environmental impact of their production activities, including quarterly monitoring of environmental emission sources (emissions, discharges and wastes). In 2022, the monitoring was carried out under industrial environmental control programmes by specialists from the accredited Environmental Protection Laboratory of our branches and other contracted organisations. Reports on the implementation of the industrial environmental control programme are submitted to Ecogov.kz on a quarterly basis, in accordance with the law.

The main area of environmental management are:

- Reduction of emissions;
- Conservation of water resources;
- Restoration of disturbed lands;
- Waste management;
- Preservation of biodiversity;
- Improving the efficiency of environmental monitoring.

The Company's management system are certified to the ISO14001:2015 environmental management system standard (confirmed by the international certification body TÜV in 2022). During 2022, the Company also switched from the energy management system standard ISO 50001:2011 to the new version of the standard, ISO 50001:2018.

In general, all new equipment installed in the Company's branches fully complies with environmental legal requirements.

Management of environmental risks and, accordingly, decision-making about them, is based on their assessment. As a result of the assessment and to minimise risks, certain measures are developed and implemented. During 2022, environmental risk assessments were carried out at 29 branches of the Aksu plant, 19 branches of the Aktobe plant, 27 branches of the Donskoy GOK and three branches of RU Kazmarganets.

As part of the regular work to introduce improvements in production, employees are regularly trained in environmental protection. During 2022, 19 employees of the Company's Environmental Protection Department took the following training courses:

- Environmental Code. Practical course on filling out project documentation. Waste classification. Development of a waste passport development. Waste management programme (WMP). Government regulation of greenhouse gas emissions and removals;
- New approaches to environmental legislation in the context of the new Environmental Code.

Managing impacts on air and water

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

- Air pollutants emissions purification (atmospheric emissions purification, state-of-the-art gas cleaning units during metallurgical production, dust suppression and tree planting);

- Waste water treatment and water reuse (waste water monitoring, waste water treatment processes, including quarry and mine water, aimed at preserving the environment);
- Waste management (ferroalloy slag processing, sorting, waste recycling, waste sorting, extended producer responsibility, waste management programmes);
- Engineering and technical controls to reduce the risk of environmental pollution;
- Continuous monitoring of air and water quality.

Environmental stewardship (continued)

Managing impacts on air and water (continued)

Key issues and initiatives

In 2022, Kazchrome implemented a number of measures to reduce the negative impact on the environment, which are part of the ERG Environmental Strategy in Kazakhstan. This includes the following:

Air quality measures.

- As part of the comprehensive upgrade of the existing gas treatment units, the Aksu Ferroalloys Plant Branch is constructing a new dry-type gas treatment unit for furnace No.42 in line with the best technical solutions. The modern equipment is characterised by a higher degree of cleaning and better operational performance.
- The installation of equipment for the comprehensive upgrade of the gas treatment system of furnace No.44 has been completed; work is underway to replace the dust-trapping equipment at dosing sections of smelting shops No.1 and No.2. In 2022, bag filters were replaced at six gas treatment units.
- In order to support ongoing efforts to reduce emissions to air from our ash and slag dumps, the use of water-spray-based dust suppression systems, the annual application of reagents and pilot testing of more environmentally friendly, chemical-based dust suppression technology were carried out at Aksu Ferroalloys Plant.

- In order to reduce its pollutant emissions, Aktobe Ferroalloys Plant continued with the construction and installation works performed as part of the project to contain fugitive gas and dust emissions from smelting shops No.1 and No.2 and to upgrade electrostatic precipitators in smelting shop No.2.
- Commencement of a project to install a dust suppression system at No.1 crushing and processing plant's warehouse at Donskoy GOK.
- As part of dust-trapping and tree planting activities in 2022 and in accordance with the environmental tree-planting strategy, Kazchrome divisions carried out planting as follows: 13,741 seedlings were planted by Aktobe Ferroalloys Plant, 12,850 seedlings by Aksu Ferroalloys Plant and 9,155 seedlings by Donskoy GOK.
- Annual measures for dust suppression and stabilisation of the slag dump surface have been carried out.
- At all branches, an industrial environmental control programme has been developed in accordance with the legislation of the Republic of Kazakhstan, on the basis of which quarterly control is carried out at emission sources equipped with air purification units. The total number of emission sources at the enterprise is 1,040: organised – 471, unorganised – 569, equipped with treatment facilities – 210.

Improving water management performance.

- At Donskoy GOK, in order to prevent excess discharges and update obsolete treatment facilities, we started to replace the rainwater and domestic wastewater treatment facilities at the industrial site of the 10th Anniversary Mine. This installation will result in a more efficient treatment of wastewater and minimise the environmental impact.
- Initiation of the construction of a new stormwater treatment facility (as part of a broader project to separate and return stormwater into the process cycle) at Aksu Ferroalloys Plant.
- Completion of a project to separate and return stormwater into the process cycle, with plans to roll the model out to other enterprises at Aktobe Ferroalloys Plant.

Performance

There were no significant complaints from the environmental protection regulatory authorities about Kazchrome branches in 2022.

There were no unforeseen incidents that significantly contributed to environmental pollution at Kazchrome production sites in 2022. There were also no emergency or irregular discharges of pollutants in 2022.

Environmental protection expenditures

| Tenge'000 | 2021 | 2022 |
|--|-------------------|-------------------|
| Waste management | 14,545,051 | 14,030,610 |
| Environmental protection fixed assets overhaul costs | 1,174,325 | 1,155,493 |
| Protection of atmospheric air | 5,537,016 | 10,495,592 |
| Protection of water resources | 4,213,059 | 4,694,655 |
| Land reclamation | 29,822 | 54,675 |
| Total | 25,499,272 | 30,431,025 |

An increase in investment in the protection of the atmosphere was driven by construction and installation costs as part of the project to upgrade gas scrubbers in smelting workshops Nos.1 and 2 of the Aktobe Ferroalloys Plant.

Water consumption, m³

| Indicators | 2021 | 2022 |
|---|-------------------|-------------------|
| Total consumption of fresh water, including: | 27,150,855 | 24,392,379 |
| Surface water | 10,525,849 | 10,393,533 |
| Subsurface water | 16,625,006 | 13,998,846 |
| Waste water | 6,053,089 | 5,921,848 |

The decrease in fresh water consumption is related to a decrease in the consumption of underground, namely wellbore water due to water well shut-off, and a decrease in water inflow during 2022.

Environmental pollution volume, t

| Branches | 2021 | 2022 |
|--------------|-------|-------|
| Kazmarganets | 5,372 | 3,339 |
| Donskoy GOK | 4,179 | 1,979 |

The volume of discharges into water bodies and the content of pollutants therein during 2022 did also not exceed established limits. The decrease in environmental discharge volumes compared with the previous period is due to a decrease in the total volume of water discharged due to the implementation of the project 'Construction of a water supply system for the Donskoy GOK, Khromtau, I start-up complex' at the Donskoy GOK. The concentration of pollutants remained at the level of the previous year.

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

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

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

Environmental stewardship (continued)

Waste management

Kazchrome manages the waste generated in the course of its activities in compliance with existing systems of environmental management and the Republic of Kazakhstan Environmental Code requirements.

In accordance with the Environmental Code, industrial waste generated by our operations in Kazakhstan is divided into hazardous and non-hazardous waste. With this in mind, the Company has revised waste naming and codes, and prepared Hazardous Waste Passports.

As with any other mining and metallurgical company, Kazchrome's operations generate waste from the mining of metalliferous minerals, such as ash residue, boiler slag and ash dust, unprocessed slag, and solid wastes from gas cleaning, which contain hazardous substances.

Other production waste is also generated, such as ferrous and non-ferrous metal waste and wood waste. This waste is collected, transported, processed and/or disposed of by specialists permitted to carry out such activities.

The collection, transportation, processing and/or disposal of hazardous waste is usually carried out by specialist, third-party organisations. We verify that contractors have the necessary production sites, equipment, transportation, qualified personnel and environmental permits. In addition, there is a defined procedure for the processing or recycling waste, as well as the use and disposal of waste by contractors.

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. The Company has also developed an action plan to enable it to respond to all adverse weather conditions.

Key issues and initiatives

In 2022, follow-up assessments of existing third-party risks were carried out at Donskoy GOK involving international experts in order to supplement our existing internal analysis. It mainly focused on: operating conditions, compliance with design parameters and potential risks to local populations and the environment. It referenced relevant national regulations and standards, as well as Canada's Dam Construction Association (CDA) Dam Safety Guidelines and the Australian National Committee for Large Dams' (ANCOLD) Guidelines on Tailings Dams.

We are addressing a number of recommendations made following these assessments, including additional surveys to clarify the safety status of our hydraulic structures, the further development of supporting technical and operational documentation, the potential introduction of automated measurement systems and enhanced staffing (including engineering and technical personnel).

ERG Recycling

The ERG Recycling operation provides assistance to the rest of the Group in Kazakhstan and carries out waste reprocessing, recycling and commercialisation efforts. This reduces the companies' environmental liabilities, ensuring that they get maximum value from their assets and supporting the circular economy concept.

This is a particular focus area for Aktobe Ferroalloys Plant, where Kazchrome continues to process stale slag (as well as finely dispersed slags) to produce chromium metal concentrates, which are returned to production, and inert materials, which can be used for building materials and road construction.

A new Concrete Mortar Complex was also brought into operation. This produces high-grade concrete (and related products) using the inert outputs from the processing of old slag as input material.

Similarly, the year-round operation of the jiggging complex at Aksu Ferroalloys Plant's Slag Processing Workshop has helped increase the proportion of slag that is processed at the plant to 71%.

At Donskoy GOK, the Company continued to mine substandard and 'lost' ores from the overburden stockpiles, supporting the production of additional ferrochromium and volumes of chromium ore. The construction of a new tailings reprocessing facility was also completed. This forms part of the broader ERG Green project and uses innovative technology to enhance the enrichment of chrome-oxide bearing tailings with a recovery rate of up to a 55%.

It will ultimately support the production of more than 500kt of chrome concentrate per annum, reducing the mine's tailings footprint.

During 2022, the implementation of the project for the separate collection of waste continued in order to simplify further specialised waste management.

Performance

Total volume of waste for 2022

| kt | Hazardous | Non-hazardous | Non-hazardous mining industry and quarry waste | Total |
|--|-----------|---------------|--|------------------|
| Generated amount of waste | 262.69 | 2,353.69 | 12,474.61 | 15,090.99 |
| Amount of waste outsourced to entities specialising in collection, transportation, recycling, processing and disposal of waste | 10.18 | 35.27 | 0 | 45.46 |
| Amount of waste processed, recycled by the waste owner at the production site | 104.99 | 2,346.79 | 11,338.38 | 13,790.16 |
| Amount of dumped (buried) waste | 132.59 | 160.57 | 1,136.23 | 1,429.39 |



In 2022, dumped (buried) waste intensity was 0.84 tonnes per tonne of ferroalloys produced (2021: 1.03 tonnes). The change is due to an increase in ferroalloys production.

Environmental stewardship (continued)

Energy and climate change

Management approach

The Company management system is certified in accordance with the requirements of the ISO 50001 standard. Aktobe Ferroalloys Plant's own natural gas power station supplies more than 30% of the electric power required by the plant, while the rest of the electric power is bought from energy system¹.

Kazchrome focuses on climate change issues and implements initiatives aimed at reducing greenhouse gas emissions, including improving the energy efficiency of production and developing its own capacity to generate electricity from renewable sources as detailed below.

In 2022, the Group ESG Committee continued an internal process to develop long-term ESG goals and action plans, including targets to increase the portion of renewable energy sources and reduce greenhouse gas emissions.

At Group level, analysis was also commissioned of the physical risks that climate change poses to the business. In early 2023, a new Climate Change Policy was approved for Group entities in Kazakhstan, including Kazchrome.

The ERG Decarbonisation Analytical Centre was established in 2021 as a centre of excellence, managing the implementation of initiatives to reduce the carbon intensity of our production processes. The Centre also interacts with external stakeholders and is involved in a number of Government initiatives aimed at decarbonising the economy of Kazakhstan.

In 2022, the Company started work on calculating the carbon footprint of its products. This will help Kazchrome identify potential opportunities to reduce its product footprints and deliver higher levels of insight to its customers. Effective from 2023 and included in the Model Contract, the Company has now required its suppliers to provide additional information about their products relating to the greenhouse gas emissions from their own production processes.

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

Key issues and initiatives

Energy efficiency improvement

In 2022, we agreed energy efficiency targets for our operations in Kazakhstan with the Government.

Examples of strategic projects that are likely to have a material impact on our energy efficiency include:

- Potential heat-recovery projects at Aksu Ferroalloys Plant and Aktobe Ferroalloys Plant;
- The potential replacement of air compressor systems with more efficient alternatives at Aksu Ferroalloys Plant and Aktobe Ferroalloys Plant.

In 2022, we also advanced plans for the generation of energy from off-gas produced during our ferroalloy production process. This included the conclusion of a feasibility study for the development of an off-gas-fuelled power station at Aktobe Ferroalloys Plant, with the potential to generate up to 100MW. Work has begun on the preparation of the contract with the service provider for the first phase of the design.

Renewable energy

As part of our efforts to help meet national renewable energy targets in Kazakhstan, Kazchrome is progressing with the implementation of a number of initiatives to develop a portfolio of renewable energy projects. This includes a

wind power project with a capacity more than 150MW near Donskoy GOK (Khromtau-1). Design work is currently underway. We plan to start construction in 2023 and commission the project in 2024. There is potential to further expand our wind capacity at the site by an additional 150MW.

Performance

Energy consumption, mWh

In 2022, energy intensity per tonne of ferroalloys produced was equal to 7.158 mWh TJ (2021: 7.225 mWh).

In 2022, Kazchrome branches continued to implement an energy efficiency improvement programme. The programme enabled the saving of about 23 thousand mWh or 82.83 TJ.

| Type of use | Source of energy | 2021 | 2022 |
|--------------|------------------|-------------------|-------------------|
| Direct | Coal | 781,390 | 731,667 |
| | Natural gas | 3,377,225 | 3,434,169 |
| | Diesel fuel | 278,889 | 256,111 |
| | Heavy fuel oil | 58,333 | 74,167 |
| | Petrol | 11,945 | 10,556 |
| | Total | 4,507,781 | 4,506,670 |
| Indirect | Electricity | 7,630,006 | 7,681,117 |
| | Thermal power | 25,556 | 24,167 |
| | Steam | 18,333 | 14,167 |
| | Total | 7,673,895 | 7,719,451 |
| Total | | 12,181,676 | 12,226,121 |

Greenhouse gas (GHG) emissions and other pollutants, tonnes of CO₂ (equivalent)

In 2022, CO₂ intensity per tonne of ferroalloys produced was equal to 2.65 tonnes (2021: 2.69 tonnes).

In 2022, 262 Kazchrome employees took training courses in energy management:

- Energy management systems. ISO 50001:2018 (60 people);
- Integrated Management System Internal Auditor on ISO 9001:2015, ISO 14001:2015; ISO 45001:2018 and ISO 50001:2018» (50 people).
- Continuous improvement of the IMS³ for quality, environmental protection, health and safety,

| Type | 2021 | 2022 |
|----------------------|------------------|------------------|
| Scope 1 ¹ | 1,145,718 | 1,139,816 |
| Scope 2 ² | 3,405,132 | 3,387,997 |
| Total | 4,550,850 | 4,527,813 |

- energy management based on ISO 9001:2015, ISO 14001:2015, ISO 45001:2018, ISO 50001:2018 (123 people);
- MS and IMS officer based on ISO 9001:2015, ISO 14001:2015, ISO 45001:2018 and ISO 50001:2018 with a review of ISO 31000:2019 requirements (25 people)

- Updating the knowledge and skills of IMS internal auditors on ISO 9001:2015, ISO 14001:2015, ISO 45001:2018, ISO 50001:2018 with a review of ISO 31000:2018 requirements (four people).

1. Scope 1 - GHG emissions that result from the consumption of direct energy for generation of electricity, heat/steam, used in mining, production, and for Kazchrome-controlled transportation activities. CO₂, CH₄ and N₂O only. Conversion factors from 2006 IPCC Guidelines for National Greenhouse Gas Inventories – Stationary and Mobile Combustion.

2. An indicator of indirect emissions include Scope 2 and Scope 3. Scope 2 - GHG emissions that result from the consumption of indirect energy purchased from third parties not owned or controlled by Kazchrome. Based on operational control of assets. Conversion factors: (1) Purchased electricity – Country-specific WBCSD and WRI: GHG Protocol – Calculation tool for purchased electricity v4.3 (2008 values); (2) Purchased heat and steam – Supplier data and default factors from 2006 IPCC Guidelines for National Greenhouse Gas Inventories – Stationary and Mobile Combustion. Scope 3 takes into account all indirect greenhouse gas emissions that are not included in Scope 1 and 2. At present, the Environmental Legislation of the Republic of Kazakhstan does not provide for mandatory reporting on Scope 3 greenhouse gas emissions.

3. Integrated Management System

1. Unified electric power system of the Republic of Kazakhstan

Environmental stewardship (continued)

Biodiversity

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

- Identification and assessment of environmental risks and their impact;
- Implementation of preventive measures;
- Ongoing improvement of the management system for environmental protection.

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

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

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

In 2022 (for the seventh year in a row), Kazchrome continued to implement a project to stock the Ilel River together with fishery supervision officers. The Company allocates about 4 million Tenge annually for this purpose.

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



Community development and well-being



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

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

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

Community impact management

The impact on local communities is managed through environmental management systems that promote international standards. These focus on the detection, prevention and/or minimisation of harmful discharges to local water systems and to the air.

Prior to the implementation of any major projects or operational changes, Kazchrome conducts a comprehensive environmental impact assessment and public hearings in accordance with the requirements of the legislation of the Republic of Kazakhstan and

relevant international standards. All production modernisation and expansion projects implemented by the Company have successfully passed the mandatory state environmental review.

In 2022, we held a range of public consultations related to operational changes, including those relating to:

- Construction of a site for flotation enrichment of tailings of the sludge processing plant at Donskoy GOK;
- Construction of local treatment facilities for industrial wastewater at Aktobe Ferroalloy Plant;
- Construction of a fuel and lubricants warehouse at Aktobe ferroalloy plant.

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

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

There is also no construction work in the area of the Aktobe plant. Kazchrome periodically carries out surveys of community members and undertakes benchmarking of socio-economic conditions in its region of operation.

The Company uses the findings from comprehensive socio-economic surveys in its operating regions to prioritise actions in these areas. In 2022, the Company conducted surveys of university and college students, monitored the social well-being of local residents and performed an assessment of the urban environment quality.

The Company also implements measures to promote environmental thinking among the younger generation. During 2022, the Company continued implementing the Green School project, designed to teach schoolchildren of Aktobe and Khromtau to take care of nature, sort waste and save natural resources.

In addition, a Paket, ket! campaign aimed at reducing the use of plastic, was held in schools in Aktobe, Khromtau and Aksu. Students listened to an environmental lecture and exchanged old plastic bags collected at home for eco-friendly shopper bags with the slogan "I am responsible".

During 2022, about 36,000 seedlings were planted in Aktobe, Aksu and Khromtau as part of the Zhasyl Kazchrome corporate movement.

In 2022, we continued implementing the project to humanely reduce the number of homeless animals, which started in 2019.

Community development and well-being (continued)

Social investments

In 2022, the Company launched the next stage of the three-year regional development programme to support long-term social and economic development in its operating regions. This is implemented in partnership with Government agencies at national and regional levels, including through regional memoranda on mutual co-operation.

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

Priority areas include the following:

- Improving the standard of living (including housing and communal infrastructure, public transport and urban space improvement);
- Education and professional development of young people (including the support for local educational and entrepreneurship programmes);
- Healthcare (including the modernisation of medical institutions and advanced training of doctors);
- Promotion of sports and healthy lifestyle (including the development of local sports infrastructure and youth sports leagues).

Social investments, KZT m

| Type of investments | 2021 | 2022 |
|-------------------------------------|-------|--------|
| Direct investments | 5,399 | 21,238 |
| Regional memoranda of understanding | 5,186 | 3,689 |

In January 2022, ERG donated 30 billion Tenge to support the creation of the Government-run Kazakhstan Khalkyna public social fund. This forms part of our efforts to support the broader development priorities of the Government of the Republic of Kazakhstan. The fund was created to help address national development priorities, including the enhancement of healthcare, education and social services.

During 2022, social investments were also allocated for:

- Local educational institutions (for example, the Aksu College of Ferrous Metallurgy, Khromtau Mining and Technical College, Non-Profit Joint-Stock Company K. Zhubanov Aktobe Regional University, implementation of the ERG Mektepke¹ programme, financing the ERG for Colleges² programme, secondary school No.4 of the city of Khromtau);
- Local medical institutions for procurement of equipment and to attract young professionals;
- Socially disadvantaged groups and regional orphanages;

- Supporting public utilities through the purchase of special equipment;
- The repair of facades and roofs of residential buildings;
- Supporting international and country-level sports events and the participation of children in sports competitions;
- The construction of sports facilities (children's sports grounds, including those for children with disabilities).



During 2022, Kazchrome launched: the linear park project in Aliya Moldagulova Avenue, which aims to develop the coast of the Ilel River into an Eco-Park format; Aktobe Express, a train to run along the 19-kilometre-long transport corridor between the Crossing Loop 41 and the Zhinishke station; construction of an 11,000 sq. m state-of-the-art cultural facility for the Drama Theatre and landscaping the adjacent territory of 2.9 ha. Currently, work is being carried out to develop design and budget documentation.

In addition, Kazchrome continued to implement the Tugan Qala ('Home Town') programme in the city of Khromtau (Aktobe region). Under the programme, we help

residents develop and submit their ideas for social investment projects via an online portal tugan-qala.kz. These projects focus on improving the urban environment, including public parks, playgrounds, sports facilities, lighting and landscaping. Within this framework, residents not only put forward ideas for improving the social infrastructure of the region, but also vote for the most interesting projects, as well as supervising their implementation. A multi-stakeholder panel provides an initial assessment of the submissions, with winning projects decided by residents via an online public vote.

In 2022, the implementation of the Tugan Kala project involved 11 activities related to urban landscaping; urban improvement of a yard and the adjacent territory; purchasing and installation of a basketball court, football ground and a workout ground; installation of a children's playground; tree planting.

1. ERG Mektepke (ERG for School) programme aims to transform STEM education at more than 200 secondary schools in our Aktobe, Kostanay and Pavlodar regions. It is being implemented in partnership with leading third-party education providers, as well as the Ministry of Education of the Republic of Kazakhstan.

2. ERG for Colleges is a strategic partnership with 14 colleges in our Aktobe, Pavlodar and Kostanay operating regions. The programme aims to align educational provision at these institutions with our future skills requirements and with key outputs from the Atlas of New Professions. This is informing the delivery of vocational teacher training and the ongoing development of new, future-focused curriculums.

Ethics and compliance

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

Key compliance risks include those relating to:

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

In support of the Code of Conduct and in order to enable effective management of compliance risks, ERG has adopted relevant compliance policies and procedures, which are implemented as part of a comprehensive compliance management system. These include the following policies: Anti-bribery and Corruption Policy, Anti-Money Laundering Policy, Human Rights Policy, International Economic Sanctions Compliance Policy. These policies and procedures have also been approved at by Kazchrome¹.

As an example, the Company has adopted the Data Protection Policy and the ERG Data Protection Compliance Programme. Upon hiring, every employee signs a Data Collection and Processing Consent Form in accordance with ERG's rules and the requirements of applicable legislation. In addition, data protection clauses are incorporated in the templates of contracts with third parties. The ERG Procurement Portal also includes a data collection and processing consent form for potential suppliers, including during the qualification process.

One of ERG's key ethical principles is that all counterparties (third parties) to each transaction should be properly identified and assessed in order to enable timely identification and appropriate management of potential compliance risks. To achieve this, ERG has adopted a Counterparty Due Diligence (CPDD) Procedure, which is also applied at Kazchrome. The CPDD Procedure includes the following elements:

- A risk-based approach to managing dealings with all of ERG's counterparties that enables the development of an effective control system to mitigate the identified risks;
- A clear and transparent set of criteria for identifying, classifying, assessing and monitoring counterparties;

- Systems and controls designed to prevent corruption and other financial crimes, including money laundering and financing of terrorism, as well as the violation of human rights;
- Systems and controls ensuring compliance with international sanctions regimes when dealing with third parties.

ERG helps to ensure that its employees understand the Company's ethical standards and appropriate patterns of behaviour in the course of day-to-day operations and managerial decision-making through the Compliance Training Programme. The Programme includes online training modules and face-to-face training, as well as various communication formats. For example, in 2022:

- **2,468** Kazchrome employees completed an online course focused on the updated ERG Code of Conduct, as well as ERG's values and standards of business conduct.
- **1,154** Kazchrome employees studied aspects related to fair employment practices, protection of human rights and promotion of competition as part of an online course titled 'Respecting Human Rights When Doing Business'.
- Role-specific CPDD training sessions were organised for **80** employees of Kazchrome; these involved a discussion of bribery and corruption risks and sanctions compliance.

In addition, in 2022, the following were organised for ERG employees, including those of Kazchrome:

- Compliance sessions were held with a focus on:
 - ESG compliance and a speak-up culture as part of the ERG League of Professionals: Keepers of Values;

- Protection of human rights as part of the ERG League of Professionals: Embedded Workplace Safety;
- A series of five electronic explanatory communications in the Compliance Know-How format were sent out; these were focused on the principles of the speak-up culture, potential compliance risks associated with giving and/or receiving business gifts, data protection principles, CPDD rules and objectives, as well as anti-money laundering issues;
- Eight articles were published in the ERG Newsletter corporate newspaper; these covered compliance risks about data protection, combating money laundering, giving and/or receiving business gifts, conflicts of interest, the speak-up culture and the principles underlying the functioning of the ERG Hotline.

ERG is actively developing a speak-up culture that enables all employees within the Group's enterprises (including Kazchrome) and its business partners to openly ask questions and raise concerns or report suspected violations of the ERG Code of Conduct, ERG Supplier Code of Conduct or ERG's other policies and procedures, including via the ERG Hotline. The ERG Hotline is a strictly confidential channel of communication, run by an independent operator and available 24/7. The contact details for the ERG Hotline are publicly available, including on ERG's website (<https://www.erg.kz/en/content/o-kompanii/eticheskie-principiy>).



In accordance with the Charter Internal Audit and Corporate Investigation, Group Internal Audit carries out the following functions:

- An audit of processes, significant projects and initiatives for providing an independent, objective and reliable assurance on effectiveness of internal controls to mitigate the risks;
- A set of measures to prevent, detect and suppress of suspected, undertaken and committed acts of fraud and abuse;
- Prompt, objective and qualified investigation of violations.

In 2022, a number of reviews based on hotline reports were conducted and relevant remediating measures were implemented.

| | | |
|--|--|--|
| 1. List of approved codes, policies, programmes and procedures: ERG Code of Conduct; ERG Supplier Code of Conduct; Related Party Contract Approval Policy; Data Protection Policy; Conflict of Interest Policy; Anti-Trust and Competition Compliance Policy; Agents Compliance Policy; International Economic Sanctions | Compliance Policy; Gifts and Entertainment Policy; CSR Projects and Sponsorship Policy; Anti-bribery and Corruption Policy; Anti-Fraud Policy; Anti-Money Laundering Policy; Human Rights Policy; Whistleblower and Integrity Policy; ERG Data Protection Programme: Key Components; | ERG Sanctions Compliance Programme: Key Principles; ERG Procedure for Identifying and Assessing Conflict-Affected and High-Risk Areas (CAHRAs). |
|--|--|--|

Ethics and compliance (continued)

The Company has established an information security management process. In 2022, online IT security and threat awareness courses were completed by 89% (4,302 out of 4,808 PC users).

Online trainings include:

- Information security training for new employees;
- Annual obligatory information security trainings;
- Newsletters on information security;
- Awareness check using a phishing service;
- Specialised awareness courses for specific departments.

Kazchrome's has adopted a Policy on compliance with anti-trust and competition laws. In particular, the Policy has in place control systems to monitor the effectiveness of anti-competitive practices. At the regional level, including Kazchrome, there are also procedures aimed at preventing anti-competitive agreements as well as approved actions to prevent the violation of the Republic of Kazakhstan's anti-monopoly legislation by potential dominants (monopolists). In 2022, there were no inspections by state authorities for violations of anti-trust and competition laws.



Interaction with suppliers

ERG is committed to conducting business in accordance with the highest ethical standards and requires its business partners to comply with the same principles. ERG has adopted the ERG Supplier Code of Conduct, which sets out our expectations for suppliers to ensure responsible supply chain management in an ethical manner.

This Code, also approved by Kazchrome, is mandatory for suppliers to comply with when working with Group companies. Commitments to the highest standards of ethical business conduct are also included as standard clauses in all contracts with suppliers.

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

Basic requirements of the ERG Supplier Code of Conduct:

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

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

- The Code was sent to key Kazchrome suppliers.
- The requirements of the Code have been incorporated into Kazchrome contracts.

- The requirements of the Code were included in the process of due diligence of counterparties before entering into contracts.

In order to raise awareness among suppliers, including Kazchrome's, online training on the ERG Supplier Code of Conduct was launched in February 2023. The ERG Supplier Code of Conduct complements Kazchrome's responsible supply chain management practices. Its requirements include the assessment of suppliers and contractors before entering into a contract for legal status, solvency and compliance with legal requirements, as well as passing counterparty due diligence.

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

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

Kazchrome continues to develop relationships with local suppliers. In 2021, purchases from local suppliers amounted to 56% of the total.

From 2021, as part of the annual competition 'ERG Supplier Award' among suppliers of goods, works and services for ERG enterprises, an assessment in the category 'Sustainability Award' is carried out. In this category the suppliers are assessed in compliance with the best practices in sustainable development aspects, including human rights issues, environmental protection and anti-corruption.

CORPORATE GOVERNANCE

- > The fundamental principles of our corporate governance
- > Share capital and shareholders
- > Subsidiaries and affiliates
- > Management structure
- > Key management team
- > Data reliability statement

The fundamental principles of our 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.

Share capital and shareholders;

Shareholders with share ownership of 5% or more as at 31 December 2022

Shareholder: KCR International B.V.

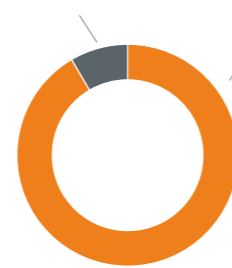
Preference

8.37%

Ratio of the number of shares held to the total number of placed shares of the Company, %

9,189,460

Total number of shares held



Ordinary

90.98%

Ratio of the number of shares held to the total number of placed shares of the Company, %

99,940,708

Total number of shares held

Information of the issue of securities as at 31 December 2022

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

Subsidiaries and affiliates

| Name and Address | Principal activity | Director | Participation Interest |
|--|--|--------------------|--|
| Akzhar-Chrome LLP Aktobe region, Khromtau district, Khromtau city, Shylovskogo, bld.11B, complex for the provision of services "Orleu" | Processing of man-made mineral formations (sludge tailings) | Elena Gaidukova | 100% |
| Donskaya Petroleum Tank Farm JSC 464130, Aktobe region, Khromtau district, Khromtau, 12 Okraina Str. | Production and sale of goods, including petroleum products, consumer goods | Natalya Ivanova | 95.53% |
| Business and Technology Services LLP 010000, Astana, Yessil district, 11 Sarayshyk Str. | Development and implementation of IT solutions for business | Andrey Antonikov | 37.99% |
| ERG Komek Corporate Fund 010000, Astana, Yessil district, 30 Kabanbay batyr Avenue | Non-profit charity organisation | Bolat Orazov | |
| Eurasian Digital Ventures I Limited Partnership 010000, Astana, 55/17 Mangilik Yel ave., office 145. | Venture capital investment | Galymzhan Akhmetov | 69.51% TNC Kazchrome JSC is a limited partner |

The fundamental principles of our corporate governance are as follows:

1. Protection of shareholders' rights and interests

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

2. Effective management of the Company by the Board of Directors and the executive body

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

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

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

3. Transparency and objectivity in the disclosure of information about the Company's activities

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

4. Legality and ethics

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

5. Effective Dividend Policy

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

6. Effective employee policy

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

7. Environmental protection

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

8. Corporate conflict resolution

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

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

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



Management structure

Management structure

Shareholder body:

General Meeting of Shareholders

Management body:

Board of Directors

Executive body:

Management Board

General Meeting of Shareholders

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

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

- Fair and equal treatment of all shareholders;
- Free and unhindered participation in the General Meeting for all shareholders;
- Provision of organisational and reporting information of the maximum possible scope;
- Simplicity and transparency of the General Meetings of Shareholders.

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

Kazakhstan legislation and the Company Charter.

Ten General Meetings of Shareholders were held in 2022.

Board of Directors

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

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

Company's corporate governance practice.

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

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

In 2022, 58 meetings of the Board of Directors were held, with the following key issues reviewed, among others:

- Entering by the Company into interested party transactions;
- Transactions that lead to increased liabilities of 10% and more of the total amount of Company's equity;

- Convening the General Meetings of Shareholders, compiling the agendas of such meetings;
- Suggestions on the procedure of distribution of the Company's net profit and retained profit for the third quarter of 2021; the year of 2021; the first half of the year 2022 and the third quarter of 2022; and on the amount of

dividend per one ordinary share of the Company;

- Making decisions on the operational issues falling within the purview of the General Meeting of Participants of the legal entity, where the Company holds 10% or more of its shares in its charter capital.

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.

Board of Directors as of 31 December 2022

| 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 | <ul style="list-style-type: none"> • February 2023 to present: General Director of Eurasian Group LLP • July 2017 to February 2023: Chairman of the Management Board of Eurasian Group LLP |
| Daniyar Rakhmatullayev , (born in 1985) Member of the Board of Directors | <ul style="list-style-type: none"> • February 2023 to present: Deputy General Director for Finance of Eurasian Group LLP • October 2018 to February 2023: Deputy Chairman for Finance of the Management Board of Eurasian Group LLP |
| Sergey Prokopyev , (born in 1984) Member of the Board of Directors | <ul style="list-style-type: none"> • February 2023 to present: General Director of JSC TNC Kazchrome • September 2022 to February 2023: President of JSC TNC Kazchrome • April 2021 to September 2022: Vice-President of JSC TNC Kazchrome for Production • August 2014 to April 2021: Director of the Aksu Ferroalloys Plant, branch of JSC TNC Kazchrome |
| Beibit Toleuov , (born in 1958) Member of the Board of Directors – Independent Director | <ul style="list-style-type: none"> • February 2021 to present: Mining engineer – mining surveyor at Temirtau Electrometallurgical Plant JSC (TEMK) • 2013 to February 2021: Chief geologist, Managing director for subsoil use at Fincraft Resources JSC |
| Bulat Rakishev , (born in 1947) Member of the Board of Directors – Independent Director | <ul style="list-style-type: none"> • 2012 to present: Head of the Group of Laboratories of K.I. Satpaev Institute of Geological Sciences |

Management Board as of 31 December 2022

| Full name, year of birth | Positions over the last three years in chronological order (including part-time positions) |
|---|--|
| Sergey Prokopyev (born in 1984) | <ul style="list-style-type: none"> • February 2023 to present: General Director of JSC TNC Kazchrome • September 2022 to February 2023: President of JSC TNC Kazchrome • April 2021 to September 2022: Vice-President of JSC TNC Kazchrome for Production |
| Azamat Bektybayev (born in 1964) | <ul style="list-style-type: none"> • April 2017 to present: Member of the Management Board • April 2021 to present: Director of Donskoy GOK, a branch of TNC Kazchrome JSC • December 2018 to March 2021: Vice President for Technical Development of TNC Kazchrome JSC • April 2017 to Present: Member of the Management Board of TNC Kazchrome JSC • March 2017 to December 2018: First Deputy President – Vice President for Production and Technical Matters of TNC Kazchrome JSC |
| Kudekov Marat (born in 1980) | <ul style="list-style-type: none"> • June 2022 to February 2023: Member of the Management Board of JSC TNC Kazchrome • February 2023 to present: Director for Economics and Controlling • January 2021 to February 2023: Vice-President for Financial and Economic Affairs • January 2018 to December 2020: Director of the Long-Term Group Planning and Analysis Department, Eurasian Resources Group |
| Kenzhigarin Damir (born in 1980) | <ul style="list-style-type: none"> • June 2022 to February 2023: Member of the Management Board of JSC TNC Kazchrome • May 2022 to present: Operations Director for HR and Social Affairs of JSC TNC Kazchrome • July 2020 to May 2022: Operations Director for HR and Social Affairs, Shubarkol Komir JSC • August 2019 to July 2020: Social Security Manager, HR and Social Projects Department of Eurasian Group LLP |

Management structure

(continued)

Information on dividends

| Tenge | 31.12.2021 | 31.12.2022 |
|---|------------|------------|
| Book value of an ordinary share | 5,391 | 2,009 |
| Book value of a preference share | 937 | 927 |
| Tenge | 2021 | 2022 |
| Basic and diluted earnings per ordinary share from continuing operations. | 3,956 | 4,424 |

Book value of ordinary and preference shares calculated in accordance with Appendix 2 of the Listing Rules of Kazakhstan Stock Exchange.

Dividends paid from 2020 to 2022

| Dividend Period | Dividend per ordinary share, Tenge | Dividend per preference share, Tenge | Basis |
|-----------------------------|------------------------------------|--------------------------------------|--|
| For 2019 | 63.50 | 100 | Company Charter, Minutes of the Annual General Meeting of Shareholders dated 27 June 2020 |
| For the 3rd quarter of 2020 | 535 | 535 | Company Charter, Minutes of an Extraordinary General Meeting of Shareholders dated 4 December 2020 |
| For 2020 | 666 | 666 | Company Charter, Minutes of an Annual General Meeting of Shareholders as of 31 May 2021 |
| For the 3rd quarter of 2021 | 319.84 | 319.84 | Company Charter, Minutes of an extraordinary General Meeting of Shareholders as of 3 December 2021 |
| For the 3rd quarter of 2021 | 691.79 | 691.79 | Company Charter, Minutes of the Annual General Meeting of Shareholders dated 9 March 2022 |
| For 2021 | 794.06 | 794.06 | Company Charter, Minutes of an Annual General Meeting of Shareholders as of 30 May 2022 |
| For the 1st quarter of 2022 | 1,066.57 | 1,066.57 | Company Charter, Minutes of the Annual General Meeting of Shareholders dated 10 November 2022 |
| For the 3rd quarter of 2022 | 4,952.35 | 4,952.35 | Company Charter, Minutes of the Annual General Meeting of Shareholders dated 5 December 2022 |

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 enquiries from its shareholders and other stakeholders, and in full extent within the time set by the legislation of the Republic of Kazakhstan and the Company Charter.

Interaction with stakeholders

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

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

Management remuneration

The determination of the remuneration of the members of the Board of Directors, as well as the salary levels and conditions of remuneration and bonuses of the members of the Management Board is carried out in accordance with the Republic of Kazakhstan Law on 'Joint Stock Companies'. In 2022, the amount of remuneration paid to the members of the Board of Directors and the Management Board for 2021 performance totalled 1,310 million Tenge after income tax (2021: 844 million Tenge after income tax). No accumulations for the provision of pension remuneration are envisaged for the members of the Board of Directors or the Management Board.

Report on compliance with the Corporate Governance Code of the Company

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

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

- Regulations of the Board of Directors;
- Corporate Code of Conduct;
- ERG Supplier Code of Conduct;
- Policy on Compliance with Corporate Rules and Regulations by Agents;
- Anti-money Laundering Policy;
- Anti-bribery and Corruption Policy;
- Anti-fraud Policy;
- Policy on Compliance with Anti-trust and Competition Laws;
- Policy on Conflict of Interest;
- Personal Data Protection Policy;
- Information Security Policy;
- Gifts and Hospitality Policy;
- Policy on Related Party Transactions;
- International Economic Sanctions Compliance Policy;

- Information Classification Policy;
- Policy on Human Rights;
- Policy on CSR Projects and Sponsorship;
- ERG Sanctions Compliance Programme: Key Principles;
- ERG Data Protection Compliance - Programme: Key Components.

The Company's bodies have not yet decided whether to join the Governance Corporate Code of the Republic of Kazakhstan, approved by the decision of the Presidium of the National Chamber of Entrepreneurs of the Republic of Kazakhstan 'Atameken' dated 27 April 2021 No. 4.

Key management team



Sergey Prokopyev

*General Director
of TNC Kazchrome JSC*

Sergey Prokopyev has over 20 years' experience in the production of ferroalloys in various.

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

During his time at the plant, Sergey Prokopyev made a great contribution to production development. He initiated and led the implementation of a number of innovative proposals which made it possible to produce additional volumes of marketable products at the plants. In particular, this is a project of creation of a shelter for a jiggging complex in order to obtain additional marketable products and metal concentrate during the winter period; change of technology in terms of the use of metal concentrate produced by KazRud-Prom; change in the slag processing scheme; implementation of a pilot project for the automation of pouring machine No.4 at the Aksu Ferroalloy Plant.

In April 2021, Sergey Prokopyev joined the management team of TNC Kazchrome JSC and became Vice-President for Production. In September 2022, he was appointed President and, in February 2023, General Director of TNC Kazchrome JSC. His priority tasks include the introduction of advanced technologies for the production of ferroalloys and the extraction and strengthening of rocks, as well as the introduction of advanced methods to increased productivity.

Sergey Prokopyev graduated from the Innovative University of Eurasia with a degree in Ferrous and Non-Ferrous Metallurgy and obtained an MBA degree in Ferrous and Non-Ferrous Metallurgy from the Russian Presidential Academy of National Economy and Public Administration.



Azamat Bektybaev

*Director of Donskoy GOK
of TNC Kazchrome JSC*

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

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

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

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

From 2017, he joined the management unit of TNC Kazchrome JSC as a First Deputy President – Vice President for Production and Technical Matters. In 2021, he was appointed Director of Donskoy GOK of TNC Kazchrome JSC.

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

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

Key management team (continued)



Konstantin Semerenko

Director for Technical Maintenance and Repair of TNC Kazchrome JSC

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

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

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

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

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

In December 2020, Konstantin Semerenko joined the management team of TNC Kazchrome JSC and became the Vice President for Technical Maintenance and Repair. In 2023, he was appointed the Director 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.



Marat Kudekov

Director for Economics and Controlling

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

In 2001, Marat Kudekov graduated from the Kazakh State Academy of Management in Almaty with a degree in International Economic Relations. He also obtained an MSc

degree in Finance from Cass Business School in 2009 and an MBA degree from London Business School in 2016. After graduating from the university and before joining ERG, he worked for Kazakh and international microfinance organisations.

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

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

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

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

In January 2021, Marat Kudekov joined the senior management team of JSC TNC Kazchrome as Vice-President for Financial and Economic Affairs. In 2023, he was appointed Director for Economics and Controlling. 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.

Key management team (continued)



Nurgul Nurgaliyeva

Director for Personnel and Culture of TNC Kazchrome JSC

Nurgul Nurgaliyeva has a track record of more than 20 years in personnel management in various positions. Her key operational competencies include Compensation & Benefits, organisational design and resource planning, personnel evaluation and development, process automation and centralisation.

She started her career in 2001 at JSC NC Kazakhstan Temir Zholy as an industrial economist in the design bureau and eventually became a branch director.

In 2018, she joined ERG as a Compensation & Benefits expert. Later, she held the positions of HR Business Partner and Director for Total Rewards and Social Projects at Eurasian Group. She was appointed HR Director at Business & Technology Services LLP (the IT division of ERG) in 2021 and Director for Compensation and Benefits at ERG in 2022.

In 2023, Nurgul Nurgaliyeva joined the management team of TNC Kazchrome JSC as the Director for Personnel and Culture. Her responsibilities include improving the HR policy and incentive system, promoting productivity growth, personnel development and recruitment strategy, promoting the corporate culture and performance management.

Nurgul Nurgaliyeva has graduated from L. N. Gumilyov Eurasian National University with a degree in Economics. She also holds a Master's degree in Economics



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
- > Consolidated balance sheet
- > Consolidated statement of profit or loss and other comprehensive income
- > Consolidated statement of changes in equity
- > Consolidated statement of cash flows
- > Notes to the consolidated financial statements

Independent auditor's report



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 2022, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2022;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Material uncertainty relating to going concern

We draw attention to Note 2 to the consolidated financial statements which indicates the material risks and uncertainties which exist in respect of the ERG Group's ability to find a feasible solution to enable it to comply with its payment obligations in 2024 and/or to reschedule the payments in compliance with all applicable laws and regulations. These events or conditions, along with other matters as set forth in Note 2, indicate that material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

PricewaterhouseCoopers LLP
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INDEPENDENT AUDITOR'S REPORT (Continued)

Page 2

Our audit approach

Overview



- Overall Group materiality: 21,441,000 thousand of Kazakhstani Tenge, which was calculated as 5% of the last three-year weighted average profit before tax and represents approximately 3.6% of the current year profit before tax.
- We conducted audit work at one reporting unit in one country.
- The Group engagement team visited the following locations - cities of Aktobe, Khromtau and Aksu.
- Our audit scope addressed 99.9% of the Group's total assets, 99.9% of total revenue and 99% of the Group's profit before tax.
- Compliance with debt covenants
- Revenue recognition

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

Materiality

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

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

Independent auditor's report (continued)



INDEPENDENT AUDITOR'S REPORT (Continued)

Page 3

| | |
|--|--|
| Overall Group materiality | 21,441,000 thousand of Kazakhstani Tenge |
| How we determined it | approximately 5% of the last three-year weighted average profit before tax |
| Rationale for the materiality benchmark applied | We use profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We use the last three-year weighted average profit before tax to adjust materiality for the recent significant commodity price volatility. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector and corresponds to approximately 3.6% of the current year profit before tax. |

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. In addition to the matter described in the Material uncertainty relating to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.



INDEPENDENT AUDITOR'S REPORT (Continued)

Page 4

| Key audit matter | How our audit addressed the key audit matter |
|--|--|
| <p>Compliance with debt covenants</p> <p><i>Refer to Note 2 to the consolidated financial statements.</i></p> <p>The Group is a subsidiary of Eurasian Resources Group S.à.r.l. ("ERG"). During preceding and current periods ERG and its subsidiaries have attracted a number of debt facilities to finance its various activities. The Group is a party to those arrangements and in addition to the loans it carries on its balance sheet, it is also a guarantor on the loans the Group's immediate parent company has attracted (Note 17).</p> <p>As indicated in Note 2, ERG, including the Group, complied with applicable covenants at 31 December 2022.</p> <p>Compliance with debt covenants is considered highly important as it impacts classification of the Group's borrowings and measurement of financial guarantees as well as overall liquidity position of the Group. We considered this matter to be a key audit matter due to its high importance to the Group and to the consolidated financial statements.</p> | <p>Our audit procedures included assessment of the ERG and Group's compliance with the debt covenants.</p> <p>We focused on the following:</p> <ul style="list-style-type: none"> – review of the terms associated with the borrowings and the amount of the facility available for drawdown and required to be repaid; – checking that the Group is in compliance with each financial and non-financial covenant of the borrowings including waivers received, if any; – confirming with the ERG Group audit team the overall ERG Group and its subsidiaries compliance with debt covenants; – verification of the appropriateness of classification of the borrowings and measurement of the financial guarantees. |

Independent auditor's report (continued)



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 19, Note 27 and Note 28 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 19, revenue for 2022 includes Tenge 62,535,791 thousand revenue from sources other than contracts with customers (2021: Tenge 110,119,693 thousand). As indicated in Note 27, a ten percent decrease in ferroalloys market prices would decrease profit before tax by Tenge 12,162,335 Thousand (2021: Tenge 5,942,773 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 of controls through manipulation of the estimates involved and premature revenue recognition resulting from the pressure management may feel to achieve performance targets.

We considered this matter to be a key audit matter due to a significant effect on our overall audit strategy and allocation of resources in planning and completing our audit as significant effort was required in evaluating the appropriateness of the revenue recognition.

Our audit procedures included, among others, obtaining an understanding of, evaluating the design and testing the operating effectiveness of controls over the Group's revenue recognition process, which includes, but not limited to, contract authorisation, approvals of price addendums, determination of the timing of revenue recorded and adjustments based on the most recent provisional prices.

We also evaluated the design and tested the operating effectiveness of automated controls over revenue recognition assisted by our IT professionals.

We evaluated management's accounting policies and the methodology used by management to determine the provisional prices. In addition, our audit procedures included testing of all reconciliations between the data records from the system generated sales reports to the general ledger to ensure accurate calculation of the adjustments posted to reflect the most recent provisional prices and final prices.

In order to assess the accuracy of the provisional prices determined at the year-end, on a sample basis, we tested the benchmark price forecasts against the external analysts' data. On a sample basis, we:

- reviewed contracts and price addendums;
- recalculated revenue recognised based on the provisional prices available at the date of transaction; and
- tested shipping documents focusing on the period shortly before year-end.

We circularised the main customer to test whether the volumes shipped during the year were accurate. We also assessed the adequacy of the disclosures in the Group's consolidated financial statements in respect of the accounting policies on revenue recognition.



INDEPENDENT AUDITOR'S REPORT (Continued)

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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. Overall, the scope of our audit covered 99.9% of total assets, 99.9% of total revenue and 99% of the absolute value of net profit of the Group. The procedures performed have enabled us to obtain sufficient appropriate audit evidence in relation to the consolidated financial statements of the Group and provide a basis for our audit opinion on it.

Other information

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

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

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

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

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

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

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

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

Independent auditor's report (continued)



INDEPENDENT AUDITOR'S REPORT (Continued)

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

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

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

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

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

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

Independent auditor's report (continued)



INDEPENDENT AUDITOR'S REPORT (Continued)

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

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

On behalf of PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Approved by:



Dana Inkarbekova
PricewaterhouseCoopers LLP
(General State License of the Ministry of Finance of the Republic of Kazakhstan №00000005 dated 21 October 1999)

Signed by:



Baurzhan Burkhanbekov
Auditor in charge
(Qualified Auditor's Certificate №0000586 dated 30 October 2006)

3 May 2023
Almaty, Kazakhstan

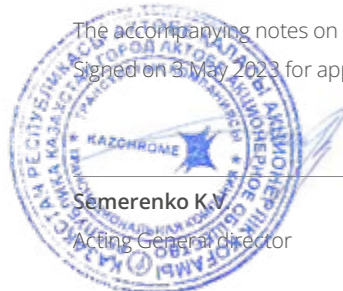


Consolidated Balance Sheet

| In thousands of Kazakhstani Tenge | Note | 31 December 2022 | 31 December 2021 |
|--|-------|----------------------|----------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 5 | 670,993,734 | 543,461,869 |
| Intangible assets | | 647,570 | 580,607 |
| Investments at fair value | 6 | 12,621,999 | 29,133,179 |
| Loans receivable | 4, 10 | 262,943,774 | 472,063,447 |
| Deferred income tax asset | 25 | - | 1,176,596 |
| Other | 7 | 55,859,687 | 40,343,963 |
| Total | | 1,003,066,764 | 1,086,759,661 |
| Current assets | | | |
| Inventories | 8 | 206,325,643 | 163,973,551 |
| Trade and other receivables | 9 | 248,005,910 | 196,640,950 |
| Loans receivable | 4, 10 | 2,752,955 | 4,360,145 |
| Current income tax prepaid | | 27,261 | 103,889 |
| Cash and cash equivalents | 11 | 77,769,037 | 217,816,572 |
| Other | | 81,260 | 87,243 |
| Total | | 534,962,066 | 582,982,350 |
| TOTAL ASSETS | | 1,538,028,830 | 1,669,742,011 |
| EQUITY | | | |
| Share capital | 12 | 106,505,027 | 106,505,027 |
| Treasury shares | | (184,411) | (184,411) |
| Other reserves | | (177,226) | 318,811 |
| Retained earnings | | 97,887,558 | 435,362,135 |
| Equity attributable to the Company's equity holders | | 203,882,438 | 542,001,562 |
| Non-controlling interest | | 51,839 | 51,050 |
| TOTAL EQUITY | | 204,082,787 | 542,052,612 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | 13 | 1,062,811,911 | 943,369,917 |
| Lease liability | 13 | 1,998,579 | 2,309,895 |
| Provision for assets retirement obligations | 15 | 13,901,244 | 6,023,291 |
| Preference shares liability | 13 | 6,501,553 | 6,600,719 |
| Deferred income tax liability | 25 | 2,490,384 | - |
| Employee benefit obligations | 16 | 6,407,147 | 5,519,735 |
| Financial guarantees | 17 | 14,469,223 | 17,981,342 |
| Total | | 1,108,580,041 | 981,804,899 |
| Current liabilities | | | |
| Borrowings | 13 | 797,136 | 1,433,946 |
| Lease liability | 13 | 885,395 | 795,220 |
| Trade and other payables | 14 | 161,109,257 | 93,023,844 |
| Financial guarantees | 17 | 2,906,280 | 3,009,324 |
| Current income tax payable | | 45,311,408 | 36,401,474 |
| Provision for assets retirement obligations | 15 | 801,726 | 390,422 |
| Employee benefit obligations | 16 | 710,473 | 564,867 |
| Other taxes payable | | 12,844,327 | 10,265,403 |
| Total | | 225,366,002 | 145,884,500 |
| TOTAL LIABILITIES | | 1,333,946,043 | 1,127,689,399 |
| TOTAL LIABILITIES AND EQUITY | | 1,538,028,830 | 1,669,742,011 |

The accompanying notes on pages 115 to 147 are an integral part of these consolidated financial statements.

Signed on 3 May 2023 for approval of the annual general meeting of shareholders:



Semerenko K.V.
Acting General Director

Jandossova D.A.
Acting Economics and controlling director

Consolidated Statement of Profit or Loss and Other Comprehensive Income

| In thousands of Kazakhstani Tenge | Note | 2022 | 2021 |
|---|------|--------------------|--------------------|
| Revenue | 19 | 1,289,288,331 | 1,059,418,450 |
| Cost of sales | 20 | (589,254,987) | (458,741,785) |
| Gross profit | | 700,033,344 | 600,676,665 |
| Distribution costs | | (11,424,974) | (8,178,147) |
| General and administrative expenses | 21 | (67,644,911) | (39,950,114) |
| Research, business development and exploration expenditures | | (9,936,937) | (6,674,905) |
| Other operating expense | | (17,803,052) | (9,431,195) |
| Other operating income | | 23,080,249 | 7,203,130 |
| Operating profit | | 616,303,719 | 543,645,434 |
| Finance income | 23 | 105,906,503 | 37,906,793 |
| Finance cost | 24 | (132,875,635) | (64,800,781) |
| Profit before tax | | 589,334,587 | 516,751,446 |
| Income tax expense | 25 | (103,421,957) | (82,169,350) |
| Profit for the year | | 485,912,630 | 434,582,096 |
| Other comprehensive (expense)/income: | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Remeasurements of post-employment benefit obligations | 16 | (620,042) | (272,069) |
| Income tax recorded directly in other comprehensive income | 25 | 124,005 | 54,418 |
| Other comprehensive expense | | (496,037) | (217,651) |
| Comprehensive income for the year | | 485,416,593 | 434,364,445 |
| Profit for the year attributable to: | | | |
| Company's equity holders | | 485,910,983 | 434,581,111 |
| Non-controlling interest | | 1,647 | 985 |
| Profit for the year | | 485,912,630 | 434,582,096 |
| Comprehensive income for the year attributable to: | | | |
| Company's equity holders | | 485,414,946 | 434,363,460 |
| Non-controlling interest | | 1,647 | 985 |
| Comprehensive income for the year | | 485,416,593 | 434,364,445 |
| Basic and diluted earnings per ordinary share (in Tenge) | 18 | 4,424 | 3,956 |

The accompanying notes on pages 115 to 147 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 2021 | | 106,505,027 | (184,411) | 536,462 | 108,083,322 | 214,940,400 | 50,923 | 214,991,323 |
| Profit for the year | | - | - | - | 434,581,111 | 434,581,111 | 985 | 434,582,096 |
| Other comprehensive expense | | - | - | (217,651) | - | (217,651) | - | (217,651) |
| Comprehensive (expense)/ income for the year | | - | - | (217,651) | 434,581,111 | 434,363,460 | 985 | 434,364,445 |
| Dividends | 12 | - | - | - | (107,302,298) | (107,302,298) | (858) | (107,303,156) |
| Balance at 31 December 2021 | | 106,505,027 | (184,411) | 318,811 | 435,362,135 | 542,001,562 | 51,050 | 542,052,612 |
| Balance at 1 January 2022 | | 106,505,027 | (184,411) | 318,811 | 435,362,135 | 542,001,562 | 51,050 | 542,052,612 |
| Profit for the year | | - | - | - | 485,910,983 | 485,910,983 | 1,647 | 485,912,630 |
| Other comprehensive expense | | - | - | (496,037) | - | (496,037) | - | (496,037) |
| Comprehensive (expense)/ income for the year | | - | - | (496,037) | 485,910,983 | 485,414,946 | 1,647 | 485,416,593 |
| Dividends | 12 | - | - | - | (823,385,560) | (823,385,560) | (858) | (823,386,418) |
| Balance at 31 December 2022 | | 106,505,027 | (184,411) | (177,226) | 97,887,558 | 204,030,948 | 51,839 | 204,082,787 |

The accompanying notes on pages 115 to 147 are an integral part of these consolidated financial statements.



Consolidated statement of cash flows

| In thousands of Kazakhstani Tenge | Note | 2022 | 2021 |
|--|------|---------------|---------------|
| Cash flows from operating activities: | | | |
| Profit before tax | | 589,334,587 | 516,751,446 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | | 55,339,499 | 49,979,517 |
| Amortisation of intangible assets | | 384,647 | 429,847 |
| Long-term employees benefits | | 593,424 | 430,430 |
| Financial guarantees | | (3,615,164) | (3,001,119) |
| Provision for asset retirement obligations: amount reversed through cost of sales and other operating expenses | | (63,270) | (48,277) |
| Provisions for obsolete and slow-moving inventory | | 158,136 | 128,619 |
| Loss allowance for trade and other receivables | | 2,763,671 | 1,012,193 |
| Foreign exchange | | (17,555,787) | (4,527,963) |
| Finance income | | (102,291,339) | (34,905,674) |
| Finance cost | | 144,650,641 | 66,903,750 |
| Provision for legal expenses | | 5,752,801 | - |
| Provision for impairment of property, plant and equipment | | 2,409,309 | - |
| Other | | 78,692 | (40,192) |
| Operating cash flow before working capital changes: | | 677,939,847 | 593,112,577 |
| Change in inventories | | (40,405,690) | (66,443,045) |
| Change in trade and other receivables | | (40,055,722) | (84,448,746) |
| Change in restricted cash | | - | (230,099) |
| Change in trade and other payables | | 27,097,449 | (3,020,223) |
| Change in provisions for assets retirement obligations | | (118,007) | (29,821) |
| Change in other taxes payable | | (190,977) | (5,345,509) |
| Cash generated from operations: | | 624,266,900 | 433,595,134 |
| Income taxes paid | | (93,474,142) | (39,546,049) |
| Withholding income tax paid | | - | (11,636,820) |
| Interest received | | 31,840,776 | 3,186,769 |
| Interest paid | 13 | (157,158) | (91,865,477) |
| Net cash from operating activities | | 562,476,376 | 293,733,557 |
| Cash flows from investing activities: | | | |
| Purchases of property, plant and equipment and intangible assets | | (156,625,905) | (94,698,548) |
| Loans provided | 10 | (385,023,648) | (41,964,948) |
| Repayment of loans receivable | 10 | 640,285,386 | 22,209,417 |
| Bank deposits placed | | (16,181) | (23,430) |
| Bank deposits withdrawal | | 25,323 | 18,763 |
| Acquisition of investments | | (10,686,883) | (16,636,198) |
| Dividends received | | 262,478 | - |
| Net cash from/ (used in) investing activities | | 88,220,570 | (131,094,944) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | 13 | 19,767,038 | 106,702,500 |
| Repayment of borrowings | 13 | (178,727) | - |
| Commission on loans origination | 13 | - | (772,671) |
| Dividends paid | 12 | (822,526,759) | (107,638,313) |
| Lease liability paid | 13 | (1,120,105) | (948,532) |
| Net cash used in financing activities | | (804,058,553) | (2,657,016) |
| Effect of exchange rate changes on cash and cash equivalents | | 13,314,072 | 2,149,602 |
| Net change in cash and cash equivalents | | (140,047,535) | 162,131,199 |
| Cash and cash equivalents at the beginning of the year | 11 | 217,816,572 | 55,685,373 |
| Cash and cash equivalents at the end of the year | 11 | 77,769,037 | 217,816,572 |

The accompanying notes on pages 115 to 147 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements (continued)

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 2022 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 Luxembourg.

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, % |
|------------------------|-------------------------|---|--------------|
| Donskaya Neftebaza JSC | Kazakhstan | Warehousing services and sales of combustible and lubricating materials | 95.53 |
| Akzhar Chrome LLP | Kazakhstan | Water production on major pipelines | 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 2022 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.

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

The Board of Managers of ERG has reviewed the liquidity available for the period until 31 October 2024.

Throughout the period under review the ERG Group forecasts to generate sufficient cash flow to maintain a position above minimum working capital and debt servicing requirements.

The ERG Group continuously monitors its financial position to ensure adequate liquidity headroom is in place to support its business needs and to ensure compliance with loan covenants or to obtain waivers where appropriate.

As of 31 December 2022, the ERG Group, including the Group, complied with applicable covenants.

In June 2022, Standard & Poor’s upgraded assigned credit rating to B from B- with stable outlook. The ERG Group concluded to discontinue obtaining a credit rating from Standard & Poor’s. At the request by the ERG Group, Standard and Poor’s withdrew a credit rating of the ERG Group in March 2023. The outlook was stable at the time of the withdrawal. In December 2022, Moody’s affirmed B1 credit rating with the stable outlook.

Current ERG Group’s liquidity forecast envisages payments to Sberbank and VTB in 2024 under the existing credit facility agreements. The ERG Group is working on a variety of feasible solutions to enable it to comply with its payment obligations and/or to reschedule the payments in compliance with all applicable laws and regulations. This work is ongoing and is unlikely to be completed in the first half of 2023, therefore at the time of issuance of these Consolidated financial statements an uncertainty in respect of its outcome remains. If no acceptable solution is available in 2024 and the ERG Group fails to make a scheduled payment under the existing credit facility agreements with Sberbank or VTB, such non-payment may give relevant lender a right to accelerate pay-

ment of the outstanding debt under the facility agreements.

In reaching the Managers of the ERG conclusion in respect of the preparation of Consolidated financial statements of the ERG Group under the going concern basis the Managers of ERG note that there are material risks and uncertainties in respect of the ERG Group’s ability to prevent Sberbank and/or VTB getting a right to accelerate the debt in 2024, which right Sberbank or VTB may choose to exercise. These material risks and uncertainties may cast significant doubt on the ERG Group’s ability to continue as a going concern.

Considering the Managers of the ERG conclusion and taking into account that the Group has intercompany transactions as disclosed in Note 4 and the fact the Group is a guarantor under the ERG Group’s credit facility agreements, the management of the Group have concluded that there is material uncertainty, which may cast significant doubt on the Group’s ability to continue as a going concern.

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

The Managers of ERG consider that the ERG Group can access adequate resources to continue its business operations for the foreseeable future, and therefore, management of the Group consider that the Group can access adequate resources to continue its business operations for the foreseeable future and that the

preparation of these Consolidated financial statements under the going concern basis is appropriate

New accounting pronouncements.

The amendments to standards and interpretation enacted from 1 January 2022 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 2023 are not expected to have a significant impact on the Group. The Group assesses the potential impact of other new standards, amendments to standards, and interpretations.

Functional and presentation currency.

All amounts in these separate financial statements are presented in thousands of Kazakhstani Tenge (“Tenge”), unless otherwise stated. The functional currency of the Company and its subsidiaries is Tenge.

Notes to the consolidated financial statements (continued)

2. Basis of Preparation and Significant Accounting Policies (continued)

Foreign currency transactions.

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

At 31 December 2022 the official exchange rate used for translating foreign currency balances was

US Dollar (US\$) 1 = Tenge 462.65 (31 December 2021: US\$1 = Tenge 431.8). 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:

- Has power to direct relevant activities of the investees that significantly affect their returns,
- Has exposure, or rights, to variable returns from its involvement with the investees; and
- Has the ability to use its power over the investees to affect the amount of investor's returns.

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

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

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

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

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

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

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

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

Economic environment in the Republic of Kazakhstan.

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

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

Property, plant and equipment.

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

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

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.

Notes to the consolidated financial statements (continued)

2. Basis of Preparation and Significant Accounting Policies (continued)

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

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

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

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

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

realised in the form of inventory produced.

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

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

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

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

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

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

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

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

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

- Estimates of the quantities of the reserves for which there is a high degree of confidence of economic extraction;
- Future production levels;
- Future commodity prices (assuming the current market prices will revert to the Group's assessment of the long-term

average price, generally over a period of three to five years); and

- Future costs of production, capital expenditures, assets retirement and land restoration.

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

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

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

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

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

Notes to the consolidated financial statements (continued)

2. Basis of Preparation and Significant Accounting Policies (continued)

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 macro-economic 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 cash flows and (i) transferred substantially all the risks and rewards of ownership of the assets or (ii) neither transferred nor retained substantially all risks and rewards of ownership, but has not retained control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

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

Cash and cash equivalents.

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

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

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

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

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

Notes to the consolidated financial statements (continued)

2. Basis of Preparation and Significant Accounting Policies (continued)

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 and obligation to eliminate the consequences of the operation of facilities that have a negative impact on the environment.

Assets retirement obligations and obligation to eliminate the consequences of the operation of facilities that have a negative impact on the environment are recognised when it is highly probable to incur the costs and those costs can be measured reliably.

Asset retirement obligations and obligation to eliminate the consequences of the operation of facilities that have a negative impact on the environment 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 and obligation to eliminate the consequences of the operation of facilities that have a negative impact on the environment 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 and obligation to eliminate the consequences of the operation of facilities that have a negative impact on the environment, arising from new cases of disturbance as a result of mine development, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate using the depreciation methods applied to those assets.

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

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

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

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

- The amount of initial recognition of the lease liability;
- Lease payments made at or before the commencement of the lease term, less any received lease incentives;
- Any initial direct costs incurred; and
- 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.

Notes to the consolidated financial statements (continued)

2. Basis of Preparation and Significant Accounting Policies (continued)

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:

- By increasing the carrying amount to reflect the interest on the lease liability;
- By decreasing the carrying amount to reflect the lease payments made; and
- By revaluing the carrying amount to reflect the reassessment or modification of the lease.

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

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 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 income tax (corporate income tax) and deferred income 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 income 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.

Notes to the consolidated financial statements (continued)

2. Basis of Preparation and Significant Accounting Policies (continued)

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 income tax assets and liabilities are netted only within each separate subsidiary included in the consolidated financial statements of the Group. Deferred income 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 income 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 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 9 'Financial instruments' and therefore the IFRS 15 'Revenue from Contracts with Customers' rules on variable consideration do not apply. Such adjustments therefore represent revenue from sources other than contracts with customers.

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

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

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

Such benefits are valued consistent with an unfunded defined plan in accordance with the revised

IAS 19 "Employee Benefits". In this case actuarial and investment risks related to the unfunded defined benefit plans remain with the Group.

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

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

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

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.

Notes to the consolidated financial statements (continued)

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

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.

Provision for Environmental Protection - New Environmental Code.

In 2021, the New Environmental Code of the Republic of Kazakhstan (the "Code") was adopted, requiring the elimination of the consequences of operation of production facilities that have a negative impact on the environment upon ceasing of their operation. Elimination of the consequences of operation will depend on the nature of the assets involved and the potential impact on the environment.

Due to the fact that the requirements of the Code are relatively new, there are uncertainties in the interpretation and application of its provisions. The Group recognized obligation to eliminate the consequences of the operation of facilities as at 31 December 2022 (Note 15) for the first time based on the current interpretation of the Code and changes in accounting estimates as a result of a technical analysis.

The Group has applied significant judgment in measuring the liability. Any future changes to the Code, its interpretation and practice may affect the Group's judgments and estimates and, therefore, may potentially result in a revision of the respective obligation to eliminate the consequences of the operation of the facilities. Significant judgments in making such estimates include estimates of inflation and discount rates and the discount period. In determining the discount period, management has applied the judgment that the actions to eliminate the consequences of the operation of the facilities will be carried out after the full development of the deposits, which is

expected in the 2074 year. Key assumptions used in the estimates are presented in Note 15.

Based on the Group's analysis of applicable law, management concluded that certain items of property, plant and equipment should be excluded from obligation to eliminate the consequences of the operation of facilities as at 31 December 2022 because:

- Such assets do not have a significant negative impact on the environment;
- Production processes at these facilities do not lead to consequences that require dismantling and reclamation work to reduce the negative impact on the environment;
- For individual facilities, such as technological machinery and equipment, there is the possibility of recovering the cost of liquidation from their disposal and / or the possibility of re-profiling, as a result of which the negative impact on the environment will be significantly reduced and there will be no need to dismantle them.

The sensitivity analysis of obligation to eliminate the consequences of the operation of facilities to significant assumptions as at 31 December 2022 is as follows:

| In thousands of Kazakhstani Tenge | Changes in assumptions | (Decrease) / increase in the obligation to eliminate the consequences of the operation of facilities |
|-----------------------------------|------------------------|--|
| Inflation rate | (1%)/ 1% | (1,310,455)/ 2,137,495 |
| Discount rate | (1%)/ 1% | 2,018,736/ (1,246,937) |
| Liquidation period | (10 лет)/ 10 лет | 2,414,974/ (1,398,585) |

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 no impairment indicators at the end of the reporting period.

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 2022 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 of companies with a similar credit rating and distributed among

guarantors. This represents management's best estimate of the Group's exposure to credit risk associated with the issued guarantees. Such management's judgment is based on the going concern assessment of ERG Group.

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

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

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

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

Income tax. The Group adjusted income tax expense for the year ended 31 December 2021 due to a change in the judgments used in calculating deductible expenses and taxable income under an investment contract.

4. Balances and Transactions with Related Parties

Parent company: Information is disclosed in Note 1.

Entities under common control: entities under control of ERG.

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

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

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

Notes to the consolidated financial statements (continued)

4. Balances and Transactions with Related Parties (continued)

At 31 December 2022, 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 | - | 12,621,999 | - | - | - |
| Loans receivable ¹ | 21,921,895 | 243,774,834 | - | - | - |
| Other non-current assets | - | 2,406,316 | 3,078,691 | 3,975,304 | - |
| Trade and other receivables | - | 22,972,660 | 145,887 | 988,811 | - |
| Cash and cash equivalents | - | - | 64,049,327 | 42,282 | - |
| Other current assets | - | - | 81,261 | - | - |
| LIABILITIES: | | | | | |
| Leases | - | 6,996 | - | 298,289 | - |
| Preference shares liabilities | 5,294,012 | - | - | - | - |
| Employee benefits | - | - | - | - | 54,715 |
| Financial guarantees | 17,282,712 | - | - | - | - |
| Trade and other payables | 918,946 | 26,204,273 | 336,351 | 2,059,891 | - |

As of 31 December 2022 the Group has had an undrawn commitment to invest capital of up to US\$43 million (Tenge 19,893,950 thousand) to Eurasian Digital Ventures 1 Limited Partnership, a subsidiary undertaking of ERG S.à r.l., during the period up the year of 2025,

subject to certain conditions being satisfied (2021: US\$58 million (Tenge 25,044,400 thousand)).

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

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

1. ECL allowance on loans receivable is disclosed in Note 10

The income and expense items with related parties for the year ended 31 December 2022 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 |
|---|----------------|-------------------------------|--|-----------------------------|----------------|
| Revenue | - | 1,957,796 | 9,086 | 387,944 | - |
| Cost of sales | - | (138,335,962) | (11,501,378) | (27,686,236) | - |
| Other operating income | - | 3,266,103 | 11,073 | 31,417 | - |
| Other operating expense | - | (641,187) | (1,229,019) | (108,783) | - |
| Distribution costs | - | (664,215) | (11,305) | (503,510) | - |
| Research, business development and exploration expenditures | - | (4,580,817) | (777) | (89,686) | - |
| General and administrative expenses | - | (50,290,575) | (495,408) | (221,268) | (1,316,631) |
| Finance income | 43,966,727 | 29,214,075 | 1,180,251 | 23,950 | - |
| Finance cost ² | 42,661,525 | (59,996,309) | 11,874,672 | (97,389) | - |

The income and expense items with related parties for the year ended 31 December 2021 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 |
|---|----------------|-------------------------------|--|-----------------------------|----------------|
| Revenue | - | 1,695,290 | 7,147 | 967,703 | - |
| Cost of sales | - | (109,737,518) | (9,711,272) | (25,704,250) | - |
| Other operating income | - | 3,376,151 | 8,754 | 2,935 | - |
| Other operating expense | - | (274,879) | (537,128) | (10,161) | - |
| Distribution costs | - | (809,213) | (4,611) | (411,020) | - |
| Research, business development and exploration expenditures | - | (1,702,908) | (712) | (35,869) | - |
| General and administrative expenses | - | (25,627,455) | (394,259) | (203,885) | (827,106) |
| Finance income | 36,790,063 | - | 915,511 | 9,088 | - |
| Finance cost ³ | 13,303,426 | (7,911,712) | 2,112,932 | (123,858) | - |

Key management compensation of Group is presented below:

| In thousands of Kazakhstani Tenge | 2022 r. | 2021 r. |
|--|------------------|----------------|
| Wages, salaries and other bonuses | 850,844 | 575,577 |
| Post-employment and other long-term benefits | (589,254,987) | (458,741,785) |
| Total key management compensation | 1,316,631 | 827,106 |

Parent Company. Balances and transactions with the Parent Company comprise mainly loans receivable, financial guarantees, finance income and finance expenses related to loans.

Entities under common control. During 2022 and 2021, 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, also provided financing for working capital.

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.

2. Finance cost includes recovery of ECL allowance on loans receivables from Parent company in the amount of Tenge 6,644,378 thousand and also foreign exchange gain related to loans receivable and deposits.
3. Finance cost includes recovery of ECL allowance on loans receivables from Parent company in the amount of Tenge 1,122,048 thousand and also foreign exchange gain related to loans receivable and deposits.

Notes to the consolidated financial statements (continued)

5. Property, Plant and Equipment

| In thousands of Kazakhstani Tenge | Land | Buildings and constructions | Machinery and equipment | Other | Construction in progress | Total |
|---|------------------|-----------------------------|-------------------------|-------------------|--------------------------|--------------------|
| Cost at 31 December 2020 | 5,159,116 | 226,945,427 | 352,143,088 | 29,185,462 | 193,389,344 | 806,822,437 |
| Accumulated depreciation | (33,156) | (96,033,809) | (208,037,288) | (14,637,524) | - | (318,741,777) |
| Carrying amount at 31 December 2020 | 5,125,960 | 130,911,618 | 144,105,800 | 14,547,938 | 193,389,344 | 488,080,660 |
| Additions | 143,176 | 1,109,802 | 12,219,988 | 2,506,086 | 82,841,457 | 98,820,509 |
| Changes in estimates of assets retirement obligations | - | 2,011,671 | 6,144 | - | - | 2,017,815 |
| Transfer to assets held for sale | (5,849) | (749,693) | (75) | - | - | (755,617) |
| Transfers | 29,129 | 23,535,226 | 37,147,183 | 1,532,492 | (62,244,030) | - |
| Transfers (to)/from inventories | - | (614,839) | 614,839 | - | 9,625,112 | 9,625,112 |
| Depreciation charge | (25,343) | (15,160,336) | (35,488,803) | (2,490,347) | - | (53,164,829) |
| Disposals | (65,818) | (988,389) | (78,096) | (2,972) | (68,385) | (1,203,660) |
| Impairment reversal/ (impairment) | - | 9,943 | (38,425) | - | 70,361 | 41,879 |
| Cost at 31 December 2021 | 5,259,754 | 246,245,694 | 396,649,030 | 32,775,974 | 223,613,859 | 904,544,311 |
| Accumulated depreciation | (58,499) | (106,180,691) | (238,160,475) | (16,682,777) | - | (361,082,442) |
| Carrying amount at 31 December 2021 | 5,201,255 | 140,065,003 | 158,488,555 | 16,093,197 | 223,613,859 | 543,461,869 |
| Additions | 466,197 | 5,183,884 | 14,783,939 | 2,998,997 | 159,352,803 | 182,785,820 |
| Changes in estimates of assets retirement obligations | - | 7,819,788 | (5,807) | - | - | 7,813,981 |
| Transfers | - | 36,564,073 | 22,782,236 | 2,186,508 | (61,532,817) | - |
| Transfers (to)/from inventories | - | - | - | - | (2,486,483) | (2,486,483) |
| Depreciation charge | (35,334) | (17,999,172) | (36,793,998) | (2,862,655) | - | (57,691,159) |
| Disposals | - | (273,681) | (59,695) | - | (147,611) | (480,987) |
| Impairment | - | (264,523) | (448,325) | - | (1,696,459) | (2,409,307) |
| Cost at 31 December 2022 | 5,725,952 | 294,990,020 | 429,224,677 | 37,297,724 | 317,103,292 | 1,084,341,665 |
| Accumulated depreciation | (93,834) | (123,894,648) | (270,477,772) | (18,881,677) | - | (413,347,931) |
| Carrying amount at 31 December 2022 | 5,632,118 | 171,095,372 | 158,746,905 | 18,416,047 | 317,103,292 | 670,993,734 |

Additions to construction in progress include capitalised borrowing costs Tenge 10,951,222 thousand (2021: Tenge 9,155,095 thousand). Capitalization rate was 7.67% (2021: 8.4%).

As at 31 December 2022, the carrying amount of right-of-use assets was Tenge 3,331,552 (31 December 2021: Tenge 3,207,288 thousand).

6. Investments at Fair Value

| Company name | Registration country | Operations | 2022 | | 2021 | |
|---|----------------------|-------------------------------------|-------------------|----------|-------------------|----------|
| | | | Thousands Tenge | Share, % | Thousands Tenge | Share, % |
| Eurasian Digital Ventures 1 Limited Partnership | Kazakhstan (AIFC) | Venture investment | 7,253,881 | 71.52 | 23,765,061 | 69.51 |
| Business and Technology Services LLP | Kazakhstan | Adaption and support of ERP-systems | 5,364,899 | 37.99 | 5,364,899 | 37.99 |
| ENRC Credit LLP | Kazakhstan | Financing | 3,219 | 0.0016 | 3,219 | 0.0016 |
| Total investments at fair value | | | 12,621,999 | | 29,133,179 | |

7. Other non-current assets

Other non-current assets are represented mainly by long-term advances paid for property, plant and equipment and related

services in amount of Tenge 52,553,678 thousand. (2021: Tenge 37,680,522 thousand).

8. Inventories

| In thousands of Kazakhstani Tenge | 2022 | 2021 |
|--|--------------------|--------------------|
| Purchased raw materials | 104,815,253 | 97,395,832 |
| Work in progress | 55,891,260 | 33,748,261 |
| Finished goods | 35,124,433 | 15,969,645 |
| Produced raw materials | 22,973,450 | 29,461,735 |
| Other | 105,425 | 173,379 |
| Less: provision for obsolete and slow-moving inventories | (12,584,178) | (12,775,301) |
| Total inventories | 206,325,643 | 163,973,551 |

9. Trade and Other Receivables

| In thousands of Kazakhstani Tenge | 2022 | 2021 |
|--|--------------------|--------------------|
| Trade receivables provisionally priced | 136,234,604 | 106,104,233 |
| Trade receivables | 17,799,301 | 16,738,234 |
| Letter of credit | 7,518,873 | 7,086,550 |
| Other | 5,463,139 | 548,981 |
| Less: ECL allowance | (3,111,319) | (666,318) |
| Total financial assets | 163,904,598 | 129,811,680 |
| Prepayments | 45,582,882 | 47,723,984 |
| VAT recoverable and other taxes | 40,760,227 | 21,017,715 |
| Other | 138,252 | 156,036 |
| Less: impairment provision | (2,380,049) | (2,068,465) |
| Total non-financial assets | 84,101,312 | 66,829,270 |
| Total trade and other receivables | 248,005,910 | 196,640,950 |

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

| In thousands of Kazakhstani Tenge | 31 December 2022 | | | 31 December 2021 | | |
|------------------------------------|-----------------------|--------------------|-------------------|-----------------------|------------------|-------------------|
| | Gross carrying amount | ECL | Net amount | Gross carrying amount | ECL | Net amount |
| Current | 7,399,757 | (122,779) | 7,276,978 | 13,850,647 | (269,597) | 13,581,050 |
| Less than 3 months overdue | 5,475,478 | (262,022) | 5,213,456 | 2,419,836 | (276,995) | 2,142,841 |
| 3 to 6 months overdue | 1,427,762 | (279,718) | 1,148,044 | 8,336 | (2,382) | 5,954 |
| 6 to 12 months overdue | 1,788,555 | (774,133) | 1,014,422 | 68,273 | (37,248) | 31,025 |
| More than 12 months overdue | 163,744 | (128,662) | 35,082 | 100,130 | (80,096) | 20,034 |
| Total past due | 8,855,539 | (1,444,535) | 7,411,004 | 2,596,575 | (396,721) | 2,199,854 |
| Current and past due | 16,255,296 | (1,567,314) | 14,687,982 | 16,447,222 | (666,318) | 15,780,904 |
| Total individually impaired | 1,544,005 | (1,544,005) | - | - | - | - |
| Total current and past due | 17,799,301 | (3,111,319) | 14,687,982 | 16,447,222 | (666,318) | 15,780,904 |

10. Loans Receivable

| In thousands of Kazakhstani Tenge | 2022 | 2021 |
|---|------------------|------------------|
| ECL allowance at 1 January | 7,054,164 | 8,176,212 |
| Loans issued | 3,676,869 | 563,720 |
| Loans repaid | (602,355) | (260,712) |
| Changes to ECL measurement assumptions and modification of contract terms | (5,144,977) | (1,425,056) |
| ECL allowance at 31 December | 4,983,701 | 7,054,164 |

In January 2022, the Group signed an amendment to the existing syndicated credit line agreement with the entities under common control of ERG to increase the loan amount up to US\$2,000 million (or an equivalent amount in Euro and/or Tenge) (Tenge 924,980,000 thousand) and during 2022 Group provided tranche to the entities under common control of ERG and subsidiaries of ERG in the amount

of US\$167 million (Tenge 80,302,243 thousand).

In January 2022, the Group signed an agreement to open a new syndicated credit line in the amount of US\$1,100 million (or an equivalent amount in Euro and/or Tenge) (Tenge 508,739,000 thousand) with the entities under common control of ERG and provided tranche to the entities

under common control of ERG and subsidiaries of ERG in the amount of US\$453 million (Tenge 213,969,085 thousand). Agreement duration period – 31 December 2023. The interest rate for US\$ and EUR – 5.125 – 10% per annum, for Tenge - 7 – 14% per annum.

Notes to the consolidated financial statements (continued)

10. Loans Receivable (continued)

In July 2022, under this existing syndicated credit line the Group signed the amendment to change the interest rate for Tenge to 7-13%. Also the interest must be paid annually, otherwise it will be capitalized and added to the principal amount. In October 2022, under syndicated credit lines, the Group signed an amendment to extend the term of the agreement until 2026.

In December 2022 under the existing syndicated credit line the Group signed the amendment about the annual revision of interest rate.

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

In February 2022, the Group provided a tranche to the Parent in the amount of US\$88 million (Tenge 37,757,320 thousand) with a maturity in 2025 with interest rate 5.15%. In June 2022, The Group signed an amendment with the Parent to increase the loans amount up to US\$550 million (Tenge 233,541,000 thousand). In December 2022 the Parent made early repayment of principal in the amount of US\$1,215 million (Tenge 575,278,122 thousand) (Note 23).

In November 2022, the Group signed an agreement to open a revolving credit line with the entity under common control of ERG in the amount of Tenge 60,000,000 thousand with an interest rate of 0.5% and with the maturity date of December 31, 2026. Under the revolving credit line agreement the Group provided tranche in the amount of Tenge 47,945,000 thousand. The tranche was early repaid (Note 23 and 24).

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

In 2021 for the existing credit lines to the Parent the maturity date was changed to the end of 2024 and the interest rate was decreased for 1.01-1.58% per annum, as well as, in May 2022 the Group signed an amendment according to which the interest must be paid annually instead of maturity date (Note 24). Also if accrued interest is not paid in time that interest is capitalized to the principal amount. In 2021 the amount of capitalized interest was US\$140 million (Tenge 60,584,405 thousand). In 2022 the amount of capitalized interest was US\$7 million (Tenge 3,422,011 thousand).

11. Cash and Cash Equivalents

| In thousands of Kazakhstani Tenge | 31 December 2022 | 31 December 2021 |
|--|-------------------|--------------------|
| Term deposits | 52,127,940 | 54,083,079 |
| Cash in bank accounts and on hands | 23,886,337 | 159,431,888 |
| Cash in transit | 1,582,243 | 4,301,605 |
| Cash in broker account | 172,517 | - |
| Total cash and cash equivalents | 77,769,037 | 217,816,572 |

12. Share Capital

31 December 2021 and 2022

| In thousands of Kazakhstani Tenge | 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 7,505 (2021: Tenge 986) per ordinary share was declared. Dividend of Tenge 7,405 (2021: Tenge 886) per preference share was declared, in excess of the guaranteed amount of Tenge 100.

The par value of ordinary shares is Tenge 1,000 per share (2021: Tenge 1,000 per share). Each ordinary share carries one vote. In 2022 and 2021 the Company did not issue ordinary shares.

The par value of preference shares is Tenge 1,000 per share (2021: Tenge 1,000 per share).

The preference shares do not envisage the obligatory redemption by the company (issuer) and participate in any dividend distribution. The preference shares owners rank ahead of the owners of ordinary shares to receive dividends in a predetermined

guaranteed amount established by the charter, and a portion of the property upon liquidation of the Company. Prior to the full payment of dividends on the Company's preference shares, payment of dividends on its ordinary shares should not be made.

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

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

- General meeting of shareholders of the Company considers a matter, the decision on which may restrict the rights of a shareholder owning preferred shares;
- The General Meeting of Shareholders of the Company considers the issue of approving changes in the methodology for determining the value of preferred shares when they are redeemed by the Company on an unorganized market;
- The General Meeting of Shareholders of the Company considers the issue of reorganization or liquidation of the Company;
- The General Meeting of Shareholders of the Company considers the issue of reorganization or liquidation of the Company.

Dividends declared and paid during the year were as follows:

| In thousands of Kazakhstani Tenge | 2022 | | | 2021 | | |
|---|-----------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Ordinary shares | Preference shares | | Ordinary shares | Preference shares | |
| | | Equity | Liability | | Equity | Liability |
| | | | 14,284,122 | 13,850,647 | (269,597) | 13,581,050 |
| Dividends payable at 1 January | 387,933 | 5,051,081 | 989,334 | 600,603 | 5,173,568 | 989,334 |
| Dividends declared | 750,127,623 | 73,258,795 | 989,334 | 98,538,378 | 8,764,778 | 989,334 |
| Dividends paid | (750,115,901) | (72,410,858) | (989,334) | (98,751,048) | (8,887,265) | (989,334) |
| Dividends payable at 31 December | 399,655 | 5,899,018 | 989,334 | 387,933 | 5,051,081 | 989,334 |

13. Borrowings

In January 2022, RCB Bank Limited and CQR Bank LLC, lenders of the Group assigned the aggregate of US\$1,800 million (Tenge 786,450,000 thousand) borrowings to VTB Bank (PJSC) (Note 23).

In March 2022, the Group signed a waiver with VTB Bank (PJSC) to defer payment of principal, where applicable, and payments of interest on all tranches for the period of up to 2024.

Notes to the consolidated financial statements (continued)

13. Borrowings (continued)

In December 2022, the Group signed a credit line agreement with JSC «Development Bank of Kazakhstan» in the amount of up to US\$77.5 million (Tenge 35,802,675 thousand) with maturity of 7 years and at an interest rate within the existing range in the Group's debt portfolio. In December 2022, the

Group received a tranche in the amount of US\$42.86 million (Tenge 19,767,038 thousand).

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

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

| In thousands of Kazakhstani Tenge | Borrowings | Dividends | Lease liabilities | Preference shares liabilities | Total |
|--|----------------------|-------------------|-------------------|-------------------------------|----------------------|
| Financial liabilities at 1 January 2021 | 856,025,613 | 5,774,171 | 3,868,295 | 7,678,185 | 873,346,264 |
| Cash movements | 14,264,838 | (107,638,313) | (1,149,018) | (989,334) | (95,511,827) |
| Foreign exchange adjustments | 22,399,022 | - | 72,274 | - | 22,471,296 |
| Other non-cash movements | 52,114,390 | 107,303,156 | 313,564 | 901,202 | 160,632,312 |
| Financial liabilities at 31 December 2021 | - | 22,972,660 | 145,887 | 988,811 | - |
| Cash movements | 19,588,311 | (822,526,759) | (1,277,263) | (989,334) | (805,205,045) |
| Foreign exchange adjustments | 66,090,522 | - | 155,360 | - | 66,245,882 |
| Other non-cash movements | 33,126,351 | 823,386,418 | 900,762 | 890,168 | 858,303,699 |
| Financial liabilities at 31 December 2022 | 1,063,609,047 | 6,298,673 | 2,883,974 | 7,490,887 | 1,080,282,581 |

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

14. Trade and Other Payables

| In thousands of Kazakhstani Tenge | 2022 | 2021 |
|--|--------------------|-------------------|
| Trade payables | 124,006,177 | 67,636,198 |
| Dividends payable | 6,298,673 | 5,439,013 |
| Other | 16,339,594 | 8,353,827 |
| Total financial liabilities | 146,644,444 | 81,429,038 |
| Payables to employees | 11,840,647 | 10,448,062 |
| Contract liabilities | 253,258 | 299,759 |
| Other | 2,370,908 | 846,985 |
| Total non-financial liabilities | 14,464,813 | 11,594,806 |
| Total trade and other payables | 161,109,257 | 93,023,844 |

In current reporting period revenue recognised in the amount of Tenge 299,759 thousand in relation to contract liabilities at the beginning of the reporting year (2021: Tenge 484,094 thousand).

15. Provisions for Assets Retirement Obligations

| In thousands of Kazakhstani Tenge | 2022 | | 2021 | | Mining assets | Landfill waste | Total |
|-----------------------------------|------------------|------------------|---|-------------------|------------------|------------------|------------------|
| | Mining assets | Landfill waste | Obligation to eliminate the consequences of the operation of facilities | Total | | | |
| Long-term portion | 7,548,121 | 3,030,034 | 3,323,089 | 13,901,244 | 3,197,553 | 2,825,738 | 6,023,291 |
| Short-term portion | 608,542 | 193,184 | - | 801,726 | 331,015 | 59,407 | 390,422 |
| Total | 8,156,663 | 3,223,218 | 3,323,089 | 14,702,970 | 3,528,568 | 2,885,145 | 6,413,713 |

| In thousands of Kazakhstani Tenge | Mining assets | | Landfill waste | | Obligation to eliminate of the consequences of the operation of facilities | Total |
|--|-----------------------|---------------------------|-----------------------|---------------------------|--|-------------------|
| | Decommissioning costs | Landfill site restoration | Decommissioning costs | Landfill site restoration | | |
| Carrying amount at 31 December 2020 | 1,108,830 | 513,834 | 52,040 | 2,374,534 | | |
| Utilised during the year | - | - | - | (29,822) | - | (29,822) |
| Change in estimates | 1,001,876 | 736,423 | - | 231,241 | - | 1,969,540 |
| Unwinding of the present value discount | 122,810 | 44,795 | - | 257,152 | - | 424,757 |
| Carrying amount at 31 December 2021 | 2,233,516 | 1,295,052 | 52,040 | 2,833,105 | - | 6,413,713 |
| Utilised during the year | - | (71,789) | - | (45,713) | - | (117,502) |
| Change in estimates | 4,288,131 | 56,695 | - | 87,877 | 3,323,089 | 7,755,792 |
| Unwinding of the present value discount | 247,369 | 107,689 | - | 295,909 | - | 650,967 |
| Carrying amount at 31 December 2022 | 6,769,016 | 1,387,647 | 52,040 | 3,171,178 | 3,323,089 | 14,702,970 |

Retirement obligations for mining assets should be settled at the end of the useful life of the mine of the main major contract on subsurface use for the extraction of chromium ore which expires in 2041.

Retirement obligations for waste polygons should be settled at the end of useful life of each polygon between 2024 and 2066. The obligation to eliminate the

consequences of the operation of the facilities is payable after the full development of the deposits, which is expected in 2074.

Changes in estimates of reserves for obligations for liquidation and restoration of waste polygons and landfill sites in the amount of Tenge 63,271 thousand led to a decrease the cost of sales (2021: Tenge 34,576 thousand).

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

| In percent | 2022 | 2021 |
|--------------------|-------------|-------------|
| Liquidation period | 2024-2074 | 2024-2074 |
| Discount rate | 10.05-15.85 | 10.01-10.31 |
| Inflation rate | 4.00-9.10 | 4.70-8.00 |

16. Employee Benefits

Changes in benefit obligations related to established pension payments liabilities and other

long-term payments liabilities to employees presented below:

| In thousands of Kazakhstani Tenge | 2022 | 2021 |
|--|------------------|------------------|
| Present value of defined benefit obligations in the beginning of the year | 6,084,602 | 5,606,479 |
| Unwinding of the present value discount | 633,725 | 565,893 |
| Benefits paid | (814,173) | (790,268) |
| Current service cost | 281,239 | 234,772 |
| Remeasurements | 932,227 | 467,726 |
| Present value of defined benefit obligations in the end of the year | 7,117,620 | 6,084,602 |

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

| In thousands of Kazakhstani Tenge | 2022 | 2021 |
|--|----------------|----------------|
| Loss from change in financial assumptions | 168,836 | (3,507) |
| Loss from change in demographic assumptions | (125,045) | (70,030) |
| Experience adjustments | 576,251 | 345,606 |
| Total remeasurements of post-employment benefit obligations | 620,042 | 272,069 |

Principal actuarial assumptions at the reporting date are as follows:

| In percent | 2022 | 2021 |
|------------------------|-------|-------|
| Discount rate | 10.57 | 10.32 |
| Salary growth rate | 6.20 | 6.20 |
| Average staff turnover | 7.61 | 6.91 |

Notes to the consolidated financial statements (continued)

16. Employee Benefits (continued)

The sensitivity analysis for the post-employment employee benefits obligations at 31 December 2022 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 | (607,332) |
| Decrease by 3 percent | 593,353 |
| Future salary growth rates and minimum calculation index | |
| Increase by 3 percent | 478,772 |
| Decrease by 3 percent | (504,610) |
| Average staff turnover rate | |
| Increase by 3 percent | (340,695) |
| Decrease by 3 percent | 404,477 |

17. Financial Guarantees

| Entity | Guaranteed obligations | | Period of the guarantee |
|----------------|------------------------|--------------------|-------------------------|
| | 31 December 2022 | 31 December 2021 | |
| Parent Company | 572,529,375 | 512,762,500 | 2028 r. |
| Third parties | 1,912,408 | 2,037,670 | 2036-2039 r. |
| Total | 574,441,783 | 514,800,170 | |

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

18. Earnings per Share and Book Value per Share

| In thousands of Kazakhstani Tenge | 2022 | 2021 |
|--|--------------|--------------|
| Profit for the year | 485,910,983 | 434,581,111 |
| Profit attributable to preference shares | (43,763,541) | (39,140,520) |
| Net profit attributable to ordinary shareholders | 442,147,442 | 395,440,591 |
| Weighted average number of ordinary shares in issue | 99,953,446 | 99,953,446 |
| Basic and diluted earnings per ordinary share (Tenge) | 4,424 | 3,956 |

Book value per one ordinary share

| In thousands of Kazakhstani Tenge | 31 December 2022 | 31 December 2021 |
|--|--------------------|--------------------|
| Assets | 1,538,028,830 | 1,669,742,011 |
| Intangible assets | (647,570) | (580,607) |
| Liabilities | (1,333,946,043) | (1,127,689,399) |
| Share capital, preference shares | (2,664,662) | (2,664,662) |
| Net assets for ordinary shares | 200,770,555 | 538,807,343 |
| Number of ordinary shares | 99,953,446 | 99,953,446 |
| Book value per 1 ordinary share (Tenge) | 2,009 | 5,391 |

Book value per one preference share

| In thousands of Kazakhstani Tenge | 31 December 2022 | 31 December 2021 |
|--|------------------|------------------|
| 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 | 6,501,553 | 6,600,719 |
| Total | 9,166,215 | 9,265,381 |
| Number of preference shares | 9,893,344 | 9,893,344 |
| Book value per 1 preference share (Tenge) | 927 | 937 |

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

19. Revenue

The table below provides the revenue by geographical location. Revenue by geographical location is allocated based upon geographical

domicile of customers, and eventual destination of products sold could be in alternative geographical locations.

| In thousands of Kazakhstani Tenge | 2022 | 2021 |
|-----------------------------------|----------------------|----------------------|
| Europe | 1,209,065,355 | 997,151,975 |
| Eurasia | 73,692,530 | 56,586,645 |
| Kazakhstan | 6,530,446 | 5,679,830 |
| Total revenue | 1,289,288,331 | 1,059,418,450 |

The table below provides revenue by product:

| In thousands of Kazakhstani Tenge | 2022 | 2021 |
|-----------------------------------|----------------------|----------------------|
| High-carbon ferrochrome | 981,406,656 | 871,917,412 |
| Refined ferrochrome | 167,007,793 | 78,843,399 |
| Silicon alloys | 137,302,159 | 105,450,468 |
| Other | 3,571,723 | 3,207,171 |
| Total revenue | 1,289,288,331 | 1,059,418,450 |

Revenue from one customer amounted to Tenge 1,209,930,530 thousand (2021: Tenge 997,158,161 thousand). Revenue for 2022 includes Tenge 62,535,791 thousand revenue from sources other than contracts with customers (2021: Tenge 110,119,693 thousand revenue).

20. Cost of Sales

| In thousands of Kazakhstani Tenge | 2022 | 2021 |
|-----------------------------------|--------------------|--------------------|
| Materials and components used | 284,444,069 | 205,659,314 |
| Staff costs | 108,190,378 | 76,581,326 |
| Power and energy | 82,440,963 | 76,648,940 |
| Depreciation and amortisation | 53,256,408 | 48,206,583 |
| Mineral extraction tax | 15,596,918 | 17,373,301 |
| Other | 45,326,251 | 34,272,321 |
| Total cost of sales | 589,254,987 | 458,741,785 |

21. General and Administrative Expenses

| In thousands of Kazakhstani Tenge | 2022 | 2021 |
|--|-------------------|-------------------|
| Management fees, professional and other services | 28,066,404 | 19,045,325 |
| Sponsorship and charity | 25,290,125 | 9,965,023 |
| Staff costs | 5,351,459 | 4,300,733 |
| Other taxes, except for income tax | 828,728 | 1,260,346 |
| Depreciation and amortisation | 910,345 | 895,053 |
| Other | 7,197,850 | 4,483,634 |
| Total general and administrative expenses | 67,644,911 | 39,950,114 |

Contributions to a number of various one-off individual infrastructure social development projects at the national level in Kazakhstan for the twelve months ended 31 December 2022 amounted to 22,102,533 thousand Tenge (31 December 2021: 5,194,379 thousand Tenge).

Notes to the consolidated financial statements (continued)

22. Other operating income

| In thousands of Kazakhstani Tenge | 2022 | 2021 |
|---|-------------------|------------------|
| Income from accrued fines and penalties as a result of violations of the terms of contracts | 9,969,799 | 148,455 |
| Foreign exchange income | 5,780,654 | 2,423,779 |
| Income from write-offs of trade payables | 1,820,639 | 9,679 |
| Other | 5,509,157 | 4,621,217 |
| Total other operating income | 23,080,249 | 7,203,130 |

23. Finance Income

| In thousands of Kazakhstani Tenge | Note | 2022 | 2021 |
|---|------|--------------------|-------------------|
| Gain on derecognition of loans receivable | 10 | 33,476,489 | - |
| Gain on restructuring of borrowings | 13 | 31,277,248 | - |
| Interest income | | 30,655,277 | 25,079,017 |
| Gain on modification of loans receivable | | - | 8,715,945 |
| Other | | 10,497,489 | 4,111,831 |
| Total finance income | | 105,906,503 | 37,906,793 |

Gain on modification of borrowings resulted from assignment and revision of certain credit facility agreements (Note 13).

24. Finance Cost

| In thousands of Kazakhstani Tenge | Note | 2022 | 2021 |
|---|------|--------------------|-------------------|
| Interest expense | | 48,449,559 | 46,567,088 |
| Loss on initial recognition of loans receivables | 10 | 24,317,607 | - |
| Revaluation of investments at fair value | | 23,565,597 | 8,417,211 |
| Amortization of discount on financial instruments | | 15,403,225 | 5,251,931 |
| Loss on modification of loans receivable | 10 | 14,691,634 | - |
| Reversal of ECL allowance on loans receivables | | (2,070,463) | (1,122,048) |
| Other | | 8,518,476 | 5,686,599 |
| Total finance cost | | 132,875,635 | 64,800,781 |

25. Income Taxes

| In thousands of Kazakhstani Tenge | 2022 | 2021 |
|---|--------------------|--------------------|
| Current income tax expense | 104,851,763 | 82,768,193 |
| Current income tax (benefit)/ expense – prior periods | (5,220,791) | 1,274,976 |
| Total current income tax expense | 99,630,972 | 84,043,169 |
| Deferred income tax expense/ (benefit) | 3,790,985 | (1,873,819) |
| Total deferred income tax expense/ (benefit) | 3,790,985 | (1,873,819) |
| Total deferred income tax expense/ (benefit) | 103,421,957 | 82,169,350 |

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

| In thousands of Kazakhstani Tenge | 2022 | 2021 |
|---|--------------------|--------------------|
| Profit before tax | 589,334,587 | 516,751,446 |
| Tax charge at statutory rate of 20% | 117,866,917 | 103,350,289 |
| Tax charge at statutory rate of 20% | | |
| • Non-taxable income and non-deductible expense under investment contract | (20,983,770) | (24,383,431) |
| • Income tax – prior periods | (5,220,793) | 1,274,976 |
| • Revaluation of investments | 4,713,120 | 1,582,310 |
| • Deferred income tax for previous periods | 1,307,145 | (1,155,617) |
| • Impairment provision for advances paid and trade receivables | 1,281,267 | 202,439 |
| • Provision for lawsuits | 1,150,637 | 526,661 |
| • Other | 3,307,434 | 771,723 |
| Income tax expense for the year | 103,421,957 | 82,169,350 |

| In thousands of Kazakhstani Tenge | 1 January 2022 | Charged to profit or loss | Charged to other comprehensive income | 31 December 2022 |
|--|------------------|---------------------------|---------------------------------------|--------------------|
| Tax effect of deductible/ (taxable) temporary differences | | | | |
| Property, plant and equipment | (1,133,871) | (2,816,146) | - | (3,950,017) |
| Borrowings | (9,127,027) | (4,625,079) | - | (13,752,106) |
| Inventories | 2,555,060 | (38,224) | - | 2,516,836 |
| Loans receivable and other receivables | 1,628,663 | (79,848) | - | 1,548,815 |
| Employee benefits | 1,119,090 | 48,336 | 124,005 | 1,291,431 |
| Taxes accrued but not paid | 1,347,600 | (406,878) | - | 940,722 |
| Vacation provision | 943,782 | 315,600 | - | 1,259,382 |
| Provision for asset retirement obligations | 518,291 | 1,561,948 | - | 2,080,239 |
| Fair value of provisionally priced trade receivables | - | 2,727,318 | - | 2,727,318 |
| Other | 3,325,008 | (478,012) | - | 2,846,996 |
| Net deferred income tax position | 1,176,596 | (3,790,985) | 124,005 | (2,490,384) |
| Presented as: | | | | |
| Recognised deferred income tax asset | 1,176,596 | - | - | - |
| Recognised deferred income tax liability | - | - | - | (2,490,384) |
| Tax effect of deductible/ (taxable) temporary differences | | | | |
| Property, plant and equipment | (2,111,683) | 977,812 | - | (1,133,871) |
| Borrowings | (9,968,675) | 841,648 | - | (9,127,027) |
| Inventories | 2,540,118 | 14,942 | - | 2,555,060 |
| Loans receivable and other receivables | 3,715,103 | (2,086,440) | - | 1,628,663 |
| Employee benefits | 1,010,823 | 53,849 | 54,418 | 1,119,090 |
| Taxes accrued but not paid | 1,178,191 | 169,409 | - | 1,347,600 |
| Vacation provision | 858,874 | 84,908 | - | 943,782 |
| Other | 2,025,608 | 1,817,691 | - | 3,843,299 |
| Net deferred income tax position | (751,641) | 1,873,819 | 54,418 | 1,176,596 |
| Presented as: | | | | |
| Recognised deferred income tax asset | 214 | - | - | 1,176,596 |
| Recognised deferred income tax liability | (751,855) | - | - | - |

Notes to the consolidated financial statements (continued)

26. Contingencies, Commitments and Operating Risks

Tax legislation and transfer pricing legislation. Kazakhstan tax legislation and practice is in a state of continuous development, and therefore is subject to varying interpretations and frequent changes, which may have retro-active 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 2022 the financial statements have no provision for potential tax liabilities (2021: no provision recorded).

Contractual capital expenditure commitments.

As at 31 December 2022, the Group has contractual capital expenditure commitments in respect of acquisition of property, plant and equipment totaling Tenge 115,767,108 thousand (2021: Tenge 176,657,975 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.

Environmental Commitment.

In 2021, a new Environmental Code came into force. According to the Code, operators of production facilities that have a negative impact on the environment, in addition to the obligation to eliminate the consequences of the operation of facilities in accordance with the requirements of the legislation of the Republic of Kazakhstan, also have an obligation to provide the state with financial security until July 2024 (Note 15). The Group is currently discussing possible amendments to the Environmental Code, including the method and timing of financing liabilities.

27. 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\$ | Euro | Russian Rouble | Other | Total |
|--------------------------------------|----------------------|---------------------|--------------------|--------------------|----------------------|
| As of 31 December 2022 | | | | | |
| Assets | 449,044,571 | 52 | 7,128,116 | - | 456,172,739 |
| Liabilities | (1,073,185,101) | (9,169,035) | (14,564,063) | (3,321,700) | (1,100,239,899) |
| Net exposure to currency risk | (624,140,530) | (9,168,983) | (7,435,947) | (3,321,700) | (644,067,160) |
| As of 31 December 2021 | | | | | |
| Assets | 778,304,966 | 108,838 | 5,307,287 | - | 783,721,091 |
| Liabilities | (948,415,803) | (12,128,594) | (6,852,530) | (172,013) | (967,568,940) |
| Net exposure to currency risk | (170,110,837) | (12,019,756) | (1,545,243) | (172,013) | (183,847,849) |

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period

relative to the functional currency of the respective Group entities, with all other variables held constant:

| In thousands of Kazakhstani Tenge | Effect on profit/ (loss) and equity | |
|--|-------------------------------------|--------------------------|
| | 31 December 2022 | 31 December 2021 |
| US\$ strengthening/ weakening by 20% | (99,862,485)/ 99,862,485 | (27,217,734)/ 27,217,734 |
| Euro strengthening/ weakening by 20% | (1,467,037)/ 1,467,037 | (1,923,161)/ 1,923,161 |
| Russian Rouble strengthening/ weakening by 20% | (1,189,752)/ 1,189,752 | (247,239)/ 247,239 |

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 12,162,335 thousand (2021: Tenge 5,942,773 thousand increase), and a ten percent decrease in prices would increase profit before tax by Tenge 12,162,335 thousand (2021: Tenge 5,942,773 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.

Notes to the consolidated financial statements (continued)

27. Financial Risk Management (continued)

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 2022 the credit rating of banks, where the Group has placed its financial instruments, varied from Baa2 to B2 (Moody's) (2021: B to BBB-(S&P)). Also as of 31 December 2022 some banks, in which the Group placed financial instruments, do not have credit rating. In relation to financial guarantees the Group guaranteed the obligations of related parties.

As at 31 December 2022, the Group placed cash and deposits to financial institutions with credit ratings ranging from Baa2 to Baa3 in the amount of Tenge 21,061,673 thousand (2021: Tenge 362 thousand) and from Baa1+ to B2 in the amount of Tenge 67,207,540 thousand (2021: Tenge 227,328,122 thousand), respectively. Also the Group placed cash in financial

institutions without credit rating in the amount of Tenge 4,007 thousand (2021: none).

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 ferroalloys 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 2022 the Group had only 4 main trade customers. The total trade receivables for main products from four customer are Tenge 143,884,804 thousand (2021: four main debtors of Tenge 120,966,528 thousand) or 93.41% of the total trade and other receivables (2021: 98.47%). 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 2022:

| 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 | 1,063,609,047 | 1,575,329,112 | 2,224,470 | 178,674,136 | 59,266,145 | 59,034,555 | 58,802,965 | 1,217,326,841 |
| Leases | 2,883,974 | 3,390,060 | 1,045,214 | 921,263 | 792,014 | 148,463 | 142,614 | 340,492 |
| Preference shares liabilities | 6,501,553 | 17,808,012 | - | 989,334 | 989,334 | 989,334 | 989,334 | 13,850,676 |
| Trade and other payables | 146,644,444 | 146,644,444 | 146,644,444 | - | - | - | - | - |
| Total | 1,219,639,018 | 1,743,171,628 | 149,914,128 | 180,584,733 | 61,047,493 | 60,172,352 | 59,934,913 | 1,231,518,009 |
| Assets | | | | | | | | |
| Loans receivable | 265,696,729 | 324,564,410 | 6,943,990 | 36,712,207 | 17,217,756 | 263,690,457 | - | - |
| Trade and other receivables | 163,904,598 | 163,904,598 | 163,904,598 | - | - | - | - | - |
| Cash and cash equivalents | 77,769,037 | 77,769,037 | 77,769,037 | - | - | - | - | - |
| Other financial assets | 16,631,588 | 17,911,847 | 81,260 | 271,123 | 526,670 | 787,949 | 416,063 | 15,828,782 |
| Total | 524,001,952 | 584,149,892 | 248,698,885 | 36,983,330 | 17,744,426 | 264,478,406 | 416,063 | 15,828,782 |

The table below represents information for 2021:

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

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

Capital risk management. Decisions in relation to the Group's activity on funding (through own or borrowed funds) are made at the level of the ERG's management. The ERG's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide

returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return on

capital of shareholders or sell assets to reduce debt.

The Group considers the following amounts under capital management:

| In thousands of Kazakhstani Tenge | 2022 | 2021 |
|---|----------------------|----------------------|
| Borrowings | 1,063,609,047 | 944,803,863 |
| Equity attributable to the Company's shareholders | 204,030,948 | 542,001,562 |
| Total capital | 1,267,639,995 | 1,486,805,425 |

Notes to the consolidated financial statements (continued)

28. Fair Value of Financial Instruments

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, carried at amortised cost, represents Level 2 of the fair value hierarchy. As at 31 December 2022 the fair value of loans receivable amounted to Tenge 256,250,030 thousand

(31 December 2021: Tenge 475,192,601 thousand). As of 31 December 2022 the fair value of borrowings amounted to Tenge 1,050,582,408 thousand (31 December 2021: Tenge 983,657,840 thousand).

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

Fair value of provisionally priced trade receivables of Level 2 fair value hierarchy is derived from the forecasted quoted commodity prices, taking into account credit risk of counterparty and equals to Tenge 136,234,604 thousand (31 December 2021: Tenge 106,104,233 thousand). Trade and other receivables increased primarily due to increased revenue and increased overdue payment period.

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 7,253,881 thousand (31 December 2021: Tenge 23,765,061 thousand). During the year the Group invested Tenge 10,953,653 thousand, as at the reporting date the unpaid notices and the fair value decrease are equal to Tenge 329,911 thousand and Tenge 23,565,597 thousand, respectively.

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

29. Events after the Balance Sheet Date

In February and March 2023, under the existing agreement, the Group issued a tranche to a company under the common control of ERG in the amount of Tenge 2,500,000 thousand.

In March 2023, under the existing syndicated facility, the Group provided a loan to a company under the common control of ERG in the amount of US\$30 million (Tenge 13,718,700 thousand).

In March 2023, the Group signed a new syndicated credit facility agreement with companies under common control of ERG in the amount of up to US\$200 million (Tenge 89,610,000 thousand).

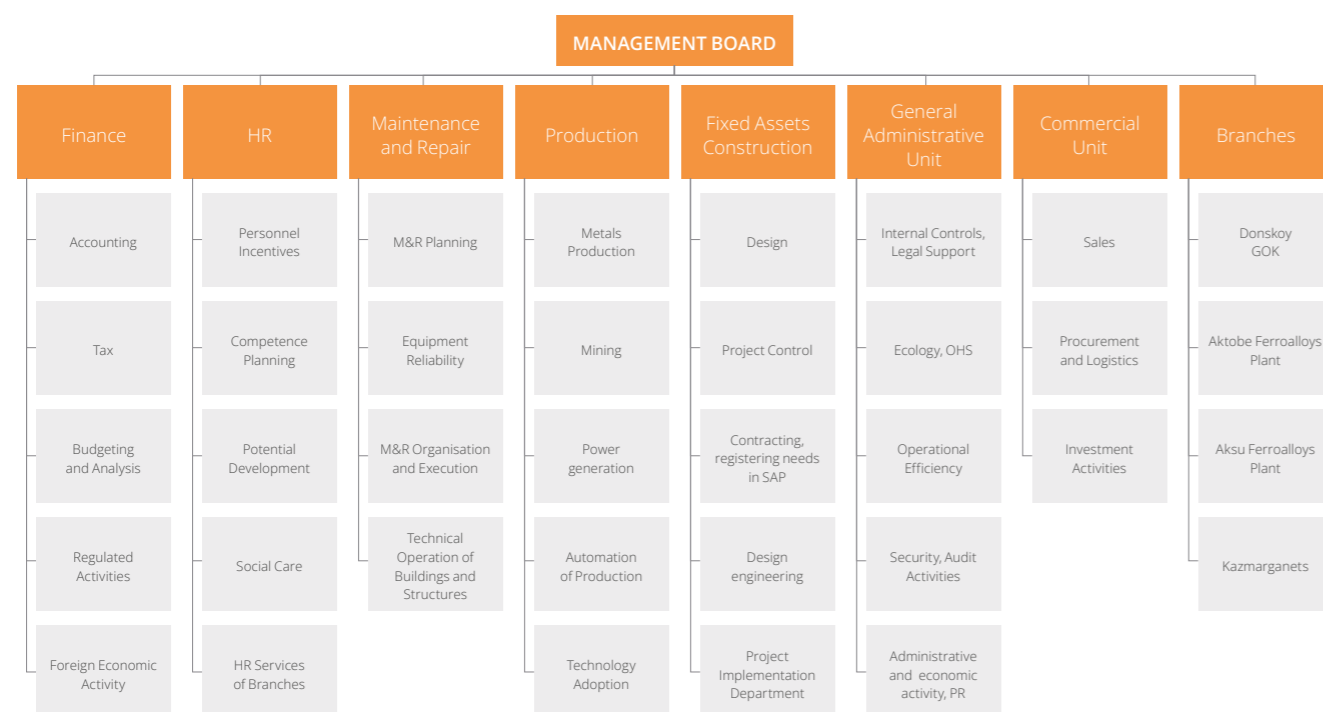
In April 2023, under the existing syndicated facility, the Group provided a loan to a company under the common control of ERG in the amount of US\$350 million (Tenge 15,793,500 thousand).

In April 2023, as part of a partnership with Eurasian Digital Ventures, the Group received dividends in the amount of Tenge 1,218,813 thousand.

In May 2023, under the existing syndicated facility, the Group provided a loan to a company under the common control of ERG in the amount of US\$15 million (Tenge 6,800,850 thousand).



Annex 1: Organisational structure as of 31 December 2022



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

| Name of the branch or subsidiary | Full Name of the Director |
|----------------------------------|----------------------------------|
| Donskoy GOK | Bektybaev Azamat Adylgazynovich |
| Aktobe Ferroalloys Plant | Abdalabekov Yerzhan Edgarovich |
| Aksu Ferroalloys Plant | Chikhichin Valentin Yakovlevich |
| Kazmarganets Mining Enterprise | Bagdat Tlyubergenovich Zhakbayev |
| Akzhar Chrome LLP | Gaidukova Yelena Aleksandrovna |
| Donskaya neftebaza JSC | Natalya Frolova Ivanova |

| Name of the branch or subsidiary | Average number of employees in 2022 | Gender | |
|----------------------------------|-------------------------------------|--------------|---------------|
| | | Women | Men |
| Executive office | 639 | 385 | 254 |
| Donskoy GOK | 7,795 | 2,007 | 5,788 |
| Aktobe Ferroalloys Plant | 4,294 | 774 | 3,520 |
| Aksu Ferroalloys Plant | 6,514 | 1,446 | 5,068 |
| Kazmarganets Mining Enterprise | 423 | 73 | 350 |
| Subsidiaries | 30 | 22 | 8 |
| TOTAL: | 19,695 | 4,707 | 14,988 |

Annex 2: Glossary

Measurement units

kt – thousand tonnes
 ktpa – thousand tonnes per annum
 mt – million tonnes
 mtpa – million tonnes per annum
 km – kilometres
 km² – square kilometre
 m³ – cubic metres
 m – million
 bn – billion

Definitions

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 fulfil its obligation to pay dividends.

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

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

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

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

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

Refined ferrochrome – ferrochrome with mean/ low carbon content.

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

Semi-coke – solid carbonaceous reducing agent of 5 to 25 mm 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.