

**ANNUAL REPORT 2021
OF JOINT STOCK COMPANY
«NATIONAL COMPANY
«KAZAKHSTAN ENGINEERING»**



Dear reader,

We present to your attention the Annual Report on the results of our activities for the past 2021.

The report reflects the goals and fruits of labor of the entire team of the national defense industrial holding of Kazakhstan, as well as description of the following areas: financial and economic activities, corporate governance, risk management, sustainable development management, personnel management.

We wish you pleasant reading!

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❖ MESSAGE OF THE CHAIRMAN OF THE BOARD OF DIRECTORS



ADLBEK SARSEMBAYEV

**Chairman of the Board of Directors of
JSC «NC «Kazakhstan Engineering»**

In 2021, JSC «National Company «Kazakhstan Engineering» (JSC «NC «Kazakhstan Engineering»/the Company) continued its activities to improve efficiency and build competencies.

In the post-pandemic period, JSC «NC «Kazakhstan Engineering» maintained positive dynamics of development - the volume of income from the sale of products and services exceeded 92.4 billion tenge, and the amount of net profit amounted to about 1.9 billion tenge. This allows the Company to solve a number of issues to ensure the development of production projects and financial stability without involving third-party sources. JSC «NC «Kazakhstan Engineering» needs to maintain and develop the emerging positive dynamics in its development.

In February 2021, the President approved the National Development Plan of the Republic of Kazakhstan until 2025, providing for a number of tasks for JSC «NC «Kazakhstan Engineering», including the growth of investments in fixed assets and attracting foreign direct investment.

JSC «NC «Kazakhstan Engineering» brought these tasks to the attention of the management, which was fixed in the updated Development Strategy of the Company. The Company's management must strictly follow the set guidelines and ensure the achievement of the target values of strategic indicators.

In general, JSC «NC «Kazakhstan Engineering» retains the role of the locomotive of the domestic defense industry, successfully fulfilling the state defense order, providing the needs of the country's Armed Forces in weapons and military equipment.

The group's enterprises continue to work on the implementation of investment projects. For example, many Kazakhstanis already know the brand of computer equipment ZIK Computers, manufactured at JSC «Plant named after S.M. Kirov»

The assembly of unmanned aerial vehicles SK ALRK-1LEX of Israeli design has begun at the facilities of Kazakhstan Aviation Industry LLP and a Service Maintenance Center for these aircraft has been established.

Together with a consortium of strategic investors – ASFAT and YDA companies – a project has been launched to build warehouses for the Ministry of Defense of the Republic of Kazakhstan in the Karaganda region.

In addition, JSC «NC «Kazakhstan Engineering» continued to work on a number of other promising projects: production of Kalashnikov assault rifles within the premises of JSC «Tynys», the organization of mass production of unmanned aerial vehicles-targets to ensure combat training of the air defense of the Armed Forces of the Republic of Kazakhstan, modernization of armored vehicles within the premises of JSC «Semey Engineering» and others.

Following the results of the state visit of the President Kassym-Jomart Tokayev to the Republic of Turkiye, the Company has set a number of ambitious and large-scale tasks - the construction of a shipyard, development of UAV production, creation of aviation-industrial cluster. These projects require the concentration of efforts of all employees of JSC «NC «Kazakhstan Engineering». The Ministry of Industry and Infrastructure Development, for its part, will provide comprehensive support to the Company.

In order to fulfill the instructions of the President and the Government, JSC «NC «Kazakhstan Engineering» consistently carries out measures for privatization and restructuring of assets. In the context of increasing turbulence of the geopolitical and economic situation in the world, the Company's management needs to ensure transparency in the privatization of assets.

JSC «NC «Kazakhstan Engineering» faces large-scale and complex tasks, the solution of which is impossible without the coordinated and dedicated work of each employee.

The right choice of strategic priorities will allow the Company to quickly adapt to the dynamic changes in the country and the world. I am confident that JSC «NC «Kazakhstan Engineering» will meet the expectations of the state to increase the country's defense-industrial potential, develop its industrial-innovative and socio-economic spheres.

Kind regards,

Chairman of the Board of Directors of
JSC «NC «Kazakhstan Engineering»

A. Sarsembayev

❖ MESSAGE OF THE CHAIRMAN OF THE MANAGEMENT BOARD



TEMIRZHAN ABDRAKHMANOV

**Chairman of the Management Board of
JSC «NC «Kazakhstan Engineering»**

Dear readers of the annual report, colleagues, partners!

It is a great honor for me to present annual report of JSC «National Company «Kazakhstan Engineering» («Kazakhstan Engineering»/Company) for 2021. Our Company adheres the principles of open informing all stakeholders about its activities.

The Government sets important tasks for the Company to meet the needs of the Armed Forces, diversify and modernize production, develop innovation and R&D, create jobs, attract investment, import substitution. During the reporting period, our large team, consisting of 21 enterprises and almost 5,000 employees, carried out measures to maintain the dynamics of development.

However, these tasks are difficult to achieve due to a number of problematic issues in the activities of the Group of companies, including:

- high debt burden and lack of long-term financing;
- high depreciation of fixed assets, low innovation component and low level of R&D;
- there is a decrease in personnel potential.

At the same time, the Company's enterprises are limited in the production of civilian products, are not provided with long-term orders, and are dependent on the import of components.

In his annual Address to the people of Kazakhstan, the President set the task of rebooting the country's defense industry. In the context of growing geopolitical tensions, this issue is becoming particularly relevant.

In order to solve the tasks of the country's leadership, the Company is updating its strategic vision, while maintaining its main priorities. At the same time,

we are actively studying and applying positive foreign experience, which is close and applicable to Kazakhstan's realities, for example, the experience of the development of the Turkish defense industry.

There is a high dynamics of economic and technological development processes in the world, the task of Kazakhstan Engineering is to quickly adapt to changes. In the short term, we consider the key direction to attract and adapt modern technologies of market leaders, and in the long term – to develop our own new advanced technologies and attract investment in this direction.

In the light of the tasks set by the leadership, we consider it important to develop production and service in Kazakhstan, increase localization, in order to achieve maximum economic independence of our country, which is especially important when it comes to ensuring defense capability.

Other areas of development of the Group of the Company are:

- reorganization of the current production supply system of enterprises;
- digitalization and automation of production and business processes;
- development of modern corporate governance system;
- international cooperation in the field of technology;
- development of new sales markets in the civil sector;

- development of our main asset - human capital, through the introduction of ESG principles, the development of social and labor relations, the development of mass sports, promotion of a healthy lifestyle. The first steps in this direction have already been taken – the work of the Center of Knowledge and Competencies of the Defense Industry has begun, a Corporate Fund is being created.

Our plans have already been presented to the public and have received support.

I am confident that we will be able to overcome all difficulties, solve any problems and achieve prosperity of the Company and the defence-industrial complex of Kazakhstan. I urge all employees of our large team to mobilize as a single team in order to ensure the sustainable development of both the Company itself and the domestic economy.

Kind regards,
Chairman of the Management Board of
JSC «NC «Kazakhstan Engineering»
T. Abdrakhmanov

❖ PRINCIPLES OF PREPARATION OF THE ANNUAL REPORT

The main objective of the Report is to inform stakeholders about the Company, as well as to ensure the transparency of information on its activities in accordance with the best practices of information disclosure.

The Report reflects the results of the Company's activities for the period from January 1 to December 31, 2021.

When preparing the Report, the Company adhered to the following principles:

- **Accountability** – the Company is aware of its accountability to the Sole Shareholder for ensuring the achievement of strategic goals and objectives, the growth of long-term value and sustainable development in the long term.

- **Transparency** – the Company is open to meetings, discussions and dialogue, and also strives to build long-term cooperation with stakeholders based on mutual interests, and aims to make the Report understandable and accessible to a wide range of stakeholders.

- **Balance** – Report reflects all aspects of the Company's activities, both positive and negative.

- **Accuracy and reliability** – the information presented in the Report is collected on the basis of documented data. When preparing the sections of the Report related to financial and economic activities, audited financial statements prepared in accordance with IFRS were used.

- **Respect for human rights** – the Company's employees are its main value and main resource.

- **Promptness** – the preparation of the Report is planned.

The report is not subject to an external independent audit, however, the Company is aware that an external independent audit will in the future improve the completeness, balance, reliability of the presented results of the Company's group activities, as well as meet the requirements of stakeholders.

The report was prepared in State and Russian languages with the electronic version posted on the Company's corporate website (www.ke.kz).

Copies of the Report on electronic media can be provided to stakeholders.

1. OVERVIEW

❖ ABOUT THE COMPANY

JSC «National Company «Kazakhstan Engineering» (hereinafter referred to as the Company) was established in accordance with the Decree of the Government of the Republic of Kazakhstan dated March 13, 2003 No. 244 «On certain issues of the defence–industrial complex of the Republic of Kazakhstan» in order to improve the management system of the country's defence-industrial complex, by including defense industry enterprises and military factories of the Ministry of Defense of the Republic of Kazakhstan to the profile of the Company.

In October 2006, the state-owned stake in the Company (100%) was transferred to pay for the authorized capital of Samruk Holding JSC.

In September 2009, the Company's stake was transferred to the trust management of the Ministry of Industry and Trade of the Republic of Kazakhstan.

In June 2010, in order to improve the management system of the defense industry of the Republic of Kazakhstan, the Company's stake was transferred to the trust management of the Ministry of Defense of the Republic of Kazakhstan.

In December 2016, the Company's stake was transferred to the trust management of the Ministry of Defense and Aerospace Industry of the Republic of Kazakhstan.

In accordance with the Decree of the Government of the Republic of Kazakhstan dated July 3, 2018 No. 405 «On certain issues of the JSC «National Company «Kazakhstan Engineering» (Kazakhstan Engineering)», the Company's stake was transferred to state ownership, the rights of ownership and use of which are vested in the Ministry of Digital Development, Defense and Aerospace Industry of the Republic of Kazakhstan.

In accordance with the Decree of the Government of the Republic of Kazakhstan dated July 12, 2019 No. 501 «On measures to implement the Decree of the President of the Republic of Kazakhstan dated June 17, 2019 No. 24 «On measures to further improve the public administration system of the Republic of Kazakhstan», the rights of ownership and use of the state stake of the Company were transferred to the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan.

The total number of declared and placed shares of the Company, including:

- common shares 57,435,501;
- preferred shares -no.

The nominal value of 1 share is 1,000 tenge.

❖ BUSINESS MODEL AND STRATEGIC DEVELOPMENT

The company is a holding structure designed to ensure a unified financial, production and technological policy at the largest machine-building enterprises specializing in the production of special and civilian products, as well as dual-use products.

The company strives to satisfy to the extent possible the needs of the Armed Forces, other troops and military formations of the Republic of Kazakhstan, and also participates in implementation of state and industry programs in the field of mechanical engineering development of the Republic of Kazakhstan.

The Company's activities are aimed at maintaining transparency and balance between the two roles of JSC «NC «Kazakhstan Engineering», as the main part of the defense industry executing the state defense order (hereinafter referred to as SDO), and as a commercial company aimed at profit and business development.

The company, being the main representative of the Defense Industry of the Republic of Kazakhstan and the executor of the SDO, is guided by the Law «On the Defense Industry and the State Defense Order», the Concept of rearmament of the Armed Forces, other troops and military formations, and the development of the defense industrial complex of the Republic of Kazakhstan, participates in the implementation of state policy in the field of defense industry and mechanical engineering.

Strategic planning in the Company is organized in accordance with the requirements of the state planning system. The Company's Development Plan for 2020 – 2029 was approved by the Decree of the Government of the Republic of Kazakhstan dated December 25, 2019 No. 969 (hereinafter referred to as the Development Plan).

The Development Plan corresponds to the long-term vision of the country's development «Strategy «Kazakhstan – 2050», the National Development Plan of the Republic of Kazakhstan until 2025, the main directions of state policy in industrial and innovative, socio-economic and other spheres.

The Development Plan sets the following development goals:

- diversification of production through localization of production and release of high-tech products;
- development of innovation through investment in R&D;
- reduction of production costs by increasing operational efficiency;
- improving organizational management through digital technologies;
- sustainable development through effective personnel policy and interaction with the government.

♦ **Asset structure of JSC «NC «Kazakhstan Engineering»**
(as of 31.12.2021)

№	Name of the organization	Types of activities
Subsidiaries (ownership of more than 50% of shares/interests)		
1.	JSC «811 auto repair plant KE» 	<p>It was established in the city of Yerementau on July 1, 1976.</p> <p>It specializes in major repairs, modernization, re-equipment and maintenance of trucks and tracked vehicles, engines and aggregates.</p> <p>The ISO9001:2008 quality management system has been implemented and is functioning.</p>
2.	JSC «Semey Engineering» 	<p>It was created through the reorganization of the republican state enterprise «Armored Repair Plant», founded on July 2, 1976.</p> <p>It is the only specialized organization in the Central Asian region that produces works and services for the overhaul and modernization of armored vehicles.</p> <p>It specializes in the overhaul and modernization of weapons and military equipment and the manufacture of military surplus.</p> <p>The ISO9001:2008 quality management system has been implemented and is functioning.</p>
3.	«Petropavlovsk Plant of Heavy Machine Building» JSC 	<p>On November 5, 1948, according to the Resolution of the Council of Ministers of the USSR No. 4137-1658, it was decided to build a machine-building enterprise in the north of Kazakhstan.</p> <p>The plant is one of the leading Kazakhstani producers of oil and gas, energy and railway equipment, having multi-profile production facilities with the availability of all technological alterations.</p> <p>The production of special products, oil and gas equipment, equipment for oil and gas processing, energy and chemical production, railway equipment has been established.</p> <p>The ISO9001:2008 quality management system has been implemented and is functioning.</p>
4.	JSC «Plant named after S.M. Kirov» 	<p>It was founded in 1928 with a specialization in the production of radio equipment. In 1941, the plant was evacuated to Petropavlovsk.</p> <p>The main activity of the plant is design and production, installation, commissioning, maintenance and repair of communications equipment, railway automation, security systems for the needs of law enforcement agencies, railway transport, oil and gas complex, technical means for digital television and special means.</p> <p>There are all the necessary licenses and certificates for the organization of production.</p> <p>Quality management systems ISO 9001:2015 and occupational health and safety OHSAS 18001:2007 have been implemented and are functioning.</p>

5.	<p>JSC «Semipalatinsk Machine-Building Plant»</p> 	<p>It was founded in 1969 as a branch of the Rubtsovsk Machine-Building Plant in accordance with the order of the Ministry of Defense Industry of the USSR.</p> <p>Production facilities are focused on the manufacture of tracked conveyor tractors and spare parts, trailed equipment, products for the railway industry.</p> <p>The ISO9001:2008 quality management system has been implemented and is functioning.</p>
6.	<p>JSC «Tynys»</p> 	<p>JSC «Tynys», formerly known as «Plant of breathing equipment», was founded in 1959. It is the only enterprise (tracing copyright holder) for production of a wide range of aviation products.</p> <p>Production facilities are focused on the production of specialized products for various types of aircraft, bulletproof vests of various protection classes, PE pipes, fire extinguishers, gasified casting models, geotextiles.</p> <p>The ISO9001:2008 quality management system has been implemented and is functioning.</p>
7.	<p>JSC «Machine-Building Plant named after S.M. Kirov»</p> 	<p>It was established in 1942 within the premises of the factory No. 182 evacuated from Makhachkala (now the Dagdiesel plant).</p> <p>The production facilities of the plant are focused on modernization, restoration repair of underwater weapons; production of marine hydraulics and automatics of combustion of boilers, spare parts for the railway industry, products for the mining industry and oil and gas complex; production of engineering products for general industrial purposes.</p> <p>It has accredited sanitary-industrial and metrological laboratories, testing center, Bureau for Design and Technology.</p> <p>The ISO9001:2008 quality management system has been implemented and is functioning.</p>
8.	<p>«Ural Plant «Zenit» JSC</p> 	<p>It was created within the premises of the Engine plant evacuated from Leningrad in 1941.</p> <p>The main activity is construction of boats and ships, which was the beginning of shipbuilding in the Republic of Kazakhstan. This became possible due to the availability of the plant's appropriate technical and production capabilities, intellectual and human potential. During this time, the serial production of boats and ships has been mastered.</p> <p>Manufactured products:</p> <ul style="list-style-type: none"> - shipbuilding; - products for oil and gas complex; - other mechanical engineering products. <p>The ISO9001:2008 quality management system has been implemented and is functioning.</p>

9.	<p>«Scientific-Research Institute «Gidropribor» JSC</p> 	<p>It was established in Uralsk in 1972 within the premises of the special design bureau of the K.Voroshilov Machine-Building Plant as the Ural branch of «Gidropribor» Leningrad Central Scientific Research Institute of the Ministry of Shipbuilding Industry of the USSR for research, development and production of robotic underwater applications.</p> <p>Currently, the activities of «Scientific-Research Institute «Gidropribor» JSC are focused on research, design, production and engineering in the field of shipbuilding, mobile robotics, as well as on the production of equipment for the oil and gas sector.</p> <p>The ISO9001:2008 quality management system has been implemented and is functioning.</p>
10.	<p>JSC «Kaztechnologies»</p> 	<p>It was founded in 1947 as the Kazakhstan office of the All-Union explosive works trust «Soyuzmeliovzryv».</p> <p>The main areas of activity are production of cartridges for small arms; liquidation (disposal, destruction, burial) and processing of released ammunition, weapons, military equipment, special means; storage of explosive materials; R&D on the creation of products and production of the main activities.</p> <p>The Company has all the necessary licenses to carry out its activities.</p>
11.	<p>LLP «R&D Center «Kazakhstan Engineering»</p> 	<p>Created within the premises of the «Unified Center for Implementation of Weapons Management Systems» LLP and accredited as a subject of scientific and scientific-technical activity; licenses were obtained for the development and production, repair of ammunition, weapons and military equipment, spare parts, components and devices; special materials, equipment for their production, including installation, commissioning, modernization, installation, storage, repair and maintenance.</p> <p>Due to the vast market and growing demand, it was decided to develop the engineering direction in the format of Engineering, procurement and construction contracts.</p>
12.	<p>LLP «KazEng Electronics»</p> 	<p>It was established in 1994 within the premises of the scientific and technical complex of Sary-Shagan landfill, enterprises and organizations of the radio engineering profile of the union subordination.</p> <p>The scope of the company's activities includes modernization and overhaul of weapons, dual-use products, production of modern communications equipment and radio electronics products, assembly plant for computer equipment.</p>

Jointly controlled entities (50% ownership interest)		
13.	<p style="text-align: center;">«Eurocopter Kazakhstan Engineering» LLP</p> 	<p>Created in December 2010. The goal of the project is to develop a modern high-tech helicopter ecosystem in Kazakhstan.</p> <p>The founders of «Eurocopter Kazakhstan Engineering» LLP, formed on a parity basis, are JSC «NC «Kazakhstan Engineering» and a subsidiary of the EADS concern – «Eurocopter» (France - Germany).</p> <p>The main activities are:</p> <ul style="list-style-type: none"> - assembly, sale, maintenance of EU-145 helicopters; - training of flight and technical personnel of potential customers. <p>It is equipped with workshops for maintenance of mechanical components, repair of sheet metal products, repair of electrical equipment and avionics, repair of composite materials and blades, repair of engines, hydraulic equipment.</p>
14.	<p style="text-align: center;">«KAZAKHSTAN AVIATION INDUSTRY» LLP</p> 	<p>Created on July 24, 2012 for implementation of the project, commissioned on September 14, 2016.</p> <p>Main activities: production of aircraft, including overhaul and modernization of aircraft, assembly of unmanned aerial vehicles.</p> <p>In 2017, a Certificate of compliance of the quality management system with the requirements of the ST RK ISO 9001-2016 was obtained in relation to maintenance, repair, modernization, modification, supply of aviation equipment, spare parts, equipment, components and devices to them.</p>
15.	<p style="text-align: center;">«Thales Kazakhstan Engineering» LLP</p>	<p>It was established in 2009 on a parity basis by JSC «NC «Kazakhstan Engineering» and the French company Thales.</p> <p>Manufacture and maintenance of electronic equipment, systems and software; manufacture and maintenance of radio communication equipment.</p>
16.	<p style="text-align: center;">«Kazakhstan ASELSAN Engineering» LLP</p> 	<p>Created on April 18, 2011. The founders are: JSC «NC «Kazakhstan Engineering» (50%), the Turkish company «Aselsan» (49%) and the Department of Defense Industry under the Administration of the President of the Republic of Turkiye (1%).</p> <p>The activity is production of electronic-optical devices (night and day vision devices, thermal imagers, optical sights, etc.). The company also provides technical support, maintenance, personnel training and R&D.</p> <p>The management and quality system in aviation, environment, occupational safety and health ISO9001:2008, ISO14001, AGAP-160, AGAP-2110, OHSAS18001, AS9100 has been implemented and is functioning.</p>

Affiliates (holding less than 50% of shares/interests)		
17.	«Indra Kazakhstan Engineering» LLP	Production and maintenance of radar stations, electronic warfare systems and electronic intelligence.
18.	«Kaz-ST Engineering Bastau» LLP	Provision of engineering services (joint venture with Singapore Technologies Engineering).
19.	«Spetsmash Astana» LLP	Production and repair of spare parts for railway, oil and gas and energy industries.
20.	JSC «Munaymash»	Specializes in the production of oil and gas complex products (deep rod pumps and accessories for them).

♦ Operational and financial performance of subsidiaries

Name of Subsidiary	Income from the sale of products (thousand tenge)	Financial result (thousand tenge)	Labor productivity (thousand tenge/person)	Number of staff (people)
Corporate Center	49 707 813	4 165 627	654 050	76
JSC «Tynys»	4 568 963	61 092	6 799	672
«Petrovsk Plant of Heavy Machine Building» JSC	6 132 971	-1 103 538	15 847	387
JSC «Plant named after S.M. Kirov»	9 038 245	624 202	17 653	512
«Ural Plant «Zenit» JSC	4 926 876	89 550	6 731	732
«Scientific-Research Institute «Gidropribor» JSC	502 699	8 750	4 155	121
JSC «Semey Engineering»	11 028 828	98 256	31 332	352
JSC «Semipalatinsk Machine-Building Plant»	447 811	- 1 006 893	3 393	132
JSC «Machine-Building Plant named after S.M. Kirov»	3 427 673	667,074	11 699	293
JSC «811 auto repair plant KE»	1 015 441	- 3 372	7 358	138
LLP «R&D Center «Kazakhstan Engineering»	616,734	86 908	26 815	23
JSC «Kaztechnologies»	954 962	- 280 896	5 053	189
LLP «KazEng Electronics»	-	- 339 274	-	3
Consolidated data	92 419 901	1 893 101	25 460	3 630

2. OVERVIEW OF ACTIVITIES

❖ INDUSTRY OVERVIEW

◆ Dynamics of production volumes in mechanical engineering

Mechanical engineering remains a dynamically developing sector of the economy of Kazakhstan. The industry has a large untapped potential in terms of increasing the technological level of the national industry, attracting investment and technology, solving import substitution problems and increasing export volumes.

About 3 thousand enterprises operate in the field of mechanical engineering, 115 thousand people are employed. In the total volume of manufacturing production (16.8 trillion tenge), mechanical engineering accounts for 14%.

The volume of production of mechanical engineering products of the Republic of Kazakhstan in 2021 amounted to 2,305 billion tenge. In monetary terms, production volumes increased by 27.5%. The index of the physical volume of mechanical engineering products amounted to 120.4%.

By the end of 2021, railway engineering showed significant growth - by 300%, agricultural machinery – by 50.4%, mining and metallurgical engineering – by 29.3%, automotive industry – by 24%, electrical engineering – by 16.7%, oil and gas engineering – by 14.2%.

**Dynamics of mechanical engineering production volumes
2015-2021 (billion tenge)**



◆ Export and import of mechanical engineering products

Exports of machine-building products in January-November 2021 increased by 32.7% compared to the same period in 2020 and amounted to \$1,748.9 million. The CIS countries have become the main export countries of Kazakhstan's engineering products.

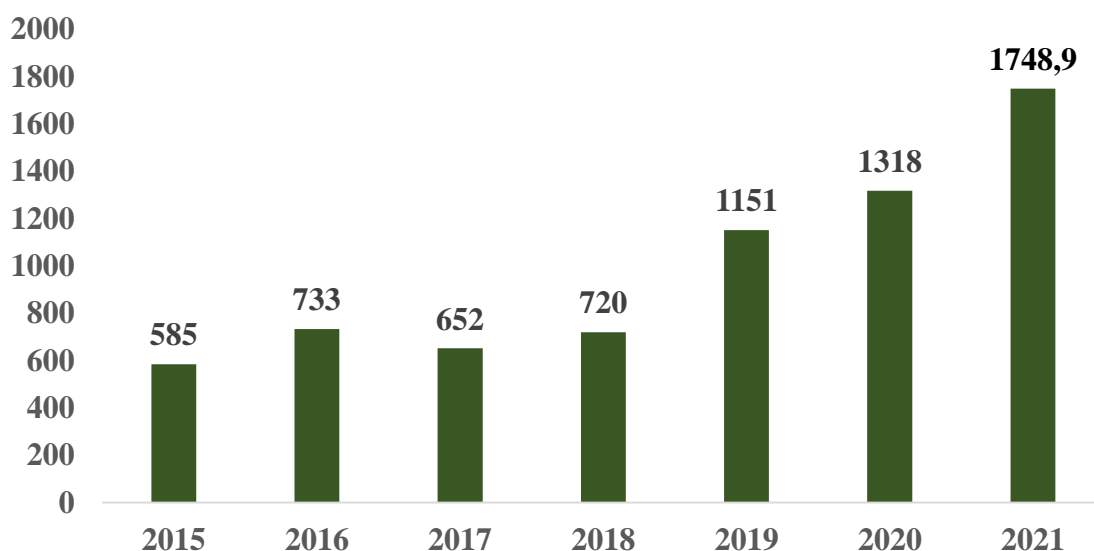
Exports grew the most in:

- floating or underwater drilling or production platforms – 124,694 times (for the same period last year, these products were not exported);
- computing devices – 366.6 times;
- other industrial vehicles – 195 times;
- digital data processing units – 89 times.

Exports have increased the most in metalworking:

- semi-finished products made of iron or non-alloy steel containing 0.25 wt. % or more carbon – 3.8 times;
- other waste and scrap of ferrous metals – 2.4 times;
- ferrosilicon containing more than 55 wt. % silicon – 2.2 times.

**Dynamics of exports of mechanical engineering products
2015-2021 (USD million)**



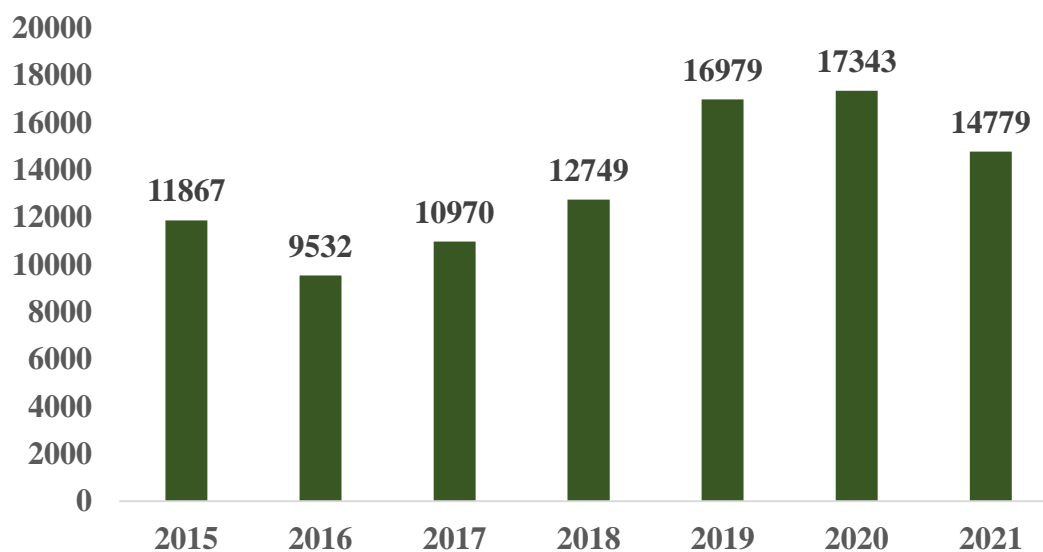
Imports of mechanical engineering products in January-November 2021 decreased by 14.8% compared to the same period in 2020 and amounted to \$14,779 million. Main importing countries: South Korea, Russia, China.

Imports grew the most in:

- data processing units – 7 times;
- vehicles with an internal combustion engine with spark ignition and reciprocating piston movement, with a working cylinder volume of more than 1000 cm³, but not more than 1500 cm³ - 2.2 times;
- vehicles with an internal combustion engine with spark ignition and reciprocating piston movement, with a cylinder displacement of more than 1500 cm³, but not more than 3000 cm³ - 1.8 times.

The import of fittings decreased by 59%, airplanes and other aircraft with an empty curb weight of more than 15,000 kg – by 34%, portable computing machines weighing no more than 10 kg, consisting of at least a central data processing unit, keyboard and display – by 12.3%.

**Dynamics of imports of mechanical engineering products
2015-2021 (USD million)**



❖ KEY EVENTS OF THE REPORTING PERIOD

The year 2021 was marked by a number of events in various fields of activity of the Company.

◆ Corporate-wide events

- Within the framework of the State Investment project «Increase in the authorized capital of JSC «NC «Kazakhstan Engineering» with a subsequent increase in the authorized capital of JSC «Plant named after S.M. Kirov» in order to implement the project «Organization of production of multilayer printed boards» by the end of 2018-2020, 299 units of technological equipment were delivered to the Company within the framework of concluded contracts.

The project has proceeded from the implementation stage to the operational stage since April 10, 2021.

According to the 2021-end result, the Company produced 40,973 pcs of printed boards within the framework of the project. The volume of products sold with the use of printed boards by the end of 2021 amounted to 2,012.0 million tenge (excluding VAT).

- In April 2021, by the decision of the Board of Directors of JSC «National Company «Kazakhstan Engineering», Mukhtar Kereybayev was appointed as the Chairman of the Management Board. Adlbek Sarsembayev, who previously held this post, was dismissed from office due to his appointment as Vice Minister of Industry and Infrastructure Development of the Republic of Kazakhstan.

- As part of implementation of the Comprehensive Privatization Plan for 2021 – 2025, on June 9, 2021, the Company concluded a contract for the purchase and sale of 30% of common shares of JSC «Munaymash» following the results of an electronic tender on the web portal of the State Property Register and on July 2, 2021, the shares was transferred to the Buyer – «ELKAM» LLC (Russia) due to payment of the value of the asset under the concluded Contract in full. The transaction amount was 455 198 000 tenge.

- On December 15, 2021, an agreement was signed with foreign partners - consortium Askeri Fabrika ve Tersane Isletme A.S. (ASFAT), YDA Insaat Sanayi ve Ticaret A.S. for implementation of the project «Design and construction of military camp facilities in Orta-Deresin settlement» to ensure the storage, production, modernization, repair, sale and disposal of weapons, military equipment and ammunition not used by the Armed Forces of the Republic of Kazakhstan. The estimated cost of the project is 32.5 billion tenge.

- In accordance with the Order of the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan dated 20.08.2021 No. 461, unused military property (UMP) of the Ministry of Defense of the Republic of Kazakhstan, located in the military units of the Ministry of Defense of the Republic of

Kazakhstan, was transferred to pay for the Company's shares. In pursuance of the specified order of the Ministry, the Company carried out the following activities:

- In December 2021, the UMP was accepted on the Company's balance sheet.
- The Company has carried out work on the placement of ordinary shares of the Company in the system of «Central Securities Depository» JSC.
- in order to further sell the accepted UMP, as well as determine the procedure and conditions for their sale, the Company has developed Rules for Sale of unused property in the form of weapons and military equipment.

◆ **Activities of subsidiaries and affiliates**

- JSC «Plant named after S.M. Kirov» has worked out the possibility of organizing the production of a highway medical rescue point (HMRP) for the Ministry of Emergency Situations of the Republic of Kazakhstan, taking into account the world experience in the field of production of mobile structures (points), and the terms of reference have been worked out taking into account the wishes of the Ministry of Emergency Situations of the Republic of Kazakhstan on the location of HMRP on skids and with the size of containers of rescue points of 12 m.

Within the framework of the National project «Safe Country», as well as the Development Concept of the Ministry of Emergency Situations of the Republic of Kazakhstan, it is planned to purchase 4 units of HMRP in 2022. In general, the need of the Ministry of Emergency Situations of the Republic of Kazakhstan for modernization with replacement for HMRP is 44 complexes.

Also, JSC «Plant named after S.M. Kirov» organized the production of robotic equipment for fire extinguishing and truck fire extinguishing type AC-5. A technical specification was received from the Ministry of Emergency Situations of the Republic of Kazakhstan, estimation of the project was carried out. The prototype of the fire robot ZIK-RPA-01 has passed factory and bench tests.

As part of the expansion of the production of JSC «Plant named after S.M. Kirov», a project has been developed for construction of new building for the organization of assembly work on computer equipment and organization of Data Processing Center (DPC). The project is currently undergoing state expertise. In 2022, the FEE will be formed and workshop will be constructed.

- In 2021, JSC «Tynys» worked out the possibility of organizing the production of a mobile hospital for 50 beds with medical equipment for the needs of the Ministry of Emergency Situations of the Republic of Kazakhstan.

In 2022, the Ministry of Emergency Situations of the Republic of Kazakhstan plans to purchase 2 units of a mobile hospital for 50 beds with medical equipment.

In addition, in 2022, the Ministry of Emergency Situations of the Republic of Kazakhstan plans to modernize/renovate the existing hospitals in the amount of 2 units.

JSC «Tynys» is also working on the issue of localization of production of various products for the oil and gas industry. In particular, at the first stage, it is planned to develop the production of filter elements from permeable wire materials and rubber products. Together with a subsidiary of JSC «NC «KazMunayGas» – LLP KMG Engineering, the issue of conducting pilot tests at JSC «Tynys» was considered.

- Within the framework of the Program of NWF «Samruk-Kazyna» JSC for support of domestic producers and creation of new production facilities for the purpose of import substitution, the Company developed new types of products from the pool of net imports. For example, JSC « Machine-Building Plant named after S.M. Kirov» received documents on linear suspension fittings (LSF) from KEGOC JSC

In pursuance of the instruction of the President of the Republic of Kazakhstan Kassym-Jomart Tokayev, given during a working trip to the West Kazakhstan Region in May 2019, and to meet the needs of the Ministry of Defense of the Republic of Kazakhstan, «Ural Plant «Zenit» JSC is implementing development work (R&D) to create a multi-purpose vessel. The works are divided into two stages: the first stage - 2021; the second stage - 2022-2024.

♦ **International cooperation**

In matters related to international and military-technical cooperation, the Company is guided by Agreements on military-technical cooperation, Agreements on industrial and scientific-technical cooperation, decisions of Sub-Commissions on Military-technical cooperation of Intergovernmental Commissions on Cooperation.

In 2021, within the framework of such agreements, Company cooperates with 10 countries: Russia, Belarus, Ukraine, Uzbekistan, Turkey, India, France, Israel, South Korea and Pakistan.

The Company took part in 2 meetings of Joint Intergovernmental Commissions on military-technical cooperation: at the 11th meeting of the Intergovernmental Commission on Cooperation in the Field of Defense Industry between Kazakhstan and Turkey and the 18th meeting of the Subcommittee on Military-Technical Cooperation of the Intergovernmental Commission on Cooperation between the Republic of Kazakhstan and the Russian Federation.

In addition, the Company participated in the 13th meeting of the Coordinating Council of the CSTO member states on advertising and exhibition activities in Minsk (Belarus).

In July 2021, the Republic of Kazakhstan was a partner country of the Russian Federation in the International Aerospace Salon «MAKS-2021» (Zhukovsky, Russia).

Within the framework of this salon, the Company took part in the organization of the unified national pavilion of the Republic of Kazakhstan, where the exposition of the Company's subsidiaries' products was also presented, in particular:

- JSC «Tynys» presented aviation products;
- «Eurocopter Kazakhstan Engineering» LLP presented a mock-up of the EU-145 helicopter and bench equipment for training technical personnel;
- JSC «811 auto repair plant KE» presented full-scale samples of an aerial target simulator UAV;
- «Kazakhstan Aviation Industry» LLP provided information on the ongoing work on aircraft repair and maintenance;
- «Kazakhstan ASELSAN Engineering» LLP presents a mock-up of a Mi-17 helicopter cabin with modern avionics.

As a result of the negotiations, more than 25 documents (Contracts, Memoranda and Agreements) were signed and export contracts for the supply of products were concluded.

In August 2021, an exposition of the Company's products was organized at the International Military-Technical Forum «ARMY-2021» (Russia).

Samples of weapons and military equipment of JSC «Tynys» (AK-12/15, personal protective equipment, products for the aviation industry); JSC «811 auto repair plant KE» (models of BMTE, upgraded TMM-3, PMP with interior bay); JSC «Semey Engineering» (repair and modernization of T-72, BTR-70, BMP-1/2, localized items of spare parts to BTT); «Kazakhstan ASELSAN Engineering» LLP (optoelectronic devices and systems) JSC «Plant named after S.M. Kirov» (protected computer equipment, printed boards), Steel Manufacturing LLP (cartridges of various calibers). As a result of the negotiations, more than 15 documents were signed.

This year, the Company and subsidiaries have participated in the following international defense exhibitions: the International Arms Exhibition «IDEX-21» (UAE), the International Defense Industry Exhibition «IDEX-2021» (Turkey), the International Exhibition «MILEX-2021» (Belarus), the International Exhibition of Defense Products «EDEX-2021» (Egypt).

❖ FINANCIAL INDICATORS

Revenue from the sale of products and services for 2021 amounted to 92 419 901 thousand tenge with a plan of 100 874 427 thousand tenge, a decrease of 8% compared to the plan, including by product segments:

- income from the sale of special products amounted to 86,209,067 thousand tenge with a plan of 84,427,729 thousand tenge, an increase of 2% to the plan as a result of an increase in the volume of sales JSC «Plant named after S.M. Kirov», «Ural Plant «Zenit» JSC, JSC «Machine-Building Plant named after S.M. Kirov»;

- income from the sale of civil products and services amounted to KZT 6 210 834 thousand with a plan of KZT 16 446 698 thousand, a 62% decrease compared to the plan as a result of the absence of an order for wheelchairs in the amount of KZT 4 925 000 thousand (JSC «Tynys»), a decrease in the production of products of JSC «Semipalatinsk Machine-Building Plant» by 2 185,747 thousand tenge compared to the plan, as well as as a result of the sale of 30% of the Company's share in JSC «Munaymash» and disposal of sales volumes from consolidated data.

There is a positive trend in net income. Despite the high debt burden and the unprofitability of some subsidiaries, the Company, having taken a number of measures to increase profitability, maintained positive dynamics. The final net income for the Company's group amounted to 1 893 101 thousand tenge with a plan of 1 649 296 thousand tenge.

In addition, the Company, together with its subsidiaries, works on an annual basis to reduce unproductive costs, reduce the cost of products and services provided.

Over the period from 2020 to 2021, there was a 12% increase in labor productivity. Increase in the indicator is due to an increase in the volume of sales of products and services, as well as a decrease in the number of personnel as a result of the sale of shares in subsidiaries - Kazakhstan Aviation Industry LLP and JSC «Munaymash».

*Operational and financial performance indicators
for Company group:*

Indicators	2017	2018	2019	2020	2021	Dynamics of growth/decline in 2021 to 2020
Income from the sale of products (billion tenge)	84	107	87.7	96.7	92.4	-4%
Assets (billion tenge)	75	82	121	143	126	-12%
Financial result* (billion tenge)	-4	-1.6	-6.9	0.46	1.89	308%
Labor productivity (thousand tenge/person)	17890	23 935	20 831	22 814	25 460	12%

**financial result = net income before deduction of minority interest*

By the end of 2021, the export volumes of the Company's subsidiaries amounted to 6 840 million tenge.

◆ **Assets**

Total Assets for 2021 were at the level of 126 051 866 thousand tenge with a plan of 98 764 331 thousand tenge, an increase of 27.6% due to advance receipts and Inventory balances under carry-over contracts.

In the asset structure, long-term assets amount to 59 billion tenge or 47%, including fixed assets of 42.9 billion tenge or 34% of the total assets; investments in joint ventures and associates of 6.7 billion tenge or 5%, other assets of 9.4 billion tenge.

Short-term assets amounted to 67 billion tenge or 53%, including inventories – 16.5 billion tenge or 13%, cash – 28.2 billion tenge or 22%, advances issued – 13.8 billion tenge or 11%, other assets – 8.5 billion tenge.

◆ **Credit ratings**

As of December 31, 2021, the Company has no credit ratings. The company plans to start work on credit ratings in the 4th quarter of 2022.

❖ ASSET MANAGEMENT

In accordance with the Decree of the Government of the Republic of Kazakhstan dated December 29, 2020 No. 908 «On certain issues of privatization for 2021-2025» and the Restructuring Plan of the Company's assets for 2021, the sale of 9 and liquidation of 3 assets of the Company (stock of shares and participation interests) is provided.

Assets under sale

№	Name of the asset
1.	JSC «Machine-Building Plant named after S.M. Kirov» (100%)
2.	JSC «Tynys» (100%)
3.	JSC «Semipalatinsk Machine-Building Plant» (100%)
4.	JSC «Semey Engineering» (100%)
5.	JSC «811 auto repair plant KE» (100%)
6.	«Petropavlovsk Plant of Heavy Machine Building» JSC (100%)
7.	JSC «Munaymash» (52.04%)
8.	«Kazakhstan Aviation Industry» LLP (50%)
9.	«Steel Manufacturing» LLP (95%) (<i>subsidiary of JSC «Kaztechnologies»</i>)

Assets under liquidation

№	Name of the asset
1.	«Thales Kazakhstan Engineering» LLP (50%)
2.	«Kaz-ST Engineering Bastau» LLP (49%)
3.	«Spetsmash Astana» LLP (35%)
4.	«Indra Kazakhstan Engineering» LLP (49%)

Pursuant to the Decree of the Government of the Republic of Kazakhstan dated December 29, 2020 No. 908, according to the results of the auction held in 2021, the Company sold 30% of the common shares of JSC «Munaymash».

Currently, work is underway to sell the above-mentioned assets of the Company and measures are being taken to liquidate the Company's dependent and jointly controlled organizations.

❖ INVESTMENT ACTIVITY OF THE COMPANY

In accordance with the Company's Investment Policy, the purpose of investment activity is to maximize the value of the Company in the long term.

The main principles of the Investment Policy are:

- integration of strategic goals into the investment decision-making process;
- using investment assessment tools when making investment decisions;
- use of project management tools and procedures in the management of investment activities;
- balance of budget control and the degree of managerial freedom of managers responsible for the result of the Company's investment activities;
- obligation to monitor, evaluate and analyze the results of investment activities.

The Company's investment projects are aimed at achieving the goals of expanding the production and sale of defense and civilian products within the framework of import substitution, satisfying domestic needs and export.

Individual investment projects are strategic and are aimed at developing defence-industrial complex of the Republic of Kazakhstan in accordance with the Concept of rearmament of the Armed Forces, other troops and military formations of the Republic of Kazakhstan and the development of the defense industry.

3. CORPORATE GOVERNANCE

❖ BASIC PRINCIPLES AND STRUCTURE CORPORATE GOVERNANCE

The corporate governance system of the Company is based on the legislation of the Republic of Kazakhstan, the constituent and internal documents of the Company.

One of the fundamental internal documents of the Company is the Corporate Governance Code of JSC «NC «Kazakhstan Engineering».

The Company considers corporate governance as one of the most important elements of responsible development and decision-making, significant and influencing stakeholders. The Company ensures compliance of corporate governance practices, both in the Company and in its subsidiaries, with the best corporate governance practices and is guided by international principles and standards in this area, constantly increasing the transparency of its activities.

To date, the Company continues to improve its corporate governance system. Thus, a number of important initiatives in this area have been implemented, as well as new internal documents of the Company and its subsidiaries have been developed and updated.

The interaction between the Company and its subsidiaries (dependent) organizations is carried out within the framework of approved corporate procedures, through the relevant bodies of the Company and its subsidiaries (dependent) organizations.

Improving the corporate governance system in accordance with the best principles and international practices is one of the Company's priorities.

In general, the Company's corporate governance system is aimed at increasing the transparency of its activities, creating and maintaining reliable and effective relationships with the Sole Shareholder and investors and is based on the following principles:

- protection of the rights and interests of the Sole Shareholder;
- effective management of the Company by the Board of Directors and the Management Board;
- transparency and objectivity of the Company's activities;
- legality and ethics;
- effective dividend policy;
- effective personnel policy;
- environmental protection;
- safety of working conditions;
- settlement of corporate conflicts and conflicts of interest;
- responsibility.

The Company's Corporate Governance Code, based on internationally recognized principles of corporate governance, is one of the key documents defining the principles of the Company's corporate governance system and reflecting its development.

The Company is guided by the Corporate Governance Code to systematize corporate governance, ensure transparency of activities and confirm the Company's readiness to follow the standards of good corporate governance.

In 2021, «Dostyk Advisory» LLP conducted diagnostics of the corporate governance system. The corporate governance assessment was conducted on the basis of studying the submitted regulatory and accounting documents, interviews conducted, as well as analyzing information provided in public access, including information disclosed on the Company's website.

According to the diagnostic results, the corporate governance score in the Company was 61.2%. In this regard, the Company faces the task of implementing the recommendations of an independent consultant to improve the rating.

CORPORATE GOVERNANCE SYSTEM



❖ BOARD OF DIRECTORS

The general management of the Company's activities is carried out by the Board of Directors, except for issues required to be resolved by the Sole Shareholder.

The Board of Directors exercises its powers in accordance with the Laws of the Republic of Kazakhstan «On Joint Stock Companies», «On State Property», the Charter and internal documents of the Company.

The activities of the Board of Directors are based on the principles of reasonableness, efficiency, activity, integrity, honesty, responsibility, accuracy, professionalism, objectivity and regularity.

At the end of 2021, Members of the Company 's Board of Directors are the following:

Adlbek Sarsembayev	Chairman of the Board of Directors, since April 2021
Bauyrzhan Tortayev	Member of the Board of Directors, since August 2019
Yerbol Akhmetov	Member of the Board of Directors since July 2020
Mukhtar Kereybayev	Member of the Board of Directors, Chairman of the Management Board since May 2021
Zhanna Yegimbayeva	Member of the Board of Directors since August 2019
Vladimir Bobrov	Member of the Board of Directors, Independent Director since August 2019
Yerzhan Toleubekov	Member of the Board of Directors, Independent Director since August 2019
Serikzhan Zhakenov	Member of the Board of Directors, Independent Director since December 2019

◆ Composition of the company's Board of Directors (as of 31.12.2021)



ADLBEK SARSEMBAYEV

**Chairman of the Board of Directors of
JSC «NC «Kazakhstan Engineering», Vice-
Minister of Industry and Infrastructure
Development of the
Republic of Kazakhstan**

Date of birth: 25.08.1978

Citizenship: Republic of Kazakhstan

Education:

- Kazakh State Law Academy, jurisprudence
- Kazakh State Agrotechnical University named after S.Seifullin, economist-manager
- Academy of Public Administration under the President of the Republic of Kazakhstan, public administration

Place of work and positions held over the past five years:

- **2016 - 2020**
Akim of Almaty district, Nur-Sultan city
- **From June, 2020**
Chairman of the Management Board of
JSC «NC «Kazakhstan Engineering»

**Does not own the shares of the Company, suppliers and competitors
of the Company**



BAUYRZHAN TORTAYEV

**Member of the Board of Directors of
JSC «NC «Kazakhstan Engineering»,
Deputy Minister of Defense of the
Republic of Kazakhstan**

Date of birth: 18.09.1967

Citizenship: Republic of Kazakhstan

Education:

- Moscow State Academy of Management of the Order of the Red Banner of Labour named after S. Ordzhonikidze, engineer-economist

Place of work and positions held over the past five years:

- **2014 - 2017**

Deputy Head of the Department of Socio-Economic Monitoring of the Administration of the President of the Republic of Kazakhstan

- **2017 - 2019**

Executive Secretary of the Ministry of Finance of the Republic of Kazakhstan

- **Since April 2019**

Deputy Minister of Defense of the Republic of Kazakhstan

**Does not own the shares of the Company, suppliers and competitors
of the Company**



YERBOL AKHMETOV

Member of the Board of Directors of JSC «NC «Kazakhstan Engineering», Deputy Chairman of the State Property and Privatization Committee of the Ministry of Finance of the Republic of Kazakhstan

Date of birth: 12.07.1980

Citizenship: Republic of Kazakhstan

Education:

- Akmola Agrarian University named after S. Seifullin (2002), economist-manager
- Kostanay State University named after A. Baitursynov, jurisprudence

Place of work and positions held over the past five years:

- **2016 - 2019**

Head of the State Institution «Department of State Property and Privatization of the City of Nur-Sultan of the Committee for State Property and Privatization of the Ministry of Finance of the Republic of Kazakhstan»

- **Since 2019**

Deputy Chairman of the Committee for State Property and Privatization of the Ministry of Finance of the Republic of Kazakhstan

Does not own the shares of the Company, suppliers and competitors of the Company



MUKHTAR KEREYBAYEV

**Member of the Board of Directors of
JSC «NC «Kazakhstan Engineering» ,
Chairman of the Management Board of JSC
«NC «Kazakhstan Engineering»**

Date of birth: 06.10.1964

Citizenship: Republic of Kazakhstan

Education:

- Alma-Ata Institute of Railway Transport Engineers (1986), mechanical engineer
- Kazakh Humanitarian Law Academy (2004), jurisprudence

Place of work and positions held over the past five years:

- **2016 - 2018**
Director of Unitary Enterprise based on the Right of Economic Management «Astns Eco-Poligon» of the Akimat of Astana
- **2020 - 2021**
Advisor, Deputy Chairman of the Management Board of JSC «NC «Kazakhstan Engineering»
- **From April 2021**
Chairman of the Management Board of JSC «NC «Kazakhstan Engineering»

Does not own the shares of the Company, suppliers and competitors of the Company

**ZHANNA YEGIMBAYEVA**

**Member of the Board of Directors of
JSC «NC «Kazakhstan Engineering» ,
representative of the Sole Shareholder**

Date of birth: 12.05.1953

Citizenship: Republic of Kazakhstan

Education:

- Kazakh State University named after S.M. Kirov

Place of work and positions held over the past five years:

- **2011 - 2016**

Deputy Head of the Office of the Prime Minister of
the Republic of Kazakhstan

- **Since 2016**

Advisor to the Chairman of the Board of
«Baiterek» National Managing Holding» JSC

**Does not own the shares of the Company, suppliers and competitors
of the Company**

**VLADIMIR BOBROV**

**Member of the Board of Directors of
JSC «NC «Kazakhstan Engineering»,
Independent Director**

Date of birth: 14.08.1953

Citizenship: Republic of Kazakhstan

Education:

- Pavlodar Industrial Institute (1975)

Place of work and positions held over the past five years:

- **2010 - 2011**

Deputy Chairman of the Majilis of the Parliament of the Republic of Kazakhstan

- **2012 - 2016**

Deputy of the Senate of the Parliament of the Republic of Kazakhstan, member of the Committee on Constitutional Legislation, Judicial System and Law Enforcement Agencies of the Senate of the Parliament of the Republic of Kazakhstan

Does not own the shares of the Company, suppliers and competitors of the Company



YERZHAN TOLEUBEKOV

**Member of the Board of Directors of
JSC «NC «Kazakhstan Engineering» ,
Independent Director**

Date of birth: 25.08.1969

Citizenship: Republic of Kazakhstan

Education:

- Al-Farabi Kazakh National University (1993), political economy
- Al-Farabi Kazakh National University (2000), jurisprudence

Place of work and positions held over the past five years:

- **2012 - 2017**
«Republic» Pension Savings Fund JSC
- **2018**
Chairman of the Board of First Heartland Jýsan Bank

**Does not own the shares of the Company, suppliers and competitors
of the Company**

**SERIKZHAN ZHAKENOV**

**Member of the Board of Directors of
JSC «NC «Kazakhstan Engineering» ,
Independent Director**

Date of birth: 08.10.1949

Citizenship: Republic of Kazakhstan

Education:

- Karaganda Polytechnic Institute

Place of work and positions held over the past five years:

- **Since 2009**

Director, Adviser of «KarGorMash-M» LLP

- **Since November 2018**

Member of the Board of Directors, Independent Director
of JSC SEC «Saryarka»

**Does not own the shares of the Company, suppliers and competitors
of the Company**

◆ **Activities of the Board of Directors**

The Board of Directors of the Company was focused on solving current tasks, considering issues within its competence. The list of issues and decisions are reflected in the relevant minutes and decisions of meetings of the Board of Directors.

In 2021, the Board of Directors held 12 meetings (10 in person, 2 in absentia), at which 146 issues were considered.

◆ **Committees of the Board of Directors**

In accordance with the Law of the Republic of Kazakhstan «On Joint Stock Companies», Committees of the Board of Directors should be established in the company to consider the most important issues and prepare recommendations to the Board of Directors.

The Committees of the Board of Directors consider the following issues:

- 1) strategic planning;
- 2) personnel and remuneration;
- 3) internal audit;
- 4) social issues;
- 5) other issues stipulated by the Company's internal documents.

The committees of the Board of Directors consist of members of the Board of Directors and experts with the necessary professional knowledge to work in a particular committee.

The Committee of the Board of Directors is headed by a member of the Board of Directors. Managers (chairmen) of the committees of the Board of Directors whose functions include consideration of the issues provided for in subparagraphs 1) - 4) are independent directors.

In accordance with the Corporate Governance Code of JSC «NC «Kazakhstan Engineering», Committees are created to conduct a detailed analysis and develop recommendations on a range of the most important issues before their consideration at a meeting of the Board of Directors.

By the decision of the Board of Directors dated August 27, 2019, three Committees of the Board of Directors were formed and operate on a permanent basis in the Company:

- Nomination and Remuneration Committee;
- Audit Committee;
- Strategy and Investment Committee.

Committee	Chairman	Members
Nomination and Remuneration Committee	V. Bobrov	Zh. Yegimbayeva Ye. Toleubekov
Audit Committee	Ye. Toleubekov	V. Bobrov B. Tortayev
Strategy and Investment Committee	V. Bobrov	Ye. Toleubekov S. Zhakenov

The Audit Committee of the Company's Board of Directors assists the Company's Board of Directors by developing recommendations on establishing an effective system of control over the Company's financial and economic activities; monitoring the reliability and effectiveness of internal control and risk management systems, as well as the execution of corporate governance documents; monitoring the independence of external and internal audits, as well as the process of ensuring compliance with the legislation of the Republic of Kazakhstan, etc.

The Nomination and Remuneration Committee of the Company's Board of Directors develops recommendations on the appointment and remuneration of independent directors, members of the Management Board, Internal Audit Service and Corporate Secretary Service; provides recommendations on other issues within its competence in accordance with the instructions of the Board of Directors and/or the provisions of internal documents of the Company, etc.

The Strategy and Investment Committee of the Board of Directors of the Company develops recommendations on development strategy, Development Plans of the Company, implementation of investment projects, asset management, etc.

In 2021, 10 meetings of the Company's Audit Committee, 10 meetings of the Nomination and Remuneration Committee and 11 meetings of the Company's Strategy and Investment Committee were held.

◆ **Remuneration of members of the Board of Directors**

In accordance with the Law of the Republic of Kazakhstan «On Joint Stock Companies», by the decision of the Sole Shareholder, independent directors - members of the Board of Directors of the Company are paid remuneration and compensated for expenses related to the performance of their functions. The amounts of such remuneration and compensation are determined by the decision of the Sole Shareholder of the Company.

In accordance with the procedure established in the Company, remuneration for the performance of duties of a member of the Board of Directors contains exclusively:

- fixed annual remuneration;
- additional annual remuneration for participation in in-person meetings of the Committees of the Board of Directors of the Company.

However, it should be noted that remuneration is paid subject to participation in meetings of the Board of Directors (in person/in absentia), with the exception of absence from meetings due to illness.

The total amount of remuneration paid for the year ended December 31, 2021 to the members of the Company's Board of Directors amounted to KZT 21 753 869.34.

❖ INTERNAL AUDIT SERVICE

The Internal Audit Service was established by the decision of the Company's Board of Directors in 2007.

The staffing of the Company's Internal Audit Service is 3 people.

The main objective of the Internal Audit Service is to provide the Company's Board of Directors with independent and objective guarantees and consultations aimed at effective management and improvement of the Company's activities by introducing a systematic approach to improving risk management systems, internal control and corporate governance.

The activities of the Internal audit Service are subject to the Regulations on the Internal Audit Service of the Company, the Internal Audit Organization Policy and other internal regulatory documents.

The Internal Audit Service quarterly submits a report on its activities for consideration by the Audit Committee and the Board of Directors of the Company.

The annual audit plan of the Internal Audit Service of JSC «NC «Kazakhstan Engineering» for 2021 was approved by the decision of the Board of Directors of the Company dated December 7, 2020.

In accordance with the Annual Audit Plan, the Internal Audit Service in 2021 completed audit assignments related to the activities of JSC «Plant named after S.M. Kirov», JSC «Munaymash», JSC «Tynys», «Ural Plant «Zenit» JSC, JSC «Semipalatinsk Machine-Building Plant» and business process inspections in the Company on accounts receivable and accounts payable, claim-related work, as well as the performance of key performance indicators by the Company's senior employees and the evaluation of the effectiveness of the Company's internal control system.

Based on the results of these audits conducted in the reporting period, as of December 31, 2021, 171 recommendations were issued.

◆ **Corporate Secretary**

The Corporate Secretary is charged with ensuring the effective organization of the activities of the Board of Directors and the interaction of the Board of Directors, the executive body with the Sole Shareholder.

The Corporate Secretary ensures that the Company's bodies and officials comply with procedures aimed at ensuring the rights and interests of the Sole Shareholder, as well as the Company's compliance with the provisions and norms of legislation in the field of corporate governance, the provisions of the Charter and other internal documents of the Company within the framework of corporate governance.

The functions, tasks and duties of the Corporate Secretary are provided for in the Regulations on the Corporate Secretary.

Thus, as part of its activities, the Corporate Secretary oversees the preparation and conduct of meetings of the Board of Directors, ensures the formation of materials on the agenda for the meeting of the Board of Directors, and controls access to them.

The Corporate Secretary ensures that the members of the Board of Directors receive accurate and clear information in a timely manner.

❖ **MANAGEMENT BOARD OF THE COMPANY**

The management of the Company's current activities is carried out by a collegial executive body – the Management Board, which makes decisions on issues of the Company's activities that are not within the competence of other bodies.

The determination of the quantitative composition, the term of office of the Management Board, the election (appointment) of the Chairman and members of the Management Board, as well as the early termination of their powers, as well as the approval of key performance indicators and their target values for the Chairman and members of the Management Board of the Company is attributed to the exclusive competence of the Board of Directors of the Company.

The Management Board acts in accordance with the Laws of the Republic of Kazakhstan «On Joint Stock Companies», «On State Property», the Charter, the Corporate Governance Code of JSC «NC «Kazakhstan Engineering» , the Regulations on the Management Board of JSC «NC «Kazakhstan Engineering» and other internal documents of the Company.

The activities of the Management Board are based on the principle of maximum respect for the interests of the Sole Shareholder and are fully accountable to the decisions of the Sole Shareholder and the Board of Directors of the Company.

For the purpose of preliminary consideration, making collegial decisions and preparing recommendations to the Company's Management Board on the issues

under its supervision, advisory bodies have been established at the Company's Management Board – three committees and one commission:

Risk Committee - assists the Company's Management Board in making decisions in the field of risk management of the Company; organization and maintenance of an effective risk management system; development of processes designed to identify, measure, monitor and control risks; and also develops recommendations and proposals for monitoring the coordination of risk management work in the Company and its subsidiaries/affiliates.

Investment and Innovation Committee – assists the Management Board of the Company in improving the efficiency of investment and innovation activities of the Company and its enterprises, as well as in the formation of a unified policy on the development of Kazakhstan content.

Credit Committee – assists the Management Board of the Company in ensuring timely and high-quality decision-making on issues related to the provision of loans (borrowings), financial assistance and guarantees, asset and liability management of the Company, minimizing risks associated with the attraction and placement of funds, increasing the profitability of the Company.

Budget Commission – assists the Company's Management Board in developing a unified position of the Company's representatives in the management bodies of subsidiaries and dependent organizations on budgets submitted for approval, development plans, planning and implementation of investment projects, as well as in ensuring timely and high-quality development of the Company's draft budget for the relevant financial period and the development of proposals for its adjustment and execution.

♦ **Composition of the Management Board**
(as of 31.12.2021)

KEREYBAYEV MUKHTAR ZHUMAGAZINOVICH

*Chairman of the Management Board
of JSC «NC «Kazakhstan Engineering»
(information is given in the section
«Composition of the Board of Directors»)*



SALTANAT SHUNAYEVA

Deputy Chairman of the Management Board

Date of birth: 22.07.1974

Citizenship: Republic of Kazakhstan

Education:

- Kazakh State Academy of Management, International Monetary and Financial Relations, international economist

Place of work and positions held over the past five years:

- **2016 - 2017**
Head of the Project Office of «Samruk-Energo» JSC
- **2018 - 2020**
Managing Director of JSC «NC «KAZAKHINVEST»
- **From June, 2020**
Deputy Chairman of the Management Board of JSC «NC «Kazakhstan Engineering»

Does not own the shares of the Company, suppliers and competitors of the Company



KUANYSH KISSIKOV

Deputy Chairman of the Management Board

Date of birth: 11.07.1964

Citizenship: Republic of Kazakhstan

Education:

- Higher Courses of the KGB of the USSR, Tashkent (1992), officer with higher special education
- Al-Farabi Kazakh State University (2000), lawyer-jurist

Place of work and positions held over the past five years:

- **2010 - 2018**
Advisor to the Embassy of the Republic of Kazakhstan in Azerbaijan, Tajikistan, Kyrgyzstan
- **2018 - 2019**
Vice-President for General Affairs of JSC «NC «Kazakhstan Gharysh Sapary»
- **2019 - 2020**
Advisor to the Chairman of the Management Board of JSC «NC «Kazakhstan Gharysh Sapary»
- **From August 2020**
Deputy Chairman of the Management Board of JSC «NC «Kazakhstan Engineering»

Does not own the shares of the Company, suppliers and competitors of the Company

**DMITRY LEE**

**Managing Director,
Member of the Management Board**

Date of birth: 09.07.1977

Citizenship: Republic of Kazakhstan

Education:

- Karaganda State Technical University (1999), Organization and Management Engineer
- Karaganda Financial Institute (2005), Bachelor of Finance
- Nazarbayev University (2017), Graduate School of Business in cooperation with University of Duke, Fuqua Business School (USA), Astana, Master of Business Administration

Place of work and positions held over the past five years:

- **2011 - 2019**
Deputy Chairman of the Management Board,
Managing Director, Executive Director of «Tsesnabank» JSC, Astana
- **From October, 2020**
Managing Director, Member of the Management Board of JSC «NC «Kazakhstan Engineering»

Does not own the shares of the Company, suppliers and competitors of the Company



SANIYAR AITEKENOV

Managing Director, Member of the Management Board

Date of birth: 14.10.1981

Citizenship: Republic of Kazakhstan

Education:

- State International Kazakh-Turkish University named after Kh.A. Yassavi (2003), economist
- MBU – Montreux Business University, Switzerland (2017), master of business administration

Place of work and positions held over the past five years:

- **2015 - 2020**
Director of «Astana Convention Bureau» LLP under the Akimat of Astana city
- **2020 - 2021**
General Manager, Advisor, Director of the Department, Managing Director of JSC «NC «Kazakhstan Engineering»
- **From September, 2021**
Managing Director, Member of the Management Board of JSC «NC «Kazakhstan Engineering»

Does not own the shares of the Company, suppliers and competitors of the Company

◆ **About the activities of the Management Board**

In 2021, 56 meetings of the Company's Management Board were held, where 168 issues were considered.

At the meetings of the Company's Management Board, special attention was paid to such issues as:

- development, approval and submission for approval by the Board of Directors of a development Plan, a Program (plan) for restructuring the Company's assets;
- alienation by the Company of blocks of shares (participation interests) of some subsidiaries and affiliates;
- making decisions on concluding a transaction or a set of interrelated transactions, as a result of which the Company acquires or alienates (may be acquired or alienated) property, the value of which is less than ten percent of the total value of the Company's assets;
- making decisions to increase the Company's liabilities by less than ten percent of its equity;
- approval of documents adopted for the purpose of organizing the Company's activities;
- preliminary review and approval of materials on issues submitted for consideration by the Board of Directors and the Sole Shareholder.

During the reporting period, the Company's Management Board actively interacted with the Sole Shareholder and all interested parties of corporate relations to effectively solve the tasks assigned to the Company.

◆ **Remuneration of the Management Board**

The conditions, procedure for evaluating the activities and remuneration of executives, the Ombudsman, the compliance officer of employees of the internal audit service and the Corporate secretary are regulated by the Rules of Remuneration, Performance Evaluation and Bonuses (remuneration) of Executives, the Ombudsman, the compliance officer of employees of the Internal audit service and the Corporate Secretary, approved by the decision of the Board of Directors of the Company from the year November 22, 2019.

Remuneration based on the results of activities (short-term and long-term remuneration) is paid depending on the results of work for the purpose of material incentives for achievements and improving work efficiency and is not permanent.

The procedure for evaluating the effectiveness of managers consists of the following stages:

- selection of motivational key performance indicators (KPIs), setting of target values;
- approval of motivational KPIs;
- performance monitoring;
- calculation and approval of the actual performance.

The total amount of remuneration paid for the year ended December 31, 2021 to the members of the Company's Management Board amounted to KZT 77,295,162.61. During the reporting period, bonuses were not paid to members of the Management Board.

◆ **Secretary of the Management Board**

The Secretary of the Management Board is an employee of the Company and acts on the basis of the Company's Charter and the Regulations on the Management Board of the Company approved by the decision of the Board of Directors dated November 23, 2012.

The functions of the Secretary of the Board include:

- development, approval and monitoring of the Management Board's work plan,
- preparation of a progress report on the implementation of the Management Board's work plan;
- formation of the agenda of the Board meeting and materials in accordance with the agenda of the Board meeting;
- execution of decisions of the Company's Management Board;
- control over the timely submission of materials and their completeness for the Board meeting;
- monitoring and control over the execution of decisions of the Management Board.

❖ INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT

◆ Internal control system

The Company's internal control system is an integral part of the corporate governance system and covers all levels of management.

The Company's activities within the framework of the internal control system are carried out in accordance with the Regulations on the Internal Control System of JSC «NC «Kazakhstan Engineering», approved by the decision of the Board of Directors dated May 21, 2021.

The Regulation on the Internal Control System establishes the responsibility of the Board of Directors for organizing, monitoring and evaluating the effectiveness of the internal control system in the Company using a risk-based approach. The Management Board of the Company is responsible for the effective functioning of the internal control system.

At the same time, the Company's Internal Audit Service acts as part of the continuous monitoring of the Company's internal control system and directly evaluates the internal control system for its compliance with the set goals, objectives and criteria and provides recommendations for improving the internal control system.

◆ Risk management

JSC «NC «Kazakhstan Engineering» carries out its activities taking into account a wide range of risks distributed by categories: strategic risks, financial risks, operational risks and legal risks. Based on the results of risk identification and assessment, 27 risks were included in the Company's Risk Register for 2021. For each risk, measures have been developed to manage them, and risk owners have been identified. The dynamics of key risks and the implementation of measures to mitigate them are constantly monitored.

The Company has a risk management system aimed at ensuring the continuity and stability of its activities by limiting the degree of impact of internal and external negative factors on the Company's activities.

Risk management of the Company is carried out with the participation of the Board of Directors, the Internal Audit Service, the Management Board, structural divisions – owners of risks, as well as the Risk Management and Internal Control Service.

The Company carries out its activities taking into account a wide range of risks, which are divided into four categories: strategic, financial, legal and operational risks.

The risk management process in the Company is regulated by the Risk Management Policy, Risk Identification and Assessment Rules, Rules for Managing Certain Types of Financial Risks (currency, credit, interest rate and

country risks) approved by the Company's Board of Directors; the Methodology for Accounting for Implemented Risks approved by the Company's Management Board.

The Company annually identifies risks, assesses them and develops risk management measures.

On a quarterly basis, risk monitoring is carried out with the participation of risk owners, the implementation of risk management measures is monitored, and a database of realized risks is maintained. When external and/or internal risks change, risks are reassessed, risk management measures are reviewed

In each structural division of the Company, an employee is identified who oversees risk management issues and assists in identifying and assessing risks inherent in the supervised area, preparing risk reports, and interacting with the risk management sector. Training events are held for the Company's employees on a regular basis.

4. SUSTAINABLE DEVELOPMENT

One of the main strategic objectives of the Company is to increase its long-term value while ensuring sustainable development.

The Company considers sustainable development as a development in which the Company and its subsidiaries manage the impact of their activities on the environment, economy, society and make decisions taking into account the interests of stakeholders.

In order to ensure the sustainable development of its subsidiaries, the Company approves uniform policies, guidelines and corporate standards.

The company adheres to the following principles in the field of sustainable development:

Openness

We are open to meetings, discussions and dialogue, we strive to build long-term cooperation with stakeholders based on consideration of mutual interests, respect for rights and balance between the interests of the Company, subsidiaries and stakeholders.

Accountability

We are aware of our accountability for the impact on the economy, the environment and society. We are aware of our responsibility to the Sole Shareholder and investors for the growth of the long-term value and sustainable development of the Company and organizations in the long term. We strive to minimize the negative impact of our activities on the environment and society through careful treatment of resources, consistent reduction of emissions, waste, and the introduction of high-performance, energy- and resource-saving technologies. We pay taxes and other fees provided by the legislation to the state budget. We preserve and create jobs. We strive to promote the development of the area in which we operate. We thoughtfully and intelligently make decisions and take actions at all levels. We strive to introduce innovative technologies aimed at careful and responsible use of resources, increasing labor productivity; our products, goods and services must be of proper quality. We value our customers.

Transparency

Our decisions and actions should be clear and transparent to stakeholders. We disclose the information provided by the legislation and our documents in a timely manner, taking into account the standards for the protection of confidential information.

Ethical behavior

Our decisions and actions are based on our values, such as respect, honesty, openness, team spirit and trust, integrity and fairness.

Respect

We respect the rights and interests of interested parties that follow from legislation, concluded contracts, or indirectly within the framework of business relationships.

Legality

Our decisions, actions and behavior comply with the legislation of the Republic of Kazakhstan and the decisions of the Company's bodies.

Respect for human rights

We observe and promote the observance of human rights provided for by the Constitution of the Republic of Kazakhstan, the laws of the Republic of Kazakhstan and international documents; our employees are our main value and main resource. Therefore, we attract professional candidates from the labor market on an open and transparent basis and develop our employees based on the principle of meritocracy; ensure the safety and labor protection of our employees; conduct wellness programs and provide social support to employees; create an effective system of motivation and employee development; develop corporate culture.

Intolerance to corruption

We declare intolerance to corruption in any of its manifestations in cooperation with all interested parties. Officials and employees involved in corruption cases are subject to dismissal and prosecution; the Company's internal control systems include measures aimed at non-admittance, preventing and detecting corruption offenses; we are developing a dialogue with stakeholders to raise their awareness in the fight against corruption.

Inadmissibility of conflicts of interest

Violations related to a conflict of interests may damage the reputation of the Company and undermine the confidence of interested parties in them; the personal interests of an official or employee should not affect the impartial performance of their official, functional duties; in relations with the Company's partners, with the view of the establishment and preservation of fiduciary relations in which the parties are obliged to act towards each other as honestly, conscientiously, fairly and loyally as possible, take measures to prevent, identify and exclude conflicts of interest.

Personal example

Each of us contributes to the implementation of the principles of sustainable development in our actions, behavior and decision-making every day. Officials and employees holding managerial positions should motivate them to implement the principles of sustainable development by their personal example.

❖ INTERACTION WITH STAKEHOLDERS

The Company influences or experiences the influence of interested parties in the course of its activities.

Stakeholders can have both positive and negative impact on the activities of the Company and its subsidiaries, namely on the growth of the Company's value, sustainable development, reputation and image, create or reduce risks. Therefore, the Company considers interaction with stakeholders as a guarantee of the necessary conditions for creating long-term value, achieving strategic goals and forming a positive reputation of the Company.

The Company's system of interaction with stakeholders is aimed at harmonizing the interests of all stakeholders. Interaction with stakeholders is based on the principles of respect for interests and cooperation, information transparency of the Company's activities, regularity of interaction, compliance with obligations.

The Company and subsidiaries pay great attention to establishing and maintaining a sustainable dialogue with all stakeholders through various communication platforms.

The list of interested parties includes, but is not limited to:

- the state represented by the Sole Shareholder, legislative and executive branches of government, regulatory and supervisory state bodies, local executive bodies;

- employees, officials;
- investors, creditors, partners;
- consumers, customers;
- suppliers, contractors;
- competitors;
- trade unions;
- local communities, the population in the places of activity, public organizations.

Based on the assessment of the degree of influence of stakeholders on the Company and the degree of influence of the Company's activities on stakeholders, a strategy and methods of interaction with one or another party are developed.

Interaction with the Sole Shareholder

The Sole shareholder owns 100% of the Company's shares. The Company understands the importance of constant and effective interaction with the Sole Shareholder. The Company informs the Sole Shareholder in a timely and complete manner about its activities in accordance with the procedure provided for by the Charter and internal documents of the Company.

Interaction with government agencies

The Company builds relations with government agencies on the principles of partnership and respect, realizing that all initiatives of government agencies and

the Company should be aimed at the development of the country's economy. The Company and its subsidiaries and affiliates are responsible and conscientious taxpayers.

Interaction with subsidiaries and dependent organizations

Interaction with subsidiaries and dependent organizations is carried out within the framework of approved corporate procedures through the relevant bodies of such organizations. The main objectives of the Company's interaction with subsidiaries and affiliates are to ensure stable financial development, profitability, increase the investment attractiveness of the Company and subsidiaries and affiliates, as well as the development and implementation of a coordinated and effective strategy for the development of the Company.

Interaction with suppliers, contractors and customers

Building relationships with suppliers, contractors and customers, the Company is guided by the principles of openness, honesty, respect for the interests of mutual benefit, understanding of full responsibility for the obligations assumed, complies with all the terms of contractual relations, shows respect and integrity in relationships, holds working meetings with customers to fulfill contractual obligations.

Staff

The interaction of the Company and the staff is aimed at the formation of relations based on cooperation. The company values the contribution of each employee and builds relationships based on respect and cooperation, encouraging initiative, responsibility and achievement of ambitious goals.

The interaction of the employer with employees complies with the norms of the legislation of the Republic of Kazakhstan, is regulated by the Collective Agreement, employment contracts, the Code of Business Ethics and Personnel Policy.

Interaction with local communities and authorities

The Company's subsidiaries are concentrated in the regions of the country. Most of them play an important role in the development of regions, in the processes of forming the gross regional product, providing jobs to the local population, replenishing local budgets, etc. Interaction with local communities and local executive bodies is based on maintaining a balance of interests of the parties and is aimed at obtaining support in places of activity, a positive image, and loyalty of local authorities.

❖ COMPONENTS OF SUSTAINABLE DEVELOPMENT

For sustainable development, the Company identifies three main components: economic, environmental and social. The Company ensures consistency of its economic, environmental and social goals for sustainable development in the long term.

◆ Economic aspect

The economic component directs the activities of the Company and its subsidiaries to increase long-term value, ensure the interests of shareholders and investors, increase the efficiency of processes, increase investments in the creation and development of more advanced technologies, increase labor productivity.

The company makes a worthy contribution to the development of mechanical engineering and to the economic development of the country as a whole. Thus, the Company's share in the total volume of production of mechanical engineering products of the Republic of Kazakhstan has developed at the level of more than 4%.

An important aspect is the interaction with the state as a key stake holder. For example, an important investment project «Organization of production of multilayer printed circuit boards» is being implemented at the expense of budget financing at JSC «Plant named after S.M. Kirov».

The total volume of purchases for the Company's group by the end of 2021 amounted to 10.63 billion tenge, while the local content in purchases amounted to 18.70% or 1.99 billion tenge (this amount does not include contracts for state defense orders, due to their confidentiality).

The selection of suppliers is carried out within the framework of existing procedures based on the principles of openness and transparency of the procurement process, the acquisition of high-quality goods, works, services, fair competition among potential suppliers.

The reliability of suppliers is checked by revising with the Blacklist of Participants in Public Procurement and/or the Blacklist of Participants in Quasi-public Sector Procurement.

Of the total volume of purchased goods in the amount of 8.63 billion tenge, the share of Kazakhstani suppliers amounted to 43.87 million tenge or 0.51% of local content. The total volume of contracts concluded for the performance of works/the provision of services amounted to the amount of 2.01 billion tenge, while local content amounted to 96.97% or 1.95 billion tenge.

◆ Environmental aspect

The ecological component ensures the minimization of the impact on biological and physical natural systems, the optimal use of limited resources, the use of environmentally friendly, energy- and material-saving technologies, the

creation of environmentally acceptable products, minimization, recycling and destruction of waste.

The enterprises of the Company's group consider environmental protection activities as an integral part of their daily work and pay priority attention to measures to minimize the negative impact of their activities on the environment.

The Company's enterprises carry out production activities in accordance with the requirements of national legislation in the field of environmental protection. The main principles of management in this area are the identification and management of risks, the introduction of resource-saving technologies aimed at reducing emissions of pollutants and greenhouse gases and improving energy efficiency, ensuring transparency and awareness.

The contribution to the sustainable development of the region of presence of the Group's enterprises is ensured by compliance with the requirements of environmental legislation. In accordance with the current environmental legislation of the Republic of Kazakhstan, the enterprises of the Company's group have received permits for emission into the environment.

The enterprises of the Company's group have developed and agreed with the territorial environmental protection authorities standards for maximum permissible emissions, at the end of which new standards are being developed.

The main sources of emissions of pollutants into the atmosphere from the production activities of enterprises are emissions from:

- boiler rooms (if available);
- heating furnaces;
- machine tools and equipment shops;
- painting and shot blasting sites;
- automotive equipment.

According to the Company's group, the total volume of emissions amounted to 271.4 tons.

Waste management is carried out in accordance with the Environmental Code of the Republic of Kazakhstan and other regulatory legal acts in the field of environmental protection. The Company's enterprises have developed appropriate waste management programs, the main objectives of which are defined:

- minimization of environmental damage from generated and accumulated waste;
- improving the quality of waste management;
- reduction of the volume or level of hazardous properties of waste.

The programs regulate the processes of accounting, collection, sorting, storage, recycling, transportation for disposal or burial in accordance with the requirements for waste management by hazard classes.

As a rule, the Company's enterprises are not engaged in independent waste disposal, but conclude contracts for their removal with specialized organizations.

Taking into account the specifics of mechanical engineering, the main wastes of production and consumption of the Company's subsidiaries are:

- scrap metal, including metal shavings;
- mercury-containing lighting sources;
- used batteries;
- waste oils and liquids, oiled rags;
- construction waste (during the ongoing SMR);
- solid household waste;
- packaging;
- woodworking waste.

The total amount of waste produced at the «amber» and «green» levels was 1,254.3 tons. Solid household waste – 2739 cubic meters. The Company's subsidiaries did not produce waste of the «red» hazard level.

The Company strives to comply with the principles of respect for the environment and rational use of natural resources, contribute to the prevention of negative impacts on the environment, take initiatives aimed at increasing responsibility for the state of the environment, promote the development and dissemination of environmentally friendly and energy-saving technologies, environmental monitoring and open provision of environmental information.

The main tasks to ensure environmental sustainability and safety are:

- respect for the environment;
- compliance with norms and standards in the field of occupational safety and industrial safety;
- improving the energy efficiency of activities;
- implementation of the reporting system.

For engineering companies, as energy-intensive industries, the key from the point of view of environmental protection is energy consumption. The Company's energy consumption consists of two components: electric energy and thermal energy for household needs.

The greatest effect from the point of view of energy saving is provided by measures to reduce energy intensity through the use of innovative energy-saving technologies. A significant reduction in costs can be a significant reduction in the volume of thermal energy consumption, during the implementation of the modernization project of the enterprise, due to the use of new materials, insulation of facades and window designs that reduce heat losses of the building.

Consumption of basic utilities in 2021

Water consumption, thousand cubic meters	Electricity, MW*h	Heat energy, Gcal
210.4	3.04	72 583

In 2021, the Company's enterprises planned environmental protection costs totaling 32,249 thousand tenge, while the actual costs amounted to 30,638 thousand tenge, including:

- for the protection and rational use of natural resources – 1,067 thousand tenge;
- for protection of atmospheric air – 6 684 thousand tenge;
- for protection of land from industrial waste pollution – 8,629 thousand tenge;
- in 2021, the actual costs of capital repairs of production facilities for environmental protection amounted to 2,011 thousand tenge, including:
 - facilities, installations and equipment for the capture, neutralization of harmful substances – 80 thousand tenge;
 - facilities, installations for wastewater treatment and rational use of water resources – 1 931 thousand tenge.

◆ **Social aspect**

The social component is focused on the principles of social responsibility, which, among other things, include ensuring occupational safety and preserving the health of employees, fair remuneration and respect for the rights of employees, individual development of personnel, implementation of social programs for personnel, creation of new jobs, sponsorship and charity, environmental and educational campaigns.

Achieving the Company's mission and vision involves the development of key competitive advantages, among which human resources occupy a significant place. The personnel potential of the Company is the most important strategic factor determining its success.

Personnel policy

The Company has a Personnel Policy, the main purpose of which is to improve the efficiency of personnel management by implementing HR management and creating a human resource management system aimed at maximizing profits and ensuring leadership in a competitive environment based on economic incentives and social guarantees, and promoting a harmonious combination of interests, both employer and employee.

One of the priority directions of the Company's Personnel Policy is the preparation of a personnel reserve, which includes the search and identification of young and promising leaders in order to train managers of a new format who have the necessary professional competencies to provide the Company with highly qualified personnel.

Regulatory documents and procedures, methodological approaches, information and technological support systems, and other necessary components of the Company's personnel management system are developed and built based on the principles and main directions of Personnel Policy.

The key priorities of the Personnel Policy are:

- attracting, developing and retaining highly professional employees;
- implementation of advanced methods of personnel management;

- personnel reserve management through a reasonable combination of internal personnel reserve and external resources;
- formation of the personnel reserve of managers;
- creation and development of joint values, social norms and norms regulating employee behavior;
- regulation of social and labor relations, prevention and non-admittance of labor conflicts.

The recruitment procedure in the Company was carried out in accordance with the Rules of competitive selection of personnel for administrative positions of the Company, including the use of elements of testing on professional and personal-business competencies and interviews with top management of the Company (subject to testing) to check the level of knowledge of candidates and meetings of the competition commission.

859 employees were trained in 2021. Training expenses amounted to 70,458 thousand tenge.

The payroll of the Company's group as of December 31, 2021 amounted to 4,342 people, including 76 people of the Company.

In 2021, the corporate center hired 15 people. 20 employees were dismissed, 9 of them voluntarily. The staff turnover rate was 26.67%.

The gender structure in the corporate center maintains a balance of the number of men and women: out of 71 employees, 44 are men and 27 are women.

Social support

Within the framework of social support for employees of the Company and subsidiaries, the following activities are carried out:

In the field of health protection:

- ensuring sanitary and hygienic conditions of workplaces and creating comfortable working conditions;
- organization and provision of financing of measures aimed at protecting the health of employees;
- introduction of a voluntary health insurance program for various categories of personnel;
- carrying out preventive inspections of employees, including when hiring;
- additional payments to social benefits for temporary disability;
- conducting systematic promotion of a healthy lifestyle and preventive medical measures among employees using corporate mass media.

In the field of providing a package of social benefits to employees:

- improving the system of providing financial assistance and other types of social benefits to employees.
- In the field of support for pensioners:
 - development of a corporate program to support unemployed pensioners (involvement as consultants, experts, etc.);
 - implementation of measures to prepare employees for retirement, provision of an optimal motivational package (obtaining maximum benefits with

timely retirement, reducing the amount of compensation when extending the retirement period);

- organization of participation of unemployed pensioners in festive and ceremonial events held by the Company and subsidiaries to provide moral and psychological support.

Motivation system

When developing a motivation and incentive mechanism, the following types of remuneration are used in the Company:

- direct material remuneration;
- indirect financial incentives (includes social protection programs for employees, including programs provided for by the Company's internal documents);
- non-material encouragement.

As part of the implementation of the Company's Personnel Policy, in order to motivate the moral interest of the Company's employees in achieving strategic goals, improving the efficiency and quality of the work performed, the formation and development of corporate culture, it is planned to introduce a system of intangible motivation of the Company's employees, the key principles and provisions of which are defined by the Rules of intangible incentives for the Company's employees.

The main forms of non-material incentives for employees of the Company and subsidiaries include:

- moral incentives of employees on the basis of objects and phenomena reflecting public recognition, informing about merits and achievements, awarding the title of «The Best specialist», «The Best structural unit»;
- submission to the awards of the Republic of Kazakhstan, departmental award - the award pin «Honorary Mechanical Engineer»;
- organization of corporate leisure – field trips and other cultural and sports-improving events, contests and exhibitions, contests for children of employees;
- for special labor merits, impeccable and conscientious work and exemplary performance of official duties, employees of the Company were awarded in the form of certificates of honor and letters of thanks.

The conditions and procedure for motivating employees, the system of financial incentives for employees of the Company and subsidiaries are regulated by a set of internal regulatory documents.

The forms of financial incentives include:

- implementation of one-time bonus payments to employees of the Company;
- presentation of welcome addresses and valuable gifts to the anniversaries;
- an increase in the official salary for the successes achieved and high performance in work.

Social partnership

In order to create conditions for labor productivity, improve the living standards of machine-building industry workers and ensure stable operation of the Company's group, an Industry Agreement has been concluded, the main principles of which are the implementation of measures aimed at creating conditions for the successful provision of economic activities of the parties to the social partnership.

A collective agreement has been concluded with the Company's staff, which establishes uniform principles for the organization of remuneration, social support, working conditions, recreation, etc. Collective agreements between employees and the employer are also concluded in all subsidiaries.

The collective agreement provides for basic social package, including financial assistance for work leave, in connection with birth/adoption, in connection with the death of an employee, family members of an employee, social benefits for pregnancy and childbirth, compensation upon termination of an employment contract in case of impossibility of transfer to another job, voluntary medical insurance in case of illness and medical care of employees and their family members, organization of recreation for children of employees aged 7 to 14 years in children's health camps, etc.

In order to prevent, resolve complaints and appeals, and prevent social and labor conflicts among employees, a permanent Conciliation Commission has been established, and the position of an Ombudsman functions.

Code of Business Ethics

In order to form and develop a corporate culture, the Company has implemented a Code of Business Ethics.

The fundamental corporate values of the Company are: honesty, fairness, integrity, transparency and responsibility.

Corporate Secretary is an official who is entrusted with the functions of an Ombudsman, contributing to the implementation and compliance with the provisions of the Code of Business Ethics in the Company.

Workplace health and safety

The Company's group is constantly working to create safe working conditions, reduce injuries, improve production and sanitary conditions of workers, reduce the influence of harmful and unfavorable factors.

In order to prevent accidents related to the production of works, introductory, scheduled, extraordinary and unscheduled briefings were conducted in the Company's group.

The company carries out systematic measures to improve occupational safety at work.

Subsidiaries of the Company fulfill their obligations, including in:

- ensuring the appropriate temperature in the workplace in the autumn-winter period;
- ensuring sufficient illumination of workplaces;
- analysis of causes of occupational injuries and taking measures to prevent it;

- conducting preventive medical examinations;
- issuance of workwear, shoes, and personal protective equipment to employees;
- liability insurance for damage caused to the life and health of employees in the performance of their work duties;
- continuous monitoring of compliance with labor protection requirements;
- provision of workshops, medical center with necessary medicines to provide emergency assistance to plant workers.

In accordance with the requirements of the Law of the Republic of Kazakhstan «On compulsory insurance of employee against accidents in the performance of his/her labor (official) duties», insurance of civil liability of the employer for causing harm to the life and health of an employee in the performance of labor (official) duties is carried out.

In 2021, in accordance with the resolutions of the Chief Sanitary Doctor of the Republic of Kazakhstan aimed at localization and prevention of the spread of COVID-19, some employees of the Company's group were transferred to a remote work format. The vast majority of the Company's employees, except for those with contraindications and withdrawals, received vaccinations with I and II components of the coronavirus vaccine, and also underwent revaccination.

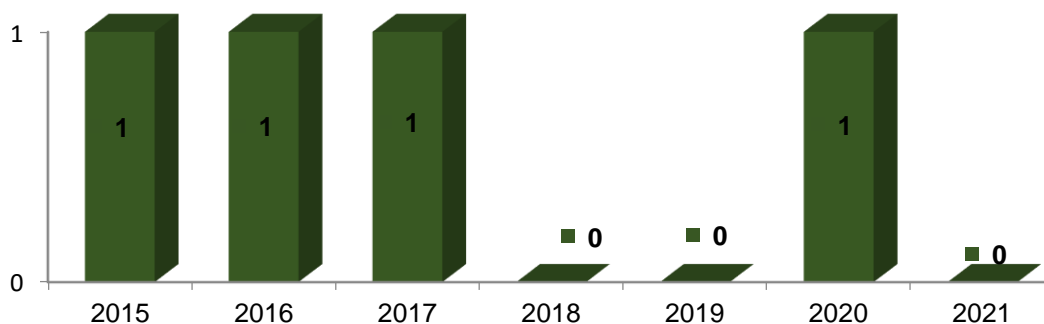
Employees of the Company's group were provided with appropriate personal protective equipment at the expense of the Company.

There were no accidents at work in the reporting period.

For the Company's group in 2021, the total amount of compensation for health damage amounted to 31,742 thousand tenge, the total costs of labor protection, technical safety and industrial sanitation amounted to 106 090 thousand tenge.

WORKPLACE INJURIES

(person)



In order to prevent occupational injuries, preventive and corrective actions are carried out on an ongoing basis in the Company's group.

EXTERNAL AUDIT AND AUDITOR'S REPORT

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INDEPENDENT AUDITORS' REPORT

Shareholder of «Kazakhstan Engineering» National Company» JSC

Opinion

We have audited the accompanying consolidated financial statements of Kazakhstan Engineering National Company JSC and its subsidiaries (hereinafter – the “Group”), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (hereinafter – “IFRSs”).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (hereinafter – “ISAs”). Our responsibilities under those standards are further described in the *Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (hereinafter – “IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code, together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Kazakhstan and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Important information – Going Concern

As indicated in note 2 (b) to the consolidated financial statements, as of 31 December 2021, the Group's accumulated loss amounted to KZT 14,375,698 thousand and its current liabilities exceeded current assets by KZT 8,671,657 thousand. These conditions indicate the existence of significant uncertainty, which may raise significant doubts about the Group's ability to continue as a going concern. Our opinion does not contain reservations regarding this issue.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Key Audit Matters, continue

We have determined the matters described below to be the key audit matters to be communicated in our report:

Revenue recognition

Risk The Group recognizes the majority of its sales to customers over time. The key assumptions used in the analysis of the stage of completion of the contract and the recognition of the asset under the contract are based on management's estimates and are a source of uncertainty.

Our Measures Our audit procedures in this area included the following:

- Achieving an understanding of the Group's revenue recognition process;
- Study of the terms of contracts with customers, analyzed non-standard contract terms and reviewed the Group's approach to revenue recognition;
- Analysis of monthly revenue trends and revenue fluctuations for individual contracts, and examined revenue recognition around the reporting date;
- Assessment of the validity of the assumptions used by management in assessing the degree of completion of the contract, including the time and cost of completing contracts with customers;
- Verification of the acceptability and completeness of the disclosure of sales revenue to customers.

Recognition of reserves for illiquid inventories

Risk The Group analyzes the balance of reserves in order to identify unclaimed liquid and illiquid reserves and calculate reserves for them. The key assumptions used in the analysis of the expected life of realization and the recoverable amount of such assets based on management's estimates are a source of uncertainty.

Our Measures Our audit procedures in this area included the following:

- Achieving an understanding of the process of estimating a provision for illiquid inventories;
- Analysis of turnover ratios by inventory items;
- Assessment of the condition of the inventory during the inventory;
- Assessment of the reasonableness of the assumptions used by management in estimating the provision. These assumptions include the expected time and cost of sales/disposal of the inventory, as well as the possibility of their alternative use.
- Verification of the acceptability and completeness of the disclosure of illiquid inventories.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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



Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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



TRANSLATED

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements, continue

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

Approve

Serik Kozhikenov
Engagement manager
Auditor Qualification Certificate
No. 0000557 issued 24 December 2003 by Ministry of
Finance of the Republic of Kazakhstan
Chief Executive
Moore Stephens Kazakhstan LLP
13 June 2022



Aidar Aitov
Audit partner



General licence No. 21027383 for audit activity issued 24 September 2021 by Ministry of Finance of the Republic of Kazakhstan

TRANSLATED

Kazakhstan Engineering National Company JSC
Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2021

KZT'000 (unless otherwise specified)	Note	2021	2020
ONGOING ACTIVITIES			
Revenues	4	92,419,901	96,708,769
Cost of sales	5	(85,145,479)	(85,926,578)
Gross profit		7,274,422	10,782,191
Selling and distribution costs	6	(1,076,994)	(1,195,925)
Administrative expenses	7	(4,564,070)	(4,539,860)
Impairment losses, net	8	(1,115,416)	(3,937,545)
Other operating income, net	9	768,512	1,495,892
Operating profit		1,286,454	2,604,753
Share in income of associates and joint ventures	13	169,330	1,171,596
Finance expenses, net	10	1,460,318	(2,328,574)
Foreign exchange loss		(187,611)	(838,140)
Profit before taxation		2,728,491	609,635
Income tax expense	11(a)	(812,376)	(275,651)
Profit for the year		1,916,115	333,984
DISCONTINUED OPERATIONS			
Net (loss) income from discontinued operations	21(c)	(23,014)	129,922
Net income for the year		1,893,101	463,906
Other comprehensive income for the year		-	-
Total comprehensive income for the year		1,893,101	463,906
Attributable to:			
The share of the Company's shareholders		1,927,436	377,583
from continuing operations		1,939,412	309,972
from discontinued operations		(11,976)	67,611
Non-controlling interest		(34,335)	86,323
Earnings per share, tenge	21(d)		
from continuing operations		33.49	6.63
from discontinued operations		(0.40)	2.58
		33.09	9.21

These consolidated financial statements have been approved for issue on 13 June 2022 and signed on behalf of the Group's management by:

Temirzhan Abdrakhmanov
Chairman of the Board

«Қазақстан Инжиниринг»
(Kazakhstan Engineering)
ҰЛТТЫҚ КОМПАНИЯСЫ

Garyp Ismatov
Acting Managing Director

Gulvira Ikmatova
Chief Accountant

The notes on pages 5 to 31 are an integral part of these consolidated financial statements

TRANSLATED

Kazakhstan Engineering National Company JSC
Consolidated statement of financial position
as at 31 December 2021

KZT'000	Note	2021	2020
ASSETS			
Non-current assets			
Property, plant and equipment	12	42,903,940	43,625,220
Investment property		248,818	254,696
Intangible assets		336,041	314,028
Investments in joint ventures and associates	13	6,715,752	7,165,569
Deferred tax asset	11(b)	1,944,008	1,687,015
Loans receivable	14	2,192,197	2,101,514
Restricted cash	15	2,573,936	2,839,589
Other non-current assets	16	2,122,307	1,855,503
		<u>59,036,999</u>	<u>59,843,134</u>
Current assets			
Inventories	17	16,525,323	15,653,532
Corporate income tax prepaid		878,745	627,366
Advances paid and other current assets	18	13,775,882	28,614,546
Trade and other receivables	19	6,870,973	6,772,210
Restricted cash	15	516,486	821,413
Bank deposits		2,640	51,333
Cash and cash equivalents	20	28,228,867	30,698,097
		<u>66,798,916</u>	<u>83,238,497</u>
Assets held for sale		215,951	104,391
TOTAL ASSETS		<u>126,051,866</u>	<u>143,186,022</u>
EQUITY AND LIABILITIES			
Equity and reserves			
Share capital	21(a)	58,323,806	57,118,832
Additional paid in capital		412,406	412,406
Accumulated losses		(14,375,698)	(15,978,400)
Equity attributable to shareholders of the Company		<u>44,360,514</u>	<u>41,552,838</u>
Minority interests		338,777	879,720
		<u>44,699,291</u>	<u>42,432,558</u>
Non-current liabilities			
Borrowings and finance lease	22	4,048,878	–
Trade and other payables		780,701	731,873
Preference shares dividends payable	23	436,840	285,869
Deferred tax liability	11(b)	399,632	433,714
		<u>5,666,051</u>	<u>1,451,456</u>
Current liabilities			
Borrowings and finance lease	22	22,566,049	28,926,022
Deferred income - government grant	22	425,642	–
Trade and other payables	23	15,282,616	13,176,458
Provisions	24	5,277,132	2,979,947
Advances received	25	31,255,891	53,386,433
Preference shares dividends payable		469,507	492,834
Income tax payable		409,687	340,314
		<u>75,686,524</u>	<u>99,302,008</u>
TOTAL LIABILITIES		<u>81,352,575</u>	<u>100,753,464</u>
TOTAL EQUITY AND LIABILITIES		<u>126,051,866</u>	<u>143,186,022</u>

The notes on pages 5 to 31 are an integral part of these consolidated financial statements

TRANSLATED

Kazakhstan Engineering National Company JSC
Consolidated statement of cash flows
for the year ended 31 December 2021

KZT'000	Note	2021	2020
OPERATING ACTIVITIES			
Cash receipts from customers		80,466,193	103,831,648
Cash paid to employees		(8,411,490)	(8,529,776)
Other taxes and obligatory payments paid		(10,561,125)	(8,117,832)
Cash paid to suppliers		(61,439,970)	(66,221,525)
Cash flows from operations before interest and income tax paid	26	53,608	20,962,515
Interest received		1,888,740	1,072,436
Interest paid		(1,188,516)	(218,759)
Income tax paid		(1,998,717)	(808,682)
Net cash from (used in) operating activities		(1,244,885)	21,007,510
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(1,475,551)	(7,014,284)
Proceeds from sale of property, plant and equipment		78,950	12,015
Purchases of intangible assets		(138,741)	(58,912)
Proceeds from sale of shares in subsidiaries and associates		1,401,735	2,769,280
Increasing the bank deposit		–	263,214
Dividends received	14	576,430	119,365
Net cash from (used in) investing activities		442,823	(3,909,322)
FINANCING ACTIVITIES			
Equity issuance	21(a)	–	2,715,570
Proceeds from borrowings	22	7,388,028	4,228,378
Repayment of borrowings	22	(8,843,355)	(8,223,443)
Dividends paid	21(d)	(327,023)	(50,464)
Net cash used in financing activities		(1,782,350)	(1,329,959)
Net increase (decrease) in cash		(2,584,412)	15,768,229
Additions of entities under common control	21(b)	(2,866)	4,068,127
Effect of exchange rate changes on cash		118,048	(3,477)
Cash and cash equivalents at the beginning of the year		30,698,097	10,865,218
Cash and cash equivalents at the end of the year	20	28,228,867	30,698,097

Reconciliation of cash flows from operating activities reported using the indirect method and non-cash transactions are provided in note 26.

TRANSLATED

Kazakhstan Engineering National Company JSC
Consolidated statement of changes in equity
for the year ended 31 December 2021

	Note	Share capital	Additional paid in capital	Accumulated losses	Equity attributable to shareholders of the Company	Minority interests	Total
KZT'000							
At 1 January 2020		26,276,802	412,406	(15,349,072)	11,340,136	843,861	12,183,997
Total comprehensive income		–	–	377,583	377,583	86,323	463,906
Equity issuance	21(a)	30,842,030	–	–	30,842,030	–	30,842,030
Additions of entities under common control		–	–	(1,006,911)	(1,006,911)	–	(1,006,911)
Dividend declared	21(b)	–	–	–	–	(50,464)	(50,464)
At 31 December 2020		57,118,832	412,406	(15,978,400)	41,552,838	879,720	42,432,558
Total comprehensive income (expense)		–	–	1,927,436	1,927,436	(34,335)	1,893,101
Equity issuance	21(a)	1,204,974	–	–	1,204,974	–	1,204,974
Disposal of a subsidiary	21(c)	–	–	–	–	(495,705)	(495,705)
Dividend declared	21(d)	–	–	(324,734)	(324,734)	(10,903)	(335,637)
At 31 December 2021		58,323,806	412,406	(14,375,698)	44,360,514	338,777	44,699,291

The notes on pages 5 to 31 are an integral part of these consolidated financial statements

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