

# MESSAGE FROM THE CHAIRMAN OF THE MANAGEMENT BOARD

Dear Colleagues!

This year we celebrate a significant date – the 15th anniversary of Samruk-Kazyna JSC. Over these years, the Fund has become an integral part of the economic system of Kazakhstan, playing a key role in the realization of strategic development initiatives of the country. The Fund approached this anniversary date with impressive results.

TODAY SAMRUK-KAZYNA IS ONE OF THE TOP 30 SOVEREIGN WEALTH FUNDS IN THE WORLD. IT IS A STRATEGIC ASSET MANAGER WITH A PRESENCE IN ALL KEY SECTORS OF THE ECONOMY, INCLUDING 277 COMPANIES WITH 260 THOUSAND EMPLOYEES.

During its existence, the Fund has paid about KZT 2.9 trillion in dividends and other distributions to the Government, as well as allocated for charitable purposes, thereby making a significant contribution to the development of social infrastructure and support of the Republican budget.

Shares of 7 major companies of the Fund's group are traded on the stock market. At the same time, NAC Kazatomprom JSC and Air Astana JSC are represented on the London Stock Exchange.

Noting the achieved successes and striving for new heights, Samruk-Kazyna JSC continues to strengthen its role as a driver of economic growth.

Let me present to your attention the annual report of Samruk-Kazyna JSC for 2023 and share the key results of the Fund's activity for the reporting period.

### Financial performance

According to the results of 2023, net profit per shareholder of Samruk-Kazyna JSC was formed at the level of KZT 1.7 trillion, despite the current situation on the oil market. Given that NC KazMunaiGas JSC is one of the key assets of the Fund, the decline in the cost of oil by 18% from USD 101.3 to 82.6 per barrel had a significant impact on the results. Another factor that affected the financial result is the increase in salaries of production personnel, which led to an increase in costs on this item by 23%.

At the same time, the Group's portfolio companies continue to increase volumes in their respective areas, which allows them to successfully compensate for the negative impact of external factors. For example, rail freight transportation grew by 7% due to an increase in transit transportation and income from operations with the freight car fleet. Sales of gas processing products increased by 1.2 billion m<sup>3</sup>, and uranium product sales increased due to higher production volumes and the correct pricing policy.

It should be separately noted that in conditions of high volatility on raw materials and geopolitical instability, thanks to purposeful actions on liquidity management and optimization of treasury portfolio of the Fund's group of companies, it was possible to exceed the planned indicators on financial income more than twice.

At the same time, an important step was the use of Kazpost JSC for the main part of treasury operations of the group, which not only contributed to the maximum use of the company's potential as a financial institution, but also led to its profitability for the first time in the last three years. This allowed to address a number of social issues, including a 7-25% salary increase for production personnel.

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1.2

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Nurlan Zhakupov

CHAIRMAN OF THE MANAGEMENT BOARD OF SAMRUK-KAZYNA JSC

### Subsidizing the economy

Samruk-Kazyna JSC subsidized the economy to the amount of KZT1.2 trillion by providing preferential tariffs and prices for oil products, commodity and liquefied gas, transportation of goods by rail, etc. The non-market tariffs lead to underfunding of capital works and consequently increases the deterioration of critical infrastructure throughout the country.

Non-market tariffs lead to underfunding of capital works and, accordingly, increase the wear and tear of the country's critical infrastructure.

Together with the Government of the Republic of Kazakhstan, the Fund is working on a systematic increase in tariffs. At the same time, our task is to keep the increase within the target inflation corridor of 10-12%, which is critical for maintaining social stability.

This will increase the value and investment attractiveness of companies and will ultimately lead to an increase in dividends and social payments to the Government.



**Distributions to the Government of the Republic of Kazakhstan**

In 2023, the Fund paid a record amount of KZT 1,469 billion to the State. These payments included KZT 1,269 billion in the form of dividends to the republican budget, KZT 67 billion were directed to the Public Fund "Kazakhstan Khalkyna", and the remaining KZT 133 billion were distributed for the implementation of socially significant projects.

Among the key initiatives it is worth noting the construction of a national scientific center for infectious diseases in Almaty and the creation of a national coordination center for emergency medicine, as well as a perinatal center in Astana.

Thus, the Fund has allocated to the Government and the social needs of the state an amount comparable to the budget of some major regions of Kazakhstan.

**Charity**

In 2023, the Fund assisted more than half a million people, allocating about KZT 9 billion for this purpose.

The Fund opened 19 rehabilitation centers in the regions and organized sports sections and inclusive camps in communities. This enabled children with locomotor disorders to take their first steps and children with speech disorders to speak.

More than 500 children with cancer were treated with modern equipment at the Scientific Center for Pediatrics and Children's Surgery in Almaty.

As part of the initiative to develop mass sports, 26 sports and playgrounds were opened in four regions and large sports complexes were built in 9 regions. Now, at these sports facilities and playgrounds, children and youth are engaged in various sports and have been given a unique opportunity to take part in competitions.

**Employee safety**

Every year, the Fund's group of companies carries out work to improve the level of safety culture among employees. For example, 428 internal trainers and 121,282 production employees have been trained under the "Work Safety Culture" training course, which has been approved by the Institute of Occupational Safety and Health of Great Britain IOSH, by the end of 2023, with plans to increase this figure to 100%, as well as to start training contractors' employees.

Senior management, including the heads of portfolio company organizations, are more actively involved than ever before and are focused on ensuring the safe and effective operation of the industrial safety system.

As a result of our joint efforts, we were able to achieve a 17% reduction in the number of people injured in serious and fatal accidents in 2023 compared to 2022.

**Major projects of the Fund commissioned in 2023**

In 2023, Samruk-Kazyna JSC implemented a number of major infrastructure projects that are the basis for the economic development of the country.

In order to ensure stable gas supply to the western regions of Kazakhstan, the project on gasification of "Sarsha" and "Warm Beach" areas were completed, the looping of the main gas pipeline "Makat-North Caucasus" and the 2nd string of "Beineu-Zhanaozen" were built.

New power transmission lines built to strengthen the electrical network of the Western Zone of Kazakhstan were commissioned. Astrakhan-Mangyshlak water pipeline was launched, which will satisfy the existing deficit and future growth of water consumption in Atyrau and Mangistau regions.

The project to switch to a cyclic-flow technology of coal mining, transportation and loading at the Bogatyr open-pit mine was completed, which increased the capacity of the mine from 32 to 40 million tons of coal per year.

The Aksai Yuzhny, Anabai, Rozhkovskoye and Eastern Urikhtau oil and gas fields were launched.

In addition, the Kokozek substation in the Almaty region was commissioned to supply power to the region, and a construction materials plant was built in Astana.

More than a thousand 5G base stations were installed ahead of current license obligations, a new logistics center of Kazpost JSC and the Flight Training Center of Air Astana JSC were opened in Astana.

**International cooperation**

Samruk-Kazyna JSC is one of the main catalysts of investment inflow into the country. The Fund successfully applies the tool of co-investment, which allows investors to share investment risks and receive support in communications with government agencies.

In 2023, agreements were reached with major foreign partners such as Total Eren, Masdar, ACWA Power and China Power International Holding on RES projects with a combined capacity of 4 GW. The uniqueness of these projects lies in the fact that they will be built with an electricity storage system, which was not available in Kazakhstan. Implementation of the projects will attract about USD 6 billion of foreign direct investment.

In addition, joint ventures were established with international partners – with Abu Dhabi Ports for maritime cargo transportation, with PSA for asset management of the Trans-Caspian International Transport Route, and with Presight for digitalization of production processes in portfolio companies.

Of particular note is the launch of a transnational project for the transit of Russian natural gas to Uzbekistan, which contributes to the expansion and modernization of Kazakhstan's gas transmission infrastructure and will help meet Uzbekistan's growing demand for natural gas.

We should also highlight successes in nuclear energy, including the delivery of Kazakhstan's nuclear fuel assemblies to China and the signing of a historic contract with Emirates Nuclear Energy Corporation to supply uranium for the Baraka NPP.

**Key events**

As part of denationalization and development of capital markets, the SPO of KEGOC, the national electricity transmission company, was successfully held. Demand for the company's shares exceeded the offer more than 1.5 times. 67% of shares were purchased by citizens of Kazakhstan. Funds raised from SPO were directed to the project of strengthening of energy-deficient Southern zone of Kazakhstan.

The launch of skstore.kz e-shop was another step in simplifying and increasing the transparency of procurement procedures. This marketplace provided convenient and fast registration through electronic digital signature, eliminating the need for pre-verification and allowing procurement in one day. In 2023, about 10 thousand orders totaling over KZT 2.4 billion were made through skstore.kz.

At the same time, as part of the desire to increase transparency and management efficiency, Samruk-Kazyna JSC initiated the introduction of a new format of tax administration through the horizontal monitoring system implemented jointly with the State Revenue Committee of the Republic of Kazakhstan. This approach allows the Fund's group of companies to provide tax and accounting reports directly to the tax authorities in real time, significantly increasing the level of mutual trust between business and the state, as well as contributing to a more timely and transparent accounting of tax liabilities.

**Dear Colleagues!**

We expect 2024 to be no less challenging than the previous year. I am confident that the professionalism of the team will allow us to systematically move towards our goal without slowing down.