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# FUND PERFORMANCE

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The investment portfolio of the Fund's group of companies includes over 130 investment projects totaling

~49  
KZT trillion



TO INCREASE COMMERCIAL ASSETS IN THE FUND'S PORTFOLIO, AND THUS FOCUS ON CONTINUING OPTIMIZATION AND RESTRUCTURING OF THE PORTFOLIO WITH A FULL TRANSITION TO ACTIVE MANAGEMENT OF THE INVESTMENT PORTFOLIO BY 2024 — THESE ARE THE FUND'S OBJECTIVES FOR THE FORESEEABLE FUTURE.



# OIL AND GAS

## Transforming commodity revenues



NATIONAL COMPANY  
KAZMUNAIGAS JSC (HEREINAFTER — KMG) IS THE LEADING VERTICALLY INTEGRATED OIL AND GAS COMPANY IN KAZAKHSTAN.

Hydrocarbon reserves (2P)

# 733

million TOE

Founded in 2002, KMG covers the full range of activities in the oil and gas sector, including prospecting, production, transportation, and processing of hydrocarbons, as well as providing core services in 15 regions. KMG plays a key role in representing Kazakhstan's interests in the oil and gas market, operating four major domestic refineries and two refineries in Romania. KMG participates in projects

at major fields: Tengiz (20%), Kashagan (16.87%) and Karachaganak (10%), cooperating with strategic investors. The Company maintains its competitive advantage through a stable cycle of production, transportation, and processing of hydrocarbons. KMG is actively exercising its priority right to acquire subsoil use assets, which contributes to the replenishment of the resource base.

### KEY PERFORMANCE RESULTS FOR 2023

Indicator	2022	2023
<b>Production indicators, million tons:</b>		
Oil and gas condensate production volume	22.0	23.5
Oil refining volume <sup>6</sup>	19.9	19.6
Oil refining volume in the Republic of Kazakhstan	14.3	14.2
Oil transportation volume	74.7	80.4
Gas production, billion m <sup>3</sup> <sup>7</sup>	8.2	9.5
<b>Financial indicators, KZT billion:</b>		
Revenue	8,693	8,320
Dividends	200	300
Net profit	1,307	925
Costs	8,028.4	8,047.8
Operating profit	1,698.1	1,486.2
Net debt	2,154	1,645
<b>Sustainability indicators:</b>		
CO <sub>2</sub> emissions into the atmosphere, million tons	7.6	11.93
Volume of disposed waste, thousand tons	693.7	1,145
Accidents	36	29
Fatal accidents	1	2

In 2023, KMG faced a number of challenges, including price fluctuations, geopolitical instability, unofficial export of oil products to neighboring countries, increased competition and various subjective difficulties. Nevertheless, the Company successfully overcame these obstacles, demonstrating growth in all aspects of its operations, covering the value chain from hydrocarbon exploration and production to transportation and refining.

In 2023, an operating company was established to run the Kalamkas Sea and Hazar project, and in parallel basic engineering and design (hereinafter — FEED) work is actively underway.

Seismic and data interpretation works were completed at 5 sites of geological study of subsurface (hereinafter — GSS).



Rehabilitation works were launched at Uzen and Karamandybas fields, where special attention is paid to the integration of advanced technologies and equipment.

At the end of November 2023, the acquisition of a 60% stake from France's TotalEnergies in the Dunga oil and gas field located in the Mangistau region was completed, and negotiations on the purchase of the remaining 40% have also been initiated.

In addition, production was launched at the Rozhkovskoye, East Urikhtau and Aksai South gas fields.

Pre-FEED development was completed for the Karachaganak Gas Processing Plant (hereinafter — GPP) (4.5 billion m<sup>3</sup> per year).

As part of the development of the Trans-Caspian international transport route, the Company initiated oil transportation in the direction of Baku and further through the Baku-Tbilisi-Ceyhan pipeline, thanks to which about 1 million tons of oil was shipped in 2023. As part of the strategy of diversification of transport routes, the Company also started oil transportation through the Atyrau-Samara pipeline and further through the Transneft pipeline system to Germany, where the volume of deliveries for the year also amounted to about 1 million tons of oil.

January of the current year was marked by a significant event for the Company: a joint venture with Abu Dhabi Ports from the United Arab Emirates was established, as a result of which two tankers, Taraz and Liwa, each with deadweight of 8 thousand tons, were acquired. These vessels are already actively involved in the transportation of Kazakh oil across the Caspian Sea, with plans to further expand the fleet. In addition, the establishment of a shipbuilding and ship repair enterprise in the Republic of Kazakhstan is being studied.

As part of ensuring uninterrupted operation of the Caspian Pipeline Consortium (hereinafter — CPC), KMG, in agreement with the shareholders of the CPC, entered into a contract with Bluewater (Holland) for the construction of 2 outriggers and their delivery to the CPC marine terminal in 2026.

In 2023, KMG successfully ensured stability in the domestic market of oil products by implementing measures that led to a reduction of "gray" exports in border areas to 20%. The Company is actively working on the transition to a three-year non-stop overhaul period and improving the productivity of oil refineries (hereinafter — refineries). At the Pavlodar Refinery, a new furnace was commissioned at the bitumen production unit, and projects are underway to create hydrogen production units and produce winter diesel fuel.

A pre-feasibility study was completed for the expansion of PetroKazakhstan Oil Products LLP's (hereinafter — PKOP) refinery, and the adaptation process has begun.

CASPI BITUM LLP is actively developing a working project aimed at increasing production capacity from 500 to 750 thousand tons per year.

In addition, the reconstruction and expansion of the first stage of the Astrakhan-Mangyshlak water pipeline has been successfully completed and the construction of the water pipeline at the Kashagan Integrated Gas Treatment Plant has been fully completed, which contributes to improved infrastructure capabilities and operational efficiency.



HYDROCARBON RESERVES

Recorded proved and probable (2P) hydrocarbon reserves

**5,680**  
million barrels

In 2023, KMG recorded proved and probable (2P) hydrocarbon reserves of 733 million tons of oil equivalent, equal to 5,680 million barrels of oil equivalent. This reflects an increase of 26 million tons compared to the previous year, with a reserve replacement ratio of 110%. The reserves replacement was achieved through increased geological and engineering activities and drilling of wells at Uzen-Karamandybas fields as part of the rehabili-

tation program, as well as through revised development plans, including geological and engineering activities, operational studies and drilling of new wells at Kashagan, Alibekmola, Novobogatinskoye SE and South Karatobe fields, as well as the development of East and Central Urrikhtau fields, including well abandonment.

NET INVENTORIES BY PRMS (AS OF DECEMBER 31, 2023)

Reserves category, million TOE	2022 (KMG share)	2023 (KMG share)
Proven (1P)	486	507
Proven plus probable (2P)	707	733
Proven plus probable plus possible (3P)	816	842

EXPLORATION AND PRODUCTION OF OIL AND GAS

KMG'S INVESTMENT PORTFOLIO LARGELY CONSISTS OF OIL AND GAS EXPLORATION AND PRODUCTION PROJECTS BOTH ONSHORE AND OFFSHORE.

In 2022, in order to enhance the investment potential of the oil and gas sector in Kazakhstan, the Government, in cooperation with international investors and KMG, introduced a training and discipline package providing regulatory and tax incentives for technically complex projects, including new onshore, offshore and gas exploration projects. In December of the same year, the President of Kazakhstan signed amendments to the Code on Subsoil and Subsoil Use and the Tax Code, which stimulated the activation of KMG's projects on the Caspian shelf and complex onshore gas projects.

In 2023, thanks to the training and methodological complex, work on the complex and capital-intensive projects "Kalamkas Sea – Khazar", "Karaton Podsolevoy" and "Urrikhtau" was activated, and the relevant contracts were concluded. In 2024, active exploration work is planned for the Abay and Al-Farabi offshore projects.

In 2022, GSS licenses were obtained for 5 areas: Mugodzhary, Berezovsky, Zharkyn, Bolashak and North Ozen. In 2023, an advance seismic survey was carried out as part of the program of geological study of subsurface resources ahead of schedule. Field seismic exploration works were completed at 3 sites in Mangistau and West Kazakhstan regions. Field work is being carried out at the Mugodzhary site in Aktobe region. The re-processing and re-interpretation of historical profiles for the Bolashak area, as well as the processing and interpretation of seismic data for the North Ozen, Zharkyn and Berezovsky areas are being finalized. In the period 2024-2025 it is planned to complete advanced seismic exploration works with subsequent processing and interpretation of the results, the purpose of which is to reduce geological risks and obtain data for geological and technical and economic evaluation.



In the period 2022-2023, preparatory stages for the drilling of an exploration well were completed within the framework of the Turgai Paleozoic Project, and in 2024 it is planned to implement the drilling of an exploration well to a depth of 5,500 meters. In addition, in 2023, contracts were successfully obtained for the Karaton Podsolevoy and Kalamkas Sea-Khazar areas, after which operating companies were established and strategic partners were engaged for the implementation of each project. Specifically, for the Karaton Podsolevoy area, the first exploration well is scheduled to be drilled in 2024 with the strategic partner funding, with completion of testing anticipated in 2025. For the Kalamkas Sea-Khazar prospect, design work is scheduled to be completed in 2024.

In the Eastern Urrikhtau and Rozhkovskoye field development projects, the pilot operation stages have been completed. The event of November 2023 was the launch of production at the Vostochny Urrikhtau project. Also in December 2023, well U-21 was put into operation under the Rozhkovskoye Field Development project, which demonstrates the progress and effectiveness of the Company's development plans.

Drilling of an exploration well was completed in 2023 at the Zhenis prospect in the Kazakhstan sector of the Caspian Sea. The drilling results did not reveal oil and gas deposits and it was decided to stop further exploration in this area. The risk of non-discovery of oil and gas deposits was realized at the expense of a strategic partner in the project.

The Company continues to increase reserves through additional exploration of existing onshore fields. Additional exploration is underway at the Karasor West field of Embamnaigas JSC. It is planned to drill two appraisal wells and complete design and survey work on the field development in 2024.

In 2024 it is planned to implement the drilling of an exploration well to a depth of

**5,500**  
meters

HYDROCARBON PRODUCTION

KMG'S OIL AND GAS CONDENSATE PRODUCTION IN 2023 AMOUNTED TO 23,532 THOUSAND TONS (486 THOUSAND BARRELS PER DAY), UP 6.9%. PRODUCTION OF ASSOCIATED AND NATURAL GAS (BEFORE REINJECTION) INCREASED BY 14.8% TO 9,460 MILLION M<sup>3</sup>.

In 2023, the Tengiz field saw a 1.0% decrease in oil production to 5,779 thousand tons (126 thousand barrels per day). The decrease in production was due to the suspension of oil intake in the CPC system during scheduled maintenance of the oil pipeline and downtime at the marine terminal due to unfavorable weather conditions in the fourth quarter.

Associated gas production decreased by 0.9% to 3,202 million m<sup>3</sup>.

At the Kashagan field, KMG's share in oil production reached 3,108 thousand tons (68 thousand barrels per day), showing an increase of 121.8%, while gas production increased by 123.8% to 1,963 million m<sup>3</sup>. The production growth was mainly due to the increase of KMG's share in the project from 8.44% to 16.88% as a result of the completion of the buy-back of 50% of KMG Kashagan B.V. from Samruk-Kazyna JSC in September 2022, as well as due to the shutdown of production in the summer of 2022 and the overhaul and rehabilitation of the offshore and onshore complexes.

At Karachaganak, oil and condensate production increased by 7.1% to 1,086 thousand tons (23 thousand barrels per day) and gas production increased by 15.1% to 2,239 million m<sup>3</sup>. The growth in production was driven by an increase in the ability to receive crude gas from the Orenburg gas processing plant.

In 2023, oil and condensate production at KMG's operating assets decreased by 1.5% to 13,559 thousand tons (269 thousand barrels

per day). Emergency power outages and power restrictions emanating from the Mangistau Nuclear Power Plant from July to September had a significant impact on the production decline at the Ozenmunaigas fields and other areas. Production declines are also observed at brownfields as a result of natural production decline. However, this decline was partially offset by an increase in production at Embamunaigas fields following successful geological and engineering measures, including at the East Wing of the field S. Nurzhanov and Uaz North.

In November 2023, KMG successfully completed the purchase of 100% of Total E&P Dunga GmbH from TotalEnergies EP Danmark A/S, a subsidiary of TotalEnergies S.E., thereby increasing its stake in the Dunga project to 60%. The Dunga oil and gas field, located in the Tupkaragan district of the Mangistau region, was discovered in 1966 and has geological reserves of 93 million tons of oil and more than 7 billion m<sup>3</sup> of gas.

Three gas projects were launched in 2023. On May 10, 2023, JV Kazgermunai LLP started supplying gas from the Aksai Yuzhny field. The field is being developed by JV Kazgermunai LLP, where KMG holds a 50% interest. On November 29, 2023, Urikhtau Operating, with KMG 100% participation, put into commercial operation the Eastern Urikhtau field, which is the first in the Republic of Kazakhstan to apply the Enhanced Model Contract. On December 21, 2023, Ural Oil and Gas, 50% owned by KMG, put into commercial operation the Rozhkovskoye gas condensate field in the West Kazakhstan region.

OIL AND CONDENSATE PRODUCTION IN 2023, THOUSAND TONS

Oil and condensate production	2022 (KMG share)	2023 (KMG share)
Ozenmunaigas	5,096	4,877
Mangistaumunaigas	3,049	3,075
Embamunaigas	2,581	2,722
Tengiz	5,836	5,779
Kashagan <sup>8</sup>	1,400	3,108
Karachaganak	1,013	1,086
Others	3,036	2,883
<b>Total</b>	<b>22,011</b>	<b>23,520</b>

A number of gas projects launched in 2023

3

gas projects

<sup>8</sup> KMG's share in the project 16.88% after September 15, 2022

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TENGIZ, KASHAGAN, KARACHAGANAK MEGAPROJECTS

KMG is actively involved in key oil and gas projects, including Tengiz (20%), Kashagan (16.87%) and Karachaganak (10%), working together with strategic investors. At Tengiz, the "Wellhead Pressure Management Project/ Future Expansion Project", aimed at increasing annual oil production by 12 million tons, is progressing well. As of the end of 2023, the project has made significant progress of 99.3%, with full completion of mechanical works. The Joint Production Control Center has also been commissioned, and preparation of systems for operation and commissioning has commenced.

The Karachaganak field is actively pursuing projects to maintain production levels. In 2023, a concept was developed for the construction of a gas processing plant with an annual capacity of 4 billion m<sup>3</sup> of marketable gas, which facilitates the monetization of recovered raw materials and their processed products. For 2024, the "Fifth Gas Injection Compressor (5IC) Installation Project" is scheduled for completion, while the "Sixth Gas Injection Compressor Installation Project" is under active construction, with 43% completion of the total works.

Oil production from the Kashagan field is being carried out as part of the Phase 1 development. Within Phase 2 of the field development, projects are currently under consideration to increase oil and condensate production levels over the next 10 years to ~710 thousand barrels per day (~89.5 thousand tons per day).

OIL TRANSPORTATION

The total volume of trunk and marine oil transportation increased by 7.6% to 80,359 thousand tons. In December 2022, the "CPC Oil Pipeline System Bottleneck Elimination Project", which allows increasing the capacity of the CPC pipeline to 80 million tons per year, ensured readiness to increase oil pumping volumes to 81.5 million tons per year. In 2023, the Tengiz and Atyrau oil pumping stations were completed and put into operation.

The volume of oil transportation through main pipelines increased by 6.5% and amounted to 69,581 thousand tons. The growth was due to an increase in oil transportation for export through the KazTransOil system in the direction of Germany, oil shipment through the port of Aktau in the direction of Baku-Tbilisi-Ceyhan, as well as an increase in oil delivery from the Kashagan field to the CPC system.

The total volume of sea transportation of oil in the reporting year increased by 15.4% to 10,778 thousand tons. The increase in transportation volumes was mainly due to an increase in exports of Kazakh oil via the Aktau port-Baku port route and further via the Baku-Tbilisi-Ceyhan pipeline.

In 2023, the joint project of KMTF and International Maritime Investments Ltd – "Acquisition of 2 oil tankers with deadweight of 8,000 tons" – was completed. The tankers meet all international safety standards and environmental requirements. Since 2024 tankers "Taraz" and "Liwa" are involved in oil transportation on the Aktau-Baku route. These tankers will fully cover the obligations of the Kazakh side to transport 750,000 tons of oil per year along the Aktau-Baku route.

OIL TRANSPORTATION VOLUME IN 2023, THOUSAND TONS

Oil transportation <sup>9</sup>	2022 (KMG share)	2023 (KMG share)
KazTransOil	40,656	44,188
Kazakhstan-China Pipeline	9,618	9,403
MunaiTas <sup>10</sup>	2,859	2,819
Caspian Pipeline Consortium	12,183	13,171
Kazmortransflot	9,343	10,778
<b>Total</b>	<b>74,658</b>	<b>80,359</b>

The volume of oil transportation through main pipelines increased by

6.5%

<sup>9</sup> Some crude oil volumes may be transported by two or three pipeline companies and, accordingly, these volumes are accounted for more than once in the consolidated volume of crude oil transportation.

<sup>10</sup> MunaiTas is an equity consolidated joint venture and therefore transportation volumes are shown according to a 39% ownership interest.



REFINING AND MARKETING OF PETROLEUM PRODUCTS

Refining volumes at KMG International (Petromidia, Vega) in Romania

5,387

thousand tons

The volume of hydrocarbon feedstock processed at Kazakhstan refineries decreased by 0.4% to 14,206 thousand tons. The decrease in refining throughput was mainly at the PKOP refinery due to lower utilization in the middle of the reporting year due to unscheduled repair of the heat exchanger at the catalytic reforming and catalyst regeneration unit. The increase in refining volumes at Atyrau Refinery in 2023 partially offset the decrease at PKOP.

Refining volumes at KMG International (Petromidia, Vega) in Romania decreased by 4.3% to 5,387 thousand tons. The decrease in refining volume followed an incident at the soft hydrocracking unit in mid-summer 2023. Remediation work at the unit continues, with completion delayed to 2024, due to the large volume of reactor remediation work associated with ensuring the integrity of the equipment and the continued safe operation of the unit.

HYDROCARBON FEEDSTOCK PROCESSING VOLUME IN 2023, THOUSAND TONS

Hydrocarbon feedstock processing	2022 (KMG share)	2023 (KMG share)
Atyrau Oil Refinery	5,224	5,475
Pavlodar Oil Chemistry Refinery	5,480	5,434
PKOP <sup>11</sup>	3,103	2,870
Caspi Bitum <sup>12</sup>	461	427
Petromidia	5,258	5,012
<b>Total</b>	<b>19,526</b>	<b>19,593</b>

Production of petroleum products at Kazakhstani and Romanian refineries decreased by 2.7% to 18,138 thousand tons in 2023. Kazakhstan refineries produced 12,951 thousand tons of petroleum products, which is 1.3% less than in 2022 due to lower utilization at PKOP refinery. KMG International refineries (Petromidia, Vega) produced 5.3% less petroleum products, which amounted to 5,221 thousand tons compared to 5,512 thousand tons a year earlier.

KMG faces the important task of supplying Kazakhstan's domestic market with domestic oil products against the backdrop of expected consumption growth. In response to this, the Company started implementing measures to improve the reliability of equipment at the Atyrau Oil Refinery and Pavlodar Oil Chemistry Refinery, aiming to increase the period between repairs to three years and to increase the production of light oil products at the Atyrau Oil Refinery by processing Tengiz oil.

To address the problematic issues related to the shortage of bitumen in the domestic market, KMG started implementation of the project to increase the capacity of JV CASPI BITUM LLP on oil refining to 1.5 million tons per year with production of road bitumen up to 750 thousand tons per year. Realization of this project will allow to continuously provide bitumen to the road sector of the country from 2025.

The study of expansion of Pavlodar Oil Chemistry Refinery capacity continues. The pre-feasibility study for the project is scheduled for completion in 2024.

In the direction of oil marketing development, projects implemented by KMG-Aero were included in KMG's investment portfolio in 2023. The projects provide for investments in construction and/or modernization of fuel refueling complexes at key airports of the country for storage of Jet A-1, RT/TS-1 jet fuel and will allow to provide services for storage and refueling of fuel "on the wing" to domestic and foreign airlines without intermediaries.



<sup>11</sup> The volume of PKOP and Caspi Bitum processing is indicated at a share of 50%.

<sup>12</sup> The processing volume of PKOP and Caspi Bitum is indicated at a share of 50%, while the other plants have a share of 100%.

OIL AND GAS CHEMISTRY

Since December 2022, a polypropylene production line at the plant of KPI Inc. LLP has been in operation with an annual production capacity of up to

500

thousand tons

As part of its strategy to diversify its business and expand its product portfolio, KMG intensified its efforts to form an oil and gas chemical cluster in Kazakhstan, opening a new page in the Company's development. Since December 2022, a polypropylene production line at the plant of KPI Inc. LLP has been in operation with an annual production capacity of up to 500 thousand tons. In 2023, the plant produced 180 thousand tons of polypropylene, serving the markets of Kazakhstan, China, European countries, and CIS. To date, production of 6 grades of products has been mastered KMG in cooperation with key partners,

including SIBUR and Sinopec, is constructing a polyethylene plant with a planned production capacity of 1,250 thousand tons per year, where design work is already underway.

In addition, KMG is implementing infrastructure projects, including the construction of a gas separation complex and trunk pipelines for transportation of ethane and propane, in order to provide resources for the future polyethylene plant.

DIVIDENDS

In 2023, KMG paid dividends in favor of Shareholders in the amount of KZT 300 billion.

PLANS FOR 2024

IN 2024, KMG SETS AMBITIOUS AND BROAD GOALS, DEMONSTRATING ITS COMMITMENT TO DEVELOPMENT. WITH THE DISCOVERY OF NEW OIL AND GAS DEPOSITS IN VARIOUS FIELDS, THE COMPANY PLANS TO EXPAND ITS ENERGY PRODUCTION OPERATIONS.

The Company has set a target for oil production during 2024 of over

23

million tons

This approach is critical to meeting its obligations to the Government and shareholders, emphasizing KMG's reputation as a reliable and strategic player in the energy sector. As part of these strategic plans, the Company has set a target for oil production of over 23 million tons during 2024.

The Company has also decided to study the possibility of constructing a plant for the production of polyethylene terephthalate. Within this direction PetroChem LLP in partnership with Sinopec started to prepare a pre-feasibility study for this project.

The Company has developed a geological exploration strategy with the prospect of increasing reserves through both internal development and acquisitions. As part of this strategy, drilling activities are planned for the next five years in key areas such as the Turgai Paleozoic (KMG), Abai (Eni) and Karaton Podsolovoy (Tatneft), emphasizing the active pursuit of expanding and strengthening the resource base.

Particular importance is attached to the completion of the construction of a 120 MW hybrid power plant implemented jointly with Eni in the Mangistau region. This unique hybrid project in Kazakhstan combines solar (50 MW), wind (77 MW) and gas (120 MW) power plants, providing electricity generation for KMG's subsidiaries in the region.

KMG attaches great importance to the provision of clean drinking water to the population. In the context of social responsibility, the Company is constructing a new desalination plant in the Mangistau region. In addition, KMG plans to expand its activities in the oil and gas chemical industry, including the construction of a gas chemical complex to produce polyethylene.



## Gas supply to the domestic market



NATIONAL COMPANY QAZAQGAZ JSC (HEREINAFTER — QAZAQGAZ) IS A VERTICALLY INTEGRATED GAS COMPANY ENGAGED IN MANAGEMENT OF CENTRALIZED INFRASTRUCTURE FOR TRANSPORTATION OF MARKETABLE GAS THROUGH MAIN GAS PIPELINES AND GAS DISTRIBUTION NETWORKS, AS WELL AS PROVISION OF INTERNATIONAL TRANSIT AND SALE OF GAS IN DOMESTIC AND FOREIGN MARKETS.

Annual throughput capacity

# 240

billion m<sup>3</sup>

### QAZAQGAZ: MILESTONES OF HISTORY

THE BEGINNING OF QAZAQGAZ HISTORY DATES BACK TO FEBRUARY 5, 2000, WHEN THE RESOLUTION OF THE GOVERNMENT OF THE REPUBLIC OF KAZAKHSTAN ON THE ESTABLISHMENT OF CLOSED KAZTRANSOIL JSC WAS SIGNED, WHICH WAS RENAMED INTO KAZTRANSOIL JSC IN 2004.

In addition, QazaqGaz participates in designing, financing construction and operation of pipelines and gas storage facilities in the territories of presence in 14 regions and 3 cities of republican importance — Astana, Almaty and Shymkent.

QazaqGaz, as a national operator in the field of gas and gas supply, manages the largest network of main gas pipelines, the length of which increases annually and currently exceeds 21.2 thousand km (including gas pipelines — branches of 3 thousand km), and gas distribution networks, the length of which is more than 68.7 thousand km.

### KEY PERFORMANCE RESULTS FOR 2023

Indicator	2022	2023
<b>Production indicators, billion m<sup>3</sup>:</b>		
Gas transportation volume	83.8	79.4
Volume of gas sold	22.7	24.1
Gas sales volume (export)	4.3	5.8
<b>Financial indicators<sup>13</sup>, KZT billion:</b>		
Revenue	952.3	1,081.2
Dividends	-	27
Net profit	386.6	325.9
Costs	839.1	1,038.2
Operating profit	103.7	-6.1
Net debt	425.1	392.3
Taxes paid	90.4	50.2
<b>Sustainability indicators:</b>		
Air emissions, tons		
- pollutants	121,981	136,595
- greenhouse gases	5,137,784	6,234.5
Volume of disposed waste, tons		
- hazardous	3,574.2	1,344.7
- non-hazardous	2,440.8	2,622.8
Accidents	4	3
Death in accidents	0	1



KazTransGaz JSC received the status of a national company on November 30, 2021, and in December of the same year KazTransGaz JSC was renamed QazaqGaz.

Over the years, QazaqGaz has been working purposefully to strengthen the country's energy security and improve the quality of life of the population. Its extensive geographical presence allows increasing the level of gasification of the country's settlements every year. To date, the level of gasification has reached 60%, covering more than 2.3 million subscribers.

As part of further measures to ensure uninterrupted gas supply, it is planned to increase the length of main gas pipelines and distribution networks up to 89 thousand kilometers.

One of the key events was the approval and implementation of a comprehensive Development Strategy of QazaqGaz until 2032, aimed at strengthening the energy security of the country and improving the quality of life of the population through stabili-

zation of cost-effective gas supplies. The main objective of this strategy is to maximize the investment attractiveness of Kazakhstan's gas industry and unlock its potential.

As part of the implementation of the Development Strategy, the first sectoral scientific and technical center was established to develop scientific and technical potential for efficient operation of the gas industry, to improve the level of knowledge and competence of QazaqGaz personnel, as well as a comprehensive solution of technologically complex tasks of the Company.

Work continues to expand the gas resource base through the introduction of new exploration projects with a total potential of 1 trillion m<sup>3</sup>. A new gas field Anabai in Moyinkum district of Zhambyl region was commissioned, and an agreement on joint development of the Pridorozhnoye and Pridorozhnoye Yuzhnoye fields was signed with Geo-Jade Petroleum Corporation.

Important evidence of the Company's compliance with high standards of responsible business and low risk in the field of sustainable development is the receipt of ESG-rating of 19.2. According to the international rating agency Morningstar Sustainability, QazaqGaz ranked 1st among the group of companies of Samruk-Kazyna JSC and 7th among global gas companies and entered the TOP-3 rating for ESG information disclosure according to PwC Kazakhstan.

For 2023 QazaqGaz received the "Best Social Partner" award in the "Reliable Employer" nomination.

### FITCH AFFIRMED THE RATING OF QAZAQGAZ

In 2023, the international agency Fitch Ratings once again confirmed the position of QazaqGaz as a strong player in the domestic market with a diversified business profile related to production, trade, domestic and international transit. Thus, the long-term foreign and local currency issuer ratings of QazaqGaz and its wholly owned subsidiaries, Intergas Central Asia JSC and KazTransGas Aimak JSC, are rated at BBB-.

Within the framework of evaluation of the main criteria, Fitch Ratings notes strong ties with the state as a factor that means systematic support of QazaqGaz initiatives from the Government of the Republic of Kazakhstan in the implementation of state policy in the field of energy security.

In addition, the strategic and operational incentives of the above-mentioned subsidiaries, which were able to effectively incorporate management strategy, overall planning and development of business plans, are rated at a high level.

### NEW GAS PROCESSING PLANT

In 2023, a project team was formed and mobilized to implement the project after its transfer to the trust management of GPC Investment LLP (operator of the 1 billion m<sup>3</sup> Kashagan gas processing plant project) to QazaqGaz. With the support of the Government of Kazakhstan, the project team organized the logistics of equipment supplies.



<sup>13</sup> Financial indicators for 2022 are as per the Company's 2022 Consolidated Financial Statements

As part of the comprehensive audit with participation of international companies, ILF technical audit, KPMG due diligence, PWC financial audit and HAZOP session in cooperation with NCOC were completed for all process units of the GPP.

In addition, a positive conclusion of the state expert review was obtained for the adjusted project documentation.

RESOURCE BASE

IN 2023, THERE IS AN INCREASE IN GAS CONSUMPTION IN KAZAKHSTAN, WHICH REACHED THE LEVEL OF 24.1 BILLION M<sup>3</sup>.

Considering the current annual growth, domestic gas consumption is expected to increase to 40 billion m<sup>3</sup> by 2030. Positive dynamics in gas exports is also noticeable: compared to 2022, it increased by 12% to 5.6 billion m<sup>3</sup>.

Given the growing consumption, expanding the gas resource base becomes a strategic necessity.

Current data show that recoverable gas reserves in Kazakhstan reach 3.8 trillion m<sup>3</sup>. The main gas reserves are in 4 major fields: Karachaganak, Tengiz, Kashagan and Zhanazhol, with a combined volume of 2.7 trillion m<sup>3</sup>.

The 2023 assessment revealed that total residual natural gas reserves amount to 15.8 billion m<sup>3</sup>. Of these, the Amangeldy field accounts for 10.01 billion m<sup>3</sup>, the Zharkum

In 2023, the project employed 700 people. At the peak of construction, it is planned to employ up to 2,000 people, use 300 units of specialized machinery and 991 units of equipment. Once the GPP is commissioned, it is planned to create 600 permanent jobs, contributing to the development of the regional economy.

To ensure a continuous supply of inert materials, construction of the railroad tracks of the first start-up complex was successfully completed.

The construction of a shift camp for the employees of GPC Investment LLP has also started, providing comfortable conditions for their stay during the project implementation period.



field for 0.05 billion m<sup>3</sup>, the Ayraqty field for 2.45 billion m<sup>3</sup> and the Anabai field for 2.22 billion m<sup>3</sup>.

As part of the development of the adopted Pridorozhnoye field (previously owned by Samruk-Energy JSC), in October 2023 QazaqGaz signed a cooperation agreement with Geo-Jade Petroleum Corporation on joint development of Pridorozhnoye and Pridorozhnoye South fields. According to forecast data, recoverable reserves of this field are about 9.5 billion m<sup>3</sup>.

In accordance with the objectives of the Roadmap for increasing marketable gas volumes approved by the Ministry of Energy of the Republic of Kazakhstan, QazaqGaz commissioned the Anabai gas field in Zhambyl region in the fourth quarter of 2023 with initial production of 6.8 million m<sup>3</sup> per year.

During 2023, activities under the GSS license for the Akkuduk area in the Mangistau region were carried out, which led to the receipt of environmental permits for the commencement of field seismic surveys.

MODERNIZATION OF THE GAS TRANSPORTATION SYSTEM

The pace of gasification of regions is conditioned by the need to achieve the strategic goal of covering 65% of the country's population (or 13.5 million people). Given the introduction of new industrial facilities and the need to implement large gas chemical projects, QazaqGaz faces the task of commissioning new gas infrastructure facilities and modernizing existing ones.

Based on the results of 2023, a number of priority projects aimed at expanding the gas transportation infrastructure were completed. In particular, the looping of the Makat-North Caucasus main gas pipeline was built and put into operation, the second string of Beineu-Zhanozen was launched, gasification of Sarsha locality and Warm Beach resort area in Mangistau region was carried out, as well

as the first stage of construction of gas infrastructure for Almaty energy complex (CHPP-2, CHPP-3) was completed.

QazaqGaz continues to implement investment projects related to the construction, modernization, and reconstruction of gas transport infrastructure and the gasification of regions, as well as attracting investors in this direction.

The main barrier to the modernization of the gas infrastructure is the unprofitable tariff for the supply of natural gas to Kazakhstani consumers, which has resulted in losses for QazaqGaz. The Company's losses in 2023 amounted to KZT 175 billion due to an average increase in wholesale prices across Kazakhstan by 12.2%.

Given the current situation, QazaqGaz is purposefully working on a socially equitable reform of the pricing system for commercial gas. Specifically, in 2023, an incentivizing formula for the purchase price of new gas volumes from subsoil users was approved, and maximum wholesale prices were established.

As a result of negotiations between NC QazaqGaz JSC/Intergas Central Asia JSC and Gazprom PJSC, which took place from April 17 to 21, 2023, a joint Action Plan was developed and approved. This plan organizes the preparatory work for the "Central Asia – Center" gas pipeline (hereafter "CAC") to transport Russian gas to the Republic of Uzbekistan, comprising two stages of cooperation.

Stage 1. Combined dedicated route of the "Central Asia – Center-4" (CAC-4)/"Central Asia – Center-5" (CAC-5).

The Kazakhstani side is to complete a set of measures by October 1, 2023, to facilitate the transportation of Russian gas via the combined dedicated route of CAC-4/CAC-5.

Stage 2. Dedicated route of CAC-4 starting from October 1, 2025.

The agreement on medium-term and long-term needs for the volumes of transportation of Russian gas via the dedicated CAC-4 route.

On June 16, 2023, within the framework of the St. Petersburg International Economic Forum, a contract was signed for the transit of Russian gas through the territory of the Republic of Kazakhstan via the combined dedicated route of CAC-4/CAC-5, covering 823 km, effective from October 1, 2023, to September 30, 2025.

In 2023, the transit amounted to 1.281 billion cubic meters. According to the contract, the transit volume in 2024 is planned to be 2.804 billion cubic meters, and in 2025 (from January to September) – 2.029 billion cubic meters.

To ensure reliable and uninterrupted gas supply to consumers in the Republic of Uzbekistan with natural gas via the dedicated route of the "Central Asia – Center-IV" pipeline, a contract is planned to be signed in 2024 for the transportation of Russian natural gas through the territory of the Republic of Kazakhstan for the needs of consumers in the Republic of Uzbekistan. The contract will be effective from October 1, 2025, to December 31, 2040, with an annual transit volume of up to 11 billion cubic meters.

IPO QAZAQGAZ

One of the strategic tasks for QazaqGaz is to launch an IPO. In this context, the following results were achieved in 2023 to increase the investment attractiveness of the Company:

- ◆ QazaqGaz development strategy was implemented, aimed at consolidating the efforts of all participants in the gas supply market and forming the reputation of a reliable partner.
- ◆ QazaqGaz ranked first among the companies of Samruk-Kazyna JSC and seventh among gas companies worldwide according to the international rating agency Morningstar Sustainability (19.2). This confirms the national operator's position as a highly efficient and socially responsible player in the gas market.
- ◆ QazaqGaz was included in the TOP-3 for ESG disclosure according to PwC Kazakhstan, as part of ensuring transparency in operations.
- ◆ An incentivizing formula for the purchase price of new volumes of gas from subsoil users was approved, and maximum wholesale prices for gas were established. This work was conducted as part of the reform of the pricing system for commercial gas to optimize losses.

PLANS FOR 2024

Within the framework of the QazaqGaz Development Strategy, the following directions of work are outlined:

- ◆ Implementation of a comprehensive development plan, including efforts to increase the resource base of commercial gas, development of the domestic gas market, development of gas transit and export, gas chemistry and deep processing, and investment and operational efficiency;
- ◆ Maintaining the position of a leader as a company with low exposure to ESG risks, namely improving corporate governance, social and environmental aspects of operations;
- ◆ Implementation of a number of major investment projects in collaboration with investors in the areas of gas production, transportation, and processing;
- ◆ Completion of the second phase of construction of the feeder infrastructure for the Almaty energy complex;
- ◆ Continuation of projects "Construction of the new compressor station KS-14 and the main gas pipeline "KS-14-Kostanay" and "Construction of the second line of the main gas pipeline "Beineu – Bozoi – Shymkent". These will ensure reliable natural gas supply to the population and system-forming enterprises of Kostanay city and Kostanay region, as well as maintain the volumes

of gas exports to China. Following the receipt of conclusions from RSE "Gosexperiza" on the developed feasibility studies for the above projects, it is planned to proceed to the subsequent stages of project implementation;

- ◆ Continuation of negotiations with the operator of the Kashagan field (NCOC) to reach an agreement on managing the entire volume of liquefied hydrocarbon gas.



## Development of chemical production



**SAMRUK-KAZYNA  
ONDEU**

SAMRUK-KAZYNA ON-DEU LLP (HEREINAFTER — SK ONDEU, FORMERLY KNOWN AS UNITED CHEMICAL COMPANY LLP) WAS ESTABLISHED IN 2009 BY A DECISION OF THE BOARD OF DIRECTORS OF THE SOVEREIGN WEALTH FUND SAMRUK-KAZYNA JSC DATED NOVEMBER 28, 2008, FOLLOWING A DIRECTIVE FROM THE PRESIDENT OF THE REPUBLIC OF KAZAKHSTAN ISSUED DURING THE EXTENDED SESSION OF THE GOVERNMENT OF THE REPUBLIC OF KAZAKHSTAN ON OCTOBER 13, 2008, TO "CREATE A SPECIAL COMPANY THAT WILL HANDLE PROJECTS IN THE CHEMICAL INDUSTRY".

Sulfuric acid production volume

**193.9**

thousand tons

The net profit plan was exceeded by

**969**

KZT million

\* Excluding KUS LLP

The Company's main mission is to facilitate the development of new chemical productions in Kazakhstan through participation in capital.

### KEY PERFORMANCE RESULTS FOR 2023

Indicator	2022	2023
<b>Production indicators:</b>		
liquid glyphosate production volume, thousand liters	603	37.5
sulfuric acid production volume, thousand tons	175.34	193.94
electricity production volume, million kWh	2,052	1,995
<b>Financial indicators, KZT billion:</b>		
Revenue	37.5	33.7
Gross profit	8.9	7.2
Net profit	-145	-23.7
Costs	218.2	79.1
Operating income	3.6	-6.3
Net debt	67.3	60.3
Taxes paid	3.2	2.3
<b>Sustainability indicators:</b>		
CO <sub>2</sub> emissions into the atmosphere, tons	163.475*	158.225*
Volume of disposed waste, tons	463.42*	455.218*
Accidents	0	0
Fatal accidents	0	0

In 2023, the main reasons for not achieving production and financial targets were changes in market conditions, non-fulfillment of contractual obligations by partners, breakdown of production equipment, and the introduction of amendments to the Law of the Republic of Kazakhstan "On Electric Power Engineering".

Specifically, the subsidiary producing agro-chemical products (CHEM-Plus LLP) failed to meet the planned production indicators due to the absence of sales of products manufactured in 2022 (sales were planned for the first half of 2023). Thus, considering the overstocking of warehouse spaces, production was suspended in 2023. Additionally, there was a sharp decline in the market prices of the main raw material (from USD 10.25 to USD 3.4 per kilogram).

The raw material used for the subsidiary's products was purchased at USD 10.25 (before

the price reduction). Consequently, the current selling price is non-competitive in the market due to the high cost of production. Despite these difficulties, by the end of 2023, the Company managed to secure contracts for the sale of products for the 2024 season (remaining inventory at the beginning of 2023 was 437 thousand liters, and at the end of 2023 it was 171 thousand liters).

Additionally, in 2023, there was a slight deviation from the planned production figures for sulfuric acid at SSAP LLP. In the first quarter of 2023, the plant had to reduce its production capacity to 73% due to the non-pickup of finished products by the main consumer. The decrease in capacity utilization was also related to issues starting in December 2022 with the main pump for transferring concentrated sulfuric acid, which had been in operation since 2015. Regular maintenance was conducted, but the pump's capacity dropped in the second half of March 2023.



On March 30, 2023, a scheduled shutdown of the pump for repair was conducted, during which it was discovered that the pump could no longer operate at full capacity. This factor also negatively impacted the fulfillment of the production and sales plan. In the second quarter of 2023, the Company received and installed a new pump and resolved the sulfuric acid pickup issues. The measures taken helped to reduce the deviation from the planned indicators with a gradual increase in production. As a result, by the end of 2023, the plan was almost met, with a deviation of only 0.3%. Despite the issues encountered, SSAP LLP ended the year with positive financial results, exceeding the net profit plan by KZT 969 million, or 136%.

Also, in 2023, KUS LLP did not meet the planned volume of electricity generation and sales due to maintenance work on the waste heat boilers. These maintenance works led to the downtime of steam turbines. Another reason for the deviation was the introduction of the Single Electricity Buyer mechanism on July 1, 2023. The unequal rights of electricity purchasing by the Single Buyer during trades at KO-REM JSC (according to the Law of the Republic of Kazakhstan "On Electric Power

Engineering", electricity from renewable energy sources (hereinafter — RES), thermal power plants (hereinafter — TPP), and stations with investment agreements is purchased outside of trades led to a significant reduction in the volume of electricity sold from the combined cycle power plant. Thus, from July 1, 2023, KUS LLP sold electricity to cover the remaining deficit after the aforementioned stations.

The main issue is the amendments made to the Law of the Republic of Kazakhstan "On Electric Power Engineering", with ongoing work with the Ministry of Energy of the Republic of Kazakhstan to address this matter.

In 2023, the Company incurred additional costs from paying an administrative fine for exceeding greenhouse gas emission quotas, amounting to KZT 7,224,486 thousand. As a result of these additional expenses, the net profit was KZT 4 billion, while without the aforementioned fine, the net profit would have been approximately KZT 3 billion in positive value.

For the first time in the history of SK Ondeu, dividends were paid in 2023 to the Fund amounting to KZT 2.9 billion.

In 2023, obligations to the Fund were reduced by KZT 3.2 billion for the loan to Polymer Production LLP through scheduled loan repayments. SK Ondeu received dividends from two subsidiaries totaling KZT 3.2 billion by the end of 2023, which positively impacted the financial stability of the group of companies.

As part of the Fund's management directive to reform portfolio companies and divest non-core assets, successful work was carried out in 2023 to sell a 100% stake in the charter capital of Polymer Production LLP in favor of NC KazMunayGas JSC. Also, in 2023, the trust management agreement for shares in the charter capital of KPI Inc. LLP was extended, and the participation share in the charter capital of Karabatan Utility Solutions LLP was transferred to the trust management of NC KazMunayGas JSC.





MODERNISATION

1. Sulphuric acid production — 180 thousand tons per year (expansion of SSAP LLP)

The project involves the construction of a second line for an existing sulfuric acid production facility with the development of some infrastructure in Stepnogorsk.

Current Status:

- ◆ Completion of the development of the TEJ ("Revision 1") is nearing;
- ◆ Procurement procedures have started for contracting the state expertise of the TEJ;
- ◆ Negotiations are ongoing with licensors to reduce the CAPEX portion of the project.

Planned Activities for 2024:

- ◆ In June 2024, receipt of the state expertise of the project is expected;
- ◆ The results of the TEJ are planned to be presented to the corporate bodies of the Partnership in the third quarter of 2024;
- ◆ The commencement of work on the detailed project documentation of the project is expected in the fourth quarter of 2024.

2. Production of sulphuric acid 800 thousand tons per year. Project of TQZ LLP

The project entails the construction of a sulfuric acid plant in the Turkistan region in collaboration with a private domestic investor to supply sulfuric acid to NAC Kazatomprom JSC.

Current Status:

- ◆ The agreement on joint project implementation is currently under review by the interested parties;
- ◆ Development of documents for the Fund's import substitution program aimed at concluding an offtake contract (purchase of finished products) is underway;
- ◆ An application has been submitted to include the project in the Industrialization Map.

Planned Activities for 2024:

- ◆ The signing of the agreement on joint project implementation is planned for May 2024.

- ◆ Designing and compiling technical specifications for long-lead equipment and building structures is scheduled for July 2024.
- ◆ Orders for long-lead equipment are expected to be placed between August and September 2024.
- ◆ Completion of preparatory works on the site, including the construction camp, fencing, etc., is planned to be completed by the end of 2024.

3. Methanol production

The project involves the construction of a methanol production complex in the West Kazakhstan Region, Bayterek District, Beles Rural District.

As part of the project implementation, on September 20, 2023, an agreement on the main terms of cooperation was signed between SK Ondeu LLP and Zhaik Petroleum LLP.

Current Status:

- ◆ On October 20, 2023, indicative financing terms for the project were received from the Development Bank of Kazakhstan;
- ◆ In January 2024, the Ministry of Energy of the Republic of Kazakhstan hosted the first meeting of the commission for concluding an investment agreement;
- ◆ In January 2024, an independent evaluation of Zhaik Petroleum LLP's business was completed.

Planned Activities for 2024:

- ◆ In May 2024, the project is planned to be presented to the Investment and Strategic Committee of the Fund for approval to move to the "Implementation" stage.
- ◆ Upon receiving a positive Final Investment Decision (FID), it is planned to sign an accession agreement with the project initiator.
- ◆ The commencement of construction works and placement of orders for the manufacturing of the main equipment are expected in the third quarter of 2024.

4. Production of butadiene and its derivatives

The project involves the construction of facilities for processing butane mixture to produce butadiene and its derivatives. The project is being implemented by the project company Butadien LLP, a joint venture between Tatneft PJSC (75%) and SK Ondeu LLP (25%).

After completing a two-stage competitive bidding process to select an EP (Engineering, Procurement) contractor, Tatneft PJSC plans to make a final investment decision on the project in May 2024, followed by the conclusion of the EP contract.

# ENERGY

## Ensuring energy security



SAMRUK-ENERGY JSC WAS ESTABLISHED IN 2007 WITH THE PRIMARY OBJECTIVE OF IMPLEMENTING STRATEGIC STATE TASKS FOR MODERNIZING CURRENT GENERATION FACILITIES AND DEVELOPING NEW PRODUCTION CAPACITIES IN THE ENERGY SECTOR.

KEY PERFORMANCE RESULTS FOR 2023

Indicator	2022	2023
<b>Production indicators:</b>		
Electricity generation volumes, million kWh	35,884	35,330
Capacity sales volumes, MW	4,013	3,138
Heat energy sales volumes, million Gcal	5.50	5.78
Electricity transmission volumes, million kWh	8,154	8,686
Coal sales, million tons	42.4	42.5
<b>Financial indicators, KZT billion:</b>		
Revenue	381.5	444.96
Dividends	2	2
Net profit	30.1	43.08
Operating income	64.6	92.8
Net debt	231.3	228
Taxes paid	54.6	54.1
<b>Sustainability indicators:</b>		
CO <sub>2</sub> emissions into the atmosphere (excluding fuel gas compressor)	31,978	31,877
Volume of disposed waste	0	1,342
Accidents	10	10
Fatal accidents	4	2



Installed capacity  
**6,275**  
MW



**POWER GENERATION**

In 2023, the total electricity generation by the Samruk-Energy JSC group of companies reached 35,330 million kWh, distributed among the facilities as follows: Ekibastuz SDPP-1 generated 22,870 million kWh, Ekibastuz SDPP-2 – 5,659 million kWh, Almaty Power Plants – 5,055 million kWh, Moinak HPP – 832 million kWh, and Shardara HPP – 530 million kWh. During this period, Samruk-Energy JSC produced 31.3% of the total electricity generated in the Republic of Kazakhstan.



**MODERNISATION AND RECONSTRUCTION OF POWER GENERATING FACILITIES**

As part of the project to convert Almaty CHPP-2 to gas, following the completion of an international two-stage tender under the auspices of the European Bank for Reconstruction and Development, an EPC contract was signed on May 31, 2023, with a consortium that includes Dongfang Electric International Corp., Power China Sepco1 Electric Power Construction Co. Ltd., and Power China Hebei Electric Power Engineering Co. Ltd. On October 27, 2023, the EPC contractor signed a deal with Siemens Energy to supply three gas turbine units. Subsequently, on November 30, 2023, an agreement was reached with Dongfang Electric Group Dongwan Steam Turbine Co., Ltd. to supply a steam turbine and generator. On De-

cember 20, 2023, the EPC contractor finalized an agreement with Dongfang Electric Group Boiler Co., Ltd. for the supply of four water boilers, three steam boilers, and three heat recovery steam generators.

For the conversion of Almaty CHPP-3 to gas, the EPC contract was signed on September 12, 2023, with a consortium including KBI Energy Group LLP, Energo Spets Stroy LLP, StandardEnergо KZ LLP and STROYINDUSTRIA LLP. On November 9, 2023, the EPC contractor signed a reservation agreement with Ansaldo Energia for the manufacture and supply of gas turbine units.

For the restoration of power unit No. 1 at Ekibastuz SDPP-1 with the installation of new electrostatic precipitators, the physical volume of construction and installation works is estimated at 99.16%. On December 22, 2023, a test run of the power unit was conducted, including its connection to the grid.

In the framework of the project for the expansion and reconstruction of Ekibastuz SDPP-2 with the installation of units No. 3 and No. 4, by the end of 2023, 76% of the equipment had been delivered to the station. Efforts are being made to secure financing.

**CONTRIBUTION TO THE DEVELOPMENT OF RENEWABLE ENERGY**

In 2023, the electricity production from RES at the facilities of Samruk-Energy JSC group companies (solar power stations, wind power stations, and small hydropower plants) increased by 32.8%, totaling 554.4 million kWh. This figure accounts for 8.1% of the total RES-generated electricity in Kazakhstan.

Together with foreign investors, such as Total Eren, ACWA Power, Masdar, China Power International Holding Ltd, and Power China, projects were launched to construct solar and wind

power stations with a combined capacity of up to approximately 6 GW. Documents establishing the main terms of cooperation have been signed, including a joint venture agreement with Total Eren and joint development agreements with ACWA Power, Masdar, and China Power International Holding Ltd. Additionally, principal terms for solar power station construction projects between Samruk-Energy JSC and Unigreen Energy have been developed, as well as a shareholders' agreement between Qazaq Green Power PLC and Tumar Commerce LLP (a subsidiary of Uni-

green Energy). Intergovernmental agreements have also been concluded between the Republic of Kazakhstan and France, as well as between the Republic of Kazakhstan and the UAE, in the context of wind power station construction projects with Total Eren and Masdar.

Moreover, efforts are ongoing to develop the TEJ for the construction of the counter regulating Kerbulak HPP on the Ili River and the preliminary TEJ for the construction of the Semipalatinsk HPP.

**BOGATYR KOMIR**

**BOGATYR KOMIR LLP IS A LEADING COAL MINING COMPANY SPECIALIZING IN OPEN-PIT COAL EXTRACTION. THE COMPANY'S TOTAL INDUSTRIAL RESERVES AMOUNT TO ABOUT 3 BILLION TONS OF COAL.**

In 2023, the cyclic-flow technology was implemented at the Bogatyr mine. As a result, the production capacity of Bogatyr Komir LLP increased to 50 million tons.

Bogatyr Komir LLP accounts for 66% of the coal mined in the Ekibastuz basin and 38% of the total coal production in Kazakhstan.

The Company is a reliable energy partner for major thermal power plants in Kazakhstan and Russia, including the Reftinskaya SDPP, and provides employment for more than 6.3 thousand people.

The production capacity of Bogatyr Komir LLP increased to

**50**  
million tons

**CONSTRUCTION OF NEW PROJECTS**

In 2023, the construction of the 110/10 kV "Kokozek" substation was completed, with connection to the 110 kV open switchgear at the 220 kV "Kaskelen" substation in the Karasai district of the Almaty region. The project is aimed at covering the deficit of free capacities needed to ensure reliable electricity supply and prospective development of the social infrastructure in the Karasai, Zhambyl, and Ili districts of the Almaty region, as well as the implementation of investment projects in the existing Industrial Zone.

There are plans to construct a maneuverable power station based on clean coal technologies (SDPP-3). Efforts are being made to develop a preliminary TEJ and to attract investors in collaboration with companies from China, Russia, Turkey, and India.

**PLANS FOR 2024**

In 2024, the Company will continue implementing projects aimed at improving the reliability of energy supply for the industrial and residential sectors of the country, supporting low-carbon development strategies, supporting, developing, and integrating RES, enhancing the export potential, energy security, and energy independence of Kazakhstan.







Kazakhstan Electricity Grid Operating Company JSC (hereinafter – KEGOC JSC) is a key organization that manages the National Power Grid of Kazakhstan and holds the status of the system operator of the Unified Power System of the country's Unified Energy System, playing a central role in managing and regulating national electricity supply.

Transmitted electricity

**38.2**

billion kWh

**FACTORS AFFECTING ACTIVITIES**

In 2023, KEGOC JSC, as the system operator, completed several significant projects, including the reinforcement of the electrical networks in the Western energy hub, a secondary public offering (SPO), market reform, and the introduction of a new service for the use of the National Electric Grid. Additionally, the project to strengthen the Southern zone of Kazakhstan's Unified Power System was initiated.

During this period, KEGOC JSC continued to ensure the quality operation of Kazakhstan's Unified Electric Power System and reliable electricity supply to the country's consumers. Electricity consumption in the country in 2023 amounted to 115.1 billion kWh, which is 1.9% more than in 2022. This increase contributed to the Company achieving a net profit of KZT 42.7 billion, which is KZT 15.9 billion or 60% higher than in 2022.

1.	2.	3.
ABOUT THE FUND	CONSOLIDATED FINANCIAL INDICATORS	FUND PERFORMANCE

**KEY PERFORMANCE RESULTS FOR 2023**

Indicator	2022	2023
<b>Production indicators:</b>		
Electricity transmission volumes, billion kWh	58.5	38.2
Volumes of NEG utilisation services, billion kWh	-	36.0
Volumes of technical dispatching services, billion kWh	104.26	106.28
Volumes of balancing services, billion kWh	203.12	205.41
<b>Financial indicators<sup>14</sup>, KZT billion:</b>		
Revenue	217.3	252.14
Dividends	30.2	33.3
Net profit	26.7	43.4
Costs	166.4	181.4
Operating income	40.9	56.6
Net debt	69.5	83.7
Taxes paid	36	40.5
<b>Sustainability indicators:</b>		
CO <sub>2</sub> emissions into the atmosphere, thousand tons	0.01	0.001
Volume of disposed waste, million tons	2.6	3.4
Number of people injured in accidents <sup>15</sup>	3	1
Fatal accidents	1	0

Furthermore, due to amendments made in 2023 to the Law of the Republic of Kazakhstan "On Electric Power Engineering" regarding the introduction of the single buyer model and the launch of the balancing electricity market on July 1, 2023, KEGOC introduced a new service related to the use of the national electric grid. This service, related to the transmission of electric energy according to the legislation of the Republic of Kazakhstan on natural monopolies, is provided by KEGOC to wholesale market participants for purchasing electricity from the single buyer and for carrying out transactions of buying and selling balancing electricity and negative imbalances with the balancing market settlement center. As of July 1, 2023, KEGOC provides the following main types of system services: transmission of electric energy via the National Electric Grid, use of the national electric grid, technical dispatching of grid feed and electricity consumption, and organization of the balancing of electricity production and consumption.

In 2023, significant efforts were made to improve the welfare of the Company's employees, with a focus on supporting production personnel. A Preferential Lending Program was implemented by KEGOC, aimed at the social support of employees to retain and attract highly qualified personnel needed by the Company. As a result, 51 employees purchased housing during the year. Additionally, the Company assisted in resolving housing issues for 129 employees by partially reimbursing housing expenses totaling KZT 155.1 million. Consequently, in 2023, the total funds allocated for the social support of the Company's employees amounted to KZT 810 million.

4.	5.	6.	
SUSTAINABLE DEVELOPMENT	CORPORATE GOVERNANCE	ANNEXES	CONTACT INFORMATION



**INVESTMENT ACTIVITY**

To ensure the reliability of electricity supply to consumers and the sustainable development of Kazakhstan's UES, KEGOC JSC continued implementing several investment projects aimed at developing the National Electric Grid.

In November 2023, the Company successfully completed a project to strengthen the electrical network of the Western Zone of Kazakhstan's UES, as a result of which the transmission capacity of the lines on the "West Kazakhstan Energy Hub – Atyrau – Mangystau" route more than doubled. Thanks to the timely measures taken, the reliability of energy supply in the region significantly increased, and a foundation was laid for further integration of the Western Zone with UES of Kazakhstan.

The modernization of 220-500 kV lines has been completed in three of KEGOC's nine branches. The reconstruction continues and will cover transmission lines in all the Com-

pany's production branches. Over the next eight years, transmission lines that have been in operation for extended periods will be updated, and their operational lifespans will be extended for at least another 30 years.

Additionally, the Company has begun the "Strengthening the Electrical Network of the Southern Zone of Kazakhstan's UES" project. This project is aimed at improving the reliability of electricity supply to consumers in the southern energy zone by strengthening the 500 kV electrical networks in the Zhambyl and Turkestan regions, including the construction of the 500 kV Shu-Zhambyl-Shymkent overhead line with the corresponding expansion of 3 electrical substations.

All the Company's projects are implemented using its own and borrowed funds, without budget financing.

**DIVIDENDS AND PAYMENTS**

KEGOC JSC paid dividends of KZT 30.2 billion for the year 2022, and for the first half of 2023, the dividends amounted to KZT 20.2 billion. The sum of dividends paid in the second half of 2023 was KZT 21.9 billion.

<sup>14</sup> Financial indicators for 2022 are as per the Company's 2022 Consolidated Financial Statements.  
<sup>15</sup> Fixing from the date of accident occurrence.



SPO LAUNCH

One of the major events for the Company in terms of enhancing shareholder value was the secondary public offering (SPO) of shares, which raised more than KZT 34.8 billion, exceeding the proposed volume by 1.5 times. The funds raised through the SPO will be used to implement KEGOC's major investment project aimed at strengthening the networks of the Southern Zone of Kazakhstan's UES.

In 2023, KEGOC JSC successfully carried out the second issuance of KEGOC "green" bonds on the KASE trading platform, totaling KZT 16.9 billion. The cumulative volume of "green" bond issuances since December 2022 amounted to KZT 33 billion. The funds raised are directed towards financing the Company's investment projects, "Reconstruction of 220-500 kV Lines at KEGOC Branches" and "Strengthening the Electrical Network of the Western Zone of the UES of Kazakhstan. Construction of Electric Power Facilities."

On June 7, 2023, during the "Astana Finance Days" conference, the "Green Finance Awards 2023" ceremony took place, where KEGOC JSC was awarded the "Largest Non-Financial Corporate Green Bond" for the largest issue of "green" bonds in 2022.

OCCUPATIONAL HEALTH AND SAFETY

KEGOC JSC HAS ESTABLISHED AN EFFECTIVE OCCUPATIONAL SAFETY SYSTEM, WHICH REPRESENTS A COMPREHENSIVE APPROACH TO ENSURING SAFE WORK IN PRODUCTION FROM THE IMPLEMENTATION AND CONTROL OF NECESSARY SAFETY STANDARDS AND REGULATIONS TO THE COMMITMENT OF LEADERS IN THE FIELD OF HEALTH & SAFETY.

ESG PRINCIPLES

KEGOC recognizes the importance of its impact on the economy, environment and society and seeks to grow long-term value by ensuring that its operations are aligned with the principles of sustainable development by aligning its environmental (E), social (S) and governance (G) objectives.

The Company is methodically working to improve ESG principles, including corporate governance with a focus on ensuring environmental and social responsibility. This involves the effective implementation of shareholders' rights, fair treatment of shareholders, a balanced dividend policy, the efficiency of the Board of Directors and the Management Board of KEGOC, as well as a system for interacting with stakeholders and proper disclosure of company information.

Due to the Company's efforts to integrate ESG factors into its strategy and business processes, as well as its commitment to the principles of corporate governance, social responsibility and business ethics, and the quality of its disclosures, KEGOC was awarded an S&P Global CSA Score 2023 ESG rating of 51/100 on 25 August 2023. This score confirms the Company's commitment to environmental, social and governance sustainability and reflects its contribution to creating a more sustainable future.

KEGOC JSC is a participant in the "Vision Zero" movement, whose principles include "zero tolerance" for safety violations, continuous improvement of personal safety systems, and the implementation of the best global practices in occupational safety.

Thanks to a systematic approach, KEGOC JSC has reduced the Lost Time Injury Frequency Rate (LTIFR) by three times during the reporting period, and the Fatality Accident Rate (FAR) has been reduced to zero.

KEGOC JSC was ranked first among the portfolio companies of Samruk-Kazyna JSC for achievements in production safety for the year 2023.

NEW TECHNOLOGIES

As part of the measures to create an intelligent energy system, Smart Grid, the Company is systematically implementing modern intelligent digital technologies. Within the strategic goal of "Ensuring reliable operation of Kazakhstan's UES in the context of energy transition", the Company continues to implement projects to modernize the SCADA/EMS system and expand the WAMS system, which will enhance the efficiency of managing Kazakhstan's UES. Additionally, in the reporting year, within the framework of automating and digitizing business processes, robotic systems and BI were successfully implemented, and an automated human capital management (HCM) portal was launched.

Furthermore, in 2023, KEGOC JSC implemented advanced technologies for the security of electrical networks by introducing a centralized system of emergency automation. This system ensures the reliability of the national grid in real-time and minimizes disconnections of consumers in the event of disruptions in the operation of the electrical networks.

PLANS FOR 2024

KEGOC JSC's plans include the implementation of its investment portfolio for the development of the National Electric Grid, which includes the integration of the Western Power System with the UES of Kazakhstan, construction of a direct current line from North to South, construction of the 500 kV line from "City step-down substation (TsGPP) — Karaganda — Nura", and continuation of two more phases of the Company's power network reconstruction covering all regions of presence.

KEGOC JSC will continue its active efforts to create conditions for the development of generating capacities, including traditional and maneuverable generation. The Company will also actively participate in the development and discussion of a new electric power market model, and in the preparation of legal acts related to the integration of wholesale market participants into Kazakhstan's National Electric System.

Low-carbon Energy Sources



KAZAKHSTAN NUCLEAR POWER PLANTS LLP (HEREINAFTER — KNPP LLP) WAS ESTABLISHED TO PREPARE THE GROUNDWORK AND DETAILED PLANS FOR THE CONSTRUCTION OF NUCLEAR POWER PLANTS (HEREINAFTER — NPPS) IN KAZAKHSTAN, INCLUDING THE DEVELOPMENT OF TEJ AND THE COMPLETE PACKAGE OF PROJECT DOCUMENTATION, AS WELL AS TO COORDINATE THE NPP CONSTRUCTION PROCESS.

CURRENT STATUS OF IMPLEMENTATION OF THE NPP CONSTRUCTION PROJECT WITH CAPACITY UP TO 2.8 GW

In 2023, public hearings were held in the village of Ulken in the Zhambyl district of the Almaty region, dedicated to the construction of a nuclear power plant near the village. Residents expressed support for the construction of the NPP in the Republic of Kazakhstan. The Ministry of Energy of the Republic of Kazakhstan approved the Technical Assignment for the development of the TEJ for the "Construction of the Ulken Nuclear Power Plant" in the Almaty region.

INFORMATION AND EXPLANATORY WORK

In 2023, the Kazakhstani media actively covered the topic of nuclear energy, releasing 1,061 pieces, including 108 television segments, 2 radio broadcasts, and 951 online publications. On social networks, including the official pages of KNPP LLP on Instagram, Facebook, and YouTube, 1,355 posts were made.

KNPP LLP conducted a comprehensive sociological study to gauge the opinion of the Kazakhstani population regarding the use of nuclear energy and specific initiatives related to the construction of NPPs.

The survey conducted in 2023 recorded a positive shift in public perception and a higher level of public acceptance of nuclear energy compared to the previous year: 57.2% of respondents supported the development of nuclear energy (compared to 48% in 2022). About the plans for NPP construction in Kazakhstan, 73% of respondents were aware (in 2022 — 65%). 53.6% of survey participants believe that Kazakhstan needs its own NPP (in 2022 — 48%). Opponents of the project accounted for 40% of respondents, which is less than the 44% recorded in 2022.

PLANS FOR 2024

- ◆ Participation in the preparation and holding of the National Referendum on the construction of NPP in Kazakhstan;
- ◆ Initiation of the Resolution of the Government of the Republic of Kazakhstan on selection of location for NPP construction;
- ◆ Determination of the marketing cost of engineering surveys and feasibility studies for the construction of a nuclear power plant in Kazakhstan;
- ◆ Supporting the Government of the Republic of Kazakhstan in selecting the main supplier of technologies for NPP (vendor).



# PRODUCTION AND EXTRACTION

## World Leadership in Uranium Mining



NAC KAZATOMPROM JSC (HEREINAFTER REFERRED TO AS KAZATOMPROM) HOLDS A SIGNIFICANT POSITION ON THE INTERNATIONAL STAGE IN THE EXPORT AND IMPORT OF URANIUM AND ITS DERIVATIVES, NUCLEAR FUEL FOR NUCLEAR POWER PLANTS, AS WELL AS SPECIALIZED EQUIPMENT AND TECHNOLOGIES.

Kazakhstan has established itself as a global leader in uranium mining, providing about 39% of the world's supply.

Kazatomprom is recognized as the leading natural uranium producer in the world and has preferential access to one of the most significant resource bases. The Company operates uranium deposits suitable for in-situ leaching, an economically advantageous and environ-

mentally safer method of extraction. This, along with the prolonged operational life of its mining assets, allows Kazatomprom to maintain leading positions in the global market thanks to one of the lowest costs of uranium production.

Since November 2018, Kazatomprom's shares have been actively traded on the stock exchanges of the Astana International Financial Centre and the London Stock Exchange.

### KEY PERFORMANCE RESULTS FOR 2023

Indicator	2022	2023
<b>Production indicators, thousand tons:</b>		
Uranium production	21.2	21.1
Uranium sales	16.4	18.1
<b>Financial indicators<sup>16</sup>, KZT billion:</b>		
Revenue	1,001.2	1,434.6
Dividends	227.4	200.9
Net profit	472.9	580.3
Operating income	455.9	680.8
Net debt	-32	125.5
Taxes paid	211	279.3
<b>Sustainability indicators:</b>		
Accidents	3	4
Fatal accidents	1	0

In 2023, 64% of all uranium shipments from Kazakhstan to Western countries were successfully carried out via the Trans-Caspian International Transport Route, which the Company has used as an alternative route since 2018. This was done to mitigate the potential risk of the route through the Russian Federation becoming unavailable.

The Company continues to monitor the situation with sanctions against Russia and their potential impact on the transportation of finished products through Russian territory. To date, there are no restrictions related to the delivery of finished products to the Company's clients worldwide.

Kazatomprom is closely monitoring the current situation and is prepared to make decisions that will minimize risks and ensure the continuity and efficiency of the holding's operations.

<sup>16</sup> Financial indicators for 2022 are as per the Company's 2022 Consolidated Financial Statements.



Net profit for the year amounted to

**580**

KZT billion

Consolidated sales volumes reached

**18.069**

million tons

THE COMPANY'S CONSOLIDATED REVENUE FOR THE YEAR EXCEEDED KZT 1.4 TRILLION, WHICH IS 43% HIGHER THAN THE PREVIOUS YEAR, PRIMARILY DUE TO AN INCREASE IN THE AVERAGE SELLING PRICE.

### PROSPECTS

In light of the global energy crisis, triggered by soaring fossil fuel prices and the need to reduce carbon dioxide emissions, nuclear energy is increasingly viewed by countries as a stable and eco-friendly energy source.

The increased activity in the energy sector and changes in the nuclear power market, fueled by geopolitical situations, are prompting global producers to resume suspended production capacities and launch new ones.

Reflecting these trends, Kazatomprom demonstrated strong results in 2023 due to the positive dynamics of spot uranium prices. The Company's consolidated revenue for the year exceeded KZT 1.4 trillion, which is 43% higher than the previous year, primarily due to an increase in the average selling price.

Operating income reached KZT 681 billion, up 49% compared to 2022, reflecting the increase in average sales price. Net profit for the year amounted to KZT 580 billion, which is 23% higher than the previous year.

Production volumes remained nearly the same as last year, decreasing by 1% to 21.112 million tons on a 100% basis. Meanwhile, consolidated sales volumes increased by 10% compared to 2022, reaching 18.069 million tons.

The significant rise in the spot price of uranium also contributed to an increase in the average selling price to KZT 65.344 per kilogram of uranium (USD 55.09 per pound U<sub>3</sub>O<sub>8</sub>), which is 27% higher than in 2022.



**THE FIRST DELIVERY OF KAZAKHSTAN'S NUCLEAR FUEL**

In 2023, Ulba-FA LLP successfully delivered four batches of fuel assemblies (herein-after referred to as FA), containing just over 130 tons of low-enriched uranium. All delivered FAs underwent acceptance control and were approved by a nuclear power plant in China. The FA plant's products will be guaranteed for delivery to CGNPC nuclear power plants in China until 2040. In 2024, the project is expected to reach its design capacity for manufacturing FAs, with an annual output of 200 tons of low-enriched uranium.



Kazatomprom significantly increased its investment in safety, spending on occupational health, fire, and industrial safety programs

**12.47**

KZT billion

Costs for ensuring fire safety

**1.3**

KZT billion

**SUSTAINABILITY**

Kazatomprom places particular emphasis on sustainable development in its operations.

In 2023, the Company developed the Sustainable Development Program of NAC Kazatomprom JSC for 2023-2030, which was approved by the Company's Board of Directors.

As part of its commitment to environmental sustainability, Kazatomprom has approved the Radioactive Waste Management Program for 2023-2030, which sets a unified policy and comprehensive approach for the medium-term management of radioactive waste. In October 2023, the Company's Board of Directors approved the Water Resource Management Strategy for NAC Kazatomprom JSC for 2023-2030.

In December 2023, based on the Corporate Sustainability Assessment questionnaire, the international rating agency S&P Global Ratings evaluated Kazatomprom at the level of last year's assessment. In 2023, Kazatomprom disclosed data for the first time under the "Climate Change" category in the CDP (Carbon Disclosure Project) climate rating, receiving its first climate rating at the "B" level (management).

The Company is committed to protecting the health, interests, and motivation of its personnel. Kazatomprom increased labor compensation expenses for its employees, actively supports the development and growth of the regions where the Company operates, finances socially significant projects, and contributes to improving the welfare of the local population.

In 2023, in accordance with subsoil use contracts, the holding's enterprises directed KZT 2.264 billion towards the development of their regions of presence. Additionally, in 2023, the atomic holding's enterprises initiated a number of socially significant projects in their regions, including funding the construction of a cultural center, building children's playgrounds and sports grounds, purchasing educational equipment, improving settlements, providing financial assistance to socially vulnerable layers of the population in the form of coal purchases, food baskets, school supplies, New Year's gifts, and other socially significant initiatives totaling more than KZT 580 million.

**WELFARE OF THE COMPANY'S EMPLOYEES**

One of the Company's main priorities is the welfare of its employees. The Company implements a comprehensive set of measures aimed at ensuring social stability and creating a favorable moral and psychological climate in the workforce across four aspects: physical well-being and healthy lifestyles, mental well-being, financial well-being, and career and social well-being.

In the realm of financial well-being, to support the families of employees, attract employees and their family members to understand the values of the Company through active involvement, and support the younger generation by creating favorable conditions for personal development and fostering their interest in the nuclear industry, the Company organized the "IQanat High School of Burabay" summer educational camp in 2023.

To enhance mental well-being, the work of a corporate psychologist is conducted.

In terms of physical well-being and promoting healthy lifestyles, large-scale events such as the "Nomad time" national sports competitions and the Kazatomprom Marathon have been organized. The "Healthy Heart Days" campaign was also implemented, further promoting the health and well-being of the Company's employees.

**OCCUPATIONAL HEALTH AND INDUSTRIAL SAFETY**

For Kazatomprom, production safety has always been and remains an absolute priority. The indicators from recent years confirm a steady decrease in the number of industrial injuries, which demonstrates continuous improvement in working conditions and an increased level of safety.

Production is conducted in strict compliance with national and international standards, and comprehensive measures are implemented to prevent accidents and continuously improve the safety culture among all employees and management.

The safety measures adopted in 2023 helped prevent significant industrial accidents, including uncontrolled explosions, releases of hazardous substances, or the destruction of buildings at Kazatomprom's facilities. In 2023, Kazatomprom significantly increased its investment in safety, spending KZT 12.47 billion on occupational health, fire, and industrial safety programs, which is KZT 4.39 billion more than the previous year. It is worth noting that this amount for the reported year includes costs of about KZT 1.3 billion for ensuring fire safety.

**PLANS FOR 2024**

Kazatomprom's plans for 2024 align with a market-oriented strategy. The Company anticipates that the uranium production level for most of its mining assets will be at -20% relative to the subsoil use contracts, and it will make every effort to avoid any breaches of production volume commitments under these contracts. However, enterprises that hold subsoil use rights for newly commissioned deposits/sections face a risk of reducing production levels by more than 20% from contract obligations due to delays in the construction of surface complexes and infrastructure.

It is expected that in 2024, uranium production volumes will range from 21,000 to 22,500 tons, while consolidated sales volumes are forecasted to be between 15,000 and 16,500 tons. The Company's financial results may be influenced by various factors, including logistical complexities, changes in the tax legislation of the Republic of Kazakhstan, and potential changes in social contributions.

In 2023, Kazatomprom reaffirmed its leadership as a leading global producer and supplier of natural uranium, strengthening its position in the international market and highlighting the long-term prospects for the development of the nuclear industry. The Company's strategic priorities remain unchanged: Kazatomprom continues to adhere to strict market discipline in production and sales, which allows it to maximize benefits and create significant value for all stakeholders. Kazatomprom is committed to maintaining the highest international standards in key aspects of its operations such as transparency, corporate governance, and occupational and environmental safety.



## Mining and metallurgical industry



“NATIONAL MINING COMPANY “TAU-KEN SAMRUK” JOINT STOCK COMPANY (HEREINAFTER — TAU-KEN SAMRUK), FOUNDED IN 2009, IS A VERTICALLY INTEGRATED COMPANY WHOSE KEY TASK IS TO STRENGTHEN THE ECONOMIC AND STRATEGIC POSITIONS OF THE STATE IN THE MANAGEMENT OF PUBLIC ASSETS IN THE MINING AND METALLURGICAL INDUSTRY AND TO DEVELOP KAZAKHSTAN'S MINERAL RESOURCE COMPLEX.

Gold produced  
**52.2**  
tons

### NEW DEVELOPMENT STRATEGY

In December 2023, the Board of Directors approved the Company's Development Strategy for 2024-2033, highlighting the following strategic directions:

- ◆ Comprehensive development of the mining industry to increase the investment attractiveness of the Company.
- ◆ Effective management of the portfolio to form a high-quality asset portfolio.
- ◆ Sustainable development aimed at implementing and adhering to ESG principles.

The Company aims to fully unlock the potential of the country's mineral resources by attracting leading international partners and innovative technologies. By 2033, Tau-Ken Samruk envisions itself as a reliable partner in the global mining arena.

### KEY PERFORMANCE RESULTS FOR 2023

Indicator	2022	2023
<b>Production indicators, tons:</b>		
Gold production volume	55.6	52.2
Silver production volume	8.3	5.2
Gold sales volume	55.6	48.7
Silver sales volume	4.3	9.1
<b>Financial indicators<sup>17</sup>, KZT billion:</b>		
Revenue	947	816
Dividends	89	-
Net profit	-16.9	-47.3
Costs	976	817
Operating income	1.1	-1.1
Net debt	55	83
Taxes paid	2.7	1.6
Income tax paid	1	0.7
Other taxes and payments	1.7	0.9
<b>Sustainability indicators:</b>		
CO <sub>2</sub> emissions into the atmosphere, tons	189.9	127.62
Volume of disposed waste, tons	416	379
Accidents	1	0
Fatal accidents	0	0

In 2023, Tau-Ken Samruk continued to implement its existing geological exploration, mining, and metallurgical projects. Additionally, in 2023, the registration of the transfer of 100% of the shares of Kazgeology JSC from the RSI "Committee on State Property and Privatization" of the Ministry of Finance of the Republic of Kazakhstan to Samruk-Kazyna JSC was completed, with subsequent transfer to Tau-Ken Samruk.

### 10 YEARS OF PERFECT WORK IN TAU-KEN ALTYN LLP

A solemn event dedicated to the 10th anniversary of the plant took place on July 13, 2023. Tau-Ken Altyn LLP (hereinafter — Tau-Ken Altyn) participated in the "EXPO Central Asia — 2023" exhibition, which was timed to coincide with the 5th Consultative Meeting of the Heads of State of the region.

Tau-Ken Altyn also participated in the 2nd International Metallurgical Summit "Metals and Alloys. Kazakhstan", where industry

leaders gathered to exchange experiences and discuss current trends in industrial development. At the summit, representatives of the plant detailed the technology of vacuum distillation of silver, as well as the features of the equipment used.

Additionally, Tau-Ken Altyn launched a new workshop for processing production waste, capable of handling up to 15 tons of solid waste annually, including slag and thermal processing waste.



### INTERNATIONAL COOPERATION

TAU-KEN SAMRUK AND D MINERAL SIGNED A TERMS SHEET FOR THE EXPLORATION AND STUDY OF PROSPECTIVE AREAS, AIMING TO SUBSEQUENTLY OBTAIN LICENSES FOR GEOLOGICAL EXPLORATION AND TO ESTABLISH A JOINT VENTURE. TAU-KEN SAMRUK ALSO SIGNED A MEMORANDUM OF UNDERSTANDING WITH THE CHINESE COMPANY ZIJIN MINING.

Additionally, Tau-Ken Samruk and the European Bank for Reconstruction and Development (hereinafter referred to as EBRD), with the participation of the European Commission, signed a Memorandum of Understanding aimed at consolidating efforts to modernize the mining sector and enhance its investment attractiveness.

Tau-Ken Samruk, the European Commission, and the EBRD also signed a "Statement of Intent on Technical Support for Raw Material Projects". According to this document, signed during the Raw Materials Week in Brussels, the EU and EBRD will allocate a grant of 400,000 euros to conduct research on two projects: the extraction of lithium from the Aral Sea salt flats and the development of the Upper Kairakty tungsten deposit.

<sup>17</sup> Financial indicators for 2022 are as per the Company's 2022 Consolidated Financial Statements.





**CONTRIBUTION TO THE ECONOMIC AND INDUSTRIAL DEVELOPMENT OF THE COUNTRY AND MAJOR PROJECTS IMPLEMENTED IN 2023**

**Co-operation with Discovery Ventures Kazakhstan Ltd (Discovery)**

Since 2022, Tau-Ken Samruk and Discovery have been implementing a joint project for geological exploration aimed at searching for polymetallic deposits, where Tau-Ken Samruk owns 20% of the shares, and Discovery owns 80%. Discovery is a Kazakhstani junior company, a subsidiary of the British company East Star Resources PLS, specializing in the exploration of copper ores and resource development.

In 2023, extensive desktop studies were conducted to further explore the areas of interest according to historical reports and the results of the 2022 aerial electromagnetic survey. Additional geological work, including soil sampling and geophysical surveys of the sites, has been completed on the licensed areas. Based on the results, a decision was made to further study the sites under three licenses.

Continuation of drilling operations is planned for 2024.

**Co-operation with Esan Eczacıbaşı Endüstriyel Hammaddeler San. ve Tic. A.Ş. (hereinafter – Esan)**

Since 2022, Tau-Ken Samruk and the Turkish mining company Esan, part of Çalık Holding, have been conducting a joint geological exploration project aimed at searching for copper deposits. Within the project, Tau-Ken Samruk owns 20% of the shares, and Esan owns 80%.

In the second quarter of 2023, core drilling work commenced in the Aktobe region. At the licensed sites "Geological", "Auliesai", and "Milyasha", 22 boreholes totaling 6,796.3 linear meters were drilled to assess the potential of these areas.

In the third quarter of 2023, geophysical research began to identify anomalies. On the "Geological" and "Milyasha" sites, a scheme for ground geophysical survey covering 33.4 linear kilometers was developed.

In September 2023, the Company received two additional exploration licenses in the Aktobe region. Additionally, 1,087 soil samples were collected for analysis.

Continuation of geological exploration work for copper deposits and the acquisition of new licenses are planned for 2024.

**Co-operation with Fortescue Metals Group Ltd (Fortescue)**

Since 2020, Tau-Ken Samruk, in collaboration with Fortescue, a global leader in the iron ore industry, has been implementing a geological exploration project aimed at searching for copper deposits. Fortescue is recognized for its high production culture, innovations, and development of world-class infrastructure, particularly in the Pilbara mining industry in Western Australia. Tau-Ken Samruk owns a 20% stake in the project, while Fortescue controls 80%. This project makes a significant socio-economic contribution, including creating jobs and tax contributions.

In 2023, the following geological exploration activities were continued:

- ◆ Digitization and analysis of historical exploration reports for the "Zhezdy-1,2,3" licenses, followed by the creation of a database for the locations.
- ◆ Verification of data correlation from drilling results for the years 2021-2022.
- ◆ Analysis of historical reports and interpretation of obtained field data, as well as refinement of the database for drilling wells.

Continuation of geological exploration work to search for copper deposits is planned for 2024.

**ESG INITIATIVES BASED ON THE RESULTS OF 2023**

In December 2023, the development strategy for the Company for the period 2024–2033 was approved, which includes an important goal – the implementation of ESG principles. The main task of the strategy is to reduce the net carbon footprint by 10% and obtain a corresponding ESG rating, which facilitates the implementation of environmentally friendly, energy-efficient, and low-carbon projects.

Additionally, in the same month, an internal audit of the human resource management system was conducted. For the first time in the history of the Company, the procedure for verifying sustainable development indicators for the annual report for 2022 was completed. A production safety management system was developed, and a roadmap was created to obtain the ESG rating.

In October 2023, a facility for processing its own solid production waste was successfully launched at Tau-Ken Altyn. Business processes in the fields of environmental protection and occupational safety at this enterprise were also automated, and the "Aspans Safe Production" digital platform was implemented.

Furthermore, the Company actively worked on aligning its business processes with international standards, as evidenced by obtaining the ISO 37001:2016 certification – an anti-bribery management system. In 2023, training sessions on the Code of Business Ethics were also conducted, highlighting the Company's commitment to principles of honest and responsible business conduct.

**SOCIAL WELFARE**

The share of women on the Boards of Directors of subsidiary organizations has been increased to 30%. A memorandum of cooperation was signed between Tau-Ken Samruk and the Center for International Programs. This document regulates joint activities aimed at meeting the staffing needs of the mining company.

At the production site of ShalkiyaZinc LTD JSC, exercises were conducted to localize and eliminate a fire in the mine, as well as the emergency evacuation of personnel to the surface. The exercises tested the joint action algorithms of emergency rescue services and workers in the event of emergencies. Employees of ShalkiyaZinc LTD JSC and contracting organizations participated in the training session: the branch of the emergency rescue service CRH MPERS LLP, Kingka Mining Construction LLP, Sherif-H LLP as well as representatives of interested government bodies, Tau-Ken Samruk, and Samruk-Kazy-na JSC.

The Youth Council of the Tau-Ken Samruk Group of Companies was established. In October 2023, the first forum of the Council of Young Professionals of the Company's Group was held to discuss topical issues of youth policy, such as staffing of the production facilities under construction, representation of interests of young employees, interaction of young people with the management of the companies, as well as familiarization with the work of miners at the first horizon of the mine shaft of ShalkiyaZinc LTD JSC. Kasymkhan Tileubekov, Chief Surveyor of ShalkiyaZinc Ltd JSC, was announced as a finalist of the "Best Employee" contest.

**PLANS FOR 2024**

- ◆ Development and implementation of proactive tools for accident prevention;
- ◆ Completion of the divestment transaction of Tau-Ken Temir LLP and Silicon Mining LLP as part of the transfer to a competitive environment;
- ◆ Fulfillment of refined gold production volume;
- ◆ Attraction of partners for the implementation of projects in the mining sector;
- ◆ Implementation of geological exploration projects;
- ◆ Execution of the roadmap for the implementation of the Company's development strategy for 2024-2025;
- ◆ Execution of activities provided in the unified roadmap for obtaining an ESG rating in 2025.



# TRANSPORT AND LOGISTICS

## Development of passenger transport



FOUNDED IN 2002, AIR ASTANA JSC (HEREINAFTER — AIR ASTANA, THE GROUP) IS THE LARGEST AIRLINE IN KAZAKHSTAN IN TERMS OF REVENUE AND FLEET SIZE.

In 2023, the Board of Directors approved the issuance of a separate Air Operator Certificate (AOC) for FlyArystan and in September made a number of decisions regarding its future: FlyArystan became a separate legal entity, wholly owned by Air Astana, and was renamed FlyArystan JSC.

Thus, by the end of 2023, the Group operated flights on 91 routes, providing regular, direct, and transit, short-haul and long-haul air transportation on domestic, regional, and international routes. The Group offers a network of route connections in growing markets to capitalize on the increasing mobility levels in Kazakhstan and neighboring countries. By the end of 2023, the Group operated 49 aircraft, serving 91 domestic and international routes across 43 destinations.

### KEY PERFORMANCE RESULTS FOR 2023

Indicator	2022	2023
<b>Production indicators:</b>		
Passenger traffic, million	7.4	8.1
Aircraft load factor, %	83	83
On-time flight performance indicator, %	74	79
<b>Financial indicators, KZT billion:</b>		
Revenue	478.0	535.2
Dividends	7.5	0
Net profit	37.6	30.7
Operating income	70.1	61.3
<b>Sustainability indicators:</b>		
GHG emission intensity (tons of CO <sub>2</sub> per seat-kilometer)	0.064	0.063
Volume of disposed waste, tons	8.15	11.79
Accidents	17	29
Fatal accidents	0	0

By the end of 2023, the Group operated

**49**

aircraft



### MARKET OVERVIEW

AIR TRANSPORTATION OF PASSENGERS AND CARGO IS CLOSELY LINKED TO GLOBAL ECONOMIC DEVELOPMENT.

In 2023, the international air transport network recovered to

**89.5%**

Recent restrictions on flights to and from Russia have had a negative impact, but the opening of the market in China has already shown positive effects. In 2023, the international air transport network recovered to 89.5% of its pre-pandemic level, and domestic transport to 97.5%, which is 12 percentage points higher than in 2022<sup>18</sup>. The situation is expected to continue improving in 2024.

Leisure travel is more closely tied to seasonality, particularly evident in Europe, which was unprepared for the huge number of passengers wanting to fly in the summer of 2023. In 2019, a 50% increase in demand was anticipated for the vacation season. The increase to 65% in 2023 led to delays and dissatisfaction among both passengers and staff. However, in North America, the impact was not as severe, as flights to resort destinations at short distances are operated year-round.

The solution to this problem should be flexibility and adaptation to increased seasonal fluctuations. Some airlines have already taken steps to shift crew training and annual employee vacations to off-peak periods. Maintenance programs have been adjusted accordingly. Wider use of automated processes, such as self-service passenger check-in, helps to reduce the load. On the other hand, identifying and increasing the number of destinations for beach holidays in winter, as well as seeking commercial and international contracts from the MICE category (meetings, incentives, conferences, and exhibitions), can increase revenues during low-demand periods.

<sup>18</sup> Source: Global Outlook for Air Transport, IATA, December 2023.



KAZAKHSTAN AVIATION MARKET

Kazakhstan has 20 airports, 18 of which are open for international commercial flights. The airports are either state or privately owned, except for the Aktobe International Airport, which is owned by a public-private partnership.

According to the Aviation Administration of Kazakhstan (AAK), the civil aircraft registry of Kazakhstan has 920 units, 17% of which are airliners.

The number of Kazakhstani operators registered with AAK is 53 in 2023. Air Astana is one of seven airlines allowed to fly to EU countries. The other operators are Comlux, Prime Aviation, FlyJet.kz, KazAirJet, Jupiter Jet and SCAT. Six airlines operate domestic flights: Air Astana, FlyArystan, SCAT, Qazaq Air, Southern Sky and Zhetysu.

Kazakhstan continued to develop its air transport capabilities in 2023. The Civil Aviation Committee is reforming its sector, intending

to adopt the European management model within 2-3 years. As part of this effort, AAK is responsible for the regulatory oversight functions of the industry, improving efficiency, and preventing corruption.

The Government of Kazakhstan intends to increase the number of international flights and continues to implement the open sky policy to attract new foreign carriers. Specifically, flights to Doha (Qatar), Ankara (Turkey), Medina (Saudi Arabia), Baku (Azerbaijan), and Dushanbe (Tajikistan) were added in the spring and summer. Additionally, the number of flights from Astana, Almaty, Aktobe, Turkistan, and Atyrau to Istanbul will be increased, as well as from Astana and Almaty to Antalya, and from Almaty to Baku, Tbilisi, Phuket, and Malé.

Air Astana launched flights to Tel Aviv twice a week in September 2023, but was forced to discontinue them a month after opening due to the conflict in the region.

DOMESTIC MARKET

The launch of FlyArystan has had a significant impact on Kazakhstan's domestic market (before, during, and after the pandemic) and has contributed to the rapid recovery of the overall air transport market. Today, Kazakhstan's market is the fastest-growing domestic market in the world.

Over the past five years, FlyArystan has driven the majority of domestic transport growth, accounting for 37% of domestic flights in Kazakhstan in 2023. Together with Air Astana's 30% share, the Group represents 67% of the entire domestic market.

Since the inception of FlyArystan, both of Kazakhstan's major airports—in Almaty (the largest airport) and Astana—have seen an increase in domestic passengers, totaling about 70%. While Astana Airport accounted for about 5% of this volume, the number of domestic passengers at Almaty Airport grew from 2.8 million in 2018 to more than 5 million in 2023.

TRUCKING. GLOBAL OVERVIEW

THE GLOBAL DECLINE IN DEMAND FOR CARGO AIR TRANSPORT, WHICH BEGAN IN 2022, CONTINUED FOR MOST OF 2023.

The overall cargo capacity, measured in available ton-kilometers, increased by

11.3%

The problems remained largely the same: a downturn in the global economy and trade, the geopolitical situation worldwide, persistently high inflation in key markets, and increased global oil prices. Tensions in the Red Sea region added to these issues in the fourth quarter, the full impact of which has yet to manifest.

One of the latest effects of the pandemic in 2023 was the gradual discontinuation of passenger aircraft temporarily converted for cargo transport (so-called "freighters"), as they were reconfigured and returned to regular passenger service. Global cargo capacity significantly increased over the past two years as international passenger flights resumed and schedules expanded exponentially, opening opportunities for cargo transport in the belly-hold of passenger aircraft. The overall cargo capacity, measured in available ton-kilometers (hereinafter — ATKs), increased by 11.3% compared to 2022 and grew by 2.5% compared to pre-pandemic levels. Belly cargo in passenger aircraft accounted for 49% of the ATKs, a significant increase from 20% in 2020. This mode of transport continues to capture market share from dedicated freighter aircraft.

This substantial increase in belly-hold capacity negatively impacted cargo load factors (CLFs), affecting cargo revenues and airline profitability. Decreasing throughout the year, the global average CLF ended the year at 44%, although it reached 49.9% on international routes, 0.8% higher than in 2019. As an indicator of the balance between supply and demand in the industry, it is expected to stabilize after the normalization of passenger and cargo volumes to pre-pandemic levels.

Air Astana Group's cargo turnover growth in 2023 primarily occurred on routes from China, Korea, and the UAE to Kazakhstan. The growth matched the increase in capacities deployed in 2023. Cargo volumes from Turkey were affected by the slowdown in economic growth and the limited cargo capacity of narrow-body aircraft.

AIRCRAFT FLEET

AIR ASTANA'S PLANS FOR FUTURE CAPACITY AND PASSENGER COMFORT ARE CLOSELY LINKED TO THE EXPANSION AND SIMPLIFICATION OF A FUEL-EFFICIENT AND ENVIRONMENTALLY FRIENDLY AIRCRAFT FLEET, ADDRESSING ALL THREE STRATEGIC DIRECTIONS: GROWTH, EFFICIENCY, AND HIGH STANDARDS.

In 2023, the Group acquired the latest aircraft, an Airbus A321LR in October and an Airbus A320neo in November. As of December 31, 2023, the Group's aircraft fleet increased to 49 aircraft (43 in 2022), including 41 narrow-body Airbus A320 family aircraft, 5 narrow-body Embraer E190-E2 aircraft, and 3 wide-body Boeing 767 aircraft (under a single Air Operator Certificate (AOC), 31 aircraft are operated by Air Astana and 18 by FlyArystan).

The new, more modern, and eco-friendly aircraft reduce operational costs and environmental impact. For example, the Airbus A320neo family can provide up to 20% reduction in fuel consumption, a 20% reduction in noise levels compared to the previous generation A320ceo aircraft. Considering the fleet additions in recent years and in 2023, the average age of the Group's operating fleet is now 5.3 years.

Taking into account the planned returns and further acquisition of aircraft, the Group plans to increase its fleet to 80 aircraft by the end of 2028, with Air Astana operating 46 aircraft and FlyArystan operating 34 aircraft. To achieve this goal, an additional delivery of 48 aircraft is required from 2024 to 2028, for which 22 operational lease agreements have already been concluded by 2026: 19 Airbus aircraft (11 A320neo and eight A321neo) and three Boeing 787-9 Dreamliners.

MAINTENANCE AND REPAIR

The Department of Engineering Provision and Technical Maintenance (EPTM) of Air Astana has approximately 900 employees who work at the airports in Almaty and Astana, as well as at the line maintenance stations in Atyrau, Aktobe, and Shymkent. The EPTM Department is responsible for all maintenance work, technical services, aircraft acceptance/return, support for repair shops, sales of engineering consulting services, and cabin cleaning for the entire Air Astana aircraft fleet. It also prepares engineering and technical specialists (FlyArystan delegates all its engineering support and maintenance work to Air Astana).

The EPTM Department holds an AAK certificate and an EASA Part 145 certificate, which authorize it to perform line and base maintenance of its aircraft. Based on other certificates from the National Aviation Administration and an approved EASA Part 145 certificate, Air Astana also provides maintenance services to more than 22 other international and domestic airlines, including Asiana, DHL, Air Arabia, VietJet, Jazeera Airways, Lufthansa, Qatar Airways, Wizz Air, Fly Dubai, Air China, and Turkish Airlines, as well as Qazaq Air and SCAT Airlines. Additionally, the Training Academy conducts maintenance training on Air-

bus A320 family aircraft with various engine configurations in the Air Astana and FlyArystan fleets in accordance with the approved EASA Part 147 certificate.

The simplification of the Group's aircraft fleet has created opportunities for efficient planned and unplanned maintenance without the need for external contractors. Since 2019, Air Astana has become the first airline in Kazakhstan capable of independently performing complex maintenance on the Airbus A320 family of aircraft, such as C1-check and C2-check, at its engineering bases in Almaty and Astana. After successfully completing the first six-year C-check maintenance at the end of 2023, Air Astana performs all C-checks on Airbus A320 family aircraft, including those owned by FlyArystan. The six-year maintenance is very complex: it took over 20 days and required 7,800 man-hours of work by highly qualified mechanics and engineers with international EASA Part 66 certificates and licenses, including specialists trained through the Air Astana aviation technicians' training program. The airline was authorized to perform this type of work at the beginning of 2023 following an international EASA audit. According to the Group's estimates, the ability to conduct

C-check maintenance in-house is expected to lead to annual savings of approximately USD 3.0 million and has already reduced aircraft ground time by 14-18%.

The Group plans to expand its maintenance capabilities in line with the expected expansion of its aircraft fleet. This will require enlarging the existing hangar at the Astana airport and constructing a larger hangar at the Almaty airport to simultaneously accommodate two Boeing 787s or five Airbus A320s. As the Group gains experience in conducting C-check maintenance, it intends to offer C-check inspections to other aircraft operators by 2025.



SINCE 2008, THE GROUP HAS BEEN RUNNING THE PILOT AB-INITIO CADET PROGRAM TO MEET THE DEMAND FOR LOCAL QUALIFIED PILOTS.

AIR ASTANA TRAINING ACADEMY

The Air Astana Training Academy, located in Almaty, was established with the aim of creating a center of expertise dedicated to training Group personnel, developing operational and personal skills of employees, and providing services to external customers from the aviation industry in CIS countries. It is the only training center in Kazakhstan certified under EASA Part 147, where both theoretical and practical training according to Part 147/145 standards is conducted, in collaboration with the Flight Training Center (see below).

The Training Academy ensures all aspects of operational training:

- ◆ The Training Academy offers approximately 79 programs in engineering support, ground handling, and onboard services based on international standards (ICAO, IATA, and EASA 147/145), accredited by AAK and thus also available to external organizations.
- ◆ The new Flight Training Center, located at the Astana airport, was commissioned in 2023 and enables training on the L3 Harris Reality Seven A320 full-flight simulator. It is the first of its kind in Kazakhstan and is designed for 7,000 hours of training per year, which, according to the Group's estimates, will reduce pilot travel time to external training centers by about 25%, equating to more than 1,000 person-days. Procedural training is also conducted on Aerosim fixed-base simulators, supported by the flight simulator. The Group plans to acquire a second full-flight simulator in 2025.
- ◆ Advanced onboard safety training at the Training Academy means that the Group will not engage external providers for initial or triennial crew training for its Airbus fleet. It is estimated that using the emergency cabin escape simulator provided by Skyart and the realistic fire training simulator provided by Flame Aviation for the A320 family of aircraft instead of sending pilots and crew members to Germany and Turkey for training will provide significant savings. The Group also intends to offer safety and emergency response training to other airlines in Kazakhstan in the future.

- ◆ A regular internal leadership course for captains, "Leadership for Flight Commanders", launched in 2020 as part of the "Learning/Career Options" program for the pilot community, is conducted for new captains.
- ◆ Since 2008, the Group has been running the Pilot Ab-Initio Cadet program to meet the demand for local qualified pilots. Each year, about 20 cadets start training under the program, and since its inception, 270 cadets have completed the training, with many becoming flight crew members, and some achieving the rank of captain. In 2024, the number of cadets recruited annually will be increased to meet the ongoing need for qualified pilots.
- ◆ All crew members undergo training, including safety techniques and emergency actions, first aid, and handling of hazardous materials. The Training Academy also conducts refresher training for crew members transitioning to business class or other positions within the Company.
- ◆ After completing two programs for obtaining EASA Part 66 licensed qualifications for apprentice mechanics from 2018 to 2022, in August 2023, the Training Academy also introduced a professional training program. New participants undergo a five-year course and receive international and local certificates, as well as the additional opportunity to obtain a licensed EASA B1/B2 qualification. Engineers responsible for aircraft airworthiness in the Group's Technical Standards Department provide mentoring on standards compliance and coordinate training under the EASA Part 147 program.

MAJOR IT INVESTMENTS AND DIGITALIZATION

Air Astana sees itself as one of the leaders in digital technology among airlines in the Central Asia and Caucasus region. The Group operates its own Airline Performance Excellence (APEX) program, which provides the Company with unrestricted access to information and helps model scenarios, especially during periods of rapid change. Several budget management and forecasting modules have been launched to handle fixed and variable costs, staffing, operational expenses, and to automate procurement planning through inventory control systems and accumulated stock management. The next stage of continuous improvement and a full part of the Group's strategic planning process involves expanding the forecasting capabilities within these modules.

The Group is also investing in a new online booking system aimed at increasing the visitor return rate to the website and conversion in e-commerce, as well as improving the overall quality of digital services by enhancing performance and a more modern, user-friendly interface. The system's capabilities will be expanded with the following enhancements:

- ◆ Convenient features that allow website users to find the nearest airport, select "low fare days", and store passenger and credit card data. This will simplify and speed up the booking process and help strengthen customer loyalty.
- ◆ Improvements will be made to the Nomad loyalty program that will facilitate user registration in the loyalty program and simplify the use of accumulated points.
- ◆ A wider selection of ancillary products will be displayed during the booking process to encourage more active use of these high-profit additional services.



SUSTAINABILITY

Air Astana aims to become the leading environmentally sustainable and socially responsible airline in the CIS and Central Asia. Air Astana is committed to reducing its negative impact on the environment and the communities in which it operates, implementing a comprehensive approach to sustainable development. These efforts include reducing emissions, waste management, the efficient use of resources (such as energy) and supporting local communities.

ESG STRATEGY

In February 2023, the Group approved a comprehensive ESG Strategy for 2023–2032. It was developed based on best practices and international standards, considers steps already taken or planned by the Group in sustainable development, and is aligned with the United Nations Sustainable Development Goals (SDGs). The Group identified six priority SDGs: Quality Education (SDG 4), Gender Equality (SDG 5), Decent Work and Economic Growth (SDG 8), Reduced Inequality (SDG 10), Climate Action (SDG 13), and Partnerships for the Goals (SDG 17).

Specifying SDGs as priorities allowed the Company to develop an ESG Strategy that is not only more targeted but also more effective, reflecting the specific challenges and opportunities of the civil aviation sector. While we focus particularly on these six SDGs, we do not overlook the other goals. All 17 SDGs are necessary for a sustainable future and deserve our attention. Nevertheless, given the complex specifics of the industry, we have made a strategic choice to direct our efforts towards achieving those SDGs that are most closely related to our core activities, our capabilities, and where we can make a significant impact.

SPECIFYING SDGS AS PRIORITIES ALLOWED THE COMPANY TO DEVELOP AN ESG STRATEGY THAT IS NOT ONLY MORE TARGETED BUT ALSO MORE EFFECTIVE, REFLECTING THE SPECIFIC CHALLENGES AND OPPORTUNITIES OF THE CIVIL AVIATION SECTOR.



Delivery of seven A320neo family aircraft increasing the fleet to

**56**

units

Number of cadets joining the Ab-initio pilot training program each year

**40**

cadets

**THE GROUP PLANS TO REFRESH ITS LOW CARBON DEVELOPMENT PROGRAM AND COMMIT TO ZERO EMISSIONS BY 2050 THROUGH A SUSTAINABILITY PLAN AND ACHIEVABLE SHORT-TERM TARGETS FOR THE NEXT FIVE YEARS.**

**LOW-CARBON DEVELOPMENT PROGRAM**

To set targets for reducing greenhouse gas emissions, the Group has developed a Low Carbon Development Program (LCDP) for 2023-2032. It is part of the Group's ESG Strategy and is in line with Kazakhstan's goal of achieving carbon neutrality by 2060.

Under this program, the Group is replacing Airbus family aircraft with new generation A320 and A321neo aircraft. Airbus notes that this family of aircraft can provide up to 20% reduction in fuel consumption, 20% reduction in CO<sub>2</sub> (NOx) emissions and 50% reduction in noise levels compared to the previous generation A320ceo family of aircraft. In recent years, the Group has made extensive efforts to reduce CO<sub>2</sub> emissions, reducing CO<sub>2</sub> emissions from 0.122 tons per passenger-kilometer performed

in 2016 to 0.076 tons in 2023. The achieved emission reduction of 38% wins against comparable emissions for comparable international air carriers and low-cost carriers.

The Group is currently aiming to achieve zero emissions by 2060. However, during 2024, the Group plans to review its LCDP and update its commitment to achieve carbon neutrality by 2050 in line with the long-term goal adopted by the International Civil Aviation Organization (ICAO) by developing a sustainability roadmap with realistic short-term targets for the next five years. These will be independently verified by a third party as science-based targets (SBTi) consistent with the Paris Agreement's mitigation goals.

In line with the recent resolution of the Asia Pacific Airlines Association, the Group has also set a target to achieve a collective blending rate of 5% of sustainable aviation fuel with conventional fuel by 2030 (assuming SAF is available in the market). This target may be adjusted, if necessary, following the update of the LCDP.

**PLANS FOR 2024:**

- ◆ Air Astana's IPOs on the London Stock Exchange, AIFC and Kazakhstan Stock Exchange attracted new Kazakhstani and international investment, which will help realize our ambitious business development plans from 2024 to 2028.
- ◆ Delivery of seven A320neo family aircraft (4 for FlyArystan and 3 for Air Astana), increasing the fleet to 56 units, in line with plans to increase the fleet to 80 units by 2028.
- ◆ Expansion of the route network by opening flights to Kuala Lumpur (Malaysia) in 2024. Flights to Japan and Singapore are planned for 2025-2026.
- ◆ Training volume on the L3 Harris A320 flight simulator is expected to increase to 5,500-6,000 hours. The simulator has a maximum annual capacity of 7,000 hours. The Group plans to purchase a second simulator in 2025.
- ◆ Each year, about 40 cadets join the Ab-initio pilot training program, which was established to meet the need for locally qualified pilots. A total of 270 cadets have already graduated and enrollment is expected to increase to 300 in 2024.
- ◆ Eight Airbus family aircraft are subject to maintenance, three of which require a full six-year C-check maintenance program, and the first 12-year C-check maintenance program is planned. In-house C-check maintenance has already reduced downtime by approximately 14-18%. By 2025, the Group intends to offer this type of maintenance to other aircraft operators.
- ◆ In July 2023, Pratt & Whitney announced an engine recall due to contamination of the material used in engine production. Air Astana has already addressed a number of issues related to this situation and has taken mitigating actions ahead of the market. During 2024, 34 engines are scheduled for removal and alternative engine replacement options are already in place to avoid schedule disruptions. The Company is in the final stages of negotiating an agreement with Pratt & Whitney that provides compensation and other support to the Company for operational impacts.
- ◆ The Group plans to refresh its low carbon development program and commit to zero emissions by 2050 through a sustainability plan and achievable short-term targets for the next five years.
- ◆ Investment in a new online booking system designed to increase repeat website visits and e-commerce conversion rates and improve the overall quality of digital service delivery.







QAZAQ AIR JSC (HEREINAFTER — QAZAQ AIR) IS A KAZAKHSTAN AIRLINE, WHICH IS A SUBSIDIARY OF THE FUND AND IS BASED AT NURSULTAN NAZARBAYEV INTERNATIONAL AIRPORT LOCATED IN ASTANA.

**MARKET OVERVIEW**

ACCORDING TO THE INTERNATIONAL AIR TRANSPORT ASSOCIATION (IATA) WORLD AIRLINES INCREASED PASSENGER TRAFFIC BY 36.9% IN 2023, AS A RESULT, IT RECOVERED TO 94.1% OF PRE-PANDEMIC 2019 LEVELS. KAZAKHSTAN'S CIVIL AIR TRANSPORTATION MARKET HAS DEMONSTRATED STRONG GROWTH IN THE POST-COVID PERIOD.

1.	2.	3.
ABOUT THE FUND	CONSOLIDATED FINANCIAL INDICATORS	FUND PERFORMANCE

QAZAQ AIR strives to realize its mission in providing affordable inter-regional air transportation that meets high international and national safety standards. The growing demand for interregional air transportation confirms the high potential of the country's regions to develop tourism and business activity.

The Company's aircraft fleet consists of 5 modern turboprop aircraft manufactured in Canada, which is classified as a small fleet size by aviation standards. Using the convenient geographical location of the base airport in Astana, the Company successfully develops a hub route network to the regions and border cities of neighboring countries.

**KEY PERFORMANCE RESULTS FOR 2023**

Indicator	2022	2023
<b>Production indicators:</b>		
Passenger traffic, thousand people	561	588
Cargo transportation volume, tons	32	23
Aircraft load factor, %	82	84
On-time performance of flights, %	78	77
<b>Financial indicators<sup>19</sup>, KZT billion:</b>		
Revenue	20.4	19.6
Dividends	0	0
Net loss	-6.6	-7.6
Costs	18.9	20.8
Operating profit/loss	3.2	-2.9
Taxes paid	0.6	0.6
<b>Sustainability Indicators:</b>		
GHG emissions intensity (tons of CO <sub>2</sub> per kilometer)	0.012	0.011
Volume of waste disposed of, tons	0.3	0.19
Accidents	0	0
Deaths in accidents	0	0

The annual growth of passenger traffic at the level of about 20% indicates an active phase of market growth.

In 2023, half of domestic scheduled air routes are subsidized by the government to phase them into commercial viability.

The cost-effectiveness of QAZAQ AIR based on the current fleet, which has the best indicators on the size of the cost of production on regional routes, allows the rational launch of new and low-intensity subsidized routes. Subsequently, when passenger traffic grows, QAZAQ AIR will transfer these routes to a commercial basis.

The relatively low level of infrastructure of regional airports does not allow to service narrow-body aircraft, which additionally creates a natural competitive advantage for QAZAQ AIR in the domestic market.

In Kazakhstan and border territories of neighboring countries at a distance of 500 km from the borders of the Republic of Kazakhstan lives a population of about 100 million people.

QAZAQ AIR aims to develop international air service on cross-border international routes with high commercial potential.

In 2023, the Company was among the top three in the nomination "Best Regional Airlines of Central Asia and CIS 2022" according to Skytrax. The high assessment of the Company's performance in the Skytrax awards is proof of the Company's commitment to high standards and recognition by passengers.

4.	5.	6.	
SUSTAINABLE DEVELOPMENT	CORPORATE GOVERNANCE	ANNEXES	CONTACT INFORMATION



**FACTORS AFFECTING THE RESULTS**

QAZAQ AIR delivered a historic record in 2023 with 5 aircraft carrying 588,000 passengers, the highest number of passengers carried in a similar period since operations commenced in 2015.

Significant changes were made to the seasonal schedule for passenger convenience, the number of flights was increased, and various measures were implemented to stimulate ticket sales, including seasonal discounts during periods of low demand. These measures resulted in an increase in overall traffic volume. The route network remained largely unchanged from the previous year.

In 2023, due to temporary restrictions by the authorities of neighboring countries, the program of international flights was reduced, which had a negative impact on profitability.

**ROUTE NETWORK**

In 2023, QAZAQ AIR's route network included 29 destinations between cities in the Republic of Kazakhstan. Subsidized flights were also introduced to support domestic tourism, such as Astana — Urjar, Almaty — Kokshetau, Turkestan — Aktobe and Shymkent — Zhezkazgan. These air services have demonstrated their potential and the Company has received positive feedback from its passengers.

**EXPANSION OF AIR TICKET DISTRIBUTION NETWORK**

QAZAQ AIR has entered into an interline ticketing agreement with European airline Hahn Air. This agreement gives passengers worldwide and Hahn Air agents access to QAZAQ AIR tickets via electronic booking services. Thus, the Company has significantly expanded its presence in the international market.

<sup>19</sup> Financial indicators for 2022 are as per the Company's 2022 Consolidated Financial Statements



**ENVIRONMENTAL SAFETY**

QAZAQ AIR strives to minimize the negative impact of its operations on the public and the environment, to prevent industrial accidents that damage the environment, and supports the rational use and reproduction of natural resources. The Company complies with the principles of energy efficiency, resource conservation and utilization of alternative energy sources. The Company's management undertakes to comply with legal and other requirements applicable to the environmental aspects of QAZAQ AIR's operations.

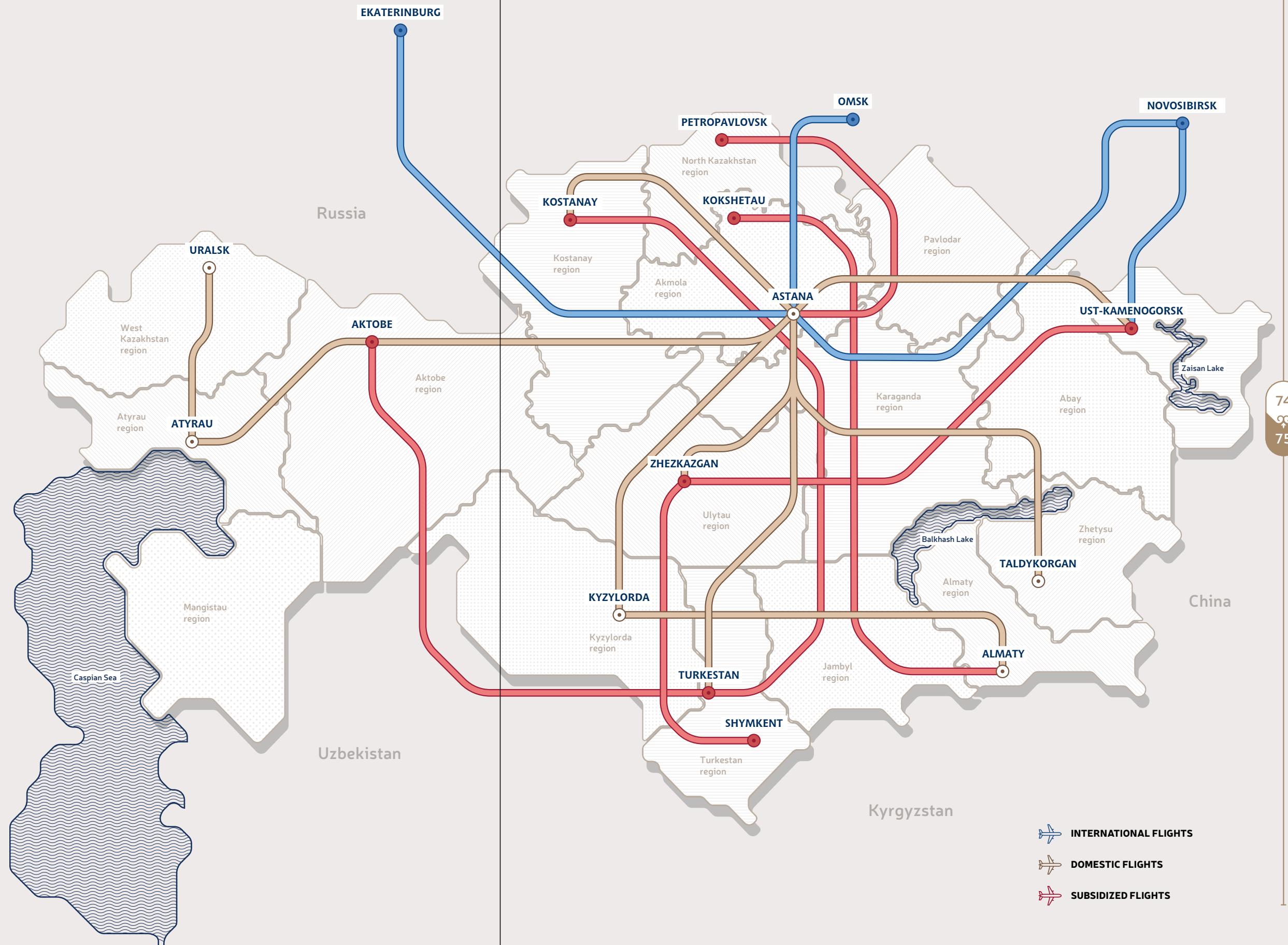
The Company adheres to the principles of no harm to people and protection of the environment in carrying out our work and achieving our objectives. QAZAQ AIR's environmental policy is aimed at improving the energy and environmental efficiency of passenger, baggage, mail and cargo transportation.

**ENSURING A SAFETY CULTURE**

The health and safety of employees forms the basis for the realization of the Company's strategic goals. QAZAQ AIR follows the safety performance indicators, reducing the risk of injuries and accidents by embedding a safety culture in all aspects of operations. For 2023, the Lost Time Injury Frequency (LTIF) rate is 0, with no accidents or incidents recorded during the period.

**TOWARD THE GOAL**

In the short term, a project is underway to bring QAZAQ AIR into a competitive environment aimed at attracting a strategic partner for the purpose of expanding and diversifying its fleet and flight geography.



-  **INTERNATIONAL FLIGHTS**
-  **DOMESTIC FLIGHTS**
-  **SUBSIDIZED FLIGHTS**



## Transport and Logistics Potential Development



National Company Kazakhstan Temir Zholy JSC (hereinafter – KTZh) is the key transportation and logistics holding company and operator of the main railway network of the Republic of Kazakhstan, performing the functions of a national carrier of cargo and passengers. The Company plays a central role in economic integration, connecting 17 regions of the country and three cities

of national importance, as well as providing transport links with five neighboring countries – China, Russia, Uzbekistan, Kyrgyzstan and Turkmenistan through 16 connecting points.

KTZh owns the largest fleet of locomotives and railcars in Kazakhstan and is one of the largest employers in the country.

Cargo turnover (operational)

# 269.7

billion ton-km

### KEY PERFORMANCE RESULTS FOR 2023

Indicator	2022	2023
<b>Production indicators:</b>		
Cargo turnover (operational), billion t-km	252	269.7
Passenger turnover, billion p-km	12.4	11.8
Container transit, thousand TEU	1,129.2	1,282.3
<b>Financial indicators<sup>20</sup>, KZT billion:</b>		
Revenue	1,481.5	1,934.1
Net profit	36.9	136.8
Costs	1,520.6	1,854.1
Operating profit	177.9	332.8
Net debt	1,520.8	2,061.2
Taxes paid	111.2	140.6
<b>Sustainability indicators:</b>		
Atmospheric emissions (CO <sub>2</sub> scope 1), thousand tons	2,389	2,389
Atmospheric emissions (CO <sub>2</sub> coverage 2), thousand tons	3,284	3,119, <sup>21</sup>
Volume of disposed waste, tons	59.1	58.6
Accidents	22	25
Deaths in accidents	5	6

### FACTORS AFFECTING THE RESULTS

#### THE INCREASE IN FINANCIAL RESULTS WAS DUE TO THE GROWTH OF INCOME FROM OPERATIONS.

The increase in net debt was due to the attraction of debt financing for the renewal of the Company's locomotive fleet (approximately KZT 216 billion), renewal of Stadler passenger cars (KZT 162.6 billion) and financing the leasing of 100 passenger cars (KZT 73 billion). The Company also purchased KTT gondola cars (KZT 71.5 billion), issued the second tranche of bonds to finance the infrastructure project "Construction of second tracks on the Dostyk-Moyinty section" (KZT 173.7 billion), refinanced 250 million Swiss francs Eurobonds and repaid short-term loans (KZT 258.5 billion).

In 2023, KTZh worked actively to overcome the problems associated with the disruption

of traditional transportation and logistics chains. As part of this work, measures were taken to adapt and optimize transport flows in the context of the changing geopolitical environment and logistical challenges.

In general, the efforts of KTZh and the Government made it possible to maintain the attractiveness of Kazakhstan's transit corridors in difficult geopolitical conditions, forming a new framework for the country's transport and logistics complex.

By 2023, the volume of container transit transportation reached 1,282 thousand twenty-foot equivalent units (hereinafter – TEU), which is 13.6% more compared to the previous year.



### INFRASTRUCTURE MODERNIZATION

Within the framework of the National Project "Strong Regions – Driver of the Country's Development" and in accordance with the Concept of Development of Transport and Logistics Potential of the Republic of Kazakhstan until 2030, construction of second tracks on the Dostyk – Moyinty section was started in November 2022. The purpose of this project is to increase the throughput capacity of this section and stimulate the transit potential of Kazakhstan.

The implementation of the project on construction of the second line with a total length of 836 km will increase the number of cargo trains five times – from 12 to 60 pairs per day. This will be a significant step in strengthening the country's export capabilities and will expand transportation opportunities for Kazakh exporters in this direction.

Construction is scheduled for completion in 2025.

In 2023, the construction of the following infrastructure projects was launched:

- ◆ "Construction of Almaty bypass railroad line";
- ◆ Construction of the Darbaza-Maktaaral railroad line;

- ◆ Construction of the third border railroad crossing "Bakhty" on the Kazakhstan-China border with access to the existing railroad section "Semey – Aktogay".

The purpose of the projects is to increase the capacity of the sections and the transit and transportation potential of the country.

As part of KTZh's transformation into a full-fledged transportation and logistics company and to increase the volume of transit cargo traffic, work has been done in the following key areas:

#### Partnerships and strategic alliances:

- ◆ For the development of the TITR route, KTZh, together with Azerbaijan Railways CJSC and Georgian Railway JSC, established Middle Corridor Multimodal Ltd on the basis of the Astana International Financial Center.
- ◆ A memorandum was signed between RZD Logistics, KTZ Express and TLC Turkmenistan to establish a joint venture for the development of the North-South transport corridor.
- ◆ An agreement was formalized with Abu Dhabi Ports Group to create a multimodal route Kostanai – Kuryk – ports of Anzali, Bandar Abass (Iran) – Khalifa Port (Abu Dhabi).

- ◆ "United Transport and Logistics Company – Eurasian Rail Alliance" JSC, which is a joint venture with Russia and Belarus, continues its operations on the China-Russia-Europe transit route.

#### Development of logistics capacities:

- ◆ A cargo terminal was opened in Xi'an, becoming a key hub for sending container trains to Kazakhstan, Central Asia, Europe, Turkey and Iran.

#### Digitalization and innovation:

- ◆ In May 2023, KTZh Express JSC and PSA formed a joint venture, KPMC Ltd, aimed at developing the TITR route and creating a digital trade corridor.
- ◆ KTZh, cooperating with global leaders in digitalization such as Huawei, Wabtec and PSA, launched the Smart Railway project.

Overall, KTZh's efforts in 2023 were aimed at creating the conditions for further growth of transit potential and strengthening the country's export opportunities.

<sup>20</sup> The financial indicators for 2022 are as per the Company's 2022 Consolidated Financial Statements

<sup>21</sup> The methodology specified in the GHG Protocol Scope 2 Guidance has been applied to the Scope 2 calculation.



PASSENGER TRANSPORTATION

IN 2023, RAIL PASSENGER TURNOVER DECREASED BY 1.5% COMPARED TO 2022, ACCOUNTING FOR 22% OF TOTAL PASSENGER TURNOVER.

Revenues from passenger transportation for 2023 amounted to

101.7

KZT billion

KTZh's subsidiary, Passenger Transportation JSC, is actively working to create comfortable conditions for passengers. Given the length of railroads in Kazakhstan, this is a key aspect in maintaining the image and attractiveness of this business sector in KTZh. The Company carefully studies passenger preferences, a feedback system is actively functioning, and complaints about the quality of service are carefully recorded and analyzed. Measures are also being taken to renew the car fleet.

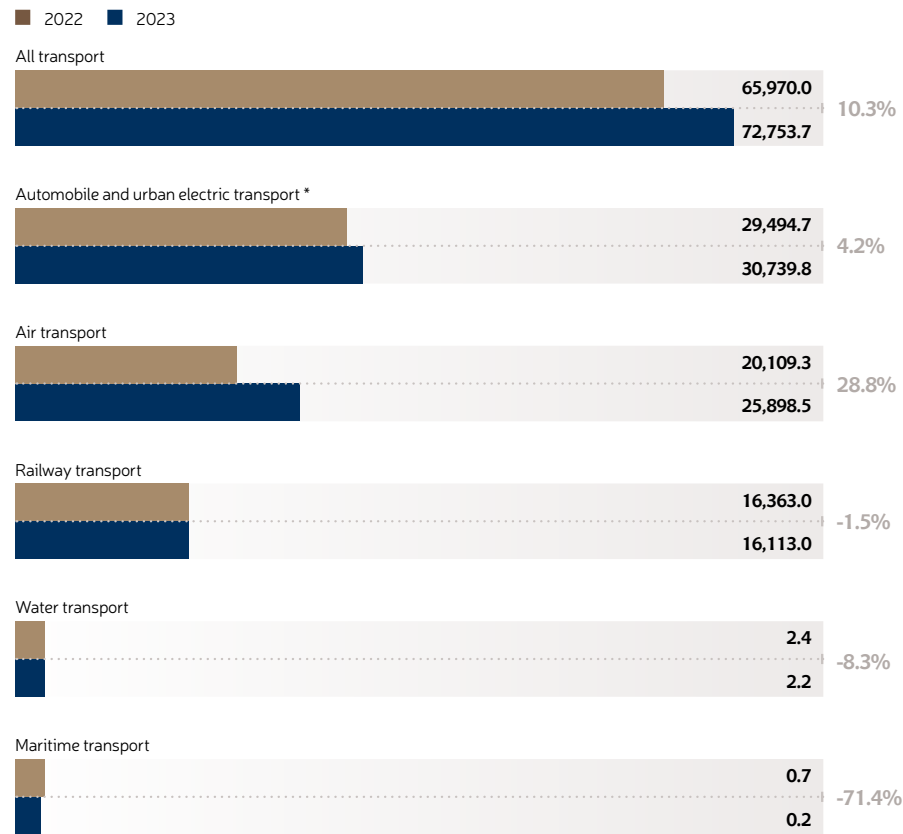
The Company's passenger turnover in 2023 decreased by 4.2% compared to the 2022 level and amounted to 11,831 million p-km (12,353 million p-km in 2022). The decrease in passenger turnover was due to the reduction in the frequency of some routes from daily to alternating daily service, as well as the cancellation of a number of trains.

The number of passengers dispatched by Passenger Transportation JSC in 2023 amounted to 13,681 thousand passengers (14,073 thousand passengers in 2022), including:

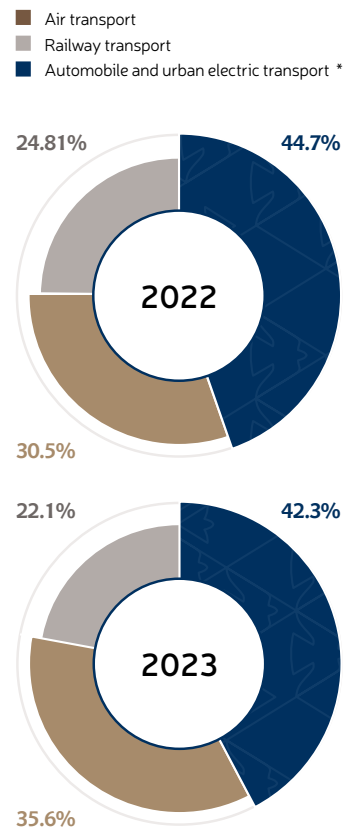
- ◆ on the trains formed by Passenger Transportation JSC -11,178 thousand passengers;
- ◆ Suburban Transportation branch – 2,338 thousand passengers;
- ◆ by trains of other railroad administrations – 165 thousand passengers.

Revenues from passenger transportation for 2023 amounted to KZT 101.7 billion, which is 15% higher than in 2022. The increase was due to a 2.6-fold increase in passenger turnover on interstate and transit routes, as well as a 7% increase in tariffs from January 1, 2023.

PASSENGER TURNOVER OF KAZAKHSTAN IN 2023 BY TYPE OF TRANSPORTATION, MILLION P-KM



SHARE IN TOTAL PASSENGER TURNOVER, %



Note: Statistical data on the Transport sector from January 2023 are formed taking into account the change in the methodological approach to the formation of indicators of individual entrepreneurs engaged in commercial transportation of goods and passengers by road transport. In order to obtain comparable data with the same period of the previous year, the main indicators of the Transport sector for 2022 were reformed.

NEW ROUTES

As part of the tasks set for Passenger Transportation JSC to unload the Astana-Shu railway section to meet the traffic schedule and increase the route speed, measures were taken to introduce a batch schedule by organizing a circular movement of Talgo trains and combining passenger train strings:

- ◆ Replacement of standard cars with Talgo on trains No.9/10 Astana-Almaty and No.71/72 Astana-Shymkent;
- ◆ Increasing the frequency of trains No.11/12 Almaty-Shymkent, No.25/26 Almaty-Shymkent, No.46/45 Pavlodar-Turkestan to a daily service, and train No.1/2 Almaty-Tashkent to every other day.
- ◆ Extension of the route of train No.613/614 Uralsk-Beyneu to Mangistau station.

Due to the implementation of these measures, the residents of the regions have felt positive changes as the trains have increased their frequency of service, which directly stimulates the development of the regional economy.

In addition, Talgo fast trains give impetus to the development of tourism and are in great demand not only by local residents, but also by visiting guests and tourists.

In Talgo trains, passengers can use the services of the dining car. The Grand and Grand PMR class cars (for persons with disabilities) have shower cabins. Passenger Transportation JSC constantly renews its car fleet: from 2010 to 2023, the Company purchased 1,326 cars.

In 2021, Passenger Transportation JSC launched a pilot project to sell railway travel documents exclusively for women, including boys under 7 years of age.

Thus, one compartment car "Women's carriage" each in the following passenger trains of the Company is involved:

From October 2021:

- ◆ No.77/78 communication "Almaty-Mangistau", carriage No.07;
- ◆ No.351/352 communication "Almaty-Oskemen", carriage No.10.

From February 2022:

- ◆ No.45/46 communication "Pavlodar-Turkestan", carriage No.09;
- ◆ No.37/38 communication "Mangistau-Seimei", carriage No.06;
- ◆ No.47/48 communication "Atyrau-Nur-Sultan", carriage No.06.

Due to the demand for this service, the Company organized additionally in three passenger trains from the beginning of the summer period of 2023:

- ◆ No.33/34 communication "Almaty-Aktobe", carriage No.06;
- ◆ No.4/3 communication "NurSultan-NurlyZhol-Almaty", carriage No.17;
- ◆ No.71/72 communication "NurSultan-Shymkent", carriage No.10.

Since the introduction of the pilot project, 289,242 people have used the service, including: in 2021 – 13,414 people, in 2022 – 114,068 people, in 2023 – 161,760 people.

As part of the implementation of the loyalty program in the pilot mode from March 14, 2022 Passenger Transportation JSC launched a discount card "Altyn", which provides a 25% discount for travel in standard passenger cars and "Talgo". The card can be purchased at the Company's ticket offices and costs KZT 19,999.

COMFORTABLE CONDITIONS FOR PASSENGERS

In 2023, 102 railcars were added to Kazakhstan's passenger rail fleet. In 2024, it is planned to deliver 62 new railcars and purchase approximately 50 railcars. In addition, in the period from 2025 to 2030, it is planned to purchase more than 600 new cars from ZIKSTO JSC and Stadler Kazakhstan LLP, all of which will meet international standards. After delivery of these cars, the fleet will be renewed by two thirds.

In 2023, the passenger railroad fleet of Kazakhstan was replenished by

102

railcars





CARGO TRANSPORTATION

Cargo turnover of all types of transport in 2023 amounted to 501,340.9 million ton-km, which is 3.1% higher than in 2022.

Rail transport remains the main player in cargo transportation, accounting for 65.2% of the country's total cargo turnover. Rail cargo turnover in 2023 increased by 4.8% to 326,811.7 million ton-km.

In 2023, the Company recorded a tariff cargo turnover of 262.4 billion ton-km, which is 7.0% higher than the previous year's figure of 245.2 billion ton-km. This growth was achieved due to an increase in cargo turnover on all routes.

In the structure of types of communications, cargo turnover was as follows:

- ◆ In intra-republican traffic, there was an increase of 1.1% due to a 1.7% growth in the average distance of cargo transportation, including iron ore, oil products, grain, non-ferrous ores and metals, cement and limestone for fluxing.
- ◆ In terms of exports, cargo turnover increased by 6.5% due to a 9.0% increase in the average distance of cargo transportation. This increase was due to higher transportation of iron ore, crude oil, grain, chemicals, fertilizers, non-ferrous ore and cement;
- ◆ For imports, cargo turnover increased by 13.9% due to an 11.1% increase in the volume of cargo transportation. The increase affected all cargo nomenclatures except coal, construction cargo, ferrous metal scrap and non-ferrous ore.

- ◆ As for transit, the increase amounted to 16.5%, which was due to an 18.0% increase in transportation volume. There was an increase in transportation of oil from Russia to Uzbekistan, oil products from Russia to CA countries, grain from Russia to Kyrgyzstan, chemicals from China to Uzbekistan and Russia, from Russia to China, fertilizers from Belarus to China and from Russia to CA countries and China, non-ferrous metals from Russia to China (copper) and Uzbekistan (aluminum), ferrous metals from Russia and China to CA countries, as well as other cargoes: wood from Belarus to China and Central Asian countries, machinery and equipment from China to Russia, Belarus and Central Asian countries, fruits and vegetables from Uzbekistan to China.

In 2023, compared to 2022, there was an increase in cargo turnover of the following cargoes:

- ◆ chemicals and fertilizers – by 21.7%;
- ◆ petroleum products – by 19.8%;
- ◆ grain – by 17.9%;
- ◆ ferrous metals – by 11.7%.

In 2023, the Company recorded a tariff cargo turnover of

**262.4**

billion ton-km

ALTERNATIVE TRANSPORTATION ROUTES

In August 2022, Kazakhstan's President Kassym-Jomart Tokayev put forward an initiative to develop TITR. Throughput capacity of TITR is about 6 million tons per year, including up to 80 thousand containers.

In 2023, about 2.8 million tons of cargo was transported along the TITR route, which is 86% higher than in 2022, and almost five times higher than in 2021. The growth was due to a multiple increase in Kazakhstan's exports along this route, which grew 2.5 times compared to 2022.

In order to increase the capacity of TITR, measures are being taken synchronously with all participants of the route to remove infrastructure constraints, as well as the integration of national digital systems.

At the end of 2022, a roadmap to remove bottlenecks on the TITR route was approved at the governmental level of Kazakhstan, Azerbaijan, Turkey and Georgia. Today, active work is underway to implement this roadmap by all participants.

The main infrastructure projects are the development of railroad and port infrastructure along the entire TITR corridor. It is planned that the implementation of the roadmap will increase the throughput capacity of the route to 10 million tons.

One of the key projects of the roadmap is the construction of an international container hub in the port of Aktau, which is capable of becoming a driver of container transportation growth.

To intensify transit traffic in the East-West direction, the construction of the Kazakh-Chinese "Dry Port" in Xi'an was launched in May 2023 with the participation of the Head of State of Kazakhstan. The test run of trains in the direction of Absheron took place already in December 2023.





**ON THE ESTABLISHMENT OF A JOINT VENTURE WITHIN THE FRAMEWORK OF TITR**

FOLLOWING THE OFFICIAL VISIT OF THE PRESIDENT OF THE REPUBLIC OF AZERBAIJAN TO THE REPUBLIC OF KAZAKHSTAN ON APRIL 10, 2023 IN ASTANA, THE HEAD OF STATE INSTRUCTED TO WORK OUT WITH THE AZERBAIJANI SIDE THE ISSUE OF ESTABLISHING A JOINT VENTURE (SINGLE OPERATOR) ON THE TITR AT THE SITE OF AIFC.

On October 26, 2023 in Tbilisi, KTZh, Azerbaijan Railways CJSC and Georgian Railways JSC signed an agreement on the establishment of a joint venture "Middle Corridor Multimodal Ltd." on a parity basis.

On November 16, 2023, Middle Corridor Multimodal Ltd. was incorporated as a private company under the AIFC. The establishment of this joint venture will enable:

- ◆ provide one-stop-shop services;
- ◆ guarantee delivery time and cost;
- ◆ pursue a coordinated policy on the development of multimodal service to increase cargo traffic in the direction "China-Europe/Turkey-China".

The eastern direction of the North-South international transportation corridor attracts the attention of shippers as a promising alternative route for delivering goods to the markets of Iran, India and the Persian Gulf countries.

Transit in containers along these routes increased by 14% compared to 2022 and reached 1,282.3 thousand TEU.

The main share in transit container transportation is the route "China – Europe – China", which occupies 73% of the total volume.

However, despite this interest in 2023 showed a decline. Compared to 2022, the volumes decreased by 18% amounting to 402.3 thousand TEU.

At the same time, efforts have been intensified to increase transit cargo traffic through TITR, as well as through the North-South corridor. Special attention is paid to increasing cargo turnover towards India and the Persian Gulf countries, mainly through Iran and the port of Bandar Abbas.

On December 15, 2023, a consortial agreement was signed with an investor for the project "Construction of the Ayagoz-Bakhty railway line". The project was launched on December 20, 2023.

**ESG PRINCIPLES**

On December 22, 2023, the independent rating agency S&P Global assigned KTZh an ESG rating of 54 points out of 100 as part of the Global Corporate Sustainability Assessment.

KTZh's scores for ESG components are as follows: environmental – 61 points, social – 59 points, and corporate governance – 40 points. The average indicator in the Transport and Transportation Infrastructure industry was 26 points, which allowed KTZh to enter the top 15% of the best companies in the industry in the S&P Global Corporate Sustainability Assessment rating.

The assigned rating reflects the Company's ESG efforts and confirms its commitment to high standards in the areas of the environment, social responsibility and corporate governance. The results of the KTZh rating by S&P Global are available on the S&P Global website at the following link: S&P Global ESG Scores.

**PLANS FOR 2024**

In 2024, the Company plans to:

- ◆ increase operational cargo turnover to 295.4 billion tons-km, up 9.5% compared to 2023;
- ◆ continue construction of the railroad line bypassing Almaty station;
- ◆ continue construction of the second railroad line on the Dostyk – Moyinty section;
- ◆ continue construction of the Darbaza-Maktaaral railroad line.





# INFORMATION AND COMMUNICATION OPERATORS

## National information superhighway



KAZAKHTELECOM JSC (HEREIN-AFTER — KAZAKHTELECOM) IS THE LEADING TELECOMMUNICATIONS COMPANY OF KAZAKHSTAN, FOUNDED IN 1994.

Kazakhtelecom operates as a telecommunications operator of the Republic of Kazakhstan for creation, installation, operation and maintenance of the public telecommunications network and private telecommunications systems, performs functions of an operator of the public telecommunications network and, among others, an operator of long distance and international communications with the right to make settlements with telecommunications administrations of other states, companies, users, international organizations in accordance with the Regulations of the International Telecommunications Union (ITU).

Kazakhtelecom owns the National information super backbone — fiber-optic transport ring, which connects major cities of Kazakhstan with the network for high-speed data transmission. The Company's extensive infrastructure includes more than 87 thousand kilometers of fiber-optic networks and more than 14 thousand base stations, providing

fixed-line coverage throughout the country. In addition, Kazakhtelecom's infrastructure includes 27 data processing centers and 40,000 city video surveillance cameras, emphasizing its scale and technological equipment.

2023 turned out to be a productive and eventful year for Kazakhtelecom. In particular, Kazakhtelecom actively started implementation of strategically significant projects, such as deployment of 5G network and construction of fiber-optic line along the Caspian Sea bottom on the route Azerbaijan — Kazakhstan (hereinafter — Trans-Caspian FOCL).

### KEY PERFORMANCE RESULTS FOR 2023

Indicator	2022	2023
<b>Production indicators:</b>		
Number of fixed lines, thousand lines	2,651.5	2,510.5
Number of fixed broadband subscribers, thousand ports	1,863.2	1,889.3
Pay TV, thousand subscribers	930.7	1,049.2
Mobile subscribers, thousand subscribers	14,548.9	14,471.5
<b>Financial indicators<sup>22</sup>, KZT billion:</b>		
Revenue	634.5	687.8
Operating expenses	460	517
Operating income,	180.7	161.3
Net profit	128.8	104.4
EBITDA	285.3	297.9
Dividends paid <sup>23</sup>	39.5	33.4
Net debt <sup>24</sup>	32.1	291.3
Taxes paid	108.4	107.9
<b>Sustainability indicators:</b>		
CO <sub>2</sub> emissions into the atmosphere, ton	294.01	228.57
Volume of disposed waste, ton	41,695	53,49
Accidents	2	4
Fatal accidents	-	0

<sup>22</sup> Financial indicators for 2022 are as per the Company's 2022 Consolidated Financial Statements.

<sup>23</sup> The dividends accrued for 2020 and 2021 were paid in 2021 and 2022, respectively.



### INVESTMENTS IN INFRASTRUCTURE

In recent years, Kazakhtelecom has invested more than KZT 100 billion annually in long-term assets. In 2022, the telecom operator invested KZT 121.5 billion in the development of Kazakhstan's telecom infrastructure, which amounted to approximately 70% of total fixed capital investments in the "Information and communication" sector across the country.

Significant growth in capital expenditures for 9M 2023 amounted to KZT 342 billion, or 68% of revenues. A significant impact on this amount is the realization of mobile operators as part of the consortium — 5G project and the significant cost of the 5G frequency itself in the amount of KZT 156 billion, which was paid to the budget. Accordingly, excluding the cost of the frequency, Kazakhtelecom's capital costs amount to KZT 186 billion, which is 37% of consolidated revenues.

### MOBILE BUSINESS

Kazakhtelecom group of companies includes leading mobile operators Kcell JSC (Kcell, Activ) and Mobile Telecom-Service LLP (Tele2 and Altel).

Over the past 20 years, they have managed to build one of the most modern, technologically advanced and extensive mobile communication networks in Kazakhstan. The companies provide 2G/3G/4G (LTE/LTE Advanced) mobile communication services, short message services, value-added services (VAS) such as multimedia messaging, access to mobile content, and data services, including Internet access.

In December 2022, the Consortium of Kcell JSC and Mobile Telecom-Service LLP was recognized as the winner in the auction for the allocation of frequency bands for the introduction and development of fifth generation 5G/IMT cellular communications in the Republic of Kazakhstan. The consortium, according to the terms of license obligations, was to install 782 5G base stations in the cities of Astana, Almaty and Shymkent during 2023. At the end of 2023, the operators installed more than 1,157 5G base stations in 20 cities (Astana, Almaty, Shymkent, Aktau, Atyrau, Karaganda, Kokshetau, Kostanai, Kyzylorda, Oskemen, Pavlodar, Petropavlovsk, Semey, Taraz, Turkestan, Uralsk, Zhezkazgan, Aktobe, Konaev and Taldykorgan).

<sup>24</sup> Net debt is calculated according to the consolidated financial statements, where: Debt — loans and lease liabilities, Cash — cash and cash equivalents + Short-term financial assets measured at amortized cost. Information for 2022 according to the preliminary unaudited financial statements and may be adjusted after preparation of the consolidated audited financial statements for 2022.



**BUSINESS PORTFOLIO**

KAZAKHTELECOM'S SERVICES ARE PROVIDED BOTH IN THE RETAIL AND WHOLESALE MARKETS OF TELECOMMUNICATIONS SERVICES. IN THE WHOLESALE MARKET, THE COMPANY PROVIDES SERVICES IN THE OPERATOR SEGMENT, STRICTLY ADHERING TO THE NORMS OF THE CURRENT LEGISLATION AND PRINCIPLES OF MUTUALLY BENEFICIAL PARTNERSHIP.

In 2024 the Division intends to complete the organization of a new hermetic zone of

44

racks

In plans to build a new TIER III level data center in Astana for

300

racks

1.	2.	3.
ABOUT THE FUND	CONSOLIDATED FINANCIAL INDICATORS	FUND PERFORMANCE

The Company strives to preserve and develop the factors of competitive advantage — availability of the necessary number of network resources for connecting operators' networks and passing through all types of traffic, extensive telecommunications network built on the latest digital equipment with high bandwidth capacity, providing quality and reliable service to operators and their subscribers. Operator services include: connection of telecommunications networks and transmission of inter-network, local, long-distance and international traffic, access to the Internet, leasing of backbone communication channels, additional services for laying networks through cable channelization, billing services, connection to the network clock synchronization — services of connection to the Kazakhtelecom network clock synchronization system (NCS).

The Company pays great attention to the development of transit potential and increase of transit telecommunication flows through Kazakhstan, as it has a network of backbone fiber-optic communication lines connecting all border areas, providing communications with China, Russia, Europe and Central Asian republics. Kazakhtelecom continues to build up its international presence and infrastructure abroad to improve the quality of services, strengthen national and global network security. Kazakhtelecom completed organization of direct connections with the largest Internet companies: Facebook, Amazon, Apple, Microsoft, Google in Europe and Asia and now exchanges traffic with them directly without transit systems.

In the retail market of telecommunication services, Kazakhtelecom provides telecommunication services for end consumers — individuals (B2C) and legal entities (B2B, B2G).

In order to improve the quality of rendered services, Kazakhtelecom continues the large-scale project on modernization of its own infrastructure by transferring from outdated copper ADSL technologies to modern fiber-optic lines.

Within the framework of the project on modernization and improvement of the Company's IT infrastructure, new high-performance server and network equipment was installed and put into operation, the core of the corporate network was upgraded, and a large program on renewal of network segments in the re-

gions was launched. In addition, in 2023 the organization of two new modules with a capacity of 84 racks in the modular data center of Almaty — the newest data center in the Company's network — was completed, and in 2024 the Division intends to complete the organization of a new hermetic zone of 44 racks in the data center of Akkol. It also plans to build a new TIER III level data center in Astana for 300 racks, where demand is currently growing exponentially.

Within the framework of the signed memorandum between Kazakhtelecom and Kazakhstan Media Company on creation and promotion of video content Salem Social Media, the popular TV+ platform of Kazakhtelecom is replenished with new exclusive series of domestic production. The users of the service have already highly appreciated the dramaturgy and director's work of exclusive pictures "Black Yard", "MSB", "Qarga" and "Sheshe".

In order to develop cloud technologies and expand the line of cloud solutions and products, Kazakhtelecom concluded a cooperation agreement with "Smart Cities" LLP, a member of the AITU digital ecosystem from BTS Digital. The first few joint cloud services have already been presented by Kazakhtelecom on the portal for business ismet.kz.

In order to implement the Trans-Caspian Fiber Optic Communication Line (FOCL), a strategically important project for Kazakhstan, aimed at telecommunication security, information sovereignty and increasing transit potential by increasing transit capacities as well as their diversification, in January 2023, Kazakhtelecom and AzerTelecom concluded an Agreement on the terms of cooperation within the framework of the project on laying FOCL along the Caspian Sea bed. The Agreement is a fundamental document of strategic partnership and defines the main terms of cooperation between the two companies within the framework of the memorandum signed earlier. Also in June 2023, the parties signed a Shareholders' Agreement on the establishment of a joint venture for the construction and operation of the Trans-Caspian FOCL under the Caspian Sea.

4.	5.	6.
SUSTAINABLE DEVELOPMENT	CORPORATE GOVERNANCE	ANNEXES

Over the year, the share of dissatisfied customers decreased from 18% to

4%

**CLOSER TO THE CONSUMER**

At the beginning of 2023, Kazakhtelecom management set three key service targets for its units working with customers: fulfillment of 90% of requests for connection of services within 24 hours, elimination of 95% of requests within 12 hours and resolution of 90% of subscribers' requests from the first contact. At the time of setting the targets, the level of fulfillment of these indicators did not exceed 80%. During the year, thanks to optimization of the work of structural divisions and automation of processes, the set objectives were almost completely achieved.

By the end of November 2023, 89.2% of service connection requests were processed within 24 hours, 94.5% of damages were repaired within 12 hours, and 96% of all subscriber requests were resolved from the first contact. This had a positive impact on customers' attitude

to the Company: over the year, the share of dissatisfied customers (detractors) decreased from 18% to 4%. In addition, employees' interest in the quality of service increased, and more than 1,500 employees received additional payments for achieving high performance.

In 2024, based on the accumulated experience, the Company intends to continue working on the quality of services and products. The Tazartu and Tsunami projects have already been successfully implemented in this direction. The Tazartu project is aimed at gradual transfer of urban subscribers from copper networks to fiber-optic networks, which ensures high speed and reliability of data transmission. The Tsunami project provides for the upgrade of outdated equipment (ONT modems) at subscribers. In 2023, the programs covered tens of thousands of subscribers.

**SOCIAL PARTNERSHIP**

IN JUNE 2023, THE MANAGEMENT OF KAZAKHTELECOM AND THE INDUSTRY TRADE UNION SIGNED AN ADDITIONAL AGREEMENT AIMED AT FURTHER IMPROVING THE COLLECTIVE AGREEMENT BETWEEN THE COUNTRY'S LARGEST TELECOMMUNICATIONS OPERATOR AND ITS EMPLOYEES.

It is important to note that the Collective Agreement has been significantly amended in favor of employees, including an increase in the minimum levels of official salaries while maintaining the entire package of social benefits from the company.

Today, more than 19 thousand employees of the telecom operator are members of the trade union. The updated Collective Agreement provides over 20 types of basic benefits for them. Due to this, for the first half of 2023 alone, the number of social payments and benefits, including voluntary medical insurance, sports and holiday events, as well as health resort treatment and children's camps, amounted to about KZT 7 billion.

Updating of the collective agreement and additions made to it during the year strengthened the social protection of employees and increased the efficiency of interaction between the employer and trade unions.

CONTACT INFORMATION
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**DURING THE YEAR, THANKS TO OPTIMIZATION OF THE WORK OF STRUCTURAL DIVISIONS AND AUTOMATION OF PROCESSES, THE SET OBJECTIVES WERE ALMOST COMPLETELY ACHIEVED.**

Speaking about the "Tazartu" program, since last year more than 160 thousand customers have been transferred to optics, and in the future, it is planned to replace about 54 thousand kilometers of copper networks throughout Kazakhstan. This will significantly improve the quality of services, as most of the complaints of subscribers are related to the use of outdated copper networks.

Kazakhtelecom is serious about migrating its clientele from copper to fiber optics, especially considering that the majority of complaints in the segment of work with individuals (93%) and in the segment of servicing business structures (95%) are related to low speed and poor quality of the Internet. The Company will also continue to improve its service mechanisms using the experience of other market structures.

The Company also has a social support program for Demeu employees, which provides assistance to large families, families raising special children, funds for interest-free targeted loans, and activities for the well-being and health of employees. In 2023, the program was supplemented with the category of "single-parent family" and financial assistance in caring for a close relative. Over 1,800 employees took advantage of the program during the year, and social support was provided to the amount of KZT 294 million.

At the end of 2022, an IR sector was established to maintain healthy labor relations, monitor working conditions through IR screenings, resolve labor conflicts and improve the quality of internal communications. In the first half of 2023, the new division worked on creating a database of all facilities and buildings of the Company for IR screening of working conditions, which has already been conducted in more than half of the premises.



HSE

The country's largest telecom operator has developed a package of measures to improve occupational health and safety, presented at the Company's first meeting in the Health & Safety segment. Kazakhtelecom is convinced that every employee and manager should be aware of the importance of the program to achieve zero injuries, so that every employee at the end of the working day returns home safe and sound.

It should be reminded that in June 2022, Kazakhtelecom became one of 13 large companies of Samruk-Kazyna JSC, whose managers signed personal commitments in the field of Health & Safety. Within the framework of this document, the top managers pledged to demonstrate by personal example their commitment to safety values, implement best practices in the field of labor protection and create conditions for safe work of their employees. As part of this work, the country's largest telecom operator held its first meeting on occupational health and safety in 2023, which will now be held annually.

In addition, all Kazakhtelecom's structures, both production and regional, will conduct quarterly audits of production safety and workplace conditions. Training of managers of various levels of organization of safe work according to international standards, such as Nebosh and IOSH, will begin. Internally, the Company is already conducting training activities to practice emergency situations, as well as safe driving training for all employees who regularly drive personal vehicles, including regular drivers.

In 2023, Kazakhtelecom held an educational meeting for children of employees of Samruk-Kazyna JSC's portfolio companies aimed at safety and environmental protection. In a game form, children and teenagers received basic information on how to avoid danger, why it is important to observe traffic rules and why it is necessary to protect nature.

Kazakhtelecom's Play| Learn| Be Safe 2023 training program is aimed at adolescent children aged 7 to 16 who are at risk of injury and death, the main reason being lack of knowledge of safety basics. As part of this program, children are taught in detail how to avoid dangers at home and in the street, as well as how to recognize and prevent threats to their health and life. This new telecom operator training program is in its second year.

In 2023, the Play | Learn | Be Safe project trained 334 children in various cities, including 100 children of employees of Samruk-Kazyna JSC's portfolio companies. Currently, work is underway on a large-scale training program within Kazakhtelecom with plans to train 500 children of the Company's employees in 18 cities of Kazakhstan with the participation of 29 trainers from among employees.

Within the framework of the Safe Labor Academy, 1,759 employees took distance courses on occupational health and safety on the Learning Telecom platform, while 11,887 employees took offline SLP courses. During the year, a series of injury prevention and response training events were held for 2,254 employees in mass occupations, a "Safe Driving" course for 1,522 drivers, including full-time and part-time drivers, and a "Safe Work Environment" event for 796 middle managers. Work safety culture attracted the attention of 6,997 trainees.

SUSTAINABLE DEVELOPMENT

IN DECEMBER 2023, KAZAKHTELECOM FOR THE FIRST TIME RECEIVED AN ASSESSMENT FROM THE INDEPENDENT RATING AGENCY S&P GLOBAL ESG SCORE. THIS SUCCESS BECAME POSSIBLE DUE TO THE GREAT TEAM WORK ON IMPLEMENTATION OF THE ACTIVITIES OF THE ROADMAP FOR THE DEVELOPMENT OF ESG PRACTICES APPROVED BY THE BOARD OF DIRECTORS OF KAZAKHTELECOM ON FEBRUARY 14, 2023.

The Roadmap included 109 activities covering environmental, social and governance aspects. As part of this work, during 2023, Kazakhtelecom's Board of Directors adopted the following documents:

- ◆ Human Rights Policy;
- ◆ Policies of equal opportunity, inclusion and diversity;
- ◆ Community Engagement Policy;
- ◆ Actualized Environmental Policy;
- ◆ An updated sustainable development policy;
- ◆ Updated Information Security Policy;
- ◆ Personal Data Protection Policy;
- ◆ A guide to biodiversity management and conservation;
- ◆ Guidelines for monitoring, reporting and land reclamation.

Introduction of ESG principles has become the key direction of Kazakhtelecom's development strategy until 2032. The Company pays special attention to sustainable development and will continue active work on integration of ESG factors into its activities. As the first long-term priority, the Company emphasizes continuous, inclusive and balanced development of its employees and human capital. The second long-term priority is to become one of the international industry leaders in terms of ESG rating by 2030 in order to increase the Company's long-term investment attractiveness.

Kazakhtelecom will focus on implementation of technologies and solutions that ensure maximum protection of its customers' data and effectively counter cyber threats. Transition to low-carbon development is a strategic priority for the Company. In December 2022, the Low Carbon Development Program until 2032 was adopted.

By 2032, it is planned to reduce total greenhouse gas emissions by

13%

Being a high-tech digital and telecommunications holding, Kazakhtelecom makes a significant contribution to the low-carbon development of the Republic of Kazakhstan, stimulating decarbonization of other industries and sectors of the national economy. As a long-term goal, the Company positions the achievement of carbon neutrality by 2060 in accordance with the task set by the President of the Republic of Kazakhstan on decarbonization of the national economy.

Planned to reduce total greenhouse gas emissions by 13% by 2032 as part of the country's commitment to the Paris Agreement through:

In 2023, the proportion of women on the Management Board is increased to

30%

- ◆ promoting projects and new technologies that contribute to reducing carbon footprints and improving energy efficiency. This is achieved through virtualization of network functions, migration of access networks to FTTx technologies, planned replacement of telecommunications, computer and support equipment and software with more efficient ones with improved specific energy consumption;
- ◆ introduction of best practices in energy efficiency management of the equipment in operation;

THE COMPANY PAYS SPECIAL ATTENTION TO SUSTAINABLE DEVELOPMENT AND WILL CONTINUE ACTIVE WORK ON INTEGRATION OF ESG FACTORS INTO ITS ACTIVITIES.

- ◆ development and promotion of a wide range of digital and telecommunication services and products, including IoT development, which allows to reduce greenhouse gas emissions by customers and influence the economy of the Republic of Kazakhstan as a whole.

In 2023, the proportion of women on the Management Board is increased to 30%. Two of the six members of the Management Board are women.

PLANS FOR 2024

In 2024, Kazakhtelecom will continue implementing strategic and nationally significant projects, such as deployment of the 5G network and construction of the Trans-Caspian FOCL. Earlier, in late 2023, the President of the country instructed Kazakhtelecom to study the possibility of accelerated deployment of 5G network by the end of 2025. In response, the Company developed a plan to build more than 7,000 base stations, providing for the deployment of more than 2,700 stations this year and about 3,200 next year. Currently, the Company is the first and the only one in the CIS to commercialize 5G technology, having deployed about 1,000 base stations in regional centers.

As for the Trans-Caspian FOCL, last year on a parity basis together with "Azertelecom Int." was established a company CASPIN-ET B.V., for the practical implementation of the project. The Company believes that construction of this line will increase telecommunication security and information sovereignty of Kazakhstan, increase transit communication capacity between Europe and Asia and diversify connections to international Internet traffic exchange points. Within the framework of the Trans-Caspian FOCL project, the Company will continue to implement the necessary measures for its construction in 2024.

In addition, in 2024, Kazakhtelecom plans to transfer more than 60 thousand subscribers from outdated copper lines to modern optical ones, and 50 thousand customers will have their modems replaced with equipment with improved technical characteristics. The telecom operator also intends to significantly increase its infrastructural capabilities and continue active internetization of villages and districts, including remote ones, using various communication technologies.

Additional plans for 2024 include:

- ◆ Accelerate 5G network deployment by the end of 2025.
- ◆ Transfer of 63 thousand subscribers to modern optical communication lines.
- ◆ Replacement of modems for 50 thousand customers with equipment with improved technical characteristics.
- ◆ Construction and expansion of optical networks in all major cities of the Republic of Kazakhstan, providing broadband Internet access for 169,014 households.
- ◆ Modernization of GPON network in Almaty and Karaganda cities with replacement of outdated station equipment to be redistributed to rural settlements.
- ◆ Implementation of the third stage of IT infrastructure modernization, construction of a new data center of TIER III level in Astana, migration of SAP ERP system to S/4 HANA, improvement of IT services management system and reengineering of business processes.

- ◆ Developing and approving an ESG strategy.
- ◆ Identification of climate risks and opportunities.
- ◆ Passing certification audit on ISO 50001 "Energy Management Systems".
- ◆ Implementation of a system of direct measurements of pollutants.
- ◆ Launch of a new business deal platform centralizing the interaction of entrepreneurs.
- ◆ Ismet Docs – launching an electronic document management system to improve the efficiency of information sharing and create a more productive work environment.



## Postal and logistics, financial and digital services



KAZPOST JSC (HEREINAFTER — KAZPOST), AS THE OPERATOR OF KAZAKHSTAN'S POSTAL NETWORK, IS A BASIC ELEMENT OF KAZAKHSTAN'S NATION-WIDE INFRASTRUCTURE AND THE MOST IMPORTANT SOCIAL ASSET OF THE STATE.

It is the only subsidiary of Samruk-Kazyna JSC with full state participation, which bears social responsibility for the delivery of pensions, benefits and periodicals.

Kazpost remains a key player in logistics, financial services and digital transformation in Kazakhstan. In 2023, Kazpost continued to implement strategic initiatives under its 2023-2033 development strategy, focusing on diversifying its operations and building strong partnerships, including public-private partnerships, to strengthen its leading position in the postal sector and related industries.

### KEY PERFORMANCE RESULTS FOR 2023

Indicator	2022	2023
<b>Production metrics:</b>		
Number of postal items, in thousand units	114,663	106,964
Volume of financial services, in KZT million	994,618	1,159,737
Volume of agency services, in KZT million	28,677	27,007
<b>Financial indicators <sup>25</sup>, KZT million:</b>		
Revenue	50,212.9	55,477.2
Net income	(-) 12,453.7	2,413.8
Costs	(-) 72,290.7	(-) 80,999.4
Operating profit	(-) 14,132.2	1,907.2
Net debt	7,000	7,000
Volume of taxes paid, KZT billion	4.4	5.3
<b>Sustainability indicators:</b>		
Atmospheric emissions, thousand tons	0.590	0.565
Volume of utilized waste, thousand tons	5.36	5.47
Accidents	3	3
Death in accidents	0	0

Kazpost employs about

# 18,000

people

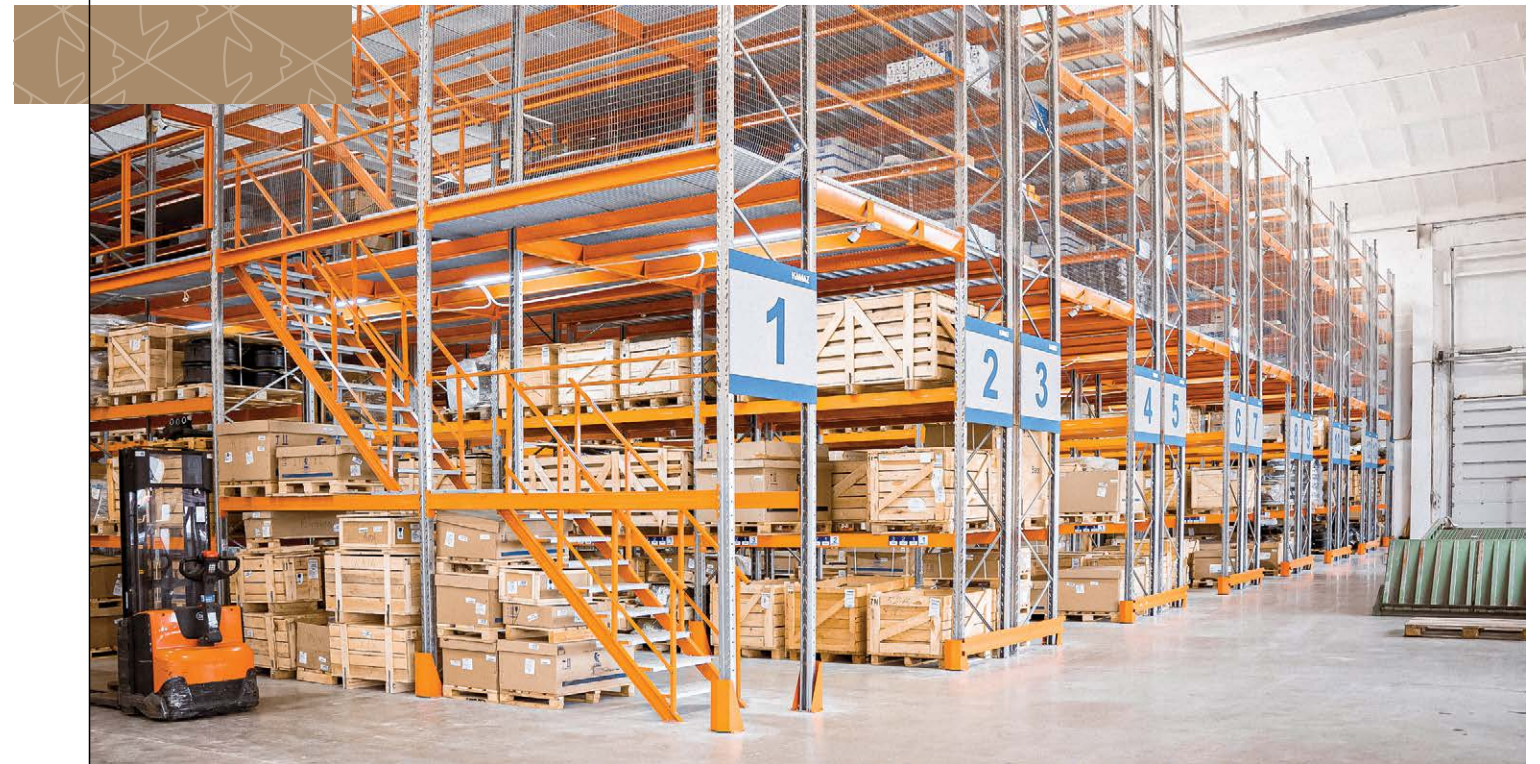
Kazpost employs about 18 thousand people. Despite the fact that the company has not always experienced favorable financial periods, over the past 10 years the issue of layoffs has never been raised. Kazpost's close-knit team consistently implements the development strategy, expressed in a set of measures to launch new projects and initiatives aimed at improving the financial situation.

Kazpost's development strategy for the period to 2023 and beyond envisages the use of technology and innovation to improve service quality and market coverage. The company intends to continue its transformation into a dynamic, modern postal and logistics operator that meets the changing needs of Kazakhstan and its population. Kazpost's team is actively working on automating logistics processes, re-engineering courier products and introducing piece-rate pay for couriers.

In 2023, Kazpost strategically focused on expanding its digital and mobile service capabilities to meet the growing needs of its customers.

One of the results of this focus was the launch of Qazpost Keruen service, an important initiative that gives Kazakhstani consumers the opportunity to effortlessly purchase goods on international trading platforms, particularly in the USA and Europe.

The expansion of digital services, in particular the introduction of Qazpost Keruen, reflects Kazpost's commitment to digital transformation. By facilitating access to international goods and simplifying logistics, Kazpost is not only meeting current customer needs, but also strategically positioning itself as a leader in global e-commerce logistics in the region. Such an approach is in line with broader industry trends to expand digital presence and improve customer experience to drive growth, and customer loyalty.



The Company's social responsibility is considerably high — Kazpost employees deliver pensions and benefits to people over 80 years old, people with disabilities, and veterans. Periodicals are delivered 24/7 to the most remote settlements.

In 2023, Kazpost significantly increased the social relevance of its activities by partnering with the Ministry of Digital Development, Innovation and Aerospace Industry of the Republic of Kazakhstan, as well as the National Managing Holding "Government for Citizens". Thanks to this partnership, Kazpost began providing a number of important government services through 200 rural post offices in Almaty, Zhetysay, Pavlodar, Atyrau, Kyzylorda and Akmola regions.

Currently, residents of these districts have access to 27 different services at local post offices. These include the processing of certain types of benefits, documents for special services for the disabled, registration at the place of residence, and obtaining archival certificates or copies of archival documents. Implementation of this project allowed rural residents not only to receive important services, but also to save time and money, as they no longer need to travel to urban centers. To implement the project, Kazpost carried out organizational and integration processes, including training operators of rural branches to work with the centralized info-communication system.

Today, Kazpost offers virtually the full range of financial services, with the exception of lending. Despite competition from banks that have licenses for lending and deposit-taking, which are key components of profitability, Kazpost provides these services as an agent for partner banks.

However, the main direction of Kazpost's activity remains postal and logistic services, which, unfortunately, do not bring the same amount of profit as credit and financial activities.

Today, for 41% of the country's rural population, Kazpost is the only place to receive a range of services: postal, financial and agency services, including the sale of rail and airline tickets and consumer credit. Postmasters remain the link between the government and residents, especially in rural areas.

**IN 2023, KAZPOST SIGNIFICANTLY INCREASED THE SOCIAL RELEVANCE OF ITS ACTIVITIES BY PARTNERING WITH THE MINISTRY OF DIGITAL DEVELOPMENT, INNOVATION AND AEROSPACE INDUSTRY OF THE REPUBLIC OF KAZAKHSTAN, AS WELL AS THE NATIONAL MANAGING HOLDING "GOVERNMENT FOR CITIZENS".**

<sup>25</sup>The 2022 financials indicators are as per the Company's 2022 Consolidated Financial Statements



Logistics hub in Astana was launched in October on a

**12.5**  
thousand m<sup>2</sup>

**THE FOCUS IS ON INFRASTRUCTURE**

IN 2023, KAZPOST SIGNIFICANTLY EXPANDED THE INFRASTRUCTURE REQUIRED TO SUPPORT ITS GROWING ROLE IN NATIONAL AND INTERNATIONAL LOGISTICS.

**PARCEL BUSINESS**

The parcel business has become increasingly popular in recent years due to the growth of online shopping and changing consumer behavior, including the following areas:

**Online retail:** sale of goods via the Internet with subsequent shipment of orders by mail or courier service.

**Logistics and delivery:** providing efficient and reliable logistics to send parcels from the production site to the final consumer.

**Intermediary platforms:** online platforms that bring together sellers and buyers, enabling them to send and receive parcels.

**Courier services:** providing services to deliver goods or documents from one place to another.

**Packaging and order processing:** companies providing services for packing goods, preparing for shipment and processing orders from customers.

1.	2.	3.
ABOUT THE FUND	CONSOLIDATED FINANCIAL INDICATORS	FUND PERFORMANCE

Income from the issue of state postage marks on a commercial basis amounted to more than

**10**  
KZT million

**WITHIN THE PARCEL BUSINESS, KAZPOST OPERATES THREE FULLFILLMENT CENTERS: IN ASTANA, ALMATY AND AKTOBE. THE ASTANA FULLFILLMENT CENTER, WITH AN AREA OF 12,000 SQUARE METERS, ACHIEVED A VOLUME OF MORE THAN 667,000 PIECES AND REVENUE OF MORE THAN KZT 658 MILLION.**

The expansion applies not only to the physical infrastructure, but also to the services offered, reflecting a strategic shift towards becoming an integrated logistics provider.

In October 2023, a 12,500-square-meter logistics hub in Astana was launched. The creation of the logistics hub in Astana is a strategic step that supports Kazpost's vision to become a leading player in the postal and logistics sector not only in Kazakhstan, but also in the entire Central Asian region. This hub not only improves operational efficiency, but also supports the local economy by creating jobs and fostering economic activity in related sectors.

In addition to physical infrastructure facilities, Kazpost also expanded its digital capabilities. In particular, it introduced a new IT platform that integrates all postal and logistics operations, providing real-time data and analytics to help optimize routes and reduce operating costs. The platform supports Kazpost's goal of providing a seamless and efficient service to customers, whether they are sending a letter within Kazakhstan or ordering goods from abroad.

**LETTERS**

Nowadays, written correspondence is still one of the important types of communication is the exchange of letters, messages or documents between people or organizations. This type of communication uses writing to convey information and can include various formats such as paper letters, memoranda, postcards and others. Written correspondence plays an important role in business, personal and official communication.

In 2023, the planned indicators for written correspondence were realized by 100% (with a plan of KZT 5,518.8 thousand, the actual amounted to KZT 5,571.3 thousand). There is also an increase in the number of contracts for the forwarding of written correspondence by 5%, in income by 3% (7,004 active contracts). Income from the issue of state postage marks on a commercial basis amounted to more than KZT 10 million.

4.	5.	6.	
SUSTAINABLE DEVELOPMENT	CORPORATE GOVERNANCE	ANNEXES	CONTACT INFORMATION

**INTERNATIONAL BUSINESS**

In terms of accounting for international mail items, work was carried out to integrate the information systems of Kazpost and the State Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan. To improve the processing of international mail items at international postal exchange points, more than 30 business requirements were developed for various types of processing, including:

- ◆ Kazpost postal accounting systems and IPS (International Postal System);
- ◆ automation of technological processes for operational activities;
- ◆ improving the quality of data transmission on postal items and increasing quality indicators at the level of the Universal Postal Union standards in terms of electronic data exchange between designated operators and Kazpost counterparties.

As part of international business, a new international delivery service "Qazpost Keruen" was launched, which is a service for delivery of goods from the USA and Europe to Kazakhstan in 5-10 days. With the help of the service it is possible to get a virtual address and order

popular goods from online stores. The main American and European online stores do not deliver to Kazakhstan, which was the reason for the creation of this service. The main advantages include convenient ordering, affordable prices, fast delivery and shipment of goods to anywhere in Kazakhstan.

A new product "Cargo2Mail" for e-commerce goods has been created for individuals. Goods will be delivered to Kazakhstan in the form of cargo, and after the necessary customs clearance, delivery will be made through the Kazpost network to parcel offices and supermarkets. The launch is planned after technical improvements to the corporate accounting system.

One of Kazpost's important strategic initiatives is the development of End to End (hereinafter – E2E) operator. E2E operator is the development of B2C imports from abroad with the efficient use of cargo and postal channels.

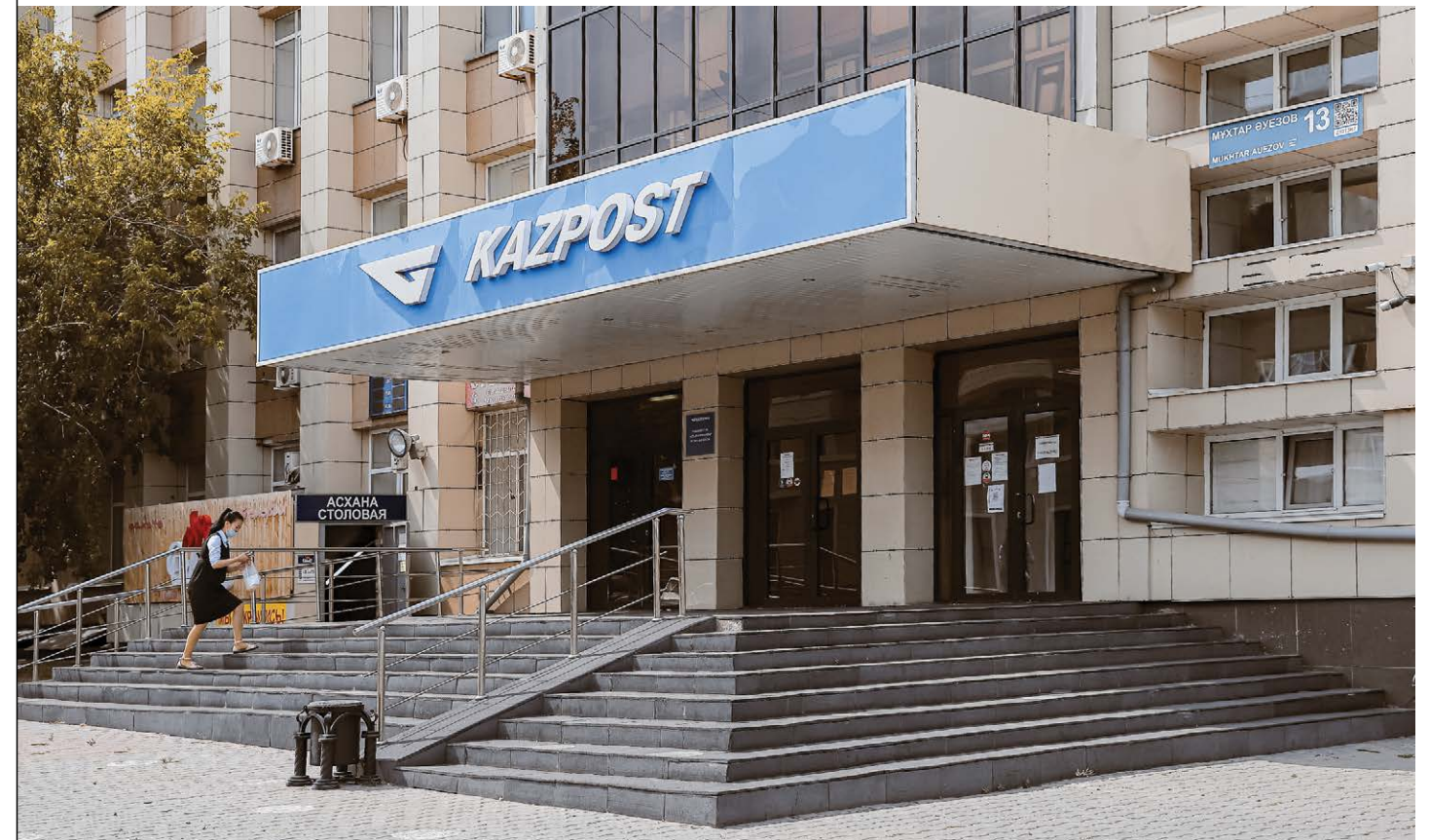
The goal of the E2E operator is to create direct access for citizens of the Republic of Kazakhstan to global e-commerce platforms. Kazpost

directs efforts to control the entire logistics chain, developing delivery and providing logistics, consolidating shipments, delivering to the Republic of Kazakhstan and providing the last mile throughout the country.

The destination plans to open overseas exchange locations ("OEL") in Singapore in 2024, with further plans to open in the UK and the US.

This strategic direction will improve the efficiency of delivery times and profitability, which is a key factor in e-commerce.

Establishment of direct relations with global eCom players, formation of favorable tariffs for delivery of goods on the E2E principle in Kazakhstan is aimed at strengthening the Company's competitive advantages.





FINANCIAL SERVICES

THE COMPANY'S FINANCIAL BUSINESS ENCOMPASSES VARIOUS FINANCIAL SERVICES AND PRODUCTS DESIGNED TO MEET THE NEEDS OF CUSTOMERS IN THE AREAS OF BANKING, MONEY TRANSFERS, SAVINGS ACCOUNTS AND OTHER FINANCIAL SERVICES.

In subsequent years, it is planned to scale the service of corporate clients with an increase in the share of up to

10%

assets of the Fund

The Company has been a professional participant of the securities market since 2000 and has been carrying out broker and dealer activities with the right to maintain customer accounts as a nominee holder on the basis of the relevant license, as well as transfer-agent activities since 2006.

An agreement was concluded with the Ministry of Finance of the Republic of Kazakhstan on acceptance of payments from individuals and representatives of state institutions in payment of taxes and other obligatory payments to the budget on a free of charge basis.

Work and a number of meetings with representatives of the Ministry of Labor and Social Protection of the Republic of Kazakhstan and Non-profit Joint-Stock Company "State Corporation "Government for Citizens" were held in terms of increasing the tariff for the service "Payment of pensions and benefits".

As part of the development of the "Corporate Bank" strategic initiative, it is planned to attract corporate clients to Kazpost for servicing, including the gradual transition of portfolio companies.

The main areas of financial services – cash and settlement services, treasury operations, brokerage services, payroll project and counterparty support. The goal of 2024 is to attract a share of 5% of the assets of portfolio companies of the Fund to generate income of about KZT 22 billion. In subsequent years, it is planned to scale the service of corporate clients with an increase in the share of up to 10% of the assets of the Fund and portfolio companies in order to generate income of about KZT 40 billion.

To achieve the indicators, active work is underway to attract portfolio companies. 88% of subsidiaries have settlement accounts with Kazpost, but they are not fully active, being limited to deposits or brokerage operations. Currently, the companies do not conduct cash and settlement services in full, as most of the turnovers pass through accounts in second-tier banks, where foreign currency contracts are registered, or settlements with suppliers are made under previously concluded agreements. In order to improve the quality of service, work is currently underway to implement an updated version of Internet banking, which will allow to conduct foreign exchange transactions and open savings accounts online. The mobile application is also being upgraded and the quality of payment card servicing processes through this application is being improved.



PARTICIPATION IN KEGOC SPO

IN THE PERIOD FROM OCTOBER 16 TO NOVEMBER 2, 2023, KAZPOST PARTICIPATED IN ACCEPTING APPLICATIONS FOR THE PURCHASE OF SHARES IN THE SPO "KEGOC".

Kazpost participated in informational and explanatory work in preparation for the SPO in field meetings across Kazakhstan – in the cities of Astana, Pavlodar, Shymkent. Within the framework of SPO the residents of the country were given an opportunity to submit applications for shares purchase through 739 outlets. Total number of bids made through KASE – 5 bids were executed by the right of priority purchase, with total number of 973 pieces for the amount of KZT 1,442 thousand. By the results of bids acceptance 87 bids were submitted, totaling KZT 255,000 thousand. The total number of bids accepted through AIX stock exchange amounted to about 25 bids in the amount of KZT 7,150 thousand.

SOCIAL PARTNERSHIP

KAZPOST STARTED WORK ON COOPERATION WITH ZHASYL DAMU JSC AND "ECO NETWORK" COMPANY ON INTRODUCTION OF ESG PRACTICES AMONG THE POPULATION IN 4 REGIONS OF THE REPUBLIC OF KAZAKHSTAN.

A pilot project on organization of waste sorting in 12 branches, including 8 rural and 4 urban branches, is planned for 2024. In the future, it is planned to expand the coverage of this project to 200 branches by the end of 2026.

An important element for the company is the implementation of ESG principles in its activities. With a wide branch network in all regions of the country, including rural areas, Kazpost strives to promote these principles among the population. In this regard, the Company launched the project "Green House with Kazpost" jointly with the Ministry of Ecology and Zhasyl Damu JSC, which will help to organize sorting and separate waste disposal in Kazpost offices, using a wide branch network and logistical capabilities of the Company.

The company's base cities and branches have been identified to launch the project:

- ◆ City offices: Central Office of Almaty, Astana, Central Administration in Astana, Aktobe, Karaganda, Shymkent, Ust-Kamenogorsk.
- ◆ Rural branches: located near the cities of Aktobe, Karaganda, Shymkent, Ust-Kamenogorsk at a distance of not more than 50 km.

Surveys and data collection will be conducted to determine the readiness to launch the program, after which it is expected to form a refined budget for the project, as well as a tender in Zhasyl Damu JSC, to determine the supplier of the project and further funding.

PLANS FOR 2024

In 2024, it is planned to expand the network of rural offices under the project "Implementation of public services in rural post offices of Kazpost JSC" as funds are allocated from the Republican budget. This will improve access to public services for residents of rural areas throughout Kazakhstan and cover more than 1.8 million rural residents. In the future, it is planned to connect the remaining rural offices by 2028, which will ensure full coverage and accessibility of public services for the rural population.





# INVESTMENT ACTIVITIES

To increase commercial assets in the Fund's portfolio, and thus focus on continuing optimization and restructuring of the portfolio with a full transition to active management of the investment portfolio by 2024 – these are the Fund's objectives for the foreseeable future. The Fund's transition to the investment holding format implies the presence of two categories of assets in the portfolio. The first is strategic

assets, where the controlling interest of the Fund will be retained. Management of these assets will be carried out through the realization of shareholder rights and with the help of the Fund's representatives in the Board of Directors of these companies. During the period of economic recovery, the concentration of the Fund's investments will be used to develop priority areas on the principles of co-investment.

As for foreign investments, they are divided into two directions: direct and portfolio investments. On direct investments in the long term it is planned to invest in projects implemented in developed countries, in the industries that will provide diversification of the Fund's portfolio. In this part, the Investment Policy of Samruk-Kazyna JSC fully corresponds to and supports the implementation of the Strategy.

## INVESTMENT POLICY

The Investment Policy of Samruk-Kazyna JSC is developed to achieve strategic objectives in portfolio management and establishes the goals and principles of the Fund's activities in this direction.

The Policy does not apply to cases of alienation of participatory interests in the authorized capital (shareholdings) of portfolio companies and other legal entities included in the list of organizations subject to transfer to the competitive environment on the recommendation of the Government of the Republic of Kazakhstan.

The investment policy of Samruk-Kazyna JSC is determined by three main objectives:

- ◆ To ensure long-term sustainable growth in the value of the Fund's portfolio and prudent capital appreciation;
- ◆ Generating, preserving and multiplying financial wealth for future generations;
- ◆ Ensuring portfolio diversification by geography, industries and asset classes.

In its investment activities, the Fund is guided by the following principles:

- ◆ The principle of commercial reasonableness is that the investment strategies of the Fund and its portfolio companies are based on commercial reasonableness, long-term interests and maximization of both profitability and return on investment (this is the main performance criterion).
- ◆ The "yellow pages principle" is that decisions to invest the Fund's resources in entities carrying out their economic activities in Kazakhstan are made subject to all restrictions imposed by the relevant legislation of the Republic of Kazakhstan. Namely, only when they do not hinder the development of the private sector, do not restrict competition and do not lead to monopolization.
- ◆ The principle of responsible investment is that the Fund seeks to implement investment strategies that contribute to the sustainable and balanced development of economic sectors and society as a whole.

### Investment criteria

All investments should be characterized by a positive net present value (NPV>0) and an internal rate of return exceeding the cost of equity (IRR>CoE).

Having a strategic partner allows the Fund to make new investments together. The Fund makes international investments in sectors of the economy that have a strategic link to Kazakhstan (except for the oil industry). These investments cover all stages of project implementation and stages of the project life cycle.

To implement investment strategies, the Fund mobilizes various sources of financing – own funds, dividends from portfolio companies, proceeds from divestments, borrowed funds raised both on the national and international capital markets, as well as intra-group financing and other sources.

### Project portfolio

The investment portfolio of the Fund's group of companies includes over 130 investment projects totaling ~ KZT 49 trillion.

In 2023, the Fund's Board of Directors defined a list of 42 major investment projects for a total amount of ~ KZT 24 trillion, subject to regular monitoring by the Fund, a significant part of which was initiated within the framework of state programs and programs of the Government of the Republic of Kazakhstan. Based on the results of 2023, the Fund's team completed the implementation of 15 projects (priority and other projects).

At present, the Fund group of companies continues to work on the implementation of projects included in the investment portfolio. The coverage of regular monitoring by the Fund for 2024 includes 35 major projects in oil and gas, petrochemical, energy, transportation and logistics, mining and other sectors for a total amount of KZT 21.9 trillion.

Implementation of priority investment projects will allow achieving the following positive effects for the economy of Kazakhstan: ensuring energy security of the state by commissioning new power generating capacities and increasing the capacity of existing ones; development of renewable energy sources and conversion of traditional coal-fired power plants to gas; development of gas transportation infrastructure and resource base; increase of transit and transportation potential of the country; production of high value-added products with diversification effect

These projects are planned to be financed from the Fund's own resources and portfolio companies, as well as attracting investors' funds and debt financing. At the same time, the amount of foreign direct investment (including debt financing from international financial institutions) in these projects is estimated to be about KZT 12 trillion.

Of the total number of priority projects, 8 projects are at the pre-investment stage; 15 projects are in the process of developing project documentation (TEJ/DSE); 12 projects are at the stage of construction and installation works. At the same time, EPC contracts have been concluded for 11 projects.

### IMPLEMENTED INVESTMENT PROJECTS OF THE FUND'S GROUP OF COMPANIES IN 2023:

1. Construction of looping of the main gas pipeline "Makat-North Caucasus" for the purposes of gasification of Atyrau region;
2. Construction of the second string of the Beineu-Zhanaozen gas pipeline to supply gas to the population and businesses in the western regions;
3. Expansion of Bozoi compressor station within the framework of the project "Construction of Beineu-Bozoi-Shymkent gas pipeline (1 string)" to increase the gas pipeline throughput capacity up to 15 billion m<sup>3</sup>;
4. The first stage of preparation of gas infrastructure for SDPP in Almaty, including construction of two automated gas distribution stations and gas pipeline-jumper TIP-04 between the main gas pipelines "Almaty-Baiserke-Talgar" and "Kazakhstan-China" (length of gas pipeline-jumper – 9.6 km, capacity – 1,000 thousand m<sup>3</sup>/hour);
5. Reconstruction and expansion of the main water pipeline "Astrakhan-Mangyshlak" (stage 1) to increase the water pipeline capacity up to 170 thousand m<sup>3</sup> per day;
6. Transition to cyclic-flow technology of coal mining, transportation, averaging and loading at Bogatyr open pit mine, which is aimed at increasing the production capacity of the mine (from 32 million tons to 40 million tons of coal per year);
7. Gasification of "Sarsha" and "Warm Beach" areas for gas supply of tourism objects;
8. Strengthening of the power grid of the Western zone of the UES of the Republic of Kazakhstan to improve the reliability of power supply to the western regions of the Republic of Kazakhstan;
9. Construction of 110/10 kV "Kokoze" substation to ensure reliable power supply to Almaty region;
10. Construction of a plant for the production of roofing and facing materials in Astana to reduce imports of relevant products;
11. Gasification of 2 settlements (Zhitikara town, Tobol settlement) of Kostanay region;
12. Launch of the "Anabai" gas field;
13. Launch of the "Aksai Yuzhny" field;
14. Launch of the "Rozhkovskoye" gas field;
15. Launch of the "Vostochny Urikhtau" oil and gas field, which will increase the hydrocarbon resource base.





#### AMONG OTHER RESULTS ACHIEVED THROUGH 2023, IT IS WORTH NOTING THE FOLLOWING:

##### 1. Construction and installation work has begun on the following projects:

- Construction of a bypass railroad line bypassing the railway junction of Almaty station, which will reduce the load on the Almaty junction by 40% and significantly reduce the time of cargo delivery;
- Construction of the Darbaza-Maktaaral railroad line to increase throughput capacity of the Turkestan-Shymkent-Tashkent section;
- Construction of the Bakhty-Ayagoz railway line to increase transit traffic from China;
- Construction of gas infrastructure for the purpose of conversion of Almaty SDPP-2 and SDPP-3 to gas.

##### 2. EPC contracts were concluded for the following projects:

- Modernization of Almaty SDPP-2 and reconstruction of Almaty SDPP-3 based on CCGT with capacity up to 450 MW. These projects are aimed at covering the deficit of the electric capacity market in the Southern Zone of Kazakhstan, reducing the negative impact of the plants on the environmental situation of Almaty city by transferring SDPPs to natural gas combustion. In addition, as a result of replacing the main fuel with gas, the formation and disposal of ash and slag waste is excluded;
- Construction of a seawater desalination plant in Kenderli settlement (the project is implemented to solve the problems of water supply to the population and enterprises of Zhanaozen city, reduce the existing water deficit, as well as to reduce the burden on the social welfare sphere of Mangistau province);
- Strengthening of the electric network of the Southern Zone of UES of Kazakhstan (the project is aimed at ensuring the reliability of power supply to consumers in the Southern Zone and strengthening the electric connection between the regions of the Southern Zone);

- Construction of a new gas processing plant in Zhanaozen (project implementation is necessary due to the high degree of deterioration of the existing plant, which has been in operation since 1973);
- Construction of a CCGT-based power plant with a capacity of up to 1,000 MW in the Turkestan region to address power shortages, including the shortage of maneuvering capacity in the Southern region of Kazakhstan.

##### (3) The issue of attracting strategic partners for the implementation of priority projects has been worked out, in particular, the following results have been achieved:

- In January 2023, NC KazMunayGas JSC and ADPG signed an Agreement on strategic partnership in the field of maritime and coastal cargo transportation, development and investment in tanker and merchant fleet in the Caspian region;
- In February 2023, a joint venture Caspian Integrated Maritime Solutions Ltd. (hereinafter — CIMS) was established on the site of AIFC with the distribution of shares: 49% from NMSC Kazmortransflot LLP (KMFTF), a subsidiary of NC KazMunayGas JSC, and 51% from International Maritime Investments Ltd, a subsidiary of ADP;
- In June 2023, CIMS acquired two new tankers ("Taraz" and "Liwa") with a deadweight of 8,000 tons for a total of EU 27.6 million (or USD 30 million) to transport Kazakh oil in the Caspian Sea;
- On February 1, 2024, SK-Presight AI Ltd. was registered under the jurisdiction of AIFC as a Private Company with the distribution of shares: 70% of Presight and 30% of Samruk-Kazyna Invest LLP;
- In May 2023, KTZh Express JSC and PSA formed a joint venture, KPMC Ltd, to develop the TITR route and create a digital trade corridor;
- On August 22, 2023 the largest players of telecommunication markets of Kazakhstan and Azerbaijan, Kazakhtelecom JSC and Azertelecom Int. LLC, within the frame-

work of implementation of the Trans-Caspian fiber-optic cable line project, signed an agreement on registration of a joint venture responsible for construction of the FOCL. The joint venture is CASPINET B.V., in which Kazakhtelecom JSC's share is 50%";

- On September 25, 2023 Samruk-Energy JSC signed an agreement with Firma ORGRES LLC (Russia) on joint implementation of the project "Expansion and reconstruction of Ekibastuz SDPP-2 with installation of power unit st. No.3";
- On October 17, 2023, agreements on Sinopec's entry into the "Polyethylene Production" project were signed, namely, agreements for the purchase and sale of a participation interest in Silleno LLP (between NC KazMunayGas JSC and Sinopec, between SIBUR and Sinopec);
- In cooperation with major foreign investors such as Total Eren, ACWA Power, Masdar, China Power International Holding Ltd, Power China and others, projects for the construction of solar and wind power plants with a combined capacity of up to about 6 GW have been initiated. In this context, documents have been signed to formalize the main terms of cooperation between the parties, including the Joint Venture Agreement with Total Eren, Joint Project Development Agreements with ACWA Power, Masdar, China Power International Holding Ltd. In addition, the Main Terms of Transactions for the implementation of SPS construction projects between Samruk-Energy JSC and Unigreen Energy, as well as the Shareholders' Agreement between Qazaq Green Power PLC and Tumar Commerce LLP (a subsidiary of Unigreen Energy) were formalized. To strengthen the special conditions for project implementation required by the partners, Intergovernmental Agreements were signed between the Republic of Kazakhstan and France, as well as the Republic of Kazakhstan and the UAE on WPP construction projects with Total Eren and Masdar.

#### AMONG THE SIGNIFICANT ACTIVITIES PLANNED FOR 2024 ON PRIORITY INVESTMENT PROJECTS, IT IS ADVISABLE TO NOTE THE FOLLOWING:

- Completion of construction and installation works for the Kenderly desalination plant and related infrastructure (with subsequent commissioning of the plant in summer 2025);
- Adoption of the final investment decision on the projects "Construction of Integrated Gas Chemical Complex, Second Phase (Polyethylene)" and "Construction of Gas Separation Complex";
- Completion of construction of gas infrastructure for gas supply to SDPP-2, SDPP-3 in Almaty. Almaty, including the second

string of the main gas pipeline "Almaty-Baiserke-Talgar" and the gas supply pipeline from AGDS to SDPP-3;

- Commissioning of power unit No. 1 at Ekibastuz SDPP-1;
- Conclusion of EPC-contracts on projects of expansion and reconstruction of Ekibastuz SDPP-2 (power units of st. No. 3, st. No. 4); construction of SDPP-3 station; unification of the energy system of Western Kazakhstan with UES; construction of sulfuric acid plant with capacity of 800 thousand tons per year.

- Commissioning of 98 schools by September 1 and 110 schools by December 31, 2024 within the framework of the Resolution of the Government of the Republic of Kazakhstan No. 963 dated November 30, 2022 on approval of the pilot National Project in the field of education "Comfortable School";
- Start of construction and installation works under the projects of modernization of SDPP-2 and reconstruction of SDPP-3 in Almaty. Almaty, as well as the project for construction of a CCGT-based power plant in Turkestan region.

#### LOW-PROFIT PROJECTS

In 2023, in accordance with the instructions of the President and the Government of the Republic of Kazakhstan, there were 3 low-profit projects under implementation:

##### 1. Gasification of the "Sarsha" area and the "Warm Beach" resort area.

KazTransGas Aimak JSC constructed a 60 km long underground high-pressure gas pipeline. The new gas pipeline connected Kuryk village with Sarsha and the Warm Beach resort area near Aktau city. This project not only contributes to solving water shortages through energy support of the desalination plant, but also stimulates the development of tourism on the Caspian coast, ensuring year-round operation of resort areas and contributing to the economic progress of the region.

##### 2. Construction of a desalination plant in Kenderly with a capacity of 50,000 m<sup>3</sup> / day.

In 2023, construction of a new desalination plant in Mangystau region was started

to provide drinking water to the residents of Zhanaozen city. Construction works are planned to be completed by the end of 2024, and the plant is expected to reach its design capacity in 2025. The construction of the facility is financed at the expense of NC KazMunayGas JSC, which started the realization of the project of reconstruction of the main water pipeline "Astrakhan-Mangyshlak".

##### 3. Laying of FOCL along the Caspian Sea bed.

FOCL along the Caspian Sea bottom will connect the countries of Central Asia with a single Internet space. In 2023, Kazakhtelecom JSC continued working on the international complex project of construction of fiber-optic line along the Caspian Sea bottom on the route Azerbaijan — Kazakhstan.

The main route will run from Aktau to the Azerbaijani district of Sumgait and will be more than 340 kilometers, the reserve canal with a length of about 330 kilometers will be laid from the Kazakh port of Kuryk to the Sumgait city area, which is located near Baku.

The Trans-Caspian project is strategically important for Kazakhstan (and, in general, for the entire Central Asian region), because with its implementation Kazakhstan will gain additional access to the international transit market, which will make it possible to ensure the transit of global traffic from Asian countries through the territory of Kazakhstan to Azerbaijan with access through Georgia, the Black Sea and Bulgaria to Europe.

The project will also serve as a driver to accelerate the creation of a new digital telecommunications corridor and help achieve a higher level of development of high-speed and secure data transmission infrastructure.



PRIORITY PROJECTS

<p><b>NC KAZMUNAYGAS JSC</b> 01</p> <p>Construction of Seawater Desalination Plant in Kenderly settlement</p> <p><b>127.2</b></p> <p>Cost — KZT billion</p>	<p><b>NC KAZMUNAYGAS JSC</b> 02</p> <p>Polyethylene production</p> <p><b>3,614.0</b></p> <p>Cost — KZT billion</p>	<p><b>NC KAZMUNAYGAS JSC</b> 03</p> <p>Construction of GSC for the Polyethylene project</p> <p><b>1,301.0</b></p> <p>Cost — KZT billion</p>
<p><b>NC KAZMUNAYGAS JSC</b> 04</p> <p>Construction of a new gas processing plant in Zhanaozen</p> <p><b>167.6</b></p> <p>Cost — KZT billion</p>	<p><b>NC QAZAQGAZ JSC</b> 05</p> <p>Construction of the Kashagan GPP (Phase 1)</p> <p><b>492.0</b></p> <p>Cost — KZT billion</p>	<p><b>NC QAZAQGAZ JSC</b> 06</p> <p>Construction of gas infrastructure for gas supply of SDPP-2, SDPP-3 in Almaty. Almaty</p> <p><b>102.1</b></p> <p>Cost — KZT billion</p>
<p><b>NC QAZAQGAZ JSC</b> 07</p> <p>Increase in the capacity of main gas pipeline "Beineu-Bozoi-Shymkent" (construction of 2-strand line)</p> <p><b>2,909.0</b></p> <p>Cost — KZT billion</p>	<p><b>NC QAZAQGAZ JSC</b> 08</p> <p>Construction of new compressor station KS-14 of Krasnooktyabrskoye LPM of Aktobe GTPA and new main gas pipeline KS-14 – Kostanai</p> <p><b>547.9</b></p> <p>Cost — KZT billion</p>	<p><b>SAMRUK-ENERGY JSC</b> 09</p> <p>Rehabilitation of power unit No. 1 of SDPP-1 with installation of new electrostatic precipitators</p> <p><b>187.1</b></p> <p>Cost — KZT billion</p>
<p><b>SAMRUK-ENERGY JSC</b> 10</p> <p>Modernization of Almaty SDPP-2 with minimization of environmental impact</p> <p><b>436.0</b></p> <p>Cost — KZT billion</p>	<p><b>SAMRUK-ENERGY JSC</b> 11</p> <p>Reconstruction of Almaty SDPP-3 based on CCGT with capacity up to 450 MW</p> <p><b>341.3</b></p> <p>Cost — KZT billion</p>	<p><b>SAMRUK-ENERGY JSC</b> 12</p> <p>Auto-conveyor technology of overburden transportation at Bogatyr open pit mine</p> <p><b>22.5</b></p> <p>Cost — KZT billion</p>
<p><b>SAMRUK-ENERGY JSC</b> 13</p> <p>Expansion and reconstruction of Ekibastuz SDPP-2 with installation of power unit st.No.3</p> <p><b>445.0</b></p> <p>Cost — KZT billion</p>	<p><b>SAMRUK-ENERGY JSC</b> 14</p> <p>Expansion of Ekibastuz SDPP-2 with installation of power unit st.No.4</p> <p><b>537.0</b></p> <p>Cost — KZT billion</p>	<p><b>SAMRUK-ENERGY JSC</b> 15</p> <p>Construction of a power plant based on clean coal technologies SDPP-3</p> <p><b>1,034.0</b></p> <p>Cost — KZT billion</p>
<p><b>SAMRUK-ENERGY JSC</b> 16</p> <p>Expansion to 810 MW of WPP in Almaty region (Power China)</p> <p><b>516.2</b></p> <p>Cost — KZT billion</p>	<p><b>SAMRUK-ENERGY JSC</b> 17</p> <p>Construction of 1 GW WPP with energy storage system with Total Eren</p> <p><b>552.0</b></p> <p>Cost — KZT billion</p>	<p><b>SAMRUK-ENERGY JSC</b> 18</p> <p>Construction of a 1 GW wind power plant with energy storage system in cooperation with ACWA Power</p> <p><b>828.0</b></p> <p>Cost — KZT billion</p>

1.	2.	3.
ABOUT THE FUND	CONSOLIDATED FINANCIAL INDICATORS	FUND PERFORMANCE

4.	5.	6.
SUSTAINABLE DEVELOPMENT	CORPORATE GOVERNANCE	ANNEXES
		CONTACT INFORMATION

<p><b>SAMRUK-ENERGY JSC</b> 19</p> <p>Construction of a 1 GW wind power plant with energy storage system in cooperation with Masdar</p> <p><b>690.0</b></p> <p>Cost — KZT billion</p>	<p><b>SAMRUK-ENERGY JSC</b> 20</p> <p>Construction of a 1 GW wind power plant with energy storage system jointly by China Power International Holding Ltd.</p> <p><b>552.0</b></p> <p>Cost — KZT billion</p>	<p><b>SAMRUK-ENERGY JSC</b> 21</p> <p>Construction of NPPs with Unigreen Energy with a total capacity of up to 1 GW</p> <p><b>363.4</b></p> <p>Cost — KZT billion</p>
<p><b>CCGT TURKESTAN LLP</b> 22</p> <p>Construction of a CCGT-based power plant with a capacity of up to 1000 MW in Turkestan region</p> <p><b>682.8</b></p> <p>Cost — KZT billion</p>	<p><b>KEGOC</b> 23</p> <p>Unification of the energy system of Western Kazakhstan with UES of Kazakhstan</p> <p><b>201.8</b></p> <p>Cost — KZT billion</p>	<p><b>KEGOC</b> 24</p> <p>Strengthening of the power grid of the Southern zone of UES of Kazakhstan</p> <p><b>154.1</b></p> <p>Cost — KZT billion</p>
<p><b>NAC KAZATOMPROM JSC</b> 25</p> <p>Construction of a sulphuric acid plant with a capacity of 800 thousand tons per year</p> <p><b>108.8</b></p> <p>Cost — KZT billion</p>	<p><b>NC KAZAKHSTAN TEMIR ZHOLY JSC</b> 26</p> <p>Modernization of the Dostyk-Moynty railway corridor</p> <p><b>542.8</b></p> <p>Cost — KZT billion</p>	<p><b>NC KAZAKHSTAN TEMIR ZHOLY JSC</b> 27</p> <p>Construction of a bypass railway line bypassing the railway junction of Almaty station</p> <p><b>151.0</b></p> <p>Cost — KZT billion</p>
<p><b>NC KAZAKHSTAN TEMIR ZHOLY JSC</b> 28</p> <p>Construction of the Darbaza-Maktaaral railroad line</p> <p><b>286.0</b></p> <p>Cost — KZT billion</p>	<p><b>NC KAZAKHSTAN TEMIR ZHOLY JSC</b> 29</p> <p>Construction of the Bakhty-Ayagoz railroad line (3rd border crossing point)</p> <p><b>577.5</b></p> <p>Cost — KZT billion</p>	<p><b>KAZAKHTELECOM JSC</b> 30</p> <p>Construction of 5G network in the Republic of Kazakhstan</p> <p><b>536.9</b></p> <p>Cost — KZT billion</p>
<p><b>KAZAKHTELECOM JSC</b> 31</p> <p>Laying a FOCL backbone along the Caspian Sea bed</p> <p><b>23.0</b></p> <p>Cost — KZT billion</p>	<p><b>NMC TAU-KEN SAMRUK JSC</b> 32</p> <p>Industrial development of the Shalkiya polymetallic ore deposit in Kyzylorda region</p> <p><b>343.1</b></p> <p>Cost — KZT billion</p>	<p><b>NMC TAU-KEN SAMRUK JSC</b> 33</p> <p>Mining and processing of polymetallic ores at the Alaigyr deposit in the Karaganda region</p> <p><b>77.0</b></p> <p>Cost — KZT billion</p>
<p><b>KARABATAN UTILITY SOLUTIONS LLP (SAC – NC KAZMUNAYGAS JSC)</b> 34</p> <p>Construction of infrastructure facilities of the special economic zone "National Industrial Petrochemical Technopark" in Atyrau region (Karabatan site)"</p> <p><b>311.3</b></p> <p>Cost — KZT billion</p>	<p><b>SAMRUK-KAZYNA CONSTRUCTION JSC</b> 35</p> <p>Implementation of the pilot National Project "Comfortable Schools"</p> <p><b>2,139.0</b></p> <p>Cost — KZT billion</p>	<p><b>TOTAL</b></p> <p><b>21,900.4</b></p> <p>Cost — KZT billion</p>



## Activity of Samruk-Kazyna Invest



SAMRUK-KAZYNA INVEST LLP IS A FINANCIALLY STABLE INVESTMENT COMPANY, WHICH IN COOPERATION WITH STRATEGIC PARTNERS REALIZES DIRECT INVESTMENTS IN VARIOUS PROJECTS ON THE TERRITORY OF THE REPUBLIC OF KAZAKHSTAN.

The main objective of Samruk-Kazyna Invest is to diversify the investment portfolio of Samruk-Kazyna JSC.

Samruk-Kazyna Invest aims to stimulate economic development by creating new industries, creating quality jobs, reducing dependence on imports, increasing exports, and attracting foreign investment and technology.

### KEY PERFORMANCE RESULTS FOR 2023

Indicator	2022	2023
<b>Financial indicators, KZT million:</b>		
Net gain on financial instruments at fair value through profit or loss	3,853	23,069 <sup>26</sup>
Dividends received	1,850	2,115
Operating expenses	(1,180)	(1,721)
Income (loss) from operating activities	4,523	23,463
Finance income (expense), net	(14,877)	(4,781)
Income (loss) before taxation	(13,488)	18,578
Corporate income tax expense	2,938	(2,163)
Profit (loss) for the period	(10,550)	16,415

In March 2023, the Development Strategy of Samruk-Kazyna Invest for 2023–2032 was approved, based on the mission, vision, strategic initiatives and key priorities of the company, as well as in accordance with the nationwide development priorities of the Republic of Kazakhstan.

### PLANS FOR 2024

IN 2024, SAMRUK-KAZYNA INVEST PLANS TO EXPAND ITS INVESTMENT PORTFOLIO BY INVESTING IN INNOVATIVE PROJECTS IN THE MANUFACTURING INDUSTRY AND INFORMATION TECHNOLOGY.

The total value of the projects is KZT 420 billion, including direct foreign investments in the amount of KZT 47 billion from investors from Germany, China, UAE and Turkey.

Given the current socio-economic dynamics of Kazakhstan and the significant role of the Fund in the economic development of the country, preference will be given to investments within the country in strategic projects with international strategic investors.

At the global level, the Fund aims to diversify its investment portfolio by enriching it with industrial projects with a high level of economic added value and export potential.

In the international arena, the focus will be on cooperation with leading global organizations and sovereign wealth funds for joint implementation of various initiatives and projects.

Attracting global strategic partners will facilitate technological exchange and investment attraction, which will positively impact Kazakhstan's sustainable economic development.

This approach will allow the Fund to expand its presence in new markets and strengthen its international investment expertise by joining forces through co-investments.

# SUPPORT FOR SOCIALLY ORIENTED CONSTRUCTION



Samruk-Kazyna Construction JSC (hereinafter – Company), formerly known as Samruk-Kazyna Real Estate Fund JSC, is a real estate development company established on March 6, 2009 by the Government of the Republic of Kazakhstan. Its main purpose was to stabilize the situation in the real estate market, in particular, to solve the problems of participants of shared construction and to complete the construction of problem objects. Initially, the Company set itself the task of acquiring residential and commercial premises in the objects under construction and ensuring their effective management. The Company, acting as a national operator, contributed to the implementation of government programs such as "Affordable Housing 2020", "Nurly Zher" and others in 11 regions where the Fund's group of companies operates.

Real estate commissioning

**82**  
thousand m<sup>2</sup>

In March 2009, the Government of the Republic of Kazakhstan transferred 100% of the Company's shares to the sole shareholder – Samruk-Kazyna JSC. In accordance with the updated Development Strategy, the Company provides construction and real estate management services for the group of companies of Samruk-Kazyna JSC, invests in housing construction, builds production facilities for the production of import-substituting construction materials, and acts as an operator of government programs.

### KEY PERFORMANCE RESULTS FOR 2023

Indicator	2022	2023
Commissioning of real estate, thousand m <sup>2</sup>	150.65	82.00
Realized real estate, thousand m <sup>2</sup>	99.08	96.66
ROACE, %	5.29	7.04
Debt/Equity, coefficient	1.13	0.76
NAV, KZT million	70,611.5	77,891.0
Output of non-resource goods and services, KZT thousand	26,817.6	28,209.9
Labor productivity <sup>27</sup> , KZT million/person	102.67	53.64
<b>Financial indicators, KZT million:</b>		
Revenue	19,641.5	19,316.4
Gross profit	12,889.3	13,326.3
Dividends	2,030.5	6,437.1
Net income	5,283.7	7,437.3
Current costs	12,778.7	12,497.9
Operating profit	9,524.0	4,193.1
Net debt	72,256.5	46,374.6
Amount of taxes paid, KZT billion	2.196	1.365
<b>Sustainability Indicators:</b>		
Volume of utilized waste	0	0
Accidents	0	0
Death in accidents	0	0
<b>The amount of heat and electricity consumed:<sup>28</sup></b>		
Electricity, thousand kWh	5,052	4,828
Heat supply, Gcal	7,246	4,903

<sup>27</sup> The indicator is specified according to the methodology of the Fund dated 09.12.2021 according to the decision of the Board of Samruk-Kazyna JSC, Minutes No. 55/21

<sup>28</sup> Indicators of energy resources consumption by business centers "Green Quarter" and "Kazyna Tower", July 27, 2023 Business center Kazyna Tower was transferred into state ownership.

<sup>26</sup> The values between years are different mainly due to the revaluation of financial assets, the expense from the early redemption of the bonds to the Fund in 2022 and the impact of exchange rate differences.



The Company's net income amounted to

**7,437.3**

KZT million

**10**

facilities

were put into operation

**FINANCIAL RESULTS**

At the end of 2023, the Company's net income amounted to KZT 7,437.3 million with the planned net income of KZT 12,033.6 million. Negative impact on the financial result was caused by violations by developers of the terms of repayment of funds invested by the Company in investment projects, due to the weak pace of real estate sales due to the lack of preferential mortgage programs. The Company recognized provisions for expected credit losses.

**SUPPORT FOR THE CONSTRUCTION INDUSTRY**

As of December 31, 2023, the Company has entered into construction investment agreements (hereinafter – CIA) for 19 projects in the cities of Astana, Almaty, Atyrau, Aktobe, Konaev, Kokshetau, Aksu (Pavlodar region), Taraz, and Ust-Kamenogorsk. The Company's pool of commercial and residential real estate under the concluded CIA as of 31.12.2023 amounted to 309.9 thousand m<sup>2</sup> and 996 parking spaces, the total cost of the projects – KZT 125.9 billion, including the volume of the Company's investments in the amount of KZT 76.9 billion. These projects are financed by the Company's own funds and borrowed funds raised on market terms.

As of 31.12.2023, as part of these projects, the Company invested KZT 57.4 billion, including transferred land plots (within the framework of the project "Residential Complex Akkent in Almaty" and "Residential Complex on Millennium Alley, Phase 1 in Astana") at a cost of KZT 2.2 billion. 10 objects were put into operation (including 7 objects in 2023 and 3 objects in 2022), the total share of the Company in the commissioned real estate amounted to 240.8 thousand m<sup>2</sup>, realized – 203.9 thousand m<sup>2</sup>. These projects are financed by the Company's own funds and borrowed funds raised on market terms.

**SUPPORT FOR LOCAL PRODUCTION**

In 2023, the Company successfully implemented one of the tasks set for it: participation in the program of construction of plants for the production of import-substituting construction materials. The project of construction of a plant for the production of roofing and facing materials in Astana was realized. In the course of construction 150 jobs were created, the staff number of the plant is 96 people, and the actual number of employees for the reporting period is 45 people.

On December 15, 2023, the plant was visited by the Head of State Kassym-Jomart Tokayev, who highly appreciated the products of MetalFormer LLP during familiarization with the production and noted the importance of supporting such enterprises and the need to switch from imported building materials to domestic products. In order to support the plant, the Company provides assistance in using the products of MetalFormer LLP in the Company's projects and utilization of the plant's production capacities.



**IN 2024, THE COMPANY PLANS TO COMPLETE CONSTRUCTION OF 5 RESIDENTIAL COMPLEXES IN ASTANA, TARAZ, UST-KAMENOGORSK, KOKSHETAU AND AKSU (PAVLODAR REGION) WITHIN THE FRAMEWORK OF INVESTMENT ACTIVITY.**

**COMFORTABLE SCHOOL**

Since 2023 the Company, according to the Resolution of the Government of the Republic of Kazakhstan dated November 30, 2022 No. 963 "On approval of the pilot national project in the field of education "Comfortable School", has been determined as the Directorate for targeted construction of facilities of secondary education organizations. The Company manages the project in accordance with the Rules of rendering engineering services in the sphere of architectural, town-planning and construction activities and is vested with the function of the customer.

In the reporting period, out of 208 comfortable schools planned for construction in the first stage (2023-2024), contracts were signed for the procurement of complex works for the design and construction of turnkey facilities at 207 sites. It is planned to sign a contract for 1 remaining facility in 2024.

During 2023, contractors prepared land plots for construction (fencing, installation of video surveillance cameras, mobilization of construction equipment, engineering and geological surveys, and so on). As positive conclusions of the state expert examination

of design and estimate documentation are received, construction and installation works will be started.

**OPERATIONAL EFFICIENCY**

In 2022, the company continued work to automate the lease payment management system. As part of operations management in 2023, significant work was done to automate internal business processes, and information systems were introduced to monitor national project implementation, procurement and BPM (Business Process Management).

**PLANS FOR 2024**

In 2024, the Company plans to complete construction of 5 residential complexes in Astana, Taraz, Ust-Kamenogorsk, Kokshetau and Aksu (Pavlodar region) within the framework of investment activity.

In accordance with the resolution of the Government of the Republic of Kazakhstan No. 963 from November 30, 2022 on approval of the pilot National Project in the field of education "Comfortable School" it is planned to complete the construction of 208 schools in 17 regions and 3 megacities of the country by contractors.



# PROCUREMENT SUPPORT



SAMRUK-KAZYNA CONTRACT LLP (HEREINAFTER — SKC) WAS ESTABLISHED IN 2009 AND PERFORMS THE FUNCTIONS OF A PROCUREMENT OPERATOR FOR THE GROUP OF COMPANIES OF SAMRUK-KAZYNA JSC.

Contract amount

# 3,697

KZT billion

The Company is responsible for the support and development of the electronic procurement information system (the Fund's procurement web portal), monitors local content and prices for products purchased by companies within the group of Samruk-Kazyna JSC.

In addition, the Company is engaged in the development of the Unified Nomenclature Directory of goods, works and services, which is used in procurement procedures of the Fund's group, in public procurement, as well as in the procure-

ment processes of the quasi-public sector, natural monopolies and subsoil users. In addition, SKC conducts pre-qualification of potential suppliers and assists the Fund Group in categorical procurement management.

## KEY PERFORMANCE RESULTS FOR 2023

Indicator	2022	2023
<b>Procurement performance indicators by Fund group</b>		
Amount of concluded contracts, KZT billion	3,591	3,697
Total share of in-country value in purchases, %	79%	79%
Share of in-country value in purchases of goods, %	61%	60%
Share of in-country value in procurement of works and services, %	89%	87%
Total amount of procurement conducted by single source method (SSM), KZT billion (% indicates the share of the total amount of procurement conducted)	1,407 (39%)	2,100 (57%)
Total amount of purchases conducted by open tender (OT), request for quotations (RFQ) and other competitive methods, KZT billion (% indicates the share of the total amount of conducted purchases)	2,184 (61%)	1,597 (43%)
Number of concluded off-take contracts (as of the end of the year, cumulative total), units	331	476
Amount of off-take contracts concluded (as of the end of the year, cumulative total), KZT billion	101.4	115.7
<b>Indicators of Samruk-Kazyna Contract LLP</b>		
<b>Production figures</b>		
Number of potential suppliers registered on the procurement web-portal (as of the end of the year, cumulative total), thousand units	81	97
Number of potential suppliers that passed preliminary qualification selection, units	96 (134) <sup>29</sup>	81 (215) <sup>30</sup>
Number of procurement category strategies (at the end of the year, cumulative total), units	21	29
Number of codes of the Unified Nomenclature Directory of Goods, Works and Services (at the end of the year, cumulative total), units	52,363	53,150
<b>Financial indicators, KZT thousands</b>		
Revenue	2,781,281	3,019,819
Dividends paid in the reporting period, for the previous year	1,721,481	500,000
Net income	585,794	637,824
Costs	2,199,575	2,512,600
Operating profit	662,866	649,168
Net debt	0	0
Amount of taxes paid	929,577	459,449
<b>Sustainability Indicators:</b>		
Accidents	0	0

<sup>29</sup> cumulative data (taking into account exclusion of suppliers from the CAT Register on the stipulated grounds).

<sup>30</sup> cumulative data (taking into account exclusion of suppliers from the CAT Register on the stipulated grounds).

At present, 706 organizations in more than 15,000 commodity items are included in the Register of CPF

# 706

organizations

## IMPLEMENTATION OF THE IMPORT SUBSTITUTION PROGRAM

The Fund takes an active part in the implementation of industrial and innovative projects of social importance, which contribute to sustainable economic development of the Republic of Kazakhstan. One of the key areas of the Fund's activities is support of local production through the Import Substitution Program. The Fund regularly, on a quarterly basis, determines and approves the "Pool of goods of net import", in which the Fund's group of companies has a long-term need. Companies located in Kazakhstan are invited to start production of these goods. In return, the Fund undertakes to ensure stable and long-term demand for the products produced. From 2018 to 2023, 68 projects were approved for off-take contracts, resulting in 476 off-take contracts totaling approximately KZT 115.7 billion.

From 2018 to 2023, 68 projects were approved for off-take contracts, resulting in

# 476

off-take contracts

## MAINTAINING THE REGISTER OF THE FUND'S COMMODITY PRODUCERS

In order to support domestic producers, on an ongoing basis, the Fund accepts, reviews and makes decisions on the materials submitted for inclusion in the Register of commodity producers of the Fund (Register of CPF), which gives producers a priority right to participate in the Fund's procurement.

At the end of 2023, 2,532 applications from businesses for inclusion in the Register of CPF were considered. At present, 706 organizations in more than 15,000 commodity items are included in the Register of CPF.



9 new categories of goods, works and services is applied were developed jointly with the Fund's portfolio companies

**9**  
new categories

For the period 2022-2023, 177 potential suppliers were included in the QPS Register

**177**  
suppliers

**REGULAR MONITORING OF THE QUALITY OF SERVICES PROVIDED INDICATES A 100% LEVEL OF SATISFACTION WITH THE PQS PROCESS ON THE PART OF POTENTIAL SUPPLIERS, WHICH CONFIRMS ITS HIGH EFFICIENCY AND CONTRIBUTION TO IMPROVING COMPETITIVENESS IN THE MARKET.**

**PRE-QUALIFICATION OF POTENTIAL SUPPLIERS**

IN THE CONTEXT OF MODERN PROCUREMENT PRACTICES, THE PROCESS OF PRELIMINARY QUALIFICATION SELECTION (HEREINAFTER — PQS) OF POTENTIAL SUPPLIERS ACQUIRES KEY IMPORTANCE.

It provides indirect mitigation of risks associated with the subsequent conclusion of contracts, and also contributes to the optimization of tender procedure costs. Pre-qualification helps to ensure transparency and fair competition in the market by selecting organizations that are likely to meet the customer's needs for quality goods, works and services.

A total of 215 potential suppliers were included in the Register of Qualified Potential Suppliers (hereinafter — the "QPS Register"). For the period 2022-2023, 177 potential suppliers were included in the QPS Register (growth — 81 participants in the period 2022-2023).

During the reporting period, 9 new categories of goods, works and services for which the PQS is applied were developed jointly with the Fund's portfolio companies. The decrease in the number of new categories developed is explained by the focus on additional PQS procedures, such as updating existing categories and monitoring the status of organizations included in the QPS Register. Regular monitoring of the quality of services provided indicates a 100% level of satisfaction with the PQS process on the part of potential suppliers, which confirms its high efficiency and contribution to improving competitiveness in the market.

**CATEGORY PROCUREMENT MANAGEMENT**

Category Procurement Management (hereinafter referred to as CPM) is a modern global management practice aimed at improving the economic efficiency of a company's procurement processes. The main objective of CPM is to transform the approach to procure-

ment with regard to the specifics of a particular business area. This practice helps to significantly reduce the cost of procurement, improve the quality of purchased goods, optimize logistics costs, and minimize the volume of illiquid inventory. The key advantage of CPM is that

when selecting a supplier, the main criterion is not only the purchase price, but also the total sum of all costs incurred at each stage of the life cycle of a product, work or service — from the moment of purchase to its complete write-off or disposal.

**LIST OF PROCUREMENT CATEGORIES OF THE FUND AND THE FUND'S ORGANIZATIONS**

As of December 31, 2023, the List includes 29 categories of procurement, including: at the level of the Fund — 5, NC KazMunay-Gas JSC — 10, Kazakhstan Temir Zholy JSC — 7, Samruk-Energy JSC — 4, NAC Kazatom-prom JSC — 3.

**DEVELOPMENT AND IMPLEMENTATION OF THE FUND'S PROCUREMENT CATEGORY STRATEGIES (HEREINAFTER — PCS)**

In 2023, the Fund's PCS for the category "IT equipment" was updated (decision of the Fund's Board of Directors No. 51/23 of October 26, 2023).

As of December 31, 2023, the Fund's two PCS for the Health Insurance and Tire categories are in the process of being developed (approval is expected in 2024).

The economic effect on the results of implementation of the Fund's PCS amounted to KZT 5,226 million (16% of the cost).

**DURING 2023, 2,061 APPLICATIONS FOR THE ADDITION OF NEW CODES WERE REVIEWED IN THE UNDGWS INFORMATION SYSTEM.**

**FURTHER DEVELOPMENT OF THE UNIFIED NOMENCLATURE DIRECTORY OF GOODS, WORKS AND SERVICES**

As of December 31, 2023, the total number of codes in the Unified Nomenclature Directory of Goods, Works and Services (hereinafter — UNDGWS) reached 53,150, including 50,718 codes for goods, 575 codes for works and 1,857 codes for services. During 2023, 2,061 applications for the addition of new codes were reviewed in the UNDGWS information system. Of these, the Commission for review and approval of UNDGWS codes approved 1,037 new codes and returned 1,024 applications.

One of the strategic objectives for the development and improvement of the UNDGWS Unified Tax System is the implementation of the plan for unification and standardization of technical specifications in procurement. The indicator reflects the number of UNDGWS codes covered by standardized standard technical specifications in the procurement of goods for the group of companies of the Fund and is aimed at improving the efficiency and quality of procurement, as well as eliminating the risks of incorrect application of UNDGWS codes.

Based on the analysis of purchases of the Fund's companies from KZT 10 million and above for 2022, with the frequency of application more than 50 times a year, and proposals of the Fund's companies, in the reporting year a list of 2,952 UNDGWS codes for goods was formed. Templates of standard technical specifications for application in the information system of electronic procurement were developed for these codes jointly with specialists of the Fund's companies.

**DIGITALIZATION OF PROCESSES**

In accordance with the Rules of property realization of Samruk-Kazyna JSC, the information system "Web portal for the realization of the Fund's property" was developed. In the 3rd quarter of 2023, a successful pilot testing of several portfolio companies of the Fund was conducted. Earlier, in 2022,

automated monitoring of planned prices for goods in the information system of procurement was introduced. When forming procurement plans or adjusting them, planned prices are compared with the average prices for the Fund and actual prices for a particular company. In case of excess, companies are

notified and justify their prices. As a result, there is a positive dynamics of requesting price offers from more companies, including local manufacturers, which leads to better formation of planned prices.

**LIST OF UNRELIABLE SUPPLIERS**

The SKC form and maintain a List of Unreliable Suppliers.

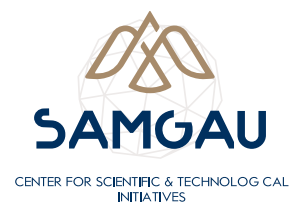
A total of 924 potential suppliers were included in the List in 2023. 464 of them were included for evading the conclusion of a contract, 376 — by a court decision establishing non-fulfillment or improper fulfillment of contractual obligations, 60 — for failure to provide security for the execution of a contract, and 24 — for providing false information in the procurement process.

**PLANS FOR 2024**

In 2024, a number of significant initiatives are envisaged. It is planned to apply to the Agency for Protection and Development of Competition of the Republic of Kazakhstan to obtain approval for the launch of the information system "Web portal for the realization of the Fund's property". In the current year it is planned to integrate the results of the pilot project on unification and standardization of technical specifications into the procurement system after the necessary modifications of information systems UNDGWS and EPIS. During 2024, the List of procurement categories will also be updated.

# SCIENTIFIC RESEARCH INITIATIVES

## "Samgau Center for Scientific and Technological Initiatives"



THE NON-PROFIT ORGANIZATION "CENTER FOR SCIENTIFIC AND TECHNOLOGICAL INITIATIVES", ESTABLISHED WITHIN THE GROUP OF SAMRUK-KAZYNA JSC, IS AIMED AT CONSOLIDATION AND SYSTEMATIZATION OF RESEARCH AND DEVELOPMENT WORKS OF SUBSOIL USERS.

In December 2022, the Center underwent the re-registration procedure on the site of the Astana International Financial Center, transforming into a non-profit organization Fund "Center for Scientific and Technological Initiatives "Samgau" (hereinafter – CSTI).

The goal of CSTI is to support scientific research and innovation activities through the formation of an efficient and transparent ecosystem that promotes the development of a knowledge-intensive economy and improves the well-being of the population.

CSTI aims to create a reliable system for the selection and implementation of research and innovation projects, ensuring transparency and comprehensibility of processes at all stages – from application to project completion. The efficiency of this system is ensured through a thorough examination of projects, and transparency is ensured through access to information on the status of the project at each stage of its implementation.

CSTI develops mechanisms for effective interaction between the scientific and innovation community and industry, and actively works to concentrate the scientific and intellectual potential of the country to solve advanced technological problems aimed at optimizing production processes.

Being a part of the National Innovation and Research System, CSTI builds interaction with government agencies, development institutions, research organizations and universities, industry and financial institutions.

Thus, a unified policy in the field of scientific and technological development of the Fund Group is formed with the aim of achieving long-term economic sustainability and global competitiveness by the companies.

Since December 2023, subsoil users of the Fund have been financing scientific research through CSTI. The new selection and funding mechanism based on the "single window" principle has become a key tool for optimal and transparent allocation of resources within the Fund. This innovative system develops priority areas of science and production, providing effective support for research projects.

In 2023, more than 84 R&D applications were considered. Five promising projects were submitted and approved for consideration by the Scientific and Technical Council of the Fund.

# SHARED SERVICE CENTER



SINCE JULY 2020, SAMRUK-KAZYNA BUSINESS SERVICE LLP (HEREINAFTER — THE COMPANY) FUNCTIONS AS A COMMON SERVICE CENTER OF SAMRUK-KAZYNA JSC.

This role was approved as part of the transformation program adopted by the Council for Modernization in the organizations of the Samruk-Kazyna JSC group on May 28, 2020 to improve the efficiency of the key business by centralizing non-core functions of Samruk-Kazyna JSC and the group of companies into a single service center.

The Company currently performs a number of key functions within the Fund, including:

- ◆ SAP Customer Center of Expertise;
- ◆ Compliance Competence Center;
- ◆ Single Operator of the Privatization Program;
- ◆ Organization of centralized archival storage of documents.

The Company has a 51% stake in the authorized capital of its subsidiary organization QazCloud LLP (49% is owned by Daneker Sala LLP). QazCloud LLP provides a wide range of IT services, including support and modernization of IT infrastructure, lease of virtual IT resources and protection of the Fund's information data.

### KEY PERFORMANCE RESULTS FOR 2023

#### FINANCIAL INDICATORS, KZT THOUSANDS

	2022	2023
Revenues	11,359,281	17,991,616
Cost price	(10,184,322)	(15,549,459)
General administrative expenses	(1,070,107)	(1,090,029)
The Company's net profit before taxation	78,987	1,159,239
Net income	61,044	954,501
Dividends paid to the sole participant	168,051	177,464

The excess of net profit in 2023 was due to a number of factors. The main ones were the increase in income from outsourcing of business processes of HR administration and centralized archiving of the Company's documents, as well as successful implementation of new projects of the subsidiary QazCloud LLP.

Currently, the Company serves 5.4 thousand employees – NC KazMunayGas JSC, Munait-telecom LLP, Mangistauenergomunai LLP, Oil Construction Company LLP, Pavlodar Refinery LLP, QazCloud LLP, KMG Engineering LLP and branch, Samruk-Kazyna Contract LLP,

Samruk-Kazyna Ondeu LLP, Tau-Ken Samruk LLP.



## SSC activities

Since its establishment, the Shared Service Center (SSC) has been actively developing and expanding the range of services provided to the Fund's companies and the Fund itself. The key areas of the SSC activities include:

- ◆ Administrative Support;
- ◆ Written translations;
- ◆ Employee transportation;
- ◆ Ensuring the performance of executives;
- ◆ Procurement Organization;
- ◆ HR Service;

- ◆ Accounting and tax accounting;
- ◆ Legal Support;
- ◆ Safety;
- ◆ IT security;
- ◆ And other functions.

In 2022, the SSC successfully passed the certification of the quality management system of the provided services according to the standard ST RK ISO 9001-2016 (ISO 9001-2015), and in 2023 — the annual inspection control, which confirmed the compliance of the system with the requirements of the standard.

Since July 2023, at the initiative of the Fund, the activities of the SSC have been expanded through the transfer of business process outsourcing functions from the private institution "Samruk Business Academy". This includes:

- ◆ Personnel Administration;
- ◆ Administering payroll and payroll calculations;
- ◆ Recruiting Administration.

The company serves more than 5.4 thousand employees in new directions and has two regional service centers in Pavlodar and Aktau.

## CENTRALIZED ARCHIVAL STORAGE OF DOCUMENTS

By the decision of the Council for Modernization in the Organizations of the Fund Group dated December 10, 2020, the Company was determined as the operator for the implementation of the project "Centralized Archival Storage of Documents" (CASD), the perimeter of which includes the Fund's PCs/Subsidiaries.

In December 2022, the information system "Electronic Archive" was transferred to the Partnership from Samruk-Kazyna JSC as a contribution to the authorized capital.

Under the CASD program, the Company operates in five areas, including providing access to the Electronic Archive information system.

In 2023, access to the information system "Electronic Archive" was provided for five companies of the Fund (QazCloud LLP, Samruk-Energy JSC, KEGOC JSC, Energoinform JSC, Khorasan LLP).

In 2023, the total amount of concluded service contracts amounted to KZT 265 million.

## SAP CUSTOMER EXPERTISE CENTER

The Company was determined as the Operator under the Agreement on granting rights of use and provision of software maintenance services dated December 30, 2015 No.122 between Samruk-Kazyna JSC and SAP Kazakhstan LLP (hereinafter — SAP Agreement). The Operator concludes contracts with PCs for distribution and technical support of licensed SAP software owned by Samruk-Kazyna JSC, as well as ensures compliance with the terms and conditions of the SAP Agreement in accordance with the SAP Software License Trust Agreement No. 630-i concluded on December 20, 2016.

In the perimeter of the Agreement SAP services cover 25 companies in the group of Samruk-Kazyna JSC. The functions of the SAP Customer Center of Expertise include:

- ◆ Software Support Services;
- ◆ License Management;
- ◆ Contract Administration;
- ◆ Consulting support;
- ◆ Coordinate requests for software enhancements or modifications;
- ◆ Information Management;
- ◆ Conclusion and maintenance of lease agreements with Fund companies;
- ◆ Conducting license audits.

The total amount of concluded contracts under these obligations exceeded KZT 13 billion excluding VAT.

## SINGLE OPERATOR OF THE PRIVATIZATION PROGRAM

By the decision of the Management Board of Samruk-Kazyna JSC dated October 14, 2021, the Company was determined as the Single Operator in accordance with the Rules of Asset Transfer in a Competitive Environment. The Company has developed and put into operation the information system "automated database of realized and realizable assets" (IS ADRRA). The Fund and all sectoral companies were granted access to IS ADRRA to fill in data on all assets of Samruk-Kazyna JSC, included in the Resolution of the Government of the Republic of Kazakhstan "On Certain Issues of Privatization for 2021-2025" No. 908 dated 29.12.2020 (hereinafter — the RGRK).

By the end of 2023, the system will have collected information on 53 assets listed in the ordinance, including 16 Schedule 1 assets, 14 Schedule 2 assets, and 23 Schedule 3 assets.

Representatives of the Single Operator at the end of the year took part in 23 meetings of the Commissions of the Sectoral Companies on asset realization and in 26 meetings of the Fund's Project Office on compliance with the Procedure and Procedures for transferring assets to the competitive environment provided by the Rules.

## COMPLIANCE COMPETENCE CENTER

In accordance with paragraph 54 of the Extended Road Map approved by the Board of the Fund on February 24, 2022 (Minutes No. 10-p), pursuant to the instructions of the President of the Republic of Kazakhstan on the issues of reforming Samruk-Kazyna JSC, implementation of compliance function in the companies of Samruk-Kazyna JSC group is carried out by the Compliance Competence Center. The grounds for this include:

**Specificity of the compliance function**, which includes anti-corruption, sanctions, listing and regulatory aspects that require high specialization and understanding of the unique requirements related to the Fund's activities. The specifics of these functions make it difficult to find external service providers capable of offering the required level of quality with limited resources.

**Confidentiality.** The importance of maintaining confidential information within the Fund Group cannot be underestimated. The Compliance Competence Center ensures stricter control over the preservation and protection of sensitive data compared to external contractors.

**Cost optimization.** Creation of internal competencies allows to significantly reduce costs for services to support and implement the compliance function.

The main activities of the Compliance Competence Center are:

- ◆ Methodological support and maintenance of the compliance function in the Fund's portfolio companies;
- ◆ Ensuring compliance with the requirements of the Law of the Republic of Kazakhstan "On Combating Corruption";
- ◆ Ensuring the functioning of the initiative information line of the group of companies of Samruk-Kazyna JSC;
- ◆ Automation of individual elements of the anti-corruption compliance program;
- ◆ Provision of services of outsourcing of business process of compliance function in the group of companies of Samruk-Kazyna JSC in accordance with the Law of the Republic of Kazakhstan "On Combating Corruption" and the Corporate Standard on Compliance Function of the Group of Companies of Samruk-Kazyna JSC.
- ◆ Ensuring certification audit of anti-corruption systems of Samruk-Kazyna JSC for compliance with the requirements of ISO 37001 "Anti-Bribery Management Systems" standard.

## PLANS FOR 2024

In 2024, the Company plans to:

- ◆ Preservation and development of current activities with improvement of the quality of services provided;
- ◆ Automation of customer service delivery processes, including the use of mobile services;
- ◆ Implementation of the electronic archive information system in the Fund's companies with implementation of the integration function within the framework of the project "Horizontal Monitoring".
- ◆ Strengthening control over the transparency and legality of asset transfer transactions in a competitive environment;
- ◆ Distribute licenses to the Fund's group companies, including potentially new organizations that have entered into the SAP agreement.

# CHARITABLE ACTIVITIES



The charity has reached more than

# 524

thousand Kazakhstan citizens

**SAMRUK-KAZYNA TRUST SOCIAL PROJECTS DEVELOPMENT FUND IS THE UNIFIED OPERATOR OF CHARITABLE ACTIVITIES OF THE SAMRUK-KAZYNA GROUP OF COMPANIES, WHICH IMPLEMENTS CHARITABLE PROJECTS AND PROGRAMS AIMED AT SOLVING SOCIALLY SIGNIFICANT ISSUES ON BEHALF OF THE ENTIRE SAMRUK-KAZYNA GROUP OF COMPANIES.**

Samruk-Kazyna Trust in 2023 implemented 46 social projects totaling KZT 7.2 billion in the areas of health care, education, support for the most socially vulnerable segments of the population and regional development. The projects were implemented in partnership with non-profit organizations in the regions where the Fund's companies operate, taking into account the needs of the population, as well as in those areas where the state resources are insufficient.

Within the framework of these projects, charitable assistance covered more than 524 thousand Kazakhstani people, including 97 thousand mothers and children, 87 thousand rural population, and 700 people were employed.

In the healthcare sector, attention was paid to ensuring accessibility of medical and rehabilitation care, introducing innovative treatment methods and improving the quality of life of Kazakhstanis. 19 rehabilitation centers were launched. Rural hospitals in 7 regions were provided with 18 ambulances and 9 invataxis (transportation for people with special physical needs). Perinatal centers in Shymkent, Karaganda, Taldykorgan, Aktau, Ust-Kamenogorsk and Uralsk cities were supplied with devices for therapeutic hypothermia and retinopathy of newborns. More than 500 children with oncological diseases were treated with modern equipment at the Scientific Center of Pediatrics and Children's Surgery. Treatment was paid for 61 children whose

diagnoses are incurable in the Republic of Kazakhstan. 100,000 citizens of remote stations received free medical and legal assistance under the Medical Trains project. The Center for children with Down syndrome in Almaty started its work in a new format.

In the sphere of education, conditions and opportunities have been created for receiving quality education and realizing human capital. 227 representatives of rural youth have received educational grants and are studying free of charge in 45 best secondary educational institutions of the country. Of these, 2 graduates are employed. Free extracurricular activities have been organized for 500 students from socially vulnerable categories. Summer educational and inclusive camps have been organized for more than 1,000 children and their parents.

In the field of sports, a contribution was made to the development of infrastructure and the creation of an accessible sports environment. Nine large sports complexes were built and 26 new sports and playgrounds were installed. Free adaptive sports sections were opened in 23 settlements. Within the framework of creative industry development, the building of the regional youth library of Aktobe region was completely renovated and revitalized into a creative center of science and modern creativity.

In addition to implementing charitable projects, Samruk-Kazyna Trust works to increase

the confidence of the people of Kazakhstan by strengthening interaction with the public, government institutions, representatives of the media and expert community, as well as portfolio companies. A good tradition has become a report to the public held in the format of the Corporate Philanthropy Forum with the participation of more than 300 representatives of civil society, government agencies, business and employees of the group of companies.

The activities of Samruk-Kazyna Trust are actively quoted by the media, NPOs and experts. In 2023, more than 5 thousand publications in Kazakhstani media were devoted to the charitable initiatives of the Fund.

A partnership has been established with Kazakhstan Khalkyna Public Fund, within the framework of which a project is being implemented to open 13 early intervention centers and 8 rehabilitation centers for children with autism in the regions of the Republic of Kazakhstan. The total coverage of children in the two areas is more than 2,500 children with special developmental needs.

At the same time, within the framework of corporate partnership, joint social projects were implemented jointly with the Bulat Utemuratov Foundation, and a partnership was established with Shell Kazakhstan to jointly implement a project on training and employment of persons with disabilities.

# HUMAN CAPITAL DEVELOPMENT



Private institution "Samruk Business Academy" (hereinafter – SBA) is a service company providing services on organization and administration of training, personnel outstaffing and HR-consulting. SBA was renamed in 2022 from the private institution "Samruk-Kazyna Corporate University", established in 2004 on the basis of the "Unified Personnel Development Center". Today SBA is a successful center for accumulation of best practices and generation of new knowledge.

Since 2004, SBA has been providing services in the field of personnel training, assessment and development. Currently, SBA is engaged in retraining and professional development of specialists of Samruk-Kazyna JSC group, support of processes in the field of human resources management, change management, formation of corporate culture in accordance with the strategic development goals of Samruk-Kazyna JSC.

## ACTIVITIES IN THE FIELD OF TRAINING ORGANIZATION

In 2023, the following modular training programs were implemented by the corporate and industrial training block of SBA: "Middle Management", "Gender Equality", "Zheti Kadam", "PR School", "HR School", "Recruitment School", "Procurement and Logistics Management", IR, "Ondiris tiregi", "First Line", "Academy of Instructor Machinists", "Kauipsizdik Sakshylary", "Production Manager".

312 CEOs, CEO-1, CEO-2, CEO-3 and 480 internal trainers of portfolio companies and subsidiaries and affiliates were trained under the Occupational Safety Culture project for 2023. 29,099 production employees of NC KazMunayGas JSC were also trained. Training on labor safety culture will continue in 2024 according to the schedule.

In 2023, SBA received international institutional accreditation from Independent Agency for Accreditation and Rating (IAAR).

All educational programs and organizations that have passed international accreditation in the IAAR agency are included in the European database – The Database of External Quality Assurance Results (DEQAR), which confirms the compliance of educational programs and organizations with international quality standards and is the basis for recognition of accredited educational programs in the European Higher Education Area.

Within the framework of the instruction of the President of the Republic of Kazakhstan to gradually increase the share of women up to 30% in the management bodies of companies with state participation, on September 30, 2022, Samruk-Kazyna JSC launched the project "Gender Equality", which ended on May 5, 2023.

The number of women leaders who completed the program was 71.

## HR CONSULTING SERVICES

The key areas of HR consulting are:

- ◆ Evaluating hiring, and personnel for suitability for positions;
- ◆ Assessment of potential in the formation of the personnel reserve;
- ◆ Grading.



179

**assessments**

were carried out using the competency interview method with personnel

441

**positions**

were evaluated in 2023

LLP, SILLENO LLP, KPI JSC, KMG ENGINEERING LLP, NC KAZAKHSTAN TEMIR ZHOLY JSC, BOLASHAK INVESTMENT LLP BECAME CUSTOMERS OF RECRUITING SERVICES IN 2023.

**PERSONNEL AND COMPETENCE ASSESSMENT**

Personnel evaluation is one of the main activities of SBA. It includes assessment procedures within the framework of:

- ◆ hiring evaluations,
- ◆ to evaluate the talent pool,
- ◆ staff appraisals,
- ◆ job matching (matching data from different sources into a single job candidate profile),
- ◆ 360 degree assessments, etc.

This assessment tool allows companies and employees to evaluate the quality of interactions (hierarchical, cross-functional) and with other stakeholders (customers, suppliers, management bodies, etc.).

As of the end of 12 months of 2023, the number of assessments using third-party online tools amounted to 460, and 3,098 using our own online systems. In addition, 179 personnel assessments were conducted using competency-based interviews and questionnaires, as well as 55 assessments using in-depth interviews.

**RECRUITMENT SERVICES**

The key areas of recruiting are:

- ◆ Administration of the recruiting process;
- ◆ Full cycle sourcing and recruitment.

The Fund and such companies as NAC Kazatomprom JSC, NC KazMunayGas JSC, KMG Petrochem. LLP, Silлено LLP, KPI JSC, KMG Engineering LLP, NC Kazakhstan Temir Zholy JSC, Bolashak Investment LLP became customers of recruiting services in 2023. As part of the implementation of contracts 96 vacancies were closed.

In order to develop recruiting services, SBA signed a memorandum of cooperation with FIRCaspian and participated in career events at Nazarbayev University, M.S. Narikbayev University, Esil University and Astana IT University.

**GRADING**

Implementation of grading projects allows applying a fair system of remuneration based on the value of each position for the company and in comparison with the market. Since 2016, the Fund's portfolio companies have been implementing a graded remuneration system based on the Hay Group international methodology.

In 2023, 441 positions were assessed and projects were implemented to introduce a graded remuneration system in the following companies: Qazaq Air JSC, Samruk-Kazyna Construction JSC, NC QazaqGaz JSC, Samruk-Kazyna Invest LLP, Samruk-Kazyna Business Service LLP.

**PLANS FOR 2024:**

- ◆ Launch of modular training programs: "C&B School", "HR School", "PR School", "Recruitment School", "Industrial Safety Leadership Academy", "Chief Geologist", "Production Manager" for workshop managers, "Power Engineer", "IR School", "School of Ecology and ESG", "Chief Development Engineer", "Master of Oil and Gas Production"
- ◆ Building up the SBA LMS (learning management system) — an automated employee training platform offering online training, testing and certificates.
- ◆ Improving the quality of services provided through implementation of 1C ERP (integrated management information system) and automation of HR processes.
- ◆ Expanding our geographic footprint and reaching new customers.

# CENTER FOR SOCIAL COOPERATION AND COMMUNICATIONS



Center for social cooperation and communications

The goal of the CSCC is to prevent social and labor conflicts, maintain social, sanitary-epidemiological and psychological well-being, strengthen the corporate identity of production personnel and identify protest moods by developing and implementing best practices for effective management of social and labor relations and communications.

CSCC activity is developing in 4 main directions:

1. Research and analytics (SRS: engagement, working conditions and loyalty, level of communication, material well-being, protest potential; in-depth diagnosis and prevention of social and labor conflicts);
2. Social Stability Monitoring Center (collection, processing, primary verification, registration and prompt distribution of information on preconditions or facts of social tension, crisis situations in the Fund's labor collectives);
3. IR — industrial relations (improving the sanitary, social and psychological well-being of production personnel through the study of social and living conditions, workplace pressures and the development of a feedback culture);
4. Social and communication projects (development of corporate culture among employees, conducting projects aimed at increasing the involvement of young people of the Fund's group, organization of communication projects, corporate edition and SK NEWS website).

THE PRIVATE INSTITUTION "CENTER FOR SOCIAL COOPERATION AND COMMUNICATIONS" (HEREINAFTER — CSCC) WAS ESTABLISHED ON MAY 4, 2017 BY SAMRUK-KAZYNA JSC ON THE BASIS OF CENTER FOR SOCIAL PARTNERSHIP CF.

The number of "alarm zones" has been reduced from 68 to

21

alarm zones

SAMRUK RESEARCH SERVICES

Since 2013, the group of companies of the Fund has been conducting a study of the level of social stability of Samruk Research Services, which allows diagnosing problem areas in social and labor relations of production teams throughout Kazakhstan and taking timely preventive measures. The survey covers almost all employees of the companies.

The level of social stability in the Group of companies of the Fund at the end of 2023 is satisfactory – the overall SRS indicator amounted to 70%, unchanged from 2022 (more than 72 thousand respondents were covered). The survey was conducted by means of SMS mailing and telephone survey once a half-year.

Since 2023, CSCC became the operator of the survey of the level of well-being of the Fund's administrative and management personnel. Previously, this survey was conducted by SBA sociologists.

At the end of 2023:

- ◆ A new SRS Methodology was developed and approved by the Fund's Board;
- ◆ Field meetings were organized in a number of PCs to explain the results of the study;
- ◆ A new Methodology for researching the involvement of administrative and managerial personnel has been developed;
- ◆ A study was conducted to determine the level of well-being of administrative and management personnel in 17 PCs;
- ◆ The SRS 2023 survey for the first half of the year was conducted and analytical reports were provided to 12 PCs and the Fund (almost 40 thousand employees were interviewed);
- ◆ In-depth research was conducted in low-performing enterprises (based on the results of the first half-year survey).

The Corporate School of Trade Union Activists projects were implemented and

350

leaders were trained

SOCIAL STABILITY MONITORING CENTER

To coordinate interaction between the Fund's subdivisions and portfolio companies in case of crisis situations and organization of anti-crisis measures, the Fund's Operational Headquarters has been functioning since 2021. During the reporting period, 5 meetings of the Operational Headquarters were held (total since 2021 – 14).

The Social Stability Monitoring Center (hereinafter referred to as the "SSMC") functions, which collects and analyzes operational data on preconditions or facts of social tension in labor collectives in 24/7 mode via 5 communication channels (e-mail, telephone, Whatsapp messenger, website and QR code). There is also an interactive Social Stability Map, through which the situation at the Group's enterprises is monitored in real time.

The SSMC provides daily (at 10:00 and at 17:00) operational and proactive information to the Fund's management about the emerged protests.

In 2023, the SSMC received 22,586 referrals from Fund group employees and outside organizations.

Thanks to the measures taken as a result of research and monitoring, the number of "alarm zones" has been reduced from 68 to 21 and strikes from 86 in 2022 to 21 in 2023. Strikes were mainly recorded by employees of contracting companies.

THE LEVEL OF SOCIAL STABILITY IN THE GROUP OF COMPANIES OF THE FUND AT THE END OF 2023 IS SATISFACTORY – THE OVERALL SRS INDICATOR AMOUNTED TO 70%, UNCHANGED FROM 2022 (MORE THAN 72 THOUSAND RESPONDENTS WERE COVERED). THE SURVEY WAS CONDUCTED BY MEANS OF SMS MAILING AND TELEPHONE SURVEY ONCE A HALF-YEAR.

CONCILIATION INSTITUTIONS

The Group implemented the projects "Corporate School of Trade Union Activists" (350 trade union leaders were trained) and "Corporate Pool of Mediators" (113 corporate mediators were trained). Ombudsmen of portfolio companies took a course in mediation and negotiation skills, and IR specialists were trained (28 PC specialists).

Interaction between ombudsmen and trade unions has been established, and an internal pool of mediators and conciliation commissions has been formed. In July 2023 in Almaty held "Forum of trade union leaders and ombudsmen", in December 2023 in Shymkent held a Forum on social and labor communications in the group of companies of the Fund.

25

events

were organized and held as part of the development of the youth policy of the Fund's group of companies

INDUSTRIAL RELATIONS

Since 2022, the IR – Industrial Relations area has been operating, one of the main objectives of which is to ensure that the labor rights of contractors' employees are respected.

In order to improve working conditions, Action Plans have been developed based on the results of IR screening analysis.

Within the framework of prevention, activities (guest lectures, trainings, seminars and information sessions) were conducted to raise awareness of employees on the types of pressure, harassment in the workplace together with the United Nations Development Program (UNDP).

PLANS FOR 2024

- ◆ Organization of seminars for employees of HR and social services of PCs and subsidiaries and affiliates.
- ◆ Conducting a Samruk Research Services survey for the first half of 2024 and year-end.
- ◆ Monitoring social stability.
- ◆ IR screening of social and living conditions.
- ◆ Proactive measures to protect human rights: certification to achieve the UNDP Guiding Principles on Human Rights and Gender Equality in Business.
- ◆ Joining the Consortium of Research Institutes on Gender Policy.

Over 40

commercial projects

were organized and conducted for portfolio companies in 2023

COMMUNICATION PROJECTS

Key Objectives:

- ◆ Systematization of work in the field of internal corporate communications in the Fund;
- ◆ Organization of the preparation of communication and strategic events within the framework of the activities of the Fund and the Centre;
- ◆ Promotion of CSCC products;
- ◆ Communication with trade unions, ombudsmen and internal mediators;
- ◆ Development of commercial training events.

Over 40 commercial projects were organized and conducted for portfolio companies during 2023.

25 events were organized and held as part of the development of the youth policy of the Fund's group of companies.

SINCE 2022, THE IR – INDUSTRIAL RELATIONS AREA HAS BEEN OPERATING, ONE OF THE MAIN OBJECTIVES OF WHICH IS TO ENSURE THAT THE LABOR RIGHTS OF CONTRACTORS' EMPLOYEES ARE RESPECTED.

SK NEWS EDITORIAL BOARD

This is the Fund's media unit consisting of a full-size corporate publication (magazine, 80 pages, published regularly once a month, in two languages), a daily news website with the same name, a Telegram channel, social networks Facebook, Instagram, Vkontakte and YouTube.

The corporate edition and website are registered as national mass media. It covers the life of the Fund and companies, giving priority to issues of social stability and labor collectives (man of labor is at the top of the list).