

INFORMATION AND COMMUNICATION OPERATORS

National information superhighway



KAZAKHTELECOM

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
Production indicators:		
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
Financial indicators²², KZT billion:		
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 ²³	39.5	33.4
Net debt ²⁴	32.1	291.3
Taxes paid	108.4	107.9
Sustainability indicators:		
CO ₂ emissions into the atmosphere, ton	294.01	228.57
Volume of disposed waste, ton	41,695	53,49
Accidents	2	4
Fatal accidents	-	0

²² Financial indicators for 2022 are as per the Company's 2022 Consolidated Financial Statements.

²³ 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).

²⁴ 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

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
Production metrics:		
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
Financial indicators ²⁵, KZT million:		
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
Sustainability indicators:		
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

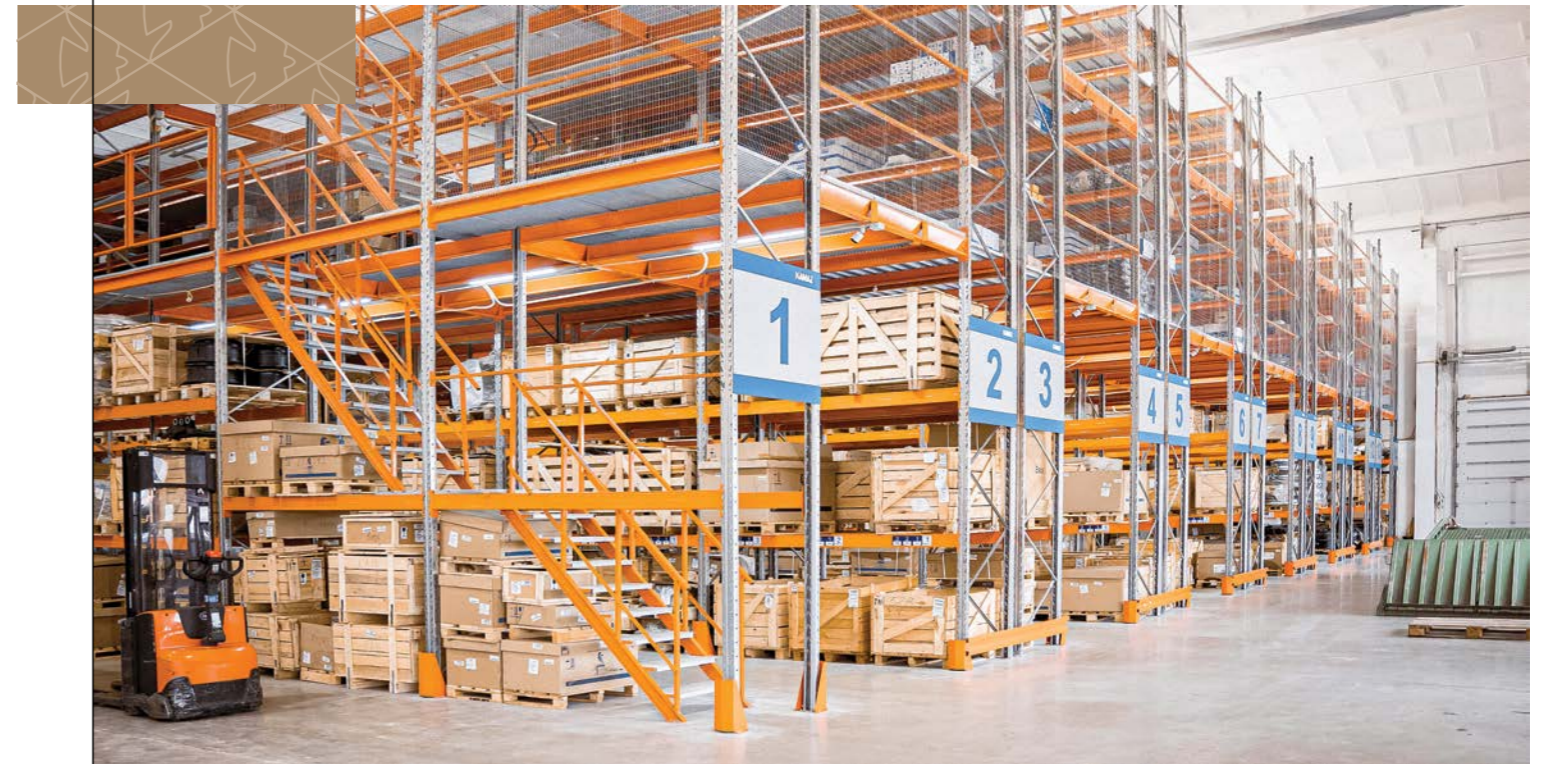
Kazpost employs about 18 thousand people. Despite the fact that the company has not always experienced favorable financial periods, over the past 10 years the issue of layoffs has never been raised. Kazpost's close-knit team consistently implements the development strategy, expressed in a set of measures 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, Zhetysu, 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".

²⁵The 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 m²

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.

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

10
KZT 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.

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.

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.

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.

