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# INVESTMENT ACTIVITY MANAGEMENT

RELIABILITY FOR ALL TIMES

## INVESTMENT ACTIVITY MANAGEMENT

The company applies a portfolio approach to selection, assessment and management of projects and assets, which enable it to efficiently allocate financial, technical, technological, human, and other resources in investments with an acceptable risk level.

Portfolio management of investment projects includes a set of activities, such as planning individual programs and projects, determining the amount of equity available for investment, prioritizing projects depending on amount of available resources, risk balancing, return and time horizon, as well as project indicators revision.

The Company's key tool for management of investment projects portfolio are:

**1) Development Strategy and Development Plan of “Samruk-Energy” JSC group of companies, as well as targeting of task-oriented KPI across “Samruk-Energy” JSC group of companies.**

As an operating energy company, the Company manages its portfolio of investment projects based on KPI developed within implementation of the Company's Development Strategy. The KPI system provides a link between the Company's strategic goals, its SA, operating and investment activities and the management system.

**2) Assessment of the impact of the external environment and megatrends on the value of investment projects portfolio.**

The company evaluates the impact of external factors on the state of investment project portfolio by simulating changes in macroeconomic indicators, such as the price of commodities, foreign exchange rate, inflation rate, etc. Scenario analysis allows obtaining the information on how the cost of investment projects portfolio changes depending on external circumstances.

**2) Modeling investment decisions and assessing their impact.**

The Company fairly assesses the total cost of investment projects portfolio and assets of the Company and individual values of each investment in the investment project, as well as evaluates the impact of individual projects on the “Samruk-Energy” JSC portfolio.

In-depth and regular monitoring of key investment indicators is essential for development of recommendations by Recommendation body and making timely decisions by the Company's management. The Company conducts proper monitoring of investment projects for prompt adoption of corrective measures.

To fulfill its obligations and increase the value of its assets in the long term, the Company promotes responsible investment. As part of the Development Strategy and the Corporate Governance Code, the Company took

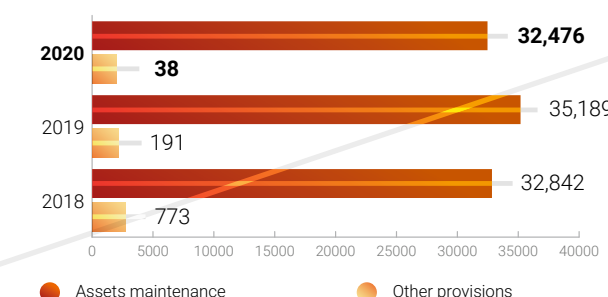
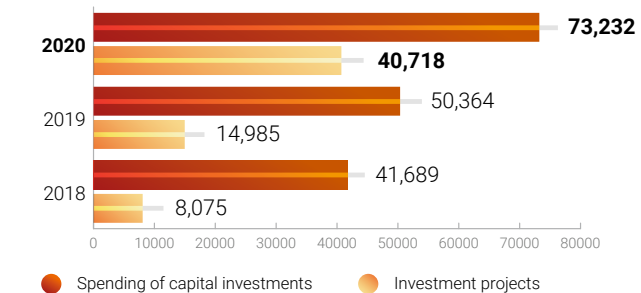
the initiative to introduce and integrate sustainability principles in the Company's operations.

In assessing the ESG, the Company is guided by the provisions of the Corporate Governance Code and the best-in-class international standards recognized by the international community, such as the UN Sustainable Development Goals, the Global Reporting Initiative, IFC and EBRD Environmental and Social Standards, the UN Principles for Responsible Investment, etc.

The company adheres to the following key principles directly related to investments:

- incorporating ESG criteria in the investment analysis and decision making process;
- compliance with the Republic of Kazakhstan legislation and proper use of confidential information;
- preparation of annual reports, including financial statements, reports on sustainable development, including ESG factors, in accordance with generally recognized international or national auditing standards;
- availability of formal risk identification, assessment and management system.

### Investment costs, million tenge



The investment program is financed using own funds, debt financing of international financial organizations and second-tier banks of the Republic of Kazakhstan.



The investment program is financed, mln tenge

	2018 actual	2019 actual	2020 actual
TOTAL	41,689	50,364	73,232
own	35,342	42,836	35,129
borrowed	6,211	7,528	35,122
State budget funds	137	–	2,982

Analysis of capital expenditures (according to the spending method), mln tenge

No.	SA	2018 actual	2019 actual	2020 actual	2021 forecast	2022 forecast
	TOTAL	41,689	50,364	73,232	127,393	126,110
1	Investment projects, incl.:	8,075	14,985	40,718	78,233	89,590
1.1	Rehabilitation of Power unit#1 with installation of new ESP	2,156	4,953	1,890	22,384	35,009
1.2	Expansion and reconstruction of Ekibastuz SDPP-2 with installation of power unit No. 3	0	0	8,322	14,527	43,955
1.3	Transition to cyclical-and-continuous method of mining, transportation, blending and loading of coal at the “Bogatyr” open-pit coal mine of Ekibastuz coal deposit	113	553	25,504	14,553	6,665
1.4	Construction of SS “Kokozek”	0	0	20	1,000	1,911
1.5	Reconstruction of 220/110/10kV SS No.7 AKhBK	0	0	0	261	500
1.6	Retrofit of Shardarinsk HPP	4,482	5,059	1,134	0	0
1.7	Reconstruction of heating main of Almaty CHP-2 – WHC	0	0	35	116	233
1.8	Upgrading of CHP-3 including mitigation of negative environmental impact. Feasibility study development and passing expert review	0	0	0	358	0
1.9	Construction of 5 MW WPP in the vicinity of Shelek village of Almaty region	45	1	2,254	0	0
1.10	Construction of a 60 MW wind power plant in Shelek corridor including a possible increase in capacity to 300 MW	0	3,917	11	4,898	0
1.11	Construction of 50MW Ereymentau WPP	21	200	913	18,890	0
1.12	Construction of a gas turbine power plant based on Pridorozhnoe gas field	758	91	52	976	659
1.13	Other projects	500	209	583	271	659
2	Maintenance of production assets	31,534	34,596	31,787	45,012	36,017
2.1	“Bogatyr Komir” LLP (50%)	4,242	7,658	5,547	7,982	6,767
2.2	“Ekibastuz SDPP-2 Plant” JSC (50%)	439	798	1 050	2 074	1,183
2.3	“Ekibastuz SDPP-1” LLP	10,238	7,711	6,187	15,868	13,754
2.4	“Alatau Zharyk Company” JSC	11,501	11,124	12,646	10,386	8,187
2.5	“Almaty Power Plants” JSC	4,411	6,991	5,616	7,682	3,726
2.6	“Moynak HPP” JSC	369	168	307	500	2,134
2.7	“Shardarinsk HPP” JSC	251	38	6	10	10
2.8	“Almaty EnergoSbyt” LLP	75	75	94	89	64
2.9	“Samruk-Green Energy” LLP	1	0	3	28	15
2.10	“First Wind Power Plant” LLP	8	33	332	391	133
2.11	“Erementau Wind Power” LLP	0	0	0	0	45
3	Maintenance of administrative assets	1,307	592	690	2,241	503
4	Others	773	191	38	1,907	0

“Bogatyr Komir” LLP, “Ekibastuz SDPP-1 named after Bulat Nurzhanov” LLP, “Alatau Zharyk Company” JSC and “Almaty Power Plants” JSC account for the main share of capital expenditures for maintenance of production assets and other fixed assets. At year-end 2020, expenditures for maintenance of production assets covered major and regular comprehensive repairs of power units of “Ekibastuz SDPP-1 named after Bulat Nurzhanov” LLP, as well as reconstruction of distribution power grids, construction and reconstruction of transmission lines and substations, and other costs for repair of production assets and other fixed assets of “Alatau

Zharyk Company” JSC. Capital expenditures of production nature of “Bogatyr Komir” LLP and “Almaty Power Plants” JSC were used to purchase fixed assets that are directly involved in operations and for carrying out major overhauls.

Capital expenditures of an administrative nature and other investments were planned for purchasing fixed assets and intangible assets that do not directly influence production activities, as well as for activities aimed at implementing “Samruk-Energy” JSC Transformation program.

INVESTMENT PROJECTS

At year-end 2020, the project “Modernization of Shardarinsk HPP” was completed

The Project involved the replacement of obsolete and worn-out equipment to improve performance and operational safety of the plant, which enabled to increase the installed capacity to 126 MW and produce an additional 57 mln kWh of electricity per year.

The certificate of acceptance of the power facility into operation was signed in August 2020.

The Company continues implementation of 7 investment projects available in the portfolio of investment projects, which will allow covering Kazakhstan’s shortage in electricity and electric capacity by increasing the installed capacity of existing stations and creating new capacities.

The project “Transition to cyclical-and-continuous method (CCM) for extraction, transportation, blending and loading of coal at “Bogatyr” open-pit coal mine of Ekibastuz coal field”

CCM project assumes a step-by-step transition of the “Bogatyr” mine to the cyclical-continous technology of coal mining and delivery by conveyor transport to the blending warehouses with subsequent loading on the surface loading units. The need to implement the project is related to the achievement of the depth of mine works, at which the use of rail transport becomes less effective.

The implementation of the project will allow increasing the production capacity of “Bogatyr” open-pit coal mine from 32 to 40 mln tons of coal per year, improving labor productivity, reducing cost of coal mining and upgrading premises and equipment relating to transportation and unloading of coal.

More than 80% of equipment was delivered and construction and installation works were continued in 2020.

The project “Development of the gas field “Pridorozhnoe”

The project provides for the construction of infrastructure for the production of natural gas for sale to domestic and foreign markets. The project also plans to build a high-pressure gas pipeline from Pridorozhnoe field to the Beineu – Bozoy – Shymkent gas pipeline.

The aim of the project is to cover the deficit of gas demand in the South Kazakhstan region of the Republic of Kazakhstan, with the maximum annual gas production amounting to about 290 million m³.

The project “Expansion and reconstruction of Ekibastuz SDPP-2 with the installation of power unit No. 3”

The project provides for construction of power unit No. 3 with an increase in the installed capacity of the plant by 636 MW and the production of an additional 4.8 billion kWh of electricity per year.

The further implementation of the project was approved by the resolution of “ESDPP-2” JSC Board of Directors in 2020. Also in 2020, the acceptance of the equipment stored in the warehouse was completed and the design and estimate documentation adjustment has commenced.

The project “Reconstruction and expansion of the capacity of Ekibastuz SDPP-1 (Restoration of power unit No. 1)”

The project involves the restoration of 500 MW power unit No. 1 at Ekibastuz SDPP-1 to meet the growing demand for electricity.

The design and estimate documentation was adjusted in 2020 to clarify the estimated cost of the project. For the payback of the project, an investment application for conclusion of an investment agreement was sent to the Market Council.



**The project “Construction of a 50 MW wind power plant in the vicinity oof Ereymentau city”**

The project provides for construction of a 50 MW wind power plant near Ereymentau city. The implementation of the project will allow for the additional production of more than 215 mln kWh of electricity per year. The project aims to use renewable energy sources to reduce the level of use of hydrocarbon energy carriers in production of electricity.

Construction and installation works have commenced in 2020.

**The project “Construction of a 60 WPP in Shelek corridor with possible increase in capacity up to 300 MW”**

The project involves the construction of a 60 MW wind power plant in Shelek corridor of Almaty region, Enbekshikazakh district including a possible expansion of capacity up to 300 MW. The project implementation will allow producing additional 225.7 mln kWh of electricity per year. The project aims to use renewable energy sources to reduce the level of use of hydrocarbon energy resources in electricity production.

The project’s design and estimate documentation was developed in 2019, construction and installation works have commenced in 2020, the equipment delivery is underway.

**Project “Modernization of Almaty CHP-2 including mitigating negative environmental impact”**

The project is implemented in accordance with the instructions of the First President of the Republic of Kazakhstan – Elbasy. The main goal of the project is to reduce the negative impact on the environment of Almaty city and Almaty region by transferring CHP-2 to gas. The implementation of the project will ensure the reduction of emissions of harmful substances from CHP-2 into the atmosphere from 38.3 to 6.8 thous. tons / year.

The preliminary results of the feasibility study (hereinafter – the FS) of the Project developed by “KazNIPiEnergoprom Institute” JSC were published through Facebook social network for discussion with the public and stakeholders from May to July 2020, under conditions of COVID-19 pandemic.

On October 30, 2020, public hearings were held in the video-conference mode to discuss the draft “Preliminary Environmental Impact Assessment” for the feasibility study of the Project.

In December 2020, the Project’s FS was submitted to Republican State Enterprise on the right of economic management “State non-departmental expert review of projects.”

**Project “Reconstruction of Almaty CHP-3”**

As part of the project, the works on development of the Project’s preliminary feasibility study were completed. Currently, tender procedures for procurement of services



for development of a feasibility study (hereinafter – the feasibility study) of the project are underway.

The Project’s FS involves consideration of using gas turbine technologies (GTU and CCGT) with an installed capacity of up to 450 MW with the ability to control capacity.

The work on the development of the feasibility study of the project is planned to be completed by the end of December 2021, considering the receipt of the conclusion of Gosexpertiza RSE.

**Projects scheduled for completion in 2021**

It is planned to complete the construction of 50 MW wind power plant in the vicinity of Ereymentau city. The implementation of the project will make it possible to additionally produce more than 215 mln kWh of electricity annually.

It is planned to complete works under “Construction of 60 MW wind power plant in Shelek corridor including a possible increase in capacity up to 300 MW” project.