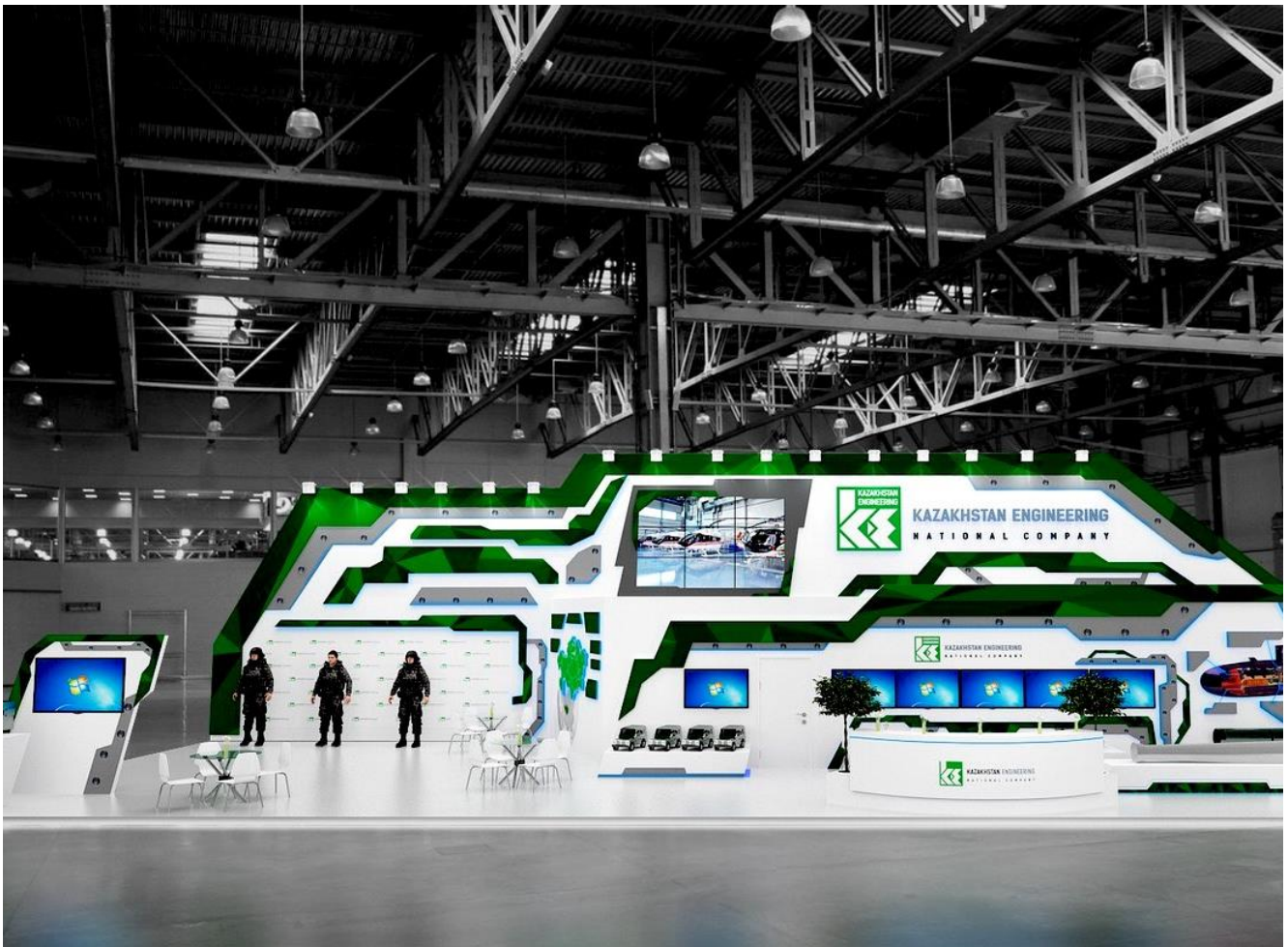


2022 ANNUAL REPORT
NATIONAL COMPANY
KAZAKHSTAN ENGINEERING
JSC



Dear Readers,

We are pleased to present the Annual Report on the results of our operations for the past year 2022.

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

We wish you a pleasant reading!

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❖ MESSAGE OF THE CHAIRMAN OF THE BOARD OF DIRECTORS



AZAMAT BEISPEKOV

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

The military-industrial complex is a key and integral part of the country's defense capability system. At all times, and especially in the current global geopolitical situation, the presence of a developed defense industry is one of the guarantees of military security.

National Company Kazakhstan Engineering JSC, in fact, is the core of the national defense industry, and the assessment of the state of affairs in the holding allows us to get a general understanding of the situation in the industry. Therefore, the information openness of a National Company is extremely important both for its shareholder and for society, business, existing and potential partners.

In 2022, the Company's efforts were focused on the implementation of the State Defense Order to meet the needs of the country's Armed Forces in weapons and military equipment, on building up production and scientific and technical competencies, and improving its own operational efficiency.

The difficult geopolitical and economic situation in the country and the world, currency fluctuations and the ban on arms exports resulted in losses for a number of companies in the Group, but the Group managed to achieve a consolidated profit. Thus, Kazakhstan Engineering managed to maintain the positive dynamics of recent years.

The Company's enterprises are responsible employers for more than 4,500 employees, provide orders to small and medium-sized businesses in the regions where they operate, and fulfil their obligations to the state budget and creditors in good faith.

The Group's enterprises continued to implement investment projects - we can highlight the successes of such plants as S.M. Kirov Plant JSC, Zenit Uralsk Plant JSC, KE R&D Center LLP, Kazakhstan Aselsan Engineering LLP, Steel Manufacturing LLP.

In the field of asset management, a balanced approach is being implemented, assuming the preservation of state participation in strategic sectors. For example, in 2022, the Government of the Republic of Kazakhstan decided to exclude from the privatisation process companies that are important for the country's national security:

- Kazakhstan Aviation Industry LLP, which has the competencies, personnel and production facilities for the implementation of projects in the aircraft industry;
- Semey Engineering JSC is the only enterprise in Kazakhstan capable of overhauling, restoring and modernising armoured vehicles;
- Steel Manufacturing LLP, which implements the construction project of the country's first cartridge factory.

At the same time, and in line with the policy of denationalising the economy, the Company sells shares in diversified companies capable of producing a wide range of products for the civilian market, from household goods to heavy machinery. As a result of the work carried out in 2022, it became possible to realise such companies as Tynys JSC, KE 811 Autorepair Plant JSC, Munaymash JSC, and the sale of a stake in ZIKSTO JSC was completed.

Recently, Kazakhstan Engineering has noticeably intensified international contacts. I would like to point out that working with investors is not an overnight phenomenon and does not end with the signing of a protocol or a memorandum. This is a multifaceted, long-term process, and the final target result - an investment agreement or the launch of a specific project - depends on the correct structure of the process.

The Head of State keeps the issues of attracting foreign investments under control and, through his personal efforts, supports Kazakh business in the course of contacts with international leaders and business communities. Therefore, the Company needs to focus on an accentuated policy in this area with an eye to tangible results.

Recently, the Security Council of the Republic of Kazakhstan considered a draft Concept for the rearmament of the Armed Forces, other troops and military formations of the Republic of Kazakhstan and the development of the military-industrial complex until 2030. The document provides for systematic measures on the issues of the defense industry, the State Defense Order, the turnover of weapons and military equipment, and the development of the infrastructure of defense facilities. The task of Kazakhstan Engineering is to strictly follow the main directions of the state policy in the field of defense industry, to correctly prioritize its development, to prioritize concrete results of activities.

The Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan, in turn, will continue to provide all possible support. We understand that the regulatory legal framework formed earlier for the transition period requires rethinking and improvement in licensing, formation, placement and

execution of the State Defense Order, including reducing the terms of formation and placement of the State Defense Order, as well as digitalization of these processes.

Also, defense enterprises have a problem that has not been solved for a long time – this is the lack of the possibility of attracting borrowed funds from second-tier banks and financial institutions, since there are international covenants prohibiting financing projects for the production of weapons and military equipment. In this regard, on behalf of the Head of State, we are working on the creation of the Defense Industry Development Fund, the mechanism of which was prescribed in the Law on the Defense Industry and the State Defense Order back in 2019. The creation of the Fund will allow the Company's enterprises to receive "long" money for R&D, renewal of production assets and the development of new industries in the interests of the Armed Forces.

NC Kazakhstan Engineering JSC, being the largest segment of Kazakhstan's defense industry, is responsible for its comprehensive development and is able to act as an integrator of efforts and projects with all interested parties to ensure the country's military-industrial potential, the development of production and innovation, job creation, and import substitution.

I am confident that coordinated and dedicated work of each employee of NC Kazakhstan Engineering JSC will allow to effectively solve large-scale tasks facing the Company.

Best regards,
Chairman of the Board of Directors
NC Kazakhstan Engineering JSC
A. Beispekov

❖ MESSAGE OF THE CHAIRMAN OF THE BOARD



TEMIRZHAN ABDRAKHMANOV

**Chairman of the Board
NC Kazakhstan Engineering JSC**

**Dear Readers of the Annual Report,
Colleagues and Partners,**

National Company Kazakhstan Engineering JSC is committed to the principles of maximum open information about its activities to all stakeholders, one of the main ways of which is the Annual Report. In this context, it is my great honour and pleasure to present to you the Annual Report of NC Kazakhstan Engineering JSC for the year 2022.

The events that have taken place in the country and the world over the past year have posed many new challenges and threats to the Company and, in general, to the military-industrial complex of Kazakhstan. Therefore, in the reporting period, the work of Kazakhstan Engineering was aimed at solving challenges and extracting maximum benefits from the opportunities that open up.

Many of the planned activities were realised thanks to the persistent and effective work of our numerous staff, especially the factory workers.

The obligations under the State Defense Order have been fulfilled almost in full. In terms of military production in 2022, agreements were reached with Turkish partners (Turkish Aerospace) to organize the production of ANKA strike and reconnaissance UAVs after passing military tests of the first complexes. The first Kazakhstani 5.45x39 calibre cartridge was produced, and the production cost of pistol cartridges was significantly reduced. The delivery of Mi-171E helicopters to the National Guard has been carried out. The technology transfer from Turkish company ASELSAN to localise the production of DMR Tier III communications equipment was completed and the first batch of products has been delivered to customers.

The share of the Company's enterprises in the volume of the State Defense Order is less than 10%; therefore, Kazakhstan Engineering focuses on the development of new markets for engineering products in the civil sector: new contracts have been secured in the oil and gas and railway sectors, and there are

promising developments in other areas of civil engineering. We are gradually moving away from the stereotype of an exclusively defence holding, which is fully in line with global trends.

The Company's debt has been reduced by 3.7 billion tenge to Halyk Bank JSC and 0.9 billion tenge to Samruk-Kazyna.

The Company is profitable and financially stable, fulfills all its obligations, provides more than 4,500 jobs, complies with the principles of ESG. More than 14 billion tenge of taxes have been paid to the country's budget.

It is gratifying to note the activation of the R&D sector: in the reporting period, Shagala-M UAV and MEDEU-KD VHF complex were developed and tested; target UAVs were developed and produced; new scientific grants were won. The Company continues its efforts to promote science: for example, the demand for dividends from our main research and production enterprise, R&D Center LLP, has been eliminated, salaries have been increased and personnel has been strengthened.

On the site of NC Kazakhstan Engineering JSC, a Competence Centre has been established to search for new knowledge, its active transfer and provision of consulting, service and professional services.

On the organisational and management side, the Company is implementing a programme to de-bureaucratise processes, including automation and digitalisation. Everything in the Corporate Center has been digitalised, from communications to decision-making, and similar measures are being taken in subsidiaries and affiliates. The ultimate goal is to turn the Corporate Center into a project office for all enterprises.

As part of the improvement of corporate governance, the processes of setting SMART efficiency have been systematized for the management of the Company and factories, as well as for all employees of the Corporate Center. In order to strengthen the role of subsidiaries and affiliates' management bodies, an open competition was held for the first time to select candidates for the positions of independent directors in the Company's subsidiaries, and constant feedback was established with them.

International cooperation aimed at finding investors and technology transfer has noticeably intensified: relations have been established with major defense companies from near and far abroad, permanent business communications have been established with companies such as ASFAT, Aselsan, TA, Yugoimport, Thales, TAM, Airbus, Boeing, Bharat Forge and many others.

A lot has been done, but systemic problems persist that hinder the development of our Company and the defense industry as a whole. The regulatory legal framework governing procurement processes under the State Defence Order is an outdated approach that requires reform, introduction of modern market mechanisms, digitalisation of processes, and a move away from unnecessary bureaucracy. To this end, my colleagues and I are actively working

on changes to legislation, developing a new methodology for defence procurement, and initiating a project to automate the procurement system under the State Defense Order.

The issue of staffing with qualified personnel is still acute, and the "ageing" of production personnel continues. The solution to this problem is long-term, and we see no alternatives other than the introduction of ESG principles in all areas of activity:

- motivation is increased by raising salaries, higher bonuses, etc. The average salary for the holding company increased by 36%, compared to 2021;
- a mentoring and personnel development programme has been elaborated, and the establishment of the Corporate Defense Industry Fund has been initiated for these purposes;
- staff self-development is stimulated through the introduction of training and language courses, sports training;
- to form a new generation of highly qualified specialists, cooperation has been established with colleges, schools, technical universities, excursions to the Company's enterprises are organized for students and schoolchildren;
- in order to increase the corporate spirit of the employees of the defense industry, the Company for the first time held a sports contest in a number of sports, which, I hope, will become regular.

In the past year, the Company put a lot of effort into addressing issues of social stability. For example, a situation that had been brewing for many years at SemMashZavod JSC, which had fallen victim to management, eventually led to an outburst of discontent among the plant's workers. The Company was forced to provide financial assistance to pay salaries to employees of a once profitable and self-sufficient enterprise. The company managed to secure orders for production, and a rehabilitation procedure has been launched with the involvement of an investor.

At KE 811 Autorepair Plant JSC, Semey Engineering JSC, Hidropribor SRI JSC, Petropavlovsk Plant of Heavy Machine Building JSC, S.M. Kirov Plant JSC, S.M. Kirov Machine Building Plant JSC, measures were taken to improve labour conditions - repair of roofing, facades, glazing, heating systems, canteens, sanitary facilities, dormitories, etc.

We have a clear vision of development. With the support of partners and investors, the state and, most importantly, the civil society, I am confident that the Kazakhstan Engineering team is able to realize the tasks we face in providing timely and high-quality customer supplies, taking into account the synergetic effect for the entire machine building industry of Kazakhstan.

Best regards,
Chairman of the Board
NC Kazakhstan Engineering JSC
T.K. Abdrakhmanov

❖ PRINCIPLES OF ANNUAL REPORT PREPARATION

The main objective of the Report is to inform stakeholders about the Company, as well as to ensure information transparency of 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, 2022.

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 over the long term.
- **Openness** – 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** – the 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. Audited financial statements prepared in accordance with IFRS were used to prepare the sections of the Report relating to financial and economic activities.
- **Respect for human rights** - the Company's employees are its core value and main resource.
- **Timeliness** - the Report preparation has a scheduled nature.

The Report will not undergo external independent assurance, however, the Company recognises that external independent assurance will in 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 has been made in Kazakh, Russian and English with the electronic version posted on the Company's corporate web-site (www.ke.kz).

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

1. OVERVIEW

❖ ABOUT US

National Company Kazakhstan Engineering (Kazakhstan Engineering) JSC (the Company) was established in accordance with the Resolution of the Government of the Republic of Kazakhstan dated March 13, 2003 No. 244 On Certain Issues of the Military-Industrial Complex of the Republic of Kazakhstan in order to improve the management system of the country's defense and industrial complex, by incorporating defense industry enterprises and military factories of the Ministry of Defense of the Republic of Kazakhstan into the Company.

In October 2006, the state block of shares of the Company (100%) was transferred in payment of 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 Kazakhstan Engineering National Company JSC, the block of shares of the Company was transferred to state ownership, the tenure of which was vested in the Ministry of Digital Development, Defense and Aerospace Industry of the Republic of Kazakhstan.

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

A total number of the Company's authorized and allotted shares, including:

- ordinary shares – 258,762,815;
- preference shares - none.

nominal value per share – KZT 1,000

❖ 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 maximize the needs of the Armed Forces, other troops and military formations of the Republic of Kazakhstan, and participates in the 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 NC Kazakhstan Engineering JSC, as the main part of the defense industry executing the State Defense Order (the SDO), and as a commercial company aimed at profit and business development.

The Company, being the main representative of the defence industry of the Republic of Kazakhstan and executor of the State Defence Order:

-is guided by the Law On the Defence Industry and the State Defence Order, the Concept of rearmament of the Armed Forces, other troops and military formations, and development of the defence industrial complex of the Republic of Kazakhstan;

- participates in the implementation of the state policy in the sphere of the defence industry and machine building.

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 Kazakhstan - 2050 Strategy, the National Development Plan of the Republic of Kazakhstan until 2025, the main directions of the state policy in industrial-innovative, socio-economic and other spheres.





The Development Plan sets the following goals:




- diversification of production through localisation of production and 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 state.

In view of the changes taking place in the country and the world, the company intends to update the vision of its strategic development and it is therefore planned to introduce amendments to the strategic planning documents.


♦ **Asset structure of NC Kazakhstan Engineering JSC**
 (as of 31.12.2022)

No.	Name of entity	Types of operations
Subsidiaries (ownership of more than 50% of shares/interests)		
1.	KE 811 Autorepair Plant JSC 	<p>Founded in Yerementau on July 1, 1976.</p> <p>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 in operation.</p>
2.	Semey Engineering JSC 	<p>Founded by reorganisation of the Armour Repair Plant, a republican state enterprise 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 armoured vehicles.</p> <p>Specializes in the overhaul and modernization of weapons and military equipment and the manufacture of conversion equipment.</p> <p>The ISO9001:2008 Quality Management System has been implemented and is in operation.</p>
3.	Petropavlovsk Heavy Machinery Plant 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 manufacturers 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 in operation..</p>
4.	S.M. Kirov Plant JSC 	<p>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 the design and production, installation, commissioning, maintenance and repair of communications equipment, railway automation, security systems for the needs of law enforcement</p>

		<p>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>ISO 9001:2015 Quality Management System and OHSAS 18001:2007 Occupational Health and Safety Assessment System have been implemented and are in operation.</p>
5.	<p>Semipalatinsk Machine Building Plant JSC</p> 	<p>Founded in 1969 as a branch of the Rubtsovsky 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 for them, trailed equipment, products for the railway industry.</p> <p>The ISO9001:2008 Quality Management System has been implemented and is in operation.</p>
6.	<p>Tynys JSC</p> 	<p>Tynys JSC, formerly known as the Oxygen and Respiratory Equipment Plant, was founded in 1959. It is the only enterprise producing a wide range of aviation products.</p> <p>The production facilities are focused on the manufacture of specialised products for aircraft of various types, body armour of various protection classes, PE pipes, fire extinguishers, gas-filled moulding, and geotextiles.</p> <p>The ISO9001:2008 Quality Management System has been implemented and is in operation.</p>
7.	<p>S.M. Kirov Machine Building Plant JSC</p> 	<p>Founded in 1942 at the premises of the Plant No. 182 evacuated from Makhachkala (now the Dagdiesel Plant).</p> <p>The production capacities of the plant are focused on modernisation, overhaul and repair of underwater weapons; production of ship hydraulics and combustion automatics for ship boilers, spare parts for railway industry, products for 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, a testing center, a design and technological bureau.</p> <p>The ISO9001:2008 Quality Management System has been implemented and is in operation.</p>
8.	<p>Zenit Uralsk Plant JSC</p> 	<p>Founded at the premises of the Engine plant evacuated from Leningrad in 1941.</p> <p>The main activity is the construction of boats and ships, which set the stage for 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>Manufacturing range:</p> <ul style="list-style-type: none"> - shipbuilding; - products for the oil and gas complex; - other mechanical engineering products. <p>The ISO9001:2008 Quality Management System has been implemented and is in operation.</p>
9.	<p>Gidropribor SRI JSC</p> 	<p>Founded in Uralsk in 1972 at the premises of the special design bureau of the K.Voroshilov Machine-Building Plant as the Ural branch of Gidropribor Leningrad Central 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 Gidropribor SRI 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 in operation.</p>
10.	<p>Kaztechnologies JSC</p> 	<p>It was founded in 1947 as a Kazakhstani office of Soyuzmeliovzryv, the All-Union trust for explosive works.</p> <p>The main activities are the 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>Kazakhstan Engineering R&D Center LLP</p> 	<p>Founded on the basis of the Unified Centre for the Implementation of Weapons Control Systems LLP and accredited as a subject of scientific and scientific-technical activity; licences have been obtained for the development and production, repair of ammunition, weapons and military equipment, spare parts, components and devices for them; special materials, equipment for their production, including assembly, adjustment, modernisation, 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 (engineering, supply and construction) contracts.</p>
12.	<p>Kazinzh Electronics LLP</p>	<p>It was founded in 1994 at the premises of the scientific and technical complex of the Sary-Shagan test site, enterprises and organisations of radio-technical 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 production of computer equipment.</p>
<p>Jointly controlled entities (50% ownership interest)</p>		
<p>13.</p>	<p style="text-align: center;">Eurocopter Kazakhstan Engineering LLP</p> 	<p>Founded in December 2010. The aim 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 NC Kazakhstan Engineering JSC and Eurocopter (France-Germany), a subsidiary of EADS.</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 the maintenance of mechanical components, repair of sheet metal products, repair of electrical equipment and avionics, repair of composite materials and blades, repair of engines and hydraulic equipment.</p>
<p>14.</p>	<p style="text-align: center;">Kazakhstan Aviation Industry LLP</p> 	<p>Founded on July 24, 2012 for the implementation of the project, and 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, the Company obtained the Certificate of Quality Management System Conformity to the requirements of ST RK ISO 9001-2016 in the field of maintenance, repair, modernisation, improvement, supply of aviation equipment, spare parts, equipment, components and devices thereto.</p>
<p>15.</p>	<p style="text-align: center;">Thales Kazakhstan Engineering LLP</p>	<p>Founded in 2009 on a parity basis by Kazakhstan Engineering JSC and Thales, a French company.</p> <p>Main activities: 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>Founded on April 18, 2011. The founders are NC Kazakhstan Engineering JSC (50%), Aselsan Turkish Company (49%) and Defence Industry Department under the Administration of the President of the Republic of Turkey (1%).</p> <p>The activity is the production of electro-optical devices (night and day vision devices, thermal imagers, telescopic 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.	<p style="text-align: center;">Indra Kazakhstan Engineering LLP (49%)</p>	<p>Production and maintenance of radar stations, electronic warfare systems and electronic reconnaissance.</p>
18.	<p style="text-align: center;">Kaz-ST Engineering Bastau LLP (49%)</p>	<p>Provision of engineering services (joint venture with Singapore Technologies Engineering).</p>
19.	<p style="text-align: center;">Spetsmash Astana LLP (35%)</p>	<p>Production and repair of spare parts for the railway, oil and gas and energy industries.</p>
20.	<p style="text-align: center;">Munaymash JSC</p>	<p>Specialises in the production of oil and gas products (deep-well rod pumps and their components).</p>
21.	<p style="text-align: center;">KTM Invest LLP (20%)</p>	<p>Construction of real estate for the needs of the Armed Forces and other security agencies of the Republic of Kazakhstan.</p>

2. OVERVIEW OF ACTIVITIES

❖ INDUSTRY OVERVIEW

◆ Dynamics of production volumes in mechanical engineering

Mechanical engineering in Kazakhstan continues to develop systematically and dynamically. Today there are more than 3 thousand machine building and metalworking enterprises in the country, employing about 120 thousand people.

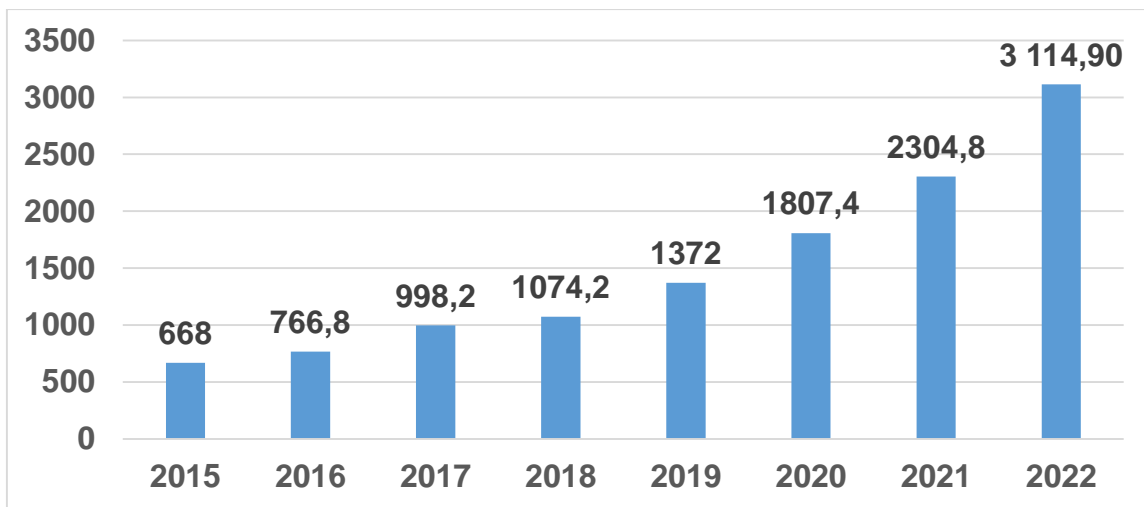
According to the Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan, the volume of mechanical engineering production in the Republic of Kazakhstan for 2022 was 3,114.9 billion tenge and increased by 35.1% in value terms, compared to 2021 (2,304.8 billion tenge). The index of the physical volume of production in the industry amounted to 109.4% compared to the same period in 2021. The share of mechanical engineering was 15% in the manufacturing industry and 7% in the entire industry of Kazakhstan.

In 2022, almost all types of activities in the mechanical engineering industry showed growth, with the exception of the railway engineering sector (-1%), the

output of railway locomotives decreased from 86 to 75 units, and ball and roller bearings production decreased from 23,738 tonnes to 22,180 tonnes.

The growth was mainly due to an increase in the physical volume of production in the automotive industry by 61.1%. The share of the automotive industry in the country's mechanical engineering continues to prevail – 39.4%, electrical engineering – 9.8%, railway engineering – 9.1%, agricultural engineering – 6.7%, oil and gas engineering – 2.3%, mining engineering – 1.1% for 2022.

**Dynamics of mechanical engineering production volumes
2015-2022 (billion tenge)**



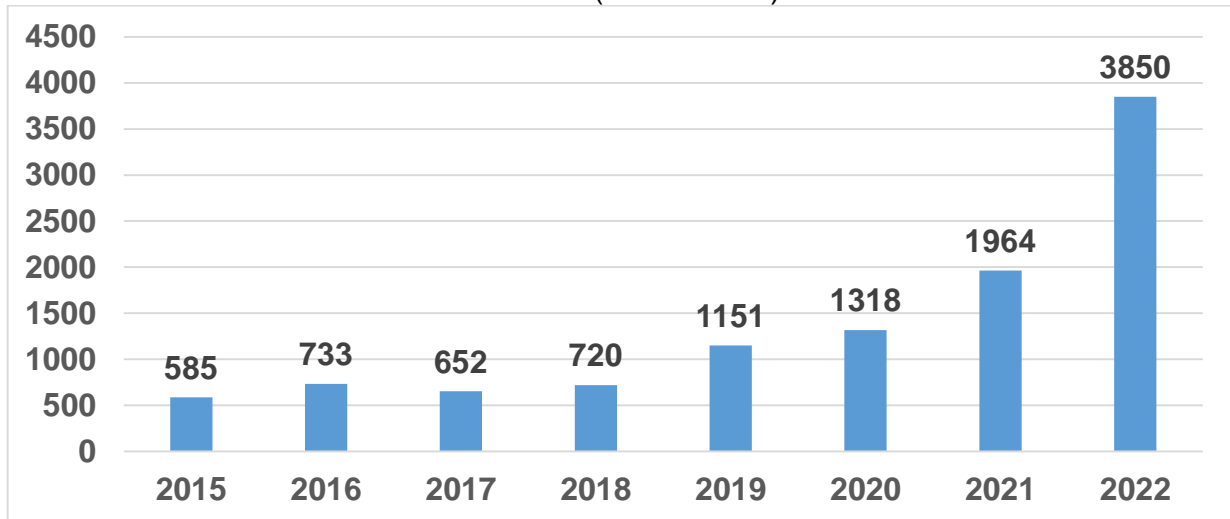
**Dynamics of production volumes by type of economic
activities in monetary terms (billion tenge)**

No.	Industry	2021	2022
1.	Automotive industry	769.5	1 229,9
2.	Electrical engineering	252.6	307.6
3.	Agricultural engineering	167.3	208.7
4.	Railway engineering	286.1	283.3
5.	Mining engineering	26.1	35.8
6.	Oil and gas engineering	68.5	72.6

◆ Export and import of mechanical engineering products

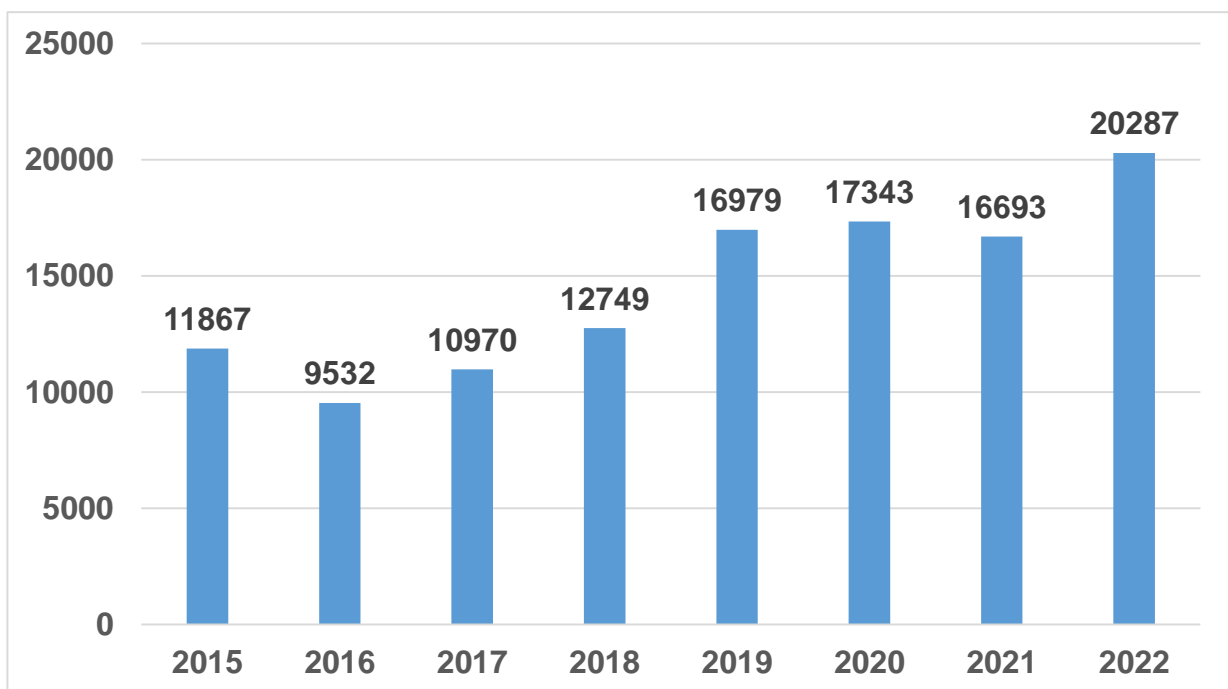
The volume of exports of machine-building products of Kazakhstan in 2022 increased by 96% compared to 2021 and amounted to USD 3,850 million.

**Dynamics of exports of mechanical engineering products
2015-2022 (USD million)**



Imports of mechanical engineering products in 2022 increased by 22% compared to 2021 and amounted to USD 20,287 million.

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



❖ KEY EVENTS OF THE REPORTING PERIOD

The year 2022 for the Company was marked by a number of events in various fields of activity.

◆ Corporate-wide events

- On March 3, 2022 by the decision of the Board of Directors of Kazakhstan Engineering National Company JSC, Temirzhan Kairatovich Abdrakhmanov was appointed as the Chairman of the Board.

- In the field of scientific and technical activities and to achieve common goals, a Scientific and Technical Advisory Expert Center, the Competence Center, was established on the site of NC Kazakhstan Engineering JSC on May 27, 2022.

The Competence Centre is designed to search for new knowledge, its active transfer and provision of consulting, service and highly professional expertise, as well as to develop a unified position on the development of the country's defence industry complex.

The activities of the Center, as a structure of highly professional services, will be aimed at solving the following industry tasks:

- consulting and expert opinions on defense industry issues requiring an interdisciplinary approach and the search for new knowledge;
- development of new solutions in line with global trends and technological progress of the world's arms and military equipment manufacturers;
- generation of new ideas, contributing to the introduction of innovations in domestic defense industry enterprises;
- building partnerships with educational and scientific institutions at the national and global level;
- promoting the creation of corporate educational structures, innovation platforms, corporate innovation centres.

The Competence Center includes representatives of the National Defense University, the Academy of Military Sciences, the Center for Military-Strategic Studies, the Kazakhstan Institute for Strategic Studies under the President of the Republic of Kazakhstan, the Association of Enterprises of the Military-Industrial Complex of Kazakhstan, the Kazakhstan Engineering R&D Center, as well as other authoritative experts in the field of defense industry and military security.

- On May 26, 2022, a solemn ceremony was held for the transfer of two Mi-171E helicopters for the needs of the National Guard of the Republic of Kazakhstan.

The project on the organisation of assembly production was launched in 2019 by NC Kazakhstan Engineering JSC on behalf of the Ministry of Industry and Infrastructural Development. Assembly and adaptation of helicopters to customer requirements are carried out at Aircraft Repair Plant No. 405 JSC in Almaty.

◆ Activities of subsidiaries and affiliates

- A production of robotic means for remote fire extinguishing on dangerous and hard-to-reach objects, such as burning ammunition depots, fuel and lubricants, armaments, storage sites of military equipment, structures with the threat of collapse, as well as for elimination of consequences of reconnaissance and fire extinguishing in high-risk conditions, was organised at the premises of **S.M. Kirov Plant JSC**.

Technical specification has been received from the Ministry of Emergency Situations of the Republic of Kazakhstan and project calculations have been made. The prototype of the fire robot ZIK-RPA-01 has passed factory and bench tests.

Within the framework of production expansion of S.M. Kirov Plant JSC, a project was developed to build a new building for the arrangement of computer equipment assembly works and organisation of a Data Processing Centre.

New VHF/UHF radio stations of the MEDEU-KD band have been put into production, designed for communication in the grassroots management of the armed forces.

The production of ZIK-ACS Access control and Management System was implemented. This is a hardware and software complex, aimed at preventing unauthorised access from the outside and differentiating the access rights of personnel within the security facilities and territories. ZIK-ACS monitors the protected area in real time, signals and records every important monitoring function in the database.

The production of 42U telecommunication cabinet was implemented. Telecommunication rack is a design intended for convenient, compact, technological and safe mounting of telecommunication equipment such as servers, routers, modems, stations.

- **Tynys JSC** has 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.

The issue of localisation of production of various items for the oil and gas industry is being processed. In particular, at the first stage, it is planned to develop the production of filter elements from permeable wire materials and rubber-technical products. In cooperation with KMG Engineering LLP, a subsidiary of NC KazMunayGas JSC, the issue of conducting pilot tests at Tynys JSC was considered.

In partnership with the Academy of Civil Defence named after M. Gabdullin the Ministry of Emergency Situations of the Republic of Kazakhstan developed a protective structure of block-modular type designed for use as a shelter or refuge, including anti-radiation civil defence. To date, a prototype has been manufactured, work is underway to install ventilation, heating and power supply systems.

The project on joint production of a unique automatic gas-powder technology for extinguishing volumetric fires was launched with Chemical Solutions LLP: BiZone gas-powder modules for extinguishing fires.

- **Gidropribor SRI JSC** has successfully implemented the localization of the production of SEG remote-controlled underwater vehicles designed for inspection, search and technical work under water. With the help of the broadcast video, the operator has the ability to detect various objects under water and inspect bridge supports, hydraulic structures, ship bottoms, fishing nets and other objects. SEG is equipped with sonar and underwater navigation system, which allows you to effectively perform search and rescue operations and other tasks.

Orders for routine works and maintenance of the Sapsan, Karlygash, Shagala project boats, a floating mooring and the Kazhymukan icebreaking and towing boat were fulfilled. The supply of diving equipment and maintenance of life rafts has been carried out.

- **Zenit Uralsk Plant JSC**, in the interests of the Border Service of the National Security Committee of the Republic of Kazakhstan fulfilled the contracts for routine maintenance and servicing of ships of the Bars, Burkit, Aybar projects, boats of the Sunkar, FC-19, Arktika, Cayman, Kaisar projects.

- **Semey Engineering JSC** fulfilled orders for overhaul of armoured vehicles in full in 2022. The work on the development of a domestic fire control system for armoured vehicles has begun.

To date, more than 830 items of spare parts have been localized at Semey Engineering JSC. In addition to Semey Engineering JSC itself, private enterprises and organizations that are not part of the Company's group participate in the localization of spare parts and components. Thus, it can be noted that a cluster for the maintenance of armoured vehicles has developed around Semey Engineering JSC.

- **Kaztechnologies JSC** – as part of receiving humanitarian financial assistance for the disposal of hexogen-containing ammunition, the ITF Enhancing Human Security Foundation held a competition in 2022 for the purchase of equipment for the disposal of artillery ammunition with a caliber from 57mm to 152mm and anti-tank mines. In accordance with the contract, this equipment will be delivered to the disposal site of Kaztechnologies JSC in Arys in July 2023.

- **Kazakhstan Engineering R&D Center LLP** conducted research and development work on the reconnaissance model of Shagala-M UAV, which is designed for both military and civilian areas.

Shagala-M, developed and produced in Astana by KE R&D Center LLP is an original project. Its creation involves its own electronic control systems, fuselage components, engine and electrical systems. Additional components such as transponder, autopilot system, servos, camera and communication equipment are supplied by companies from the USA, Spain, Germany, Latvia, Australia, Israel and Norway. The UAV has successfully passed factory and field tests.

- **Kazakhstan ASEL SAN Engineering LLP** has successfully localised the production of Uran automated warning system (AWS) and received the ST-KZ certificate with a localisation share of 54% of domestic production. Within the framework of a pilot project on integration of Uran AWS with third-party alarm

system consoles, a confidentiality agreement was signed with Digetex, a Polish company.

In 2022, work on the transfer of technology from ASELSAN Turkish company for the localization of the production of DMR Tier III communications equipment was completed. The technology transfer package is the handover of drawings, specifications, documentation, certificates, technical support, staff training, etc.

As part of the execution of contracts of the State Defense Order, DMR Tier III communications equipment was delivered to the domestic customer.

Steel Manufacturing LLP (a subsidiary of Kaztechnologies JSC) fulfilled orders for the supply of 4 million pistol cartridges in 2022. Production is fully automated with the implementation of the highest quality standards. At the same time, during the year the enterprise jointly with the Company carried out work on significant reduction of production costs.

◆ **International cooperation and exhibition and marketing activities**

- In March 2022, Bishkek hosted the signing ceremony of an agreement between the Ministry of Emergency Situations of the Kyrgyz Republic and Eurocopter Kazakhstan Engineering LLP for the supply of the H125 Airbus Helicopters manufactured at the plant in Astana.

- On May 5, 2022, the Company signed a Memorandum of Cooperation in the military-technical and civilian spheres with Omnipol, a Czech company. This was preceded by extensive preliminary work done by the Company and Kazakhstan Aviation Industry LLP. Cooperation with Omnipol will enable the Company to establish in the Republic of Kazakhstan an authorised centre for assembly, maintenance and repair of L-410 multirole aircraft, and L-39NG trainer aircrafts.

- On May 10, in Ankara, during the visit of the Kazakh delegation, Chairman of the Board of NC Kazakhstan Engineering JSC Temirzhan Abdrakhmanov and President of Turkish Aerospace (TUSAŞ) Professor Temel Kotil signed a Memorandum on Military-Technical Cooperation between the Company and Turkish Aerospace. According to the documentary agreement, an assembly and maintenance line for ANKA strike drones will be organised in Kazakhstan on the basis of the Company's subsidiary.

Within the framework of the agreement, long-term cooperation in the field of joint production of UAVs is planned, as well as technology transfer and training of personnel for the maintenance and repair of UAVs for the Armed Forces of the Republic of Kazakhstan.

Kazakhstan has become the first foreign country where the production of ANKA unmanned aerial vehicles will be established.

- From May 17 to May 18, during the Board of the Ministry of Defense of the Republic of Kazakhstan, the Company held an exhibition of defense products, as well as a presentation of new promising projects in the defense industry.

The following subsidiaries of the Company took an active part in organising the exhibition: Kazakhstan ASELSAN Engineering LLP, Kazakhstan Engineering R&D Center LLP, Tynys JSC, S.M. Kirov Machine Building Plant JSC, S.M. Kirov

Plant JSC, Hidropribor SRI JSC, Zenit Uralsk Plant JSC, Semey Engineering JSC, Eurocopter Kazakhstan Engineering LLP.

- On June 21, 2022, deputies of the Majilis of the Parliament of the Republic of Kazakhstan visited the defense enterprises of the capital, and got acquainted with the products produced by the domestic defense industry during the exhibition organized at Kazakhstan ASELSAN Engineering LLP.

In the exhibition hall of the Kazakh-Turkish plant, the developments and products of Zenit Uralsk Plant JSC, S.M. Kirov Plant JSC, Semey Engineering JSC, Steel Manufacturing LLP, JKE 811 Autorepair Plant JSC and a number of other enterprises were demonstrated. The exhibition was organized with the support of the Ministry of Industry and Infrastructure Development. In addition, the deputies visited the enterprises of Eurocopter Kazakhstan Engineering LLP and Kazakhstan Aviation Industry LLP.

- On 29-30 June, the Kazakhstan Institute for Strategic Studies under the President of the Republic of Kazakhstan hosted an international conference in Astana entitled Central Asian Cooperation in the New Geopolitical Conditions: Challenges and Prospects. Heads of strategic research institutes, as well as leading experts from Central Asian countries attended the conference.

As part of the conference program, an exhibition of products of enterprises of the military-industrial complex was held for managers and experts of strategic research institutes from Uzbekistan, Kyrgyzstan, Tajikistan and Turkmenistan.

Semey Engineering JSC, Tynys JSC, 811 Autorepair Plant JSC, Kirov Plant JSC, Kazakhstan Aselsan Engineering LLP, Kazakhstan Engineering R&D Centre LLP, S.M. Kirov Machine Building Plant JSC presented their products.

- On July 11, 2022, a bilateral meeting was held between R&D Center LLP and Yugoimport SDPR (Serbia).

In the course of the conversation, there were presentations of projects, exchange of views on the main directions of development of bilateral relations, including military-technical co-operation. As a result of the meeting, a Memorandum of Cooperation was signed, the topic of which is the joint implementation of research and development projects.

- From 4 to 5 August 2022, the Company organised and held the Burabay Road Show exhibition.

The exhibition was organized in order to familiarize foreign investors with the production capabilities of subsidiaries and affiliates of National Company Kazakhstan Engineering JSC.

Representatives of ASFAT (Turkey), YDA (Turkey), Turkish Aerospace (Turkey), Youngsan (South Korea), Airbus Defense and Space (France), Airbus Helicopters (France), Safran (France), as well as the military attaché of the Embassy of the Republic of India in Kazakhstan attended the exhibition.

Following the results of the exhibition, negotiations were held and 2 memorandums of cooperation were signed.

- On September 6, 2022, the Company presented its pavilion with the latest developments and products of the domestic defense industry at ADEX-2022, the International Defense Industry Exhibition in Baku (Azerbaijan).

ADEX-2022 brought together more than 200 companies from 26 countries. For the first time, companies from Jordan, Belarus, Iran, Israel, Kazakhstan, Pakistan, Russia, Turkey and others presented their products at this exhibition.

Four subsidiaries of the Company took part in the exhibition: Gidropribor SRI JSC, KE 811 Autorepair Plant JSC, Kazakhstan Engineering R&D Center LLP, S.M. Kirov Plant JSC.

Kazakhstan's pavilion at ADEX-2022 aroused great interest among foreign partners. Representatives of Turkey, Brazil, Russia, Bulgaria, Pakistan, Vietnam and many others expressed interest in Kazakh products.

- From September 9 to 11, 2022, in order to familiarize foreign investors with the production capabilities of the Company's subsidiaries and affiliates, the Road Show exhibition was held in Almaty.

Representatives of THALES (France), MSM Group (Slovakia), TAM JSC (Georgia), as well as employees of the embassies of France, Italy and Turkey attended the exhibition.

- On September 22-23, 2022, the X Forum of Machine Builders of Kazakhstan was held. Forum Topic: Mechanical engineering of Kazakhstan: Challenges of the new time.

Within the framework of the Forum, Kazakhstan Machinery Fair 2022, the second International specialised exhibition on mechanical engineering and metalworking, was held.

Kazakhstan Machinery Fair is the leading industry exhibition in Kazakhstan, where more than 250 companies from Kazakhstan and abroad presented new equipment and technologies for the machine-building industry: machine tools, welding equipment, robotics, additive technologies, etc.

The Company presented its own exhibition stand, where more than 40 exhibits were presented, these are the products of following subsidiaries: Zenit Uralsk Plant JSC, Kazakhstan Engineering R&D Center LLP, S.M. Kirov Plant JSC, Kazakhstan Aviation Industry LLP, Semey Engineering JSC, Tynys JSC, KE 811 Autorepair Plant JSC, Eurocopter Kazakhstan Engineering LLP, Gidropribor SRI JSC, Semipalatinsk Machine Building Plant JSC, Petropavlovsk Heavy Machinery Plant JSC.

❖ FINANCIAL PERFORMANCE

◆ Operating and financial performance of the Company and its subsidiaries

Name of entity	Income from the sale of products (thousand tenge)	Financial result (thousand tenge)	Labour productivity (thousand tenge/person)	Average number of staff (people)
Tynys JSC	7 038 419	167 221	10 998	640
Petropavlovsk Plant of Heavy Machine Building JSC	10 543 681	(118 242)	29 784	354
S.M. Kirov Plant JSC	11 291 714	5 923	23 186	487
Zenit Uralsk Plant JSC	4 484 118	114 051	6 035	743
Gidropribor SRI JSC	1 192 107	4 343	10 457	114
Semey Engineering JSC	13 584 390	446 666	39 375	345
S.M. Kirov Machine Building Plant JSC	2 580 056	325,092	9 214	280
811 Kazakhstan Engineering Autorepair Plant JSC	151,756	(684 162)	1 124	135
Kazakhstan Engineering R&D Center LLP	456,277	10 946	15 734	29
Kaztechnologies JSC	1 500 061	757,776	7 772	193
Kazinzh Electronics LLP		(8 349)	-	3
NC Kazakhstan Engineering JSC	6 003 525	5 093 847	84 059	71
Consolidated data	58 771 471	5 128 494	17 314	3 394

Income from the sale of products and services for 2022 amounted to 58,771,471 thousand tenge with a plan of 58,729,043 thousand tenge, an increase of 0.1% compared to the plan, including by product segments:

- the income from the sale of special products amounted to 53,726,195 thousand tenge with a plan of 50,223,930 thousand tenge, an increase of 7% to the plan, mainly due to the Corporate Center: under the rolling contracts of Kazakhstan Aviation Industry LLP, the execution of which was planned in 2021;
- the income from the sale of civilian products and services amounted to 5,045,276 thousand tenge against the plan of 8,505,113 thousand tenge, a decrease of 41% against the plan.

Despite the high debt burden and unprofitability of some subsidiaries, over the past 3 years there has been a positive trend in net income, as net income increased from KZT 464 million (2020) to KZT 5,128 million (2022) or more than 10 times.

*Operating and financial performance
by Company group:*

Indicators	2020	2021	2022	Dynamics of growth/ (decline) in 2022 by 2020
Income from the sale of products (billion tenge)	96 709	92 420	58 771	(39%)
Assets (billion tenge)	143,186	126,052	128,359	(10%)
Financial result* (billion tenge)	464	1 893	5 128	1006%
Labor productivity (thousand tenge/person)	22 814	25 244	17 314	(24%)

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

Revenue from the sale of products and services in 2022 decreased by 39% or from 96,709 million tenge to 58,771 million tenge in relation to 2020, and a decrease is also observed in relation to 2021 by 36%, due to a decrease in orders for civilian products and sales volume for the Corporate Center.

Labour productivity for the period 2020-2022 decreased to 17,314 thousand tenge/person (2022), compared to 2020, the decrease was 24%, by 2021 it decreased by 31%. The decrease in the indicator is due to a decrease in the volume of sales of products and services (mainly in the Corporate Center).

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.

Assets in 2022 were formed at the level of 128,359 million tenge, a decrease by 10% by 2020 as a result of the sale of a stake in Munaymash JSC in 2021, as well as a decrease in advances issued.

ASSETS	As of December 31, 2022 (thousand tenge)
NON-CURRENT ASSETS:	54 991 792
Property, plant and equipment	41 106 509
Investment properties	243,643
Intangible assets	338,183
Investments in associates and joint ventures	6 876 240
Deferred tax assets	1 827 465
Loans issued	9 669
Restricted cash	2 474 148
Other non-current assets	2 115 935
CURRENT ASSETS:	73 183 013
Inventories	21 061 675
Trade and other accounts receivable	5 233 457
Prepayment of income tax	1 804 303
Loans issued	1 579 313
Advances issued and other current assets	18 193 887
Restricted cash	426,566
Cash and cash equivalents	24 883 812
Assets held for sale	184,087
TOTAL ASSETS	128 358 892

❖ 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 2022, it is planned to sell 5 and liquidate 4 of the Company's assets (blocks of shares and participation interests).

Assets under implementation

No.	Name of the asset
1.	S.M. Kirov Machine Building Plant JSC (100%)
2.	Tynys JSC (100%)
3.	KE 811 Autorepair Plant JSC (100%)
4.	Petropavlovsk Heavy Machinery Plant JSC (100%)
5.	Munaymash JSC (23.65%)
6.	Eurocopter Kazakhstan Engineering LLP (50%)
7.	Kazinzh Electronics LLP (80%)

Assets under liquidation

No.	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%)

In August 2022, on the initiative of the Company, in the interests of ensuring national security, three important enterprises for the defense industry were excluded from the Comprehensive Privatization Plan: Semey Engineering JSC, Kazakhstan Aviation Industry LLP, and Steel Manufacturing LLP. Semipalatinsk Machine Building Plant JSC was also excluded in connection with the rehabilitation procedure (in accordance with the Law of the Republic of Kazakhstan On Rehabilitation and Bankruptcy).

❖ INVESTMENT ACTIVITIES 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, ensuring domestic needs and export.

Certain investment projects are strategic and are aimed at developing the 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 development of the military-industrial complex.

3. CORPORATE GOVERNANCE

❖ BASIC PRINCIPLES AND STRUCTURE OF 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.

The Company considers corporate governance as one of the most important elements of responsible development and decision-making that is meaningful and influential to 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.

One of the fundamental internal documents of the Company is the Corporate Governance Code of NC Kazakhstan Engineering JSC. On June 30, 2022, the updated Corporate Governance Code was approved by Order No. 376 of the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan.

The Company is guided by the Corporate Governance Code to systematise corporate governance, ensure transparency of operations and confirm the Company's readiness to follow the standards of proper corporate management.

In order to implement actively the Code, the Company's Corporate Governance Improvement Plan is prepared on a regular basis, and the Board of Directors reviews applicable reports every six months. Similar plans are in effect in subsidiaries.

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

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.

For example, in order to strengthen the institution of independent directors and their role in making autonomous decisions, in July 2022, the Company for the first time held an open tender to select candidates for the position of an independent director - a member of the Board of Directors in the Company's subsidiaries.

Taking into account the selection of independent directors, the Company has formed the composition of subsidiaries. Most of the independent directors are members of the Qazaq Independent Directors Association, have high qualifications and experience in various areas of activity.

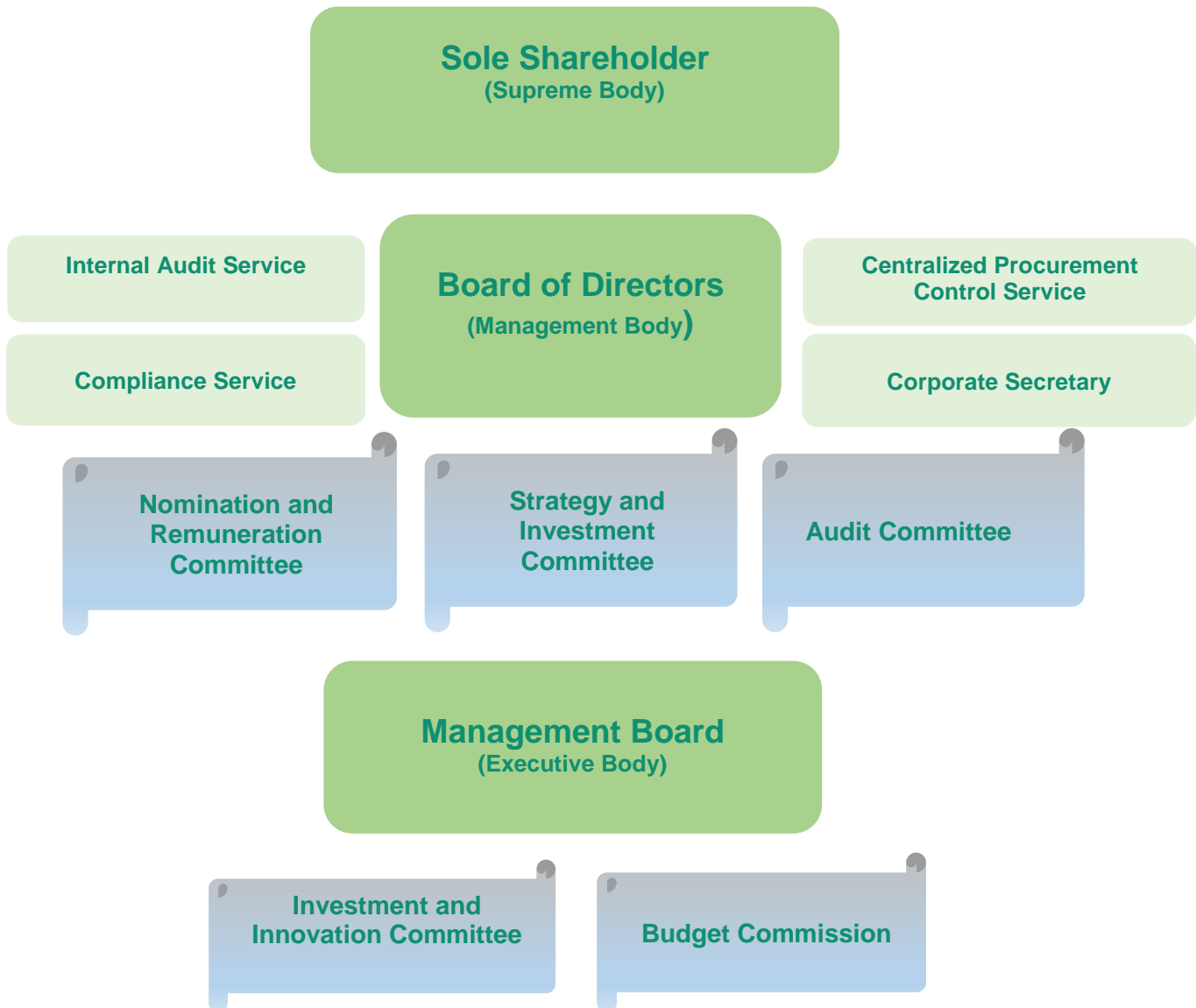
In order to maintain close coordination in the development of the Company's subsidiaries (affiliates), a meeting was held with independent

directors of subsidiary (affiliated) organisations, where they were briefed on the current activities of the Company and its enterprises and discussed ways of solving current problems. Independent directors made suggestions and suggestions, which were accepted for consideration for their implementation in the corporate governance system. It was decided to make such meetings regular.

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 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.

❖ CORPORATE GOVERNANCE STRUCTURE



❖ BOARD OF DIRECTORS

The general management of the Company's activities is carried out by the Board of Directors, with the exception of resolving issues referred to the exclusive competence of 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, the Corporate Governance Code and other 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.

As of December 31, 2022, the Company's Board of Directors was represented as follows:

No.	Composition of the Board of Directors	Term of office
1	Yerzhan Murzabayev	Chairman of the Board of Directors, term of office: 3 years (since October 2022)
2	Bauyrzhan Tortayev	Member of the Board of Directors, term of office: 3 years (since August 2022)
3	Yerbol Akhmetov	Member of the Board of Directors, term of office: 3 years (since August 2022)
4	Kenzhebay Satzhanov	Member of the Board of Directors, Independent Director, term of office: 3 years (since August 2022)
5	Andar Shukputov	Member of the Board of Directors, Independent Director, term of office: 3 years (since August 2022)
6	Serikzhan Zhakenov	Member of the Board of Directors, Independent Director, term of office: 3 years (since August 2022)
7	Kuat Kozhakhmetov	Member of the Board of Directors, Independent Director, term of office: 3 years (since August 2022)
8	Temirzhan Abdrakhmanov	Member of the Board of Directors, Chairman of the Board, term of office: 3 years (since August 2022)

◆ Composition of the Company's Board of Directors

As of 31.12.2022



YERZHAN MURZABAYEV

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

Date of birth: 12.08.1969

Nationality: Republic of Kazakhstan

Education:

- Yaroslavl Higher Military Financial College named after General of the Army A.V. Khrulev (1990)
- Military Finance and Economics Faculty at the Finance Academy under the Government of the Russian Federation (1999)

Place of employment and positions held in the last five years:

- **2014 - 2019**
Deputy Director of the Border Service of the National Security Committee of the Republic of Kazakhstan (11.2014-2019)
- **From October 2022**
Vice-Minister of Industry and Infrastructure Development of the Republic of Kazakhstan (since 10.2022)

The Company's shares, shares of the Company's suppliers and competitors in possession: none



BAUYRZHAN TORTAYEV

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

Date of birth: 18.09.1967

Nationality: Republic of Kazakhstan

Education:

- Moscow State Academy of Management of the Order of the Red Banner of Labor named after S. Ordzhonikidze, Engineer-Economist

Place of employment and positions held in the last 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

The Company's shares, shares of the Company's suppliers and competitors in possession: none



YERBOL AKHMETOV

**Member of the Board of Directors
NC Kazakhstan Engineering JSC,
Deputy Chairman of the State Property and
Privatisation Committee of the Ministry
of the Republic of Kazakhstan**

Date of birth: 12.07.1980

Nationality: Republic of Kazakhstan

Education:

- Akmola Agrarian University named after S. Seifullin (2002), Economic Manager
- Kostanay State University named after A. Baitursynov, Law

Place of employment and positions held in the last five years:

- **2016 - 2019**
Head of the State Institution Department of State Property and Privatization of Nur-Sultan of the State Property and Privatization Committee of the Ministry of Finance of the Republic of Kazakhstan
- **Since 2019**
Deputy Chairman of the State Property and Privatization Committee of the Ministry of Finance of the Republic of Kazakhstan

The Company's shares, shares of the Company's suppliers and competitors in possession: none



KENZHEBAY SATZHANOV

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

Date of birth: 19.08.1955

Nationality: Republic of Kazakhstan

Education:

- Karaganda Polytechnic Institute (1977), Engineer-Economist
- Almaty State University (2005), Lawyer
- Diplomatic Academy at the Eurasian National University (2005), International Relations

Place of employment and positions held in the last five years:

- **2016 - 2017**
Deputy Chairman of the Board of NC Kazakhstan Engineering JSC

The Company's shares, shares of the Company's suppliers and competitors in possession: none



ANDAR SHUKPUTOV

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

Date of birth: 12.05.1953

Nationality: Republic of Kazakhstan

Education:

- Kazakh Polytechnic Institute named after V.I. Lenin, Faculty of Automation and Control Systems (1981), System Engineer
- Gubkin Russian State University of Oil and Gas, Master of Oil and Gas Business Management

Place of employment and positions held in the last five years:

- **Since February 2014**
General Director (Chairman of the Board)
KMG Drilling&Services LLP

The Company's shares, shares of the Company's suppliers and competitors in possession: none



SERIKZHAN ZHAKENOV

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

Date of birth: 08.10.1949

Nationality: Republic of Kazakhstan

Education:

- Karaganda Polytechnic Institute

Place of employment and positions held in the last five years:

- **Since 2009**
Director, Adviser of Kargormash-M LLP
- **Since November 2018**
Member of the Board of Directors, Independent Director of Saryarka SEC JSC

The Company's shares, shares of the Company's suppliers and competitors in possession: none



KUAT KOZHAKHMETOV

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

Date of birth: 02.05.1973

Nationality: Republic of Kazakhstan

Education:

- Kazakh State Academy of Management, Faculty of Business and Management (1994), Economist
- Booth School of Business, University of Chicago (2017), MBA Degree

Place of employment and positions held in the last five years:

- **since March 2016**
Member of the Board of Directors of AIFC Administration JSC
- **2018 - 2020**
General Director of Samruk-Kazyna Contract LLP

July 2020 to September 2020

Co-Managing Director for Procurement of Samruk-Kazyna NWF JSC

since September 2020

Chief Consultant of the Managing Director of AIFC Administration JSC

The Company's shares, shares of the Company's suppliers and competitors in possession: none



TEMIRZHAN ABDRAKHMANOV

Member of the Board of Directors,
Chairman of the Board
NC Kazakhstan Engineering JSC,

Date of birth: 29.07.1987

Nationality: Republic of Kazakhstan

Education:

- Moscow State Institute of International Relations (2008)
- Narkhoz University (2017)
- National Research Nuclear University MEPhI (2018)

Place of employment and positions held in the last five years:

- **2017 - 2020**
Deputy General Director
Samruk-Kazyna Contract LLP
- **2020 - 2022**
Deputy General Director
Samruk-Kazyna Business Service JSC
- **since March 2022**
Chairman of the Board of NC Kazakhstan Engineering JSC

The Company's shares, shares of the Company's suppliers and competitors in possession: none

◆ **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 on them are reflected in the relevant minutes and decisions of meetings of the Board of Directors.

In 2022, the Board of Directors held 21 meetings (11 in person, 10 in absentia) where 126 issues have been 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. The Heads (Chairmen) of the Committees of the Board of Directors, whose functions include consideration of the issues stipulated in subparagraphs 1) - 4), shall be independent directors.

In accordance with the Corporate Governance Code of NC Kazakhstan Engineering JSC, Committees are set up 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 resolution of the Board of Directors dated August 27, 2019, three committees of the Board of Directors have been established and operate on a permanent basis in the Company:

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

On September 13, 2022, by the resolution of the Company's Board of Directors, the quantitative composition was determined, the Chairmen and members of the Committees of the Company's Board of Directors were elected.

Committee	Chairman	Members
Nomination and Remuneration Committee	Kenzhebay Satzhanov	Kuat Kozhakhmetov Serikzhan Zhakenov Andar Shukputov
Audit Committee	Kuat Kozhakhmetov	Kenzhebay Satzhanov Serikzhan Zhakenov Andar Shukputov
Strategy and Investment Committee	Andar Shukputov	Kuat Kozhakhmetov Serikzhan Zhakenov Kenzhebay Satzhanov

The Nomination and Remuneration Committee of the Board of Directors of the Company assists the Board of Directors of the Company by preliminary consideration, analysis and development of recommendations on matters related to its competence and is established to improve the efficiency and quality of the work of the Board of Directors, through in-depth study and monitoring of issues related to the competence of the Board of Directors in the field of human resources policy, corporate social responsibility, appointment and remuneration systems, as well as performance evaluation in general and individually of the members of the Board of Directors, members of the Executive Committee, succession planning for members of the Executive Committee, evaluation of employees and services accountable to the Board of Directors of the Company.

The Audit Committee of the Board of Directors of the Company assists the Board of Directors of the Company by preliminary consideration, analysis and development of recommendations on issues related to their competence and is established in order to improve the efficiency and quality of the work of the Board of Directors of the Company by preparing recommendations on the establishment of a system of control over the financial and economic activities of the Company, monitoring the reliability and effectiveness of the internal control system and risk management, control over the independence of the

external and internal auditor (Compliance Officer, if necessary), compliance with the legislation of the Republic of Kazakhstan, and internal documents of the Company.

The Strategy and Investment Committee of the Company's Board of Directors assists the Company's Board of Directors by preliminary consideration, analysis and development of recommendations on issues related to their competence and is established with the aim of preparing recommendations to the Company's Board of Directors on strategic directions of the Company's activities, implementation of investment projects of the Company, asset management, safety and environmental protection, corporate development, including questions on the development of measures that contribute to improving the efficiency of the Company, its cost-effective activities and sustainable development.

In 2022, 9 meetings of the Company's Audit Committee, 8 meetings of the Nomination and Remuneration Committee and 8 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.

At the same time, 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, 2022 to the members of the Company's Board of Directors amounted to KZT 25,865,106.73.

◆ **Corporate Secretary**

The Corporate Secretary is charged with ensuring the proper practice and development of the corporate governance system in the Company, organizing meetings and supporting the work of the Company's Board of Directors and its Committees, effective interaction of the Company's bodies and protection of the rights and interests of the Sole Shareholder, as well as disclosure (provision) of information about the Company and storage of Company documents in accordance with the requirements of legislation and internal documents Companies.

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

Thus, within the framework of its activities, the Corporate Secretary ensures proper preparation of materials on the agenda of the meeting of the Board of Directors and its Committees, including compliance with the procedures for preparing materials, checks the materials on the agenda submitted for inclusion in the agenda of meetings for compliance with the competence of the Board of Directors and its Committees, in accordance with the legislation of the Republic Kazakhstan, the Charter and internal documents of the Company, as well as the completeness of the submitted materials.

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

In 2022, the Corporate Secretary of the Company adopted an Action Plan to improve corporate governance in the Company, approved by the decision of the Board of Directors of the Company dated February 15, 2022.

As part of the implementation of the Action Plan for improvement of corporate governance, the Corporate Secretary of the Company has developed and the Board of Directors of the Company has approved:

- Regulations on the Committees of the Company's Board of Directors;
- Regulations on the Corporate Secretary of the Company;
- The Company's Code of Business Ethics.

◆ 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 governed by the Regulations on the Internal Audit Service of the Company, the Policy on Organisation of Internal Audit in the Company and other internal regulatory documents.

The Internal Audit Service submits a quarterly 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 NC Kazakhstan Engineering JSC for 2022 was approved by the decision of the Board of Directors of the Company dated December 13, 2021.

In accordance with the Annual Audit Plan, the Internal Audit Service in 2022 completed audit assignments related to the activities of Kaztechnologies JSC, KE 811 Autorepair Plant JSC, Semey Engineering JSC, Semipalatinsk Machine Building Plant JSC, Kazakhstan Engineering R&D Center LLP, as well as evaluating the effectiveness of the corporate risk management system and the Company's internal control system, and monitoring the limits of certain types of administrative expenses in the Company.

Based on the results of these audits conducted in the reporting period, 144 recommendations were issued as of December 31, 2022.

◆ Compliance Service

NC Kazakhstan Engineering JSC pays particular attention to social ethics and anti-corruption culture, in this regard, the Company and all subsidiaries of the Company employ compliance officers, introduce tools to ensure transparency of procurement and activities in general, as well as conduct explanatory work with suppliers to avoid possible risks.

The Compliance Service of NC Kazakhstan Engineering JSC was established by the decision of the Board of Directors dated September 13, 2022 (Minutes No. 13).

The main objectives of the Compliance Service are to ensure that the Company and its subsidiaries comply with the requirements and obligations on anti-corruption issues, as well as the introduction of mechanisms to prevent corruption risks.

The functions, tasks and responsibilities of the Compliance Service are provided for in the Regulations on the Compliance Service of NC Kazakhstan Engineering JSC.

As part of its activities, the Compliance Service ensures that employees of the Company and its subsidiaries comply with the requirements of anti-corruption legislation and internal documents of the Company on anti-corruption issues, transparency of the Company's activities and confidence building in the Company, and also takes measures to prevent and minimize corruption risks and related losses of the Company due to non-compliance with the requirements of anti-corruption legislation, the Company's internal documents and obligations to stakeholders.

The functions of the Compliance Service include:

- conducting continuous monitoring of the requirements of anti-corruption legislation, internal documents of the Company and the best international practices on anti-corruption issues and determining the consequences for the Company in case of their changes;
- assessment of compliance of the Company's activities with the requirements of anti-corruption legislation and internal documents of the Company on anti-corruption issues;
- ensuring the implementation of procedures for verifying the reliability of third parties for the Company (checking the affiliation, the presence of third parties in various lists);
- initiating and conducting internal audits on anti-corruption issues until they are fully completed and corrective measures are taken;
- identification and assessment of corruption risks by possible amounts of financial and/or non-financial losses, determination of the exposure of the Company's activities and processes to corruption risks;
- development of an action plan to minimize corruption risks and ensure its implementation in accordance with the Company's internal documents;

- in accordance with the established procedure, interaction with state bodies on anti-corruption issues;
- provision of information and reports to the Company's Board of Directors within the competence of the Service.

As part of the implementation of the Anti-Corruption Action Plan for 2022, the Compliance Service developed and adopted the following documents by the Company's Board of Directors:

- Anti-corruption policy of NC Kazakhstan Engineering JSC;
- Action Plan on counteraction to corruption for 2023 in NC Kazakhstan Engineering JSC;
- Instructions on anti-corruption of NC Kazakhstan Engineering JSC;
- Policy on identification and settlement of conflicts of interest in NC Kazakhstan Engineering JSC;
- Anti-corruption standards of NC Kazakhstan Engineering JSC.

In 2022, 2 official investigations were conducted on the official activities of JKE 811 Autorepair Plant JSC and Petropavlovsk Heavy Machinery Plant JSC, and the results were submitted to the Boards of Directors of the subsidiaries for consideration for appropriate decisions and response measures.

In August 2022, a workshop on corruption prevention was held for the employees of NC Kazakhstan Engineering JSC, its subsidiaries, as well as the main suppliers of the Company and its subsidiaries and affiliates, with the participation of the Deputy Head of the Prevention Department of the Anti-Corruption Agency of the Republic of Kazakhstan Zh. Baidildin.

The seminar workshop the subtleties of anti-corruption legislation. Special attention was paid to the system of anti-corruption measures such as conflict of interest management, anti-corruption monitoring, analysing corruption risks and developing an anti-corruption culture.

In addition, the following events were held in 2022:

- in May - a workshop with representatives of the Compliance Service of Samruk Kazyna JSC on the following topic: Implementation of Compliance in Kazakhstan, Compliance in Legislation, Compliance and Business Ethics Association;
- in June – a workshop with Compliance representatives of Airbus D&S on the following topic: The work of Compliance Services in preventing corruption and unethical behaviour;
- in August – a meeting with counterparties of subsidiaries and affiliates on the topic of Promoting a culture of integrity, including anti-corruption standards, ethics and Compliance principles;
- in November, an anonymous questionnaire on anti–corruption issues for officials and employees of the Company was launched and an information board (memo) on the prohibition of gifts for officials and employees of the Company was launched.

◆ **Centralized Procurement Control Service**

The Centralized Procurement Control Service is a structural subdivision of the Company controlled by the Board of Directors of the Company, which exercises

internal control over compliance by the Company and its subsidiaries with the legislation of the Republic of Kazakhstan and other internal documents of the Company and subsidiaries in the field of procurement.

The Centralised Procurement Control Service carries out its activities in accordance with the Regulations on the Centralised Procurement Control Service of NC Kazakhstan Engineering JSC, approved by the decision of the Board of Directors of the Company dated April 30, 2021 and the Rules of control exercised by the Centralised Procurement Control Service, except for the Centralised Procurement Control Service of the National Welfare Fund, approved by the Order of the Minister of Finance of the Republic of Kazakhstan No. 1252 dated November 30, 2021.

The main tasks of the Centralized Procurement Control Service are monitoring compliance by subsidiaries, officials and employees of the Company with the legislation of the Republic of Kazakhstan and internal documents in the field of procurement of the Company and subsidiaries, as well as improving the procedures and process of procurement in the Company and subsidiaries.

In accordance with the main tasks, the Centralized Procurement Control Service performs the following functions in accordance with the established procedure:

- performs constant monitoring of ongoing purchases through a web portal;
- ensures clear and efficient interaction between the Company's bodies, between the Service and responsible structural subdivisions/employees involved in the Company's procurement procedure;
- monitors the implementation, compliance of the bodies, officials and employees of the Company and subsidiaries with the legislation of the Republic of Kazakhstan in the field of procurement, the Charter and internal documents of the Company;
- considers appeals and complaints within the competence of the Service;
- ensures the compilation and provision of information (reports) on procurement procedures in the Company and its subsidiaries, and maintains a high level of information transparency;
- provides and arranges consultations to officials, employees of the Company and subsidiaries on issues related to the requirements of state bodies, provisions of the legislation of the Republic of Kazakhstan in the field of procurement;
- participates in working groups in the development, revision of rules and procedures for procurement in the Company and subsidiaries.

As part of the control of procurement conducted by the Company and its subsidiaries to identify and prevent violations of procurement rules at early stages, the Centralised Procurement Control Service sent 49 notices on the identified violations in 2022.

❖ BOARD OF THE COMPANY

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

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

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

The activities of the 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, adoption of collegial decisions and preparation of recommendations to the Board of the Company on supervised issues, advisory bodies have been established at the Board of the Company:

Investment and Innovation Committee assists the 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.

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

◆ **Activities of the Board**

In 2022, 49 meetings of the Company's Board were held, where 158 issues were considered.

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

- development, approval and submission of the Development Plan, Programme (plan) for restructuring of the Company's assets to the Board of Directors for approval;
- alienation of shareholdings (participatory interests) in certain subsidiaries and affiliated organisations by the Company;
- making decisions on entering into a transaction or a set of interrelated transactions resulting in the Company acquiring or alienating (may be acquired or alienated) property, with a value of less than ten per cent 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 Board actively interacted with the Sole Shareholder and all interested parties of corporate relations to effectively solve the tasks assigned to the Company.

◆ **Composition of the Board**
(as of 31.12.2022)

TEMIRZHAN ABDRAKHMANOV

*Chairman of the Board of NC Kazakhstan Engineering JSC
(information is given in the Composition of the Board of Directors Section)*



GARYP ISMATOV

**Deputy
Chairman of the Board**

Date of birth: 20.02.1986

Nationality: Republic of Kazakhstan

Education:

- Ust-Kamenogorsk College of Economics and Finance, Banking
- Kazakh-American Free University, Bachelor of Finance
- University of International Business, Master of Business Administration

Place of employment and positions held in the last five years:

- **2019 - 2021**
Bureau for Continuous Professional Development of the Astana International Financial Center
- **February - December 2021**
First Deputy Chairman of the Board
Optima Bank OJSC
- **March - September 2022**
Director of the Department of Economics and Planning, Managing
Director of NC Kazakhstan Engineering JSC
- **since September 2022**
 - Deputy Chairman of the Board
 - NC Kazakhstan Engineering JSC

The Company's shares, shares of the Company's suppliers and competitors in possession: none



KUANYSH KISIKOV

**Deputy
Chairman of the Board**

Date of birth: 11.07.1964

Nationality: Republic of Kazakhstan

Education:

- Higher Courses of the KGB of the USSR, Tashkent (1992), Officer with higher vocational education
- Al-Farabi Kazakh State University (2000), Legal Expert

Place of employment and positions held in the last five years:

- **2010 - 2018**
Advisor to the Embassy of the Republic of Kazakhstan in Azerbaijan, Tajikistan, Kyrgyzstan
- **2018 - 2019**
Vice President for General Affairs
Kazakhstan Gharysh Sapary NC JSC
- **2017 - 2020**
Advisor to the Chairman of the Board
Kazakhstan Gharysh Sapary NC JSC
- **since August 2020**
Deputy Chairman of the Board
NC Kazakhstan Engineering JSC

The Company's shares, shares of the Company's suppliers and competitors in possession: none

◆ Remuneration of the Board

The conditions, procedure for performance evaluation and payment of remuneration to executives, Ombudsman, Compliance Officer of the Internal Audit Service and Corporate Secretary are regulated by the Rules of remuneration, performance evaluation and bonus (remuneration) of executives, Ombudsman, Compliance Officer of the Internal Audit Service and Corporate Secretary approved by the decision of the Board of Directors of the Company dated November 22, 2019.

Performance-based remuneration (short-term and long-term remuneration) is payable on a performance-related basis to provide financial incentives for achievements and performance improvement and is not of a permanent nature.

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, 2022 to the members of the Company's Board amounted to 106,072,761.76 tenge; bonuses accrued to the members of the Board for the reporting period amounted to 15,344,953.90 tenge.

◆ Secretary of the Board

The Secretary of the Board is an employee of the Company acting on the basis of the Company's Charter and the Regulations on the 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 Board's work plan,
- preparation of a progress report on the implementation of the Board's work plan;
- drafting the agenda of the Board meeting and materials in accordance with the agenda of the Board meeting;
- execution of decisions of the Company's Board;
- control over timely submission of materials and completeness thereof for the meeting of the Board;
- monitoring and control over the execution of decisions of the Board.

❖ INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT

◆ Internal control system

The internal control system is an important and integral part of the Company's corporate risk management system.

The internal control system is aimed at providing reasonable confidence in achieving the Company's goals in three key areas:

- improving operational efficiency;
- preparation of complete and reliable financial statements;
- compliance with the requirements of the legislation of the Republic of Kazakhstan and internal documents of the Company.

The internal control system is aimed at analyzing business processes, timely identification and analysis of process-level risks inherent in the Company's activities, as well as identification and analysis of control procedures for managing these risks.

The internal control system is organized in accordance with the Regulation on the Internal Control System, which sets out the goals, objectives, principles of operation and components of the Company's internal control system.

◆ Risk management

Key significant events and results in the field of risk management and internal control:

- By the decision of the Board of Directors of the Company dated December 2, 2022 (Minutes No. 19), amendments and additions were made to the Regulation on the Internal Control system of NC Kazakhstan Engineering JSC, approved by the decision of the Board of Directors of the Company dated June 27, 2014 (Minutes No. 7).

- By the decision of the Company's Board of Directors dated December 29, 2022 (Minutes No. 20), the Rules for Managing the currency Risk of NC Kazakhstan Engineering JSC were approved.

- By the decision of the Company's Board of Directors dated December 29, 2022 (Minutes No. 20), amendments and additions were made to the Risk Management Policy of NC Kazakhstan Engineering JSC, with the aim of:

- bringing the provisions of the Policy in line with the requirements of the current legislation (Civil Code of the Republic of Kazakhstan, Laws On Joint Stock Companies, On State Property);

- optimal regulation and de-bureaucratization of the Company's activities by abolishing the Risk Committee (taking into account the provisions of the Decree of the President of the Republic of Kazakhstan dated April 13, 2022 No.872 On measures to de-bureaucratise the activities of the state apparatus);

- development of a risk management system within the framework of the recommendations of COSO (Committee of Sponsoring Organizations of the Treadway Commission).

The main risks of the Company:

- Risk of non-fulfillment by the Company of financial obligations on loans;

- Risk of failure to implement investment projects;
- Risk of failure of the Company's subsidiaries (affiliates) to fulfil the state defence order;
- Risk of failure of the Company's subsidiaries (affiliates) to meet the targets for civil product output and export deliveries;
- Risk of non-fulfillment of the Company's Asset Restructuring Plan;
- Risk of damage from litigation (claim work) of the Company;
- Risk of non-compliance with legislation;
- Currency risks of the Company and its subsidiaries (affiliates);
- Risk that the Company and its subsidiaries (affiliates) fail to meet net profit targets;
- Risk of non-performance of the Company's settlement obligations with counterparties, except for financial liabilities;
- Risks of doubtful/uncollectible accounts receivable of the Company's subsidiaries (affiliates) - "freezing" of funds of the Company's subsidiaries (affiliates) in settlements;
- Risk of non-compliance of the Company's subsidiaries (affiliates) with labour and environmental protection.

Basic principles of the corporate risk management system:

- integrity – consideration of the elements of the aggregate risk of the Company's group in the context of the corporate risk management system;
- openness - the prohibition of treating the corporate risk management system as autonomous or isolated;
- structurality – a comprehensive risk management system has a clear structure;
- awareness – risk management is accompanied by the availability of objective, reliable and up-to-date information;
- continuity – the risk management process is carried out on an ongoing basis;
- cyclicity – the risk management process is a constantly repeating structured cycle of its main components.

The structure of the risk management system in the Company:

The first level is represented by the Company's Board of Directors, which plays a key role in overseeing the corporate risk management system.

The Board of Directors of the Company performs the following main (most significant) functions:

- approval of the Company's internal documents on risk management and internal control, as well as their improvement, compliance and efficiency analysis;
- approval of the Company's risk reports, etc.

The second level is the Company's Board, responsible for organizing an effective risk management system and creating a risk control structure to ensure compliance and compliance with corporate policies.

The Board is responsible for creating a culture of "risk awareness" that reflects the Company's risk management policy and philosophy.

The Board is also responsible for establishing an effective risk management system so that employees have clearly defined risk management responsibilities and bear responsibility for fulfilment of their duties.

The Company's Board ensures the integrity and functionality of the risk management system by performing the following functions:

- implementation of the Risk Management Policy;
- setting up an effective risk management system to identify and assess potential risks;
- ensuring compliance with the provisions of this Policy by the Company's structural divisions;
- improvement of internal procedures and regulations in the field of risk management, etc.

The third level is the Company's structural unit responsible for risk management (the Company's Risk Management and Internal Control Service), with the main functions including:

- organising and coordinating the process of identification and assessment of critical risks;
- preparation and provision of risk information to the Board and the Board of Directors of the Company;
- development, implementation and updating (if necessary) of the methodological framework, policies, risk management rules, risk monitoring procedures;
- ensuring the integration of risk management into other business processes and the development of a risk management culture;
- providing methodological and consulting support to the Company's employees on risk management issues;
- identifying possible risk occurrences, actual or potential, negative trends indicating an increase in risk, analysing the factors that caused the risk, and assessing the magnitude of the estimated loss.

The Internal Audit Service of the Company is the fourth level, performs the following main functions:

- audit of risk management procedures and risk assessment methodology, as well as development of proposals to improve the effectiveness of risk management procedures;
- other functions in accordance with the approved internal documents.

One of the important elements in the structure of the risk management system are the structural divisions of the Company represented by each employee acting as risk owners.

Structural units (risk owners) must realise that they play a key role in the risk management process.

The Company's employees deal with risks on a daily basis, manage them and monitor their potential impact in the area of their functional responsibilities.

Structural units are responsible for the implementation of the risk management action plan, should timely identify and inform about significant risks in the area of their activities and provide risk management proposals for inclusion in the action plan.

The main functions of the Company's structural units in the risk management process are:

- risk identification and assessment;
- participation in the development of methodological and regulatory documentation within their competence;
- making proposals to improve and eliminate deficiencies in the internal control and risk management system;
- implementation of approved risk response and management measures and reporting on a regular basis on the implementation of risk management measures;
- facilitating the development of risk communication;
- providing information on risks, including information on realized risks, to the risk management unit.

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 process whereby the Company and its subsidiaries manage the impact of their activities on the environment, economy, society, and make decisions in a way that respects the interests of stakeholders.

NC Kazakhstan Engineering JSC considers the growth of long-term value while ensuring sustainable development as its main strategic objective. The issues of sustainable development management are described in the Company's Corporate Governance Code; the goals are included in the Company's Development Plan until 2029 as a separate strategic direction.

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

In 2022, in order to formalize the approach to the development of the corporate management system and determine the main goals, objectives, principles and priorities of the Company's activities in the field of sustainable development, the Company's Sustainable Development Policy (hereinafter referred to as the Policy) was developed. It was approved by the decision of the Board of Directors of the Company (No. 13 dated 13.09.2022).

The Policy sets out the Company's goals, objectives and principles in the field of sustainable development, as well as approaches to integrate these principles into all areas of activity of the Company and its subsidiaries and affiliates. It discloses information on the three components of the Company's sustainable development - economic, environmental and social; outlines the main areas of sustainable development activities and risk management in this area; and focuses specifically on the issues of information disclosure and reporting in the field of sustainable development of the Company.

The adoption of the Policy, first of all, shows the Company's commitment to the principles of sustainable development. The Policy is aimed at improving the efficiency and transparency of the Company's activities as part of the implementation of the best international and national management practices in the field of sustainable development.

A distinctive feature of the document is the alignment of the Company's goals and objectives in the field of sustainable development with the UN Global Sustainable Development Goals (UN SDGs). From among the 17 UN SDGs, the Company will focus on six that are most relevant to the industry in order to make a meaningful contribution:

SDG 3. Ensure healthy lives and promote well-being for all at all ages.

SDG 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

SDG 5. Achieve gender equality and empower all women and girls.

SDG 8. Promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all and all.

SDG 9. Building resilient infrastructure, promoting inclusive and sustainable industrialization and innovation.

SDG 12. Ensure sustainable consumption and production patterns.

The Policy, taking into account the specifics of machine-building production, defines the main directions of the Company's activities in the field of sustainable development:

- 1) economic sustainability;
- 2) human capital development;
- 3) occupational safety and industrial safety;
- 4) environmental responsibility;
- 5) scientific-technical and innovative-technological development;
- 6) effective corporate governance and risk culture;
- 7) high ethical standards and anti-corruption;
- 8) responsible procurement;
- 9) responsible business conduct – interaction with stakeholders, local communities and reporting.

The Company also undertakes to disclose information in the field of sustainable development using advanced international reporting standards, such as the standards of the Global Reporting Initiative (GRI).

The Company adheres to the following principles 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 the entities 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 of our operations; 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 labour 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 behaviour

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 stakeholders, whether arising from legislation, contracts or indirectly through business relationships.

Legality

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

Respect for human rights

We respect and promote the observance of human rights provided for by the Constitution of the Republic of Kazakhstan, laws of the Republic of Kazakhstan and international documents; our employees are our main value and resource. Therefore, we attract professional candidates from the labour market on an open and transparent basis and develop our employees based on the principle of meritocracy; ensure the safety and health protection of our employees; implement wellness programmes 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 are subject to dismissal and prosecution; the Company's internal control systems include measures to prevent, deter and detect corruption; we are developing a dialogue with stakeholders to raise their awareness of the fight against corruption.

Inadmissibility of conflicts of interest

Violations related to a conflict of interest may damage the Company's reputation and undermine the confidence of interested parties in the Company; the personal interests of an officer or employee should not interfere with the impartial performance of his or her official duties; in relations with the Company's partners, the Company relies on the establishment and maintenance of fiduciary relations in which the parties are obliged to act as honestly, conscientiously, fairly and loyally as possible towards each other, and takes measures to prevent, identify and eliminate conflicts of interest.

Personal example

Every day, each of us contributes to the implementation of the principles of sustainable development through our actions, behaviour and decisions; officials and employees in positions of responsibility should encourage the implementation of the principles of sustainable development by their personal example.

❖ INTERACTION WITH STAKEHOLDERS

The Company influences or is influenced by stakeholders in the course of its activities.

The 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 stakeholder engagement as a prerequisite for creating long-term value, achieving strategic goals and building 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, and compliance with obligations.

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

The list of stakeholders 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.

In 2022, in order to determine the list of stakeholders, the degree of their influence and the development of strategies and methods of interaction with them, a Map of the Company's stakeholders (hereinafter referred to as the Map) was developed. It was developed in accordance with the internationally recognized AA1000 Stakeholder Engagement Standard (AA1000SES, 2015).

The Map is designed to systematize and visualize information about the environment of the Company and its subsidiaries, for an adequate strategy of working with each of the stakeholders. Identification and classification of and work with stakeholders is one of the tools that helps to increase the Company's long-term value, strengthen its business reputation, and establish effective and balanced relations with all stakeholders.

The Company defines for itself the following groups of stakeholders:

Stakeholders	Contribution, influence	Expectations, interest
Investors, including financial institutions	Financial resources (equity, borrowed funds)	Return on investment, timely payment of dividends, principal and remuneration
Personnel (employees, officials)	Human resources, loyalty	High wages, good working conditions, professional development
Trade unions	Promotion of social stability, regulation of labour relations and conflict resolution	Observance of workers' rights, proper working conditions
Customers, clients	Financial resources by purchasing products (goods and services) of the entity	Obtaining high-quality, safe goods and services at an affordable price
Suppliers	Supply of resources (goods, works and services) to create value	Reliable sales market, permanent solvent buyer
Local communities, population in the places of subsidiaries' operations, non-profit organizations	Support in places of activity; loyalty and support of local authorities; favourable attitude; cooperation	Creation of additional jobs, development of the region
Government, State bodies, Parliament	State regulation	Taxes, solving social problems

The Company categorizes stakeholders depending on the area of impact:

Scope of authority/responsibility:

- sole shareholder;
- management body;
- personnel (employees and officials);
- subsidiaries;

Area of direct impact:

- government agencies;
- investors and financial institutions;
- customers, clients;
- suppliers;
- partners;
- Public Council;

Area of indirect impact

- population, local communities;
- non-profit organizations;
- trade unions;
- mass media;
- competitors.

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. Approaches and methods of interaction with stakeholders are described in the System of interaction with stakeholders of NC Kazakhstan Engineering JSC. In a nutshell, the System defines the following main approaches:

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, understanding 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 affiliates

Interaction with subsidiaries and affiliates 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 development strategy of the Company.

Interaction with suppliers, contractors and customers

In its relations with suppliers, contractors and customers, the Company is guided by the principles of openness, honesty, respect for the interests of mutual benefit, an understanding of full responsibility for the obligations assumed, compliance with all the terms of contractual relations, showing respect and integrity in relations, holding working meetings with customers to fulfil contractual obligations.

Personnel

The interaction between the Company and its employees is aimed at building relationships 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.

Employer-employee relations comply with the legislation of the Republic of Kazakhstan and are governed by the Collective Agreement, employment contracts, the Code of Business Ethics and the 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 creation of gross regional product, provision of jobs for the local population, replenishment of local budgets etc. Interaction with local communities and local executive bodies is based on the balance of interests of the parties and is aimed at obtaining support in the places of activity, positive image, loyalty of local authorities.

The Company considers the Institute of Public Council to be one of the effective tools of interaction with stakeholders.

Public Council of Kazakhstan Engineering, within the framework of implementation of the state policy on formation of the state accountable to the population, ensures wide participation of civil society in making important decisions by the national company.

In April 2022, the Company's Public Council was expanded and new members were elected. Yerlan Aliyev, public figure, former Managing Director for Economics and Finance of Samruk-Energy JSC, was elected Chairman of the Public Council.

In addition, the following commissions of the Council were approved: Strategy and Privatization; Perspective Development, R&D and New Directions; Social and Legal Activities; Financial and Economic Activities.

❖ 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 labour productivity.

The Company makes a worthy contribution to the development of mechanical engineering and to the economic development of the country as a whole.

Efforts in this direction are focused on the overall improvement of the efficiency of the entire group of the Company, including increasing sales revenue, reducing costs and increasing profitability.

Despite the difficult situation developing in the financial and economic activities of the Company, primarily due to the high debt burden, Kazakhstan Engineering has shown positive growth dynamics in the last 2-3 years.

Subsidiaries 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.

The entities make every effort to improve the living standards and well-being of the population in the regions of operations by investing in the development of small and medium-sized businesses, creating jobs, developing the social sphere, supporting secondary and higher vocational education programs, developing healthcare, physical education and sports, promoting corporate social responsibility programs through sponsorship, charity, and support for socially vulnerable groups and persons with disabilities.

The company also contributes to the development of medium-sized businesses in the country by transferring some of its non-strategic assets to the competitive environment.

The total volume of purchases by the group of companies of NC Kazakhstan Engineering JSC at the end of 2022 amounted to KZT 22,315.87 mln, while the in-country value in purchases amounted to 8.5% or KZT 1,900 mln.

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

The reliability of suppliers is verified by checking the Register of Unscrupulous Participants in Public Procurement and/or the Register of Unscrupulous Participants in Quasi-Public Procurement.

◆ Environmental aspect

The environmental component ensures that the impact on biological and physical natural systems is minimised, that the use of limited resources is optimised, that environmentally friendly, energy and material efficient technologies are used, that environmentally friendly products are manufactured, and that waste is minimised, recycled and disposed of.

The entities of the Company's Group consider environmental protection activities as an integral part of their daily work and give priority to measures to minimize the negative impact of their activities on the environment.

The Company's entities carry out production activities in accordance with the requirements of national legislation in the field of environmental protection. The key management principles in this area are to identify and manage risks, implement resource-saving technologies to reduce emissions of pollutants and greenhouse gases and improve energy efficiency, and ensure transparency and awareness.

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

The Company's Group entities have developed and agreed with the local environmental authorities the maximum permissible emission standards, and new standards are developed as these standards expire.

The main sources of air pollutant emissions from the production activities of the enterprises are emissions from:

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

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, with the key objectives defined as:

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

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

In most cases, the Company's entities are not engaged in independent waste disposal, but rather conclude contracts for waste removal with specialised organisations.

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

- scrap metal, including metal shavings;
- mercury-containing lighting sources;
- used batteries;
- used oils and liquids, oiled rags;
- construction waste (during construction and installation);
- solid household waste;
- packaging;
- industrial wood residues.

The Company strives to comply with the principles of environmental stewardship and rational use of natural resources, contributes to the prevention of negative environmental impacts, undertakes initiatives aimed at increasing environmental responsibility, promotes the development and dissemination of environmentally friendly and energy-saving technologies, environmental monitoring and open presentation of environmental information.

The main tasks to ensure environmental sustainability and safety are:

- respect for the environment;
- compliance with regulations 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, energy consumption is crucial from an environmental point of view. The Company's energy consumption consists of two components: electric energy and thermal energy for household needs.

The greatest effect in terms of energy saving is given by measures to reduce energy intensity using innovative energy-saving technologies. Significant cost reduction can be a considerable reduction of heat energy consumption, when implementing the project of modernisation of the enterprise, due to the use of new materials, insulation of facades and window construction, reducing heat losses of the building.

In accordance with the Law of the Republic of Kazakhstan On Energy Saving and Energy Efficiency Improvement, the Company's subsidiaries and affiliates conduct energy audits and annually approve Energy Efficiency Action Plans.

Based on the comments and conclusions of the energy audit, subsidiaries carry out the following measures in the field of energy conservation and energy efficiency improvement:

- Energy Policy has been developed for a number of subsidiaries and affiliates;
- technical accounting and analyses of energy consumption is conducted at the sites;

- equipment is repaired and outdated equipment is replaced with new high-tech and energy-saving equipment;
- step-by-step replacement of obsolete induction devices for technical electricity metering with electronic devices with an accuracy class of 0.5;
- replacement of lighting sources with energy-saving LED lamps;
- installation of adjustable compensating devices;
- replacement of reciprocating compressors with energy-saving screw compressors;
- replacement of obsolete power transformers;
- installation of infrared heaters;
- insulation of pipelines.

For example, in 2022, such enterprises as Petropavlovsk Plant of Heavy Machine Building JSC, S.M. Kirov Machine Building Plant JSC, Semey Engineering JSC, and Uralsk Zenit Plant JSC, as a result of the energy saving measures taken, saved from 3% to 22% on electricity, thus having a positive impact on the profitability of operations.

The implementation of a proactive approach to environmental issues is considered to be an important area of focus; planned measures include the introduction of environmental management, the use of innovative energy-saving technologies, the use of infrared heaters, projects to recycle production waste for reuse, the development of environmentally friendly products, participation in projects to produce renewable energy sources, etc.

◆ **Social aspect**

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

Achieving the Company's mission and vision implies the development of key competitive advantages, where human resources play a significant role. The personnel potential of the Company is the most important strategic factor determining its success.

Kazakhstan Engineering enterprises belong to the oldest machine-building plants in the country and have a good human resource potential, however, the Company is also experiencing certain difficulties against the background of aging personnel, a lack of interest among young people in vocational professions, and relatively low wages.

Therefore, the Company understands that the long-term success of its activities depends on the ability to attract, develop, accumulate and retain human capital.

The key activities in this direction include:

- ensuring equal opportunities and working conditions;

- facilitating the realisation of employees' professional, career and personal potential by investing in training, development and professional improvement of personnel, popularising sports and healthy lifestyles;
- improvement of the remuneration system and motivation system;
- building a talent pool and ensuring continuity;
- attracting and supporting young professionals, developing the practice of labour mentoring and dual training model;
- social support for employees and ensuring stability in labour collectives, as well as measures to improve corporate spirit;
- development of labour safety culture to the level of the best world standards.

Personnel policy

The Company has a Personnel Policy in place, mainly aimed at improving the efficiency of personnel management by implementing HR management and creating a human resources management system focused on maximising profits and ensuring leadership in a competitive environment, based on economic incentives and social guarantees, and promoting a balanced combination of both employer and employee interests.

One of the priority areas of the Company's Personnel Policy is the training of the talent pool, which includes searching for and identifying young and promising leaders in order to train new-format managers having the necessary professional competences 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;
- introduction of advanced methods of personnel management;
- managing the talent pool through a judicious mix of internal talent and external resources;
- building a talent pool of managers;
- creating and developing shared values, social norms and standards governing employee behaviour;
- regulation of social and labour relations, prevention of labour conflicts.

The Company's recruitment procedure was implemented in accordance with the Rules of competitive selection of personnel for the Company's administrative positions, including elements of testing on professional and personal-business competences and interviews with the Company's top management (subject to testing) to verify the level of knowledge of candidates and a meeting of the competition committee.

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

For the year 2022, the Corporate Center has hired 35 employees. 33 employees were dismissed, including 25 employees resigned of their own accord. The staff turnover rate was 45.2%.

The gender structure at the Corporate Centre maintains a balance of men and women, with 44 men and 29 women out of 73 employees.

NC Kazakhstan Engineering JSC is interested in popularizing engineering and technical specialties for the formation of a new generation of highly qualified specialists. Retention and transfer of experience, generational continuity and mentoring at enterprises are the main principles of the Company's HR and social programme.

Within this direction, the Company and its enterprises organize close cooperation with technical colleges, universities, schools. Excursions to the Company's enterprises are regularly held for students and schoolchildren, which are designed to arouse the interest of the younger generation in working in the defense industry, and subsequently help them make their choice in favour of employment at defense industry enterprises.

Social support

The following activities are carried out as part of social support for the employees of the Company and its subsidiaries:

Health care:

- ensuring sanitary and hygienic conditions of workplaces and providing comfortable working conditions;
- organising and providing funding for measures aimed at protecting the health of employees;
- introduction of a voluntary health insurance program for various categories of personnel;
- preventive check-ups of employees, including those under recruitment;
- 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.

Providing a package of social benefits to employees:

- improving the system of providing financial assistance and other types of social benefits to employees.

Support for pensioners:

- development of a corporate programme to support retirees (engagement 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);
- organising participation of retirees in festive and celebratory events held by the Company and its subsidiaries (affiliates) to provide emotional and psychological support.

In order to use the potential of the older generation of production specialists, to develop the institute of mentoring and coaching, as well as to educate and

nurture young personnel, the establishment of the Defence Industry Corporate Fund (provisionally entitled Sheber Mura) was initiated.

The main statutory purpose of the Fund's activities is to preserve and improve the human potential of the country's military-industrial complex through the introduction of the principles of sustainable development and corporate social responsibility.

The Corporate Fund will focus on such areas as:

- development and promotion of educational, intellectual, scientific, cultural, sports and charitable environment of defense industry organizations;
- support of public and scientific and educational initiatives aimed at the prosperity of the defense industry and mechanical engineering, in general;
- maintaining ties with highly qualified employees with extensive professional experience;
- providing practical assistance in professional adaptation to persons who have started their professional activity in the organisations of the defence industry through the development of the mentoring institute and the dual training model;
- ensuring targeted training of highly professional and competitive employees of the defence industry organisations by offering them training, research and professional internships;
- assistance to research and innovation activities aimed at the development of the social sphere of the defense industry system;
- popularization of sports and a healthy lifestyle among employees of defense industry organizations, including organization of mass sports events (competitions, sports contests, championships, etc.);
- promoting the formation of a culture of sustainable development in defense industry organizations, including its environmental component and much more.

Motivation system

In developing the motivation and incentive mechanism, the Company uses the following types of remuneration:

- direct material remuneration;
- indirect material incentives (includes social protection programmes for employees, as well as programmes stipulated by the Company's internal documents);
- non-material motivation.

As part of the implementation of the Company's Personnel Policy, in order to encourage employees to be more motivated to achieve strategic goals, improve the efficiency and quality of their work, and form and develop corporate culture, the Company provides for the introduction of a system of non-financial incentives for the Company's employees, the key principles and provisions of which are defined in the Rules of Non-Financial 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;
- recommendation to awards of the Republic of Kazakhstan and departmental award - the award pin of Kurmetti Machine Zhasaushy (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 labour merits, impeccable and conscientious work and exemplary performance of job duties the Company's employees were awarded in the form of certificates of honour and letters of appreciation.

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.

It is worth noting that NC Kazakhstan Engineering JSC pays special attention to the development of mass sports in the team, strengthening team spirit and camaraderie not only among the Company's employees, but also with colleagues from defense industry organizations.

In this regard, in December 2022, the Company organised the Exhibition and Sports Games of the enterprises of the defense industry in Astana; the event was attended by both subsidiaries and affiliates of the Company and other enterprises of the defense industry: 22 teams attended the event in total. The competition demonstrated a great will to win, strong support from fans and mutual respect between athletes.

Each participating team presented its products at the exhibition so that the factory teams could get acquainted with each other's products and took part in competitions in various sports, such as football, volleyball, athletics, chess, table tennis.

The winners of the prizes were awarded with memorable prizes and personal certificates.

In general, sport is one of the most powerful tools that unite colleagues and increase corporate spirit, so the Company plans to make such events regular.

Social partnership

In order to create conditions for labour 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 have also been concluded in all subsidiaries.

The collective agreement provides for a basic social package, including material support in the event of leave from work, birth/adoption, death of an employee or a member of the employee's family, social benefits during pregnancy and childbirth, compensation upon termination of employment in the event of inability to transfer to another job, voluntary health insurance in the event of illness and medical care for employees and their family members, recreation for employees' children aged 7-14 in children's health camps, etc.

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

The Company considers effective interaction with the population, public structures, local communities, state executive bodies, educational institutions and other categories as another area of social partnership.

In December 2022, due to the introduction of a technogenic emergency regime after the accident at the Ekibastuz thermal power plant, at the initiative of the Union of Machine Builders of Kazakhstan and in coordination with the head of the emergency response headquarters in Ekibastuz, a group of specialists of welders, plumbers and locksmiths of the enterprises of NC Kazakhstan Engineering JSC left for the city to assist in connecting water supply and sanitation systems in residential buildings. All specialists sent out for adjustment work were equipped with the necessary tools, equipment and protective means.

On October 15, employees of NC Kazakhstan Engineering JSC with the support of the Akimat of the Esil district of Astana planted 40 pine trees. Pine seedlings were brought from the nursery of the North Kazakhstan region near Petropavlovsk on the initiative of the national company. The staff of NC Kazakhstan Engineering JSC and its subsidiaries took an active part in the campaign together with their families and children.

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, who contributes 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 unfavourable factors.

In 2022, a Policy in the field of industrial safety was developed (approved by the decision of the Company's Board of Directors dated December 30, 2022).

The Company is constantly in close contact with subsidiaries and affiliates to monitor measures to ensure that all employees comply with safety requirements and increase their awareness in the field of occupational health and safety.

Control is exercised by developing a reporting system in the form of Checklists whereby subsidiaries and affiliates provide monthly updates. Periodically, the information provided by subsidiaries and affiliates on the Checklists is verified on a commission basis by visiting the subsidiaries and affiliates concerned. The possibility of digitizing checklists is being studied.

Audits are also conducted on an ongoing basis at the enterprises to identify and eliminate non-compliances, risks, breaches of standards of appropriateness, etc.

Meetings of the Company's managers together with the teams of subsidiaries and affiliates were held, as well as meetings and round tables to discuss problematic issues and solutions.

Special attention is paid to the issues of social stability at subsidiaries:

- the provision of workplaces is monitored (temperature conditions and illumination in workshops and premises, the condition of facades and roofs, cleanliness in all rooms, the operability of machines and equipment, etc.);
- conducting preventive medical examinations;
- provision of workers with overalls, shoes, personal protective equipment;
- liability insurance for damage caused to the life and health of employees in the performance of their labour duties;
- providing food, leisure and sports opportunities.

Due to the existence of accounts payable and the seizure of accounts of Petropavlovsk Plant of Heavy Machine Building JSC and SMZ JSC, the Company provided financial assistance for the payment of wages to these enterprises. Also, financial assistance in the amount of KZT 1 million was provided to SMZ JSC by S.M. Kirov Machine-Building Plant JSC. At the beginning of the winter period of 2022, at the expense of the collected funds of the Company's employees, work clothes (kirza boots and flying boots) were purchased for the employees of SMZ JSC.

As part of the improvement of working conditions at a number of enterprises, buildings and dormitories were renovated, roofs were repaired, classrooms, canteens, sanitary facilities and showers were refurbished. Abandoned buildings have been transformed into warehouses and offices. Work areas and building facades were also refurbished.

For example, heating was installed in a number of premises of Kirov Machine-Building Plant JSC, new plastic windows were installed in the buildings of Zenit Uralsk Plant JSC; pipelines and cables were replaced and working areas were re-equipped in Kazakhstan Aviation Industry LLP, Aselsan Kazakhstan Engineering LLP and Steel manufacturing LLP; the canteen of Semey Engineering JSC was renovated, wide-screen TVs were installed, and the temporary storage warehouse was equipped with video cameras.

Measures are being systematically taken to increase wages for employees of subsidiaries and affiliates. According to the results of 2022, the average monthly salary for the Company's group amounted to 221 thousand tenge with an initial plan of 201 thousand tenge. In addition, employee bonuses were increased by 14 per cent and financial aid was increased by 9 per cent. Compared to the 2022 estimate, it is planned to increase the wage fund by 8.5% in 2023.

To ensure the loading of enterprises experiencing temporary difficulties with debts, the Company is looking for opportunities to provide them with orders. Thus, agreements have been reached on long-term co-operation with the enterprises of the KTZh Group on the supply of railway products. The orders received were distributed among SMZ JSC, Petropavlovsk Plant of Heavy Machine Building JSC and Tynys JSC.

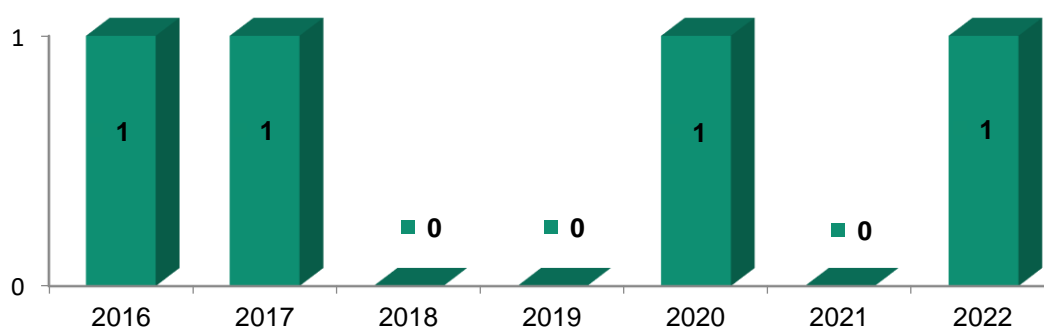
In 2022, as an experiment, a study of the social stability of KI 811 Auto Repair Plant JSC was conducted with the involvement of qualified specialists. Based on the results of the study, professional experts made assessments and provided a number of standard recommendations that are currently being applied to ensure social stability at other Company enterprises.

In accordance with the requirements of the Law of the Republic of Kazakhstan On Compulsory Insurance of Employees against Accidents in the Performance of Labour (Service) Duties, insurance of civil liability of the employer for causing harm to the life and health of an employee in the performance of labour (service) duties is provided.

In the reporting period, there was 1 accident: on July 15, 2022, at Tynys JSC, the fitter of repair shop No. 5 D.J. Gazisov, while removing the bearing "chuck" weighing 29 kg from the lathe, dropped it on his leg, which resulted in an open edge fracture with displacement of the fourth finger of the hand. The main reason was the violation of safety regulations. Thus, 80% of the fault is attributed to the organisation and 20% to the employee. As a result, the employee was reimbursed for medical expenses.

For the group of Companies in 2022, the total amount of labour protection and safety costs amounted to 651,587 thousand tenge.

Industrial injuries (person)



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 2022, 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 2022, 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 at 31 December 2022, the Group's accumulated loss amounted to KZT 9,261,799 thousand and its current liabilities exceeded current assets by KZT 919,882 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.

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.

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 Kazakhstan LLP
15 June 2023



Nurman Zhyenbay
Audit manager



General licence No. 22011362 for audit activity issued 16 June 2022 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 2022

KZT000	Note	2022	2021
ONGOING ACTIVITIES			
Revenues	3	58,771,471	92,419,901
Cost of sales	4	(53,290,775)	(85,145,479)
Gross profit		5,480,696	7,274,422
Selling and distribution costs	5	(1,151,741)	(1,076,994)
Administrative expenses	6	(4,523,102)	(4,564,070)
Recovery of impairment losses (losses), net	7	578,944	(1,115,416)
Other operating income, net	8	3,871,852	768,512
Operating profit		4,256,649	1,286,454
Share in income of associates and joint ventures	12	583,486	169,330
Finance income, net	9	1,170,015	1,460,318
Foreign exchange gain (loss)		225,512	(187,611)
Profit before taxation		6,235,662	2,728,491
Income tax expense	10(a)	(1,107,168)	(812,376)
Profit for the year		5,128,494	1,916,115
DISCONTINUED OPERATIONS			
Net loss from discontinued operations		–	(23,014)
Net income for the year		5,128,494	1,893,101
Other comprehensive income for the year		–	–
Total comprehensive income for the year		5,128,494	1,893,101
Attributable to:			
The share of the Company's shareholders		5,113,899	1,927,436
Non-controlling interest		14,595	(34,335)

These consolidated financial statements have been approved for issue on 15 June 2023 and signed on behalf of the Group's management by:


Temirzhan Abdrakhmanov
Chairman of the Management Board
JSC "National Company "Kazakhstan
Engineering"


Garyp Ismatov
Deputy Chairman of the
Management Board for Economics
and Finance


Gulvira Ikmatova
Chief Accountant

The notes on pages 5 to 28 are an integral part of these consolidated financial statements

TRANSLATED

Kazakhstan Engineering National Company JSC
Consolidated statement of financial position
 as at 31 December 2022

KZT'000	Note	2022	2021
ASSETS			
Non-current assets			
Property, plant and equipment	11	41,106,509	42,903,940
Investment property		243,643	248,818
Intangible assets		338,183	336,041
Investments in joint ventures and associates	12	6,876,240	6,715,752
Deferred tax asset	10(b)	1,827,465	1,944,008
Loans issued	13	9,669	2,192,197
Restricted cash	14	2,474,148	2,573,936
Other non-current assets	15	2,115,935	2,122,307
		54,991,792	59,036,999
Current assets			
Inventories	16	21,061,675	16,525,323
Corporate income tax prepaid		1,804,303	878,745
Advances paid and other current assets	17	18,193,887	13,775,832
Trade and other receivables	18	5,233,457	6,870,973
Loans issued	13	1,579,313	–
Restricted cash	14	426,566	516,436
Bank deposits		–	2,640
Cash and cash equivalents	19	24,883,812	28,228,837
		73,183,013	66,798,916
Assets held for sale		184,087	215,951
TOTAL ASSETS		128,358,892	126,051,866
EQUITY AND LIABILITIES			
Equity and reserves			
Share capital	20(a)	58,323,806	58,323,806
Additional paid in capital		412,406	412,406
Accumulated losses		(9,261,799)	(14,375,698)
Equity attributable to shareholders of the Company		49,474,413	44,360,514
Minority interests		342,446	338,777
		49,816,859	44,699,291
Non-current liabilities			
Borrowings and finance lease	21	2,827,247	4,048,878
Preference shares dividends payable		776,347	780,701
Trade and other payables	22	392,335	436,840
Deferred tax liability	10(b)	443,209	399,632
		4,439,138	5,666,051
Current liabilities			
Borrowings and finance lease	21	22,491,776	22,566,049
Deferred income - government grant	21	192,344	425,642
Trade and other payables	22	13,527,331	15,282,616
Provisions	23	3,740,235	5,277,132
Advances received	24	33,634,075	31,255,891
Preference shares dividends payable		511,829	469,507
Income tax payable		5,305	409,687
		74,102,895	75,686,524
TOTAL LIABILITIES		78,542,033	81,352,575
TOTAL EQUITY AND LIABILITIES		128,358,892	126,051,866

TRANSLATED

Kazakhstan Engineering National Company JSC
Consolidated statement of cash flows
 for the year ended 31 December 2022

KZT'000	Note	2022	2021
OPERATING ACTIVITIES			
Cash receipts from customers		74,023,714	80,466,193
Cash paid to employees		(9,266,433)	(8,411,490)
Other taxes and obligatory payments paid		(10,464,338)	(10,561,125)
Cash paid to suppliers		(54,938,155)	(61,439,970)
Cash flows from operations before interest and income tax paid	25	(645,212)	53,608
Interest received		2,613,090	1,888,740
Interest paid	21	(1,012,185)	(1,188,516)
Income tax paid		(1,482,056)	(1,998,717)
Net cash used in operating activities		(526,363)	(1,244,885)
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(872,595)	(1,475,551)
Proceeds from sale of property, plant and equipment		22,607	78,950
Purchases of intangible assets		(76,572)	(138,741)
Purchases of other investments		(85,047)	-
Proceeds from sale of shares in subsidiaries and associates		403,882	1,401,735
Disposal of subsidiaries		(254)	(2,866)
Decreasing in the bank deposit		2,640	-
Issuing loans	13	(132,469)	-
Repayment of loans issued	13	559,606	-
Dividends received		382,810	576,430
Net cash from (used in) investing activities		224,608	439,957
FINANCING ACTIVITIES			
Proceeds from borrowings	21	3,326,864	7,388,028
Repayment of borrowings	21	(6,059,634)	(8,843,355)
Dividends paid	20(b)	(10,926)	(327,023)
Net cash used in financing activities		(2,743,696)	(1,782,350)
Net decrease in cash		(3,045,451)	(2,587,278)
Effect of exchange rate changes on cash		(299,604)	118,048
Cash and cash equivalents at the beginning of the year		28,228,867	30,698,097
Cash and cash equivalents at the end of the year	19	24,883,812	28,228,867

Reconciliation of cash flows from operating activities reported using the indirect method and non-cash transactions are provided in note 25.

TRANSLATED

KZT'000

At 1 January 2021
 Total comprehensive income (expense)
 Equity issuance
 Disposal of a subsidiary
 Dividend declared
At 31 December 2021
 Total comprehensive income
 Dividend declared
At 31 December 2022

Kazakhstan Engineering National Company JSC
Consolidated statement of changes in equity
for the year ended 31 December 2022

Note	Share capital	Additional paid in capital	Accumulated losses	Equity attributable to shareholders of the Company	Minority interests	Total
	57,118,832	412,406	(15,978,400)	41,552,838	879,720	42,432,558
	-	-	1,927,436	1,927,436	(34,335)	1,893,101
20(a)	1,204,974	-	-	1,204,974	-	1,204,974
	-	-	-	-	(495,705)	(495,705)
20(b)	-	-	(324,734)	(324,734)	(10,903)	(335,637)
	58,323,806	412,406	(14,375,698)	44,360,514	338,777	44,699,291
	-	-	5,113,899	5,113,899	14,595	5,128,494
20(b)	-	-	-	-	(10,926)	(10,926)
	58,323,806	412,406	(9,261,799)	49,474,413	342,446	49,816,859

The notes on pages 5 to 28 are an integral part of these consolidated financial statements



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