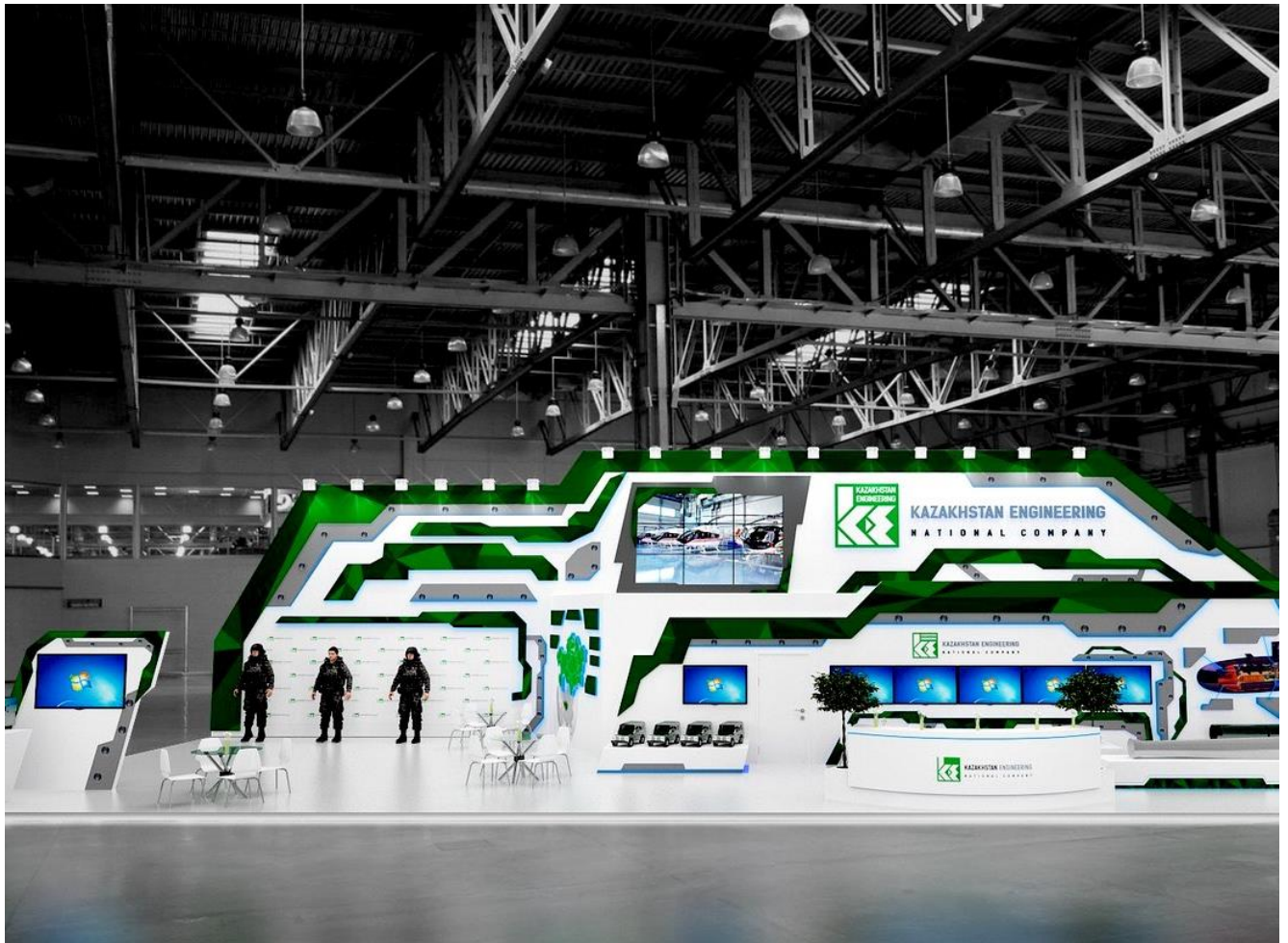


**ANNUAL REPORT 2024
OF NATIONAL COMPANY
KAZAKHSTAN ENGINEERING
JOINT STOCK COMPANY**





Dear readers!

We present to your attention the Annual Report on the results of our activities for the past 2024.

The report reflects the goals and fruits of labor of the entire team of the NC Kazakhstan Engineering JSC holding, as well as a description of the following areas: financial and economic activities, corporate governance, risk management system, internal control and audit, sustainable development, and human resources management.

We wish you pleasant reading!

CONTENT

❖	MESSAGE OF THE CHAIRMAN OF THE BOARD OF DIRECTORS	5
❖	MESSAGE OF THE CHAIRMAN OF THE BOARD	6
❖	PRINCIPLES OF PREPARATION OF THE ANNUAL REPORT	8
1.	OVERVIEW.....	9
❖	ABOUT THE COMPANY	9
◆	GRI 2-1 Mission and Vision	9
◆	History of development	9
❖	BUSINESS MODEL AND STRATEGIC DEVELOPMENT	10
◆	Asset structure of NC Kazakhstan Engineering JSC	12
	(as of 31.12.2024)	12
◆	ORGANIZATIONAL STRUCTURE GRI 2-9	13
2.	OVERVIEW OF ACTIVITIES.....	13
❖	INDUSTRY OVERVIEW	13
◆	Dynamics of production volumes in mechanical engineering	13
❖	KEY EVENTS OF THE REPORTING PERIOD.....	14
◆	Corporate-wide events.....	14
◆	Activities of subsidiaries and affiliates	16
◆	International cooperation and exhibition and marketing activities.	24
❖	COMPANY PERFORMANCE, ASSET MANAGEMENT AND PLANS FOR 2025	26
◆	Achievement of the Company's Key Performance Indicators	26
◆	Operational and financial performance of the Company and its subsidiaries	30
◆	Asset Management	32
◆	The Company's plans for 2025	33
❖	INVESTMENT ACTIVITIES OF THE COMPANY	33
3.	CORPORATE GOVERNANCE	34
❖	BASIC PRINCIPLES AND STRUCTURE OF CORPORATE GOVERNANCE	34
❖	CORPORATE GOVERNANCE STRUCTURE	36
❖	Compliance of the Company's corporate governance practices with the principles of the Corporate Governance Code.....	36
❖	BOARD OF DIRECTORS OF THE COMPANY	38
◆	Activities of the Board of Directors.....	45
◆	Committees of the Board of Directors.....	46
◆	Remuneration of members of the Board of Directors	49
◆	Public Council	50
◆	Corporate Secretary.....	50
◆	Internal Audit Service.....	51



◆	Compliance service.....	52
◆	Centralized Procurement Control Service	53
❖	BOARD OF THE COMPANY.....	55
◆	Activities of the Board	56
◆	Composition of the Board	56
◆	Remuneration of the Board.....	58
◆	Secretary of the Board	59
❖	INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT	59
◆	Internal control system.....	59
◆	Risk management	60
4.	SUSTAINABLE DEVELOPMENT	63
◆	Sustainable Development Goals of the Company.....	63
◆	Economic aspect.....	65
◆	Occupational safety and health	65
◆	Ecological aspect	69
◆	Personnel policy.....	71
❖	INTERACTION WITH THE STAKEHOLDERS.....	76
❖	EXTERNAL AUDIT AND AUDITOR'S REPORT	79
	CONTACT INFORMATION	82

❖ MESSAGE OF THE CHAIRMAN OF THE BOARD OF DIRECTORS



RAKHYMZHAN ISAKULOV

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

NC Kazakhstan Engineering JSC continues to follow the strategic priorities outlined in the Address of the Head of State to the people of Kazakhstan "Economic Course of a Fair Kazakhstan". These priorities are aimed at strengthening the military-industrial complex and sustainable technological growth.

NC Kazakhstan Engineering JSC is actively working to expand the material and technical base, introduce innovative solutions and increase production efficiency, covering a wide range of areas: from the assembly and repair of aircraft to the disposal of ammunition.

NC Kazakhstan Engineering JSC continues to work to ensure the sustainability of the industry and invest in it by developing and increasing the efficiency of its production enterprises.

The development of the industry depends on the well-coordinated work of labor collectives of organizations belonging to the Kazakhstan Engineering group. Their contribution is invaluable and is an engine in the implementation of the tasks.

I express my gratitude to the employees, partners and all interested parties for their common contribution and support. We look forward with confidence to the future, where the implementation of the tasks set before us requires us to be highly professional and engaged.

**Kind regards,
Chairman of the Board of Directors
NC Kazakhstan Engineering JSC
R. Isakulov**

❖ MESSAGE OF THE CHAIRMAN OF THE BOARD



TALGAT TURLYBAEV

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

**Dear readers of the Annual Report,
Colleagues and Partners!**

2024 has become a time of significant achievements and changes for NC Kazakhstan Engineering JSC. We continue our course towards sustainable development and strengthening our position in the industry, despite the challenges that the whole world has faced.

The Company has been in operation for over 20 years since its founding. This demonstrates the Company's resilience and success over two decades. The Company faces daily challenges from external and internal circumstances that impact the productive activities of the holding's organizations. For example, by the end of 2024, revenue from sales of the Company's group products and services amounted to 42 351 142 thousand tenge, which is 35% below the planned level. Work is also ongoing to reduce non-productive expenses and lower the cost of manufactured products and services.

Despite the difficulties, by the end of 2024, as a result of the coordinated work of the Company and production organizations, the Company received a consolidated net income of 131 million tenge.

At the same time, would like to highlight the successes of our organizations, which continue to develop and implement technological processes not only in the specialty product segment but also in civilian applications. This is the result of the professionalism and dedication of every employee, both at the corporate center and at production sites.

Regarding the Company's existing debt burden, the situation is as follows. At the end of the reporting period, total debt to second-tier banks amounted to 10,0 billion tenge, a decrease of 5,3 billion tenge compared to 2023 and 13,9

billion tenge compared to 2022. This represents a significant reduction in the debt burden. Work in this area will continue.

In 2024, the Company also pursued international cooperation and the development of research and innovation activities. These areas of the Company's statutory activities play a vital role, allowing the Company to keep pace with technological progress and offer our customers the most advanced solutions. Significant work has been accomplished in this area: as part of military-technical cooperation with foreign partners, a number of major meetings were held, resulting in the signing of relevant international agreements.

At the same time, 2024 was a preparatory period for the Company's transformation. The Company plans to revise its mission and development directions in light of the changes in the Company's structure and the transfer of several assets to a competitive environment. It is firmly convinced that joint efforts and collaboration will contribute to the Company's successful development.

I express my gratitude to the leadership of the Ministry of Industry and Construction of the Republic of Kazakhstan, the Ministry of Defense of the Republic of Kazakhstan, the Chairman and members of the Board of Directors of the Company, as well as all our partners for their attention and friendly cooperation.

I would also like to express my gratitude to the employees of the Company and its group organizations for their hard work and dedication to the common cause. It is thanks to their high professionalism and initiative that the Company has been able to not only maintain but also strengthen its position in the market for more than 20 years.

2024 marks a period of new challenges, which we have overcome thanks to our joint efforts and mutually beneficial partnership. We continue to move forward, guided by our values and strategic guidelines. Ambitious goals lie ahead, and together, we will surely achieve them.

**Kind regards,
Chairman of the Board of
NC Kazakhstan Engineering JSC
T. Turlybayev**

❖ PRINCIPLES OF PREPARATION OF THE ANNUAL REPORT

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

The Report reflects the results of the Company's activities for the period from January 1 to December 31, 2024.

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

- Accountability – the Company is aware of its accountability to the Sole Shareholder for ensuring the achievement of strategic goals and objectives, the growth of long-term value and sustainable development in the long term.
- Transparency – the Company is open to meetings, discussions and dialogue, and also strives to build long-term cooperation with stakeholders based on mutual interests, and aims to make the Report understandable and accessible to a wide range of stakeholders.
- Balance – Report reflects all aspects of the Company's activities, both positive and negative.
- Accuracy and reliability – the information presented in the Report is collected on the basis of documented data. When preparing the sections of the Report related to financial and economic activities, audited financial statements prepared in accordance with IFRS were used.
- Respect for human rights – the Company's employees are its main value and main resource.
- Promptness – the preparation of the Report is planned.

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

The report was prepared in the State, Russian and English languages, with an electronic version posted on the Company's Internet resource (www.ke.kz).

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

1. BRIEFLY ABOUT US

❖ ABOUT THE COMPANY

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 (hereinafter referred to as the MIC) 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.

As of December 31, 2024, the Sole Shareholder of the Company is the Government of the Republic of Kazakhstan, represented by the State Property and Privatization Committee of the Ministry of Finance of the Republic of Kazakhstan.

The nature of ownership and the legal form of the Company are private ownership, a legal entity with the legal form of a joint-stock company.

◆ GRI 2-1 Mission and Vision

The Company's mission is to realize the state's strategic interests in developing the military-industrial complex through effective asset management and increasing the long-term value of the organizations within the Holding.

The Company's vision is to become, in the strategic perspective, an effective center of innovation and technological (production) competencies in military and civil engineering.

◆ History of development

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 share package 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, a block of shares of the Company was transferred to the trust management of the Ministry of Defense of the Republic of Kazakhstan.

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

In accordance with the Resolution of the Government of the Republic of Kazakhstan dated July 3, 2018 No. 405 "On certain issues of the joint-stock company "National Company Kazakhstan Engineering" (Kazakhstan

Engineering), the block of shares of the Company was transferred to state ownership, the rights of ownership and use of which were vested in the Ministry of Defense and Aerospace Industry of the Republic of Kazakhstan, later (February 25, 2019) transformed into 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 July 12, 2019 No. 501 "On measures to implement the Decree of the President of the Republic of Kazakhstan dated June 17, 2019 No. 24 "On measures to further improve the public administration system of the Republic of Kazakhstan", the rights of ownership and use of the state-owned block of shares of the Company were transferred to the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan.

In accordance with the Decree of the Government of the Republic of Kazakhstan dated September 1, 2023 No. 318 "On measures to further improve the public administration system of the Republic of Kazakhstan", in order to modernize and increase the efficiency of the public administration system, the rights of ownership and use of the state-owned block of shares of the Company were transferred to the Ministry of Industry and Construction of the Republic of Kazakhstan.

The authorized capital of the Company is 85 382 217 thousand tenge.

The total number of issued shares of the Company, according to the audited financial statements as of December 31, 2024, including:

- common shares 85 490 413 pieces;
- Preferred shares - none.

The nominal value of 1 share is 1 000 tenge.

The Company's shares are issued in the amount of 85 382 217 pieces.

100% of the Company's shares belong to the Sole Shareholder.

The register of holders of the Company's securities is maintained by JSC Central Securities Depository.

❖ BUSINESS MODEL AND STRATEGIC DEVELOPMENT

The Company is a holding structure designed to ensure a unified financial, production and technological policy at the country's largest mechanical engineering organizations, which are part of the Company's group, 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 two roles: as a major part of the military-industrial complex, fulfilling the state defense order (hereinafter referred to as the SDO), and as a commercial company focused on profit-making and business development.

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

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

The Development Plan corresponds to the long-term vision of the country's 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.

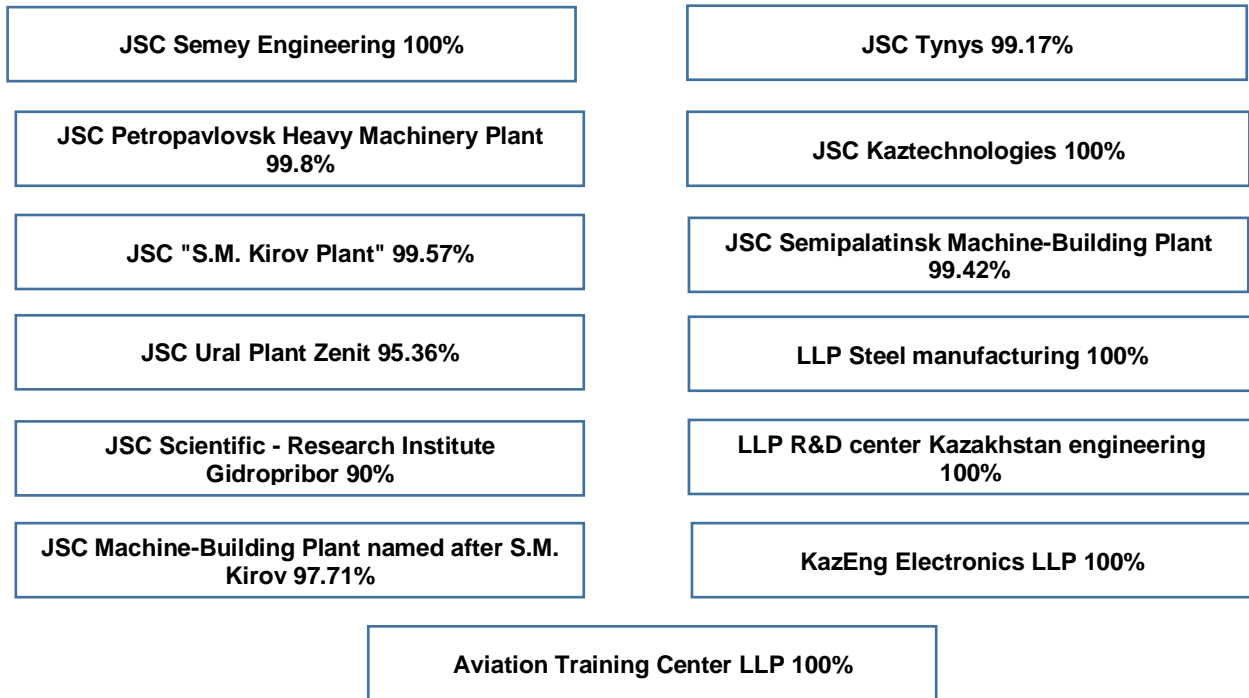
The Development Plan sets the following goals:

- diversification of production through localization 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.

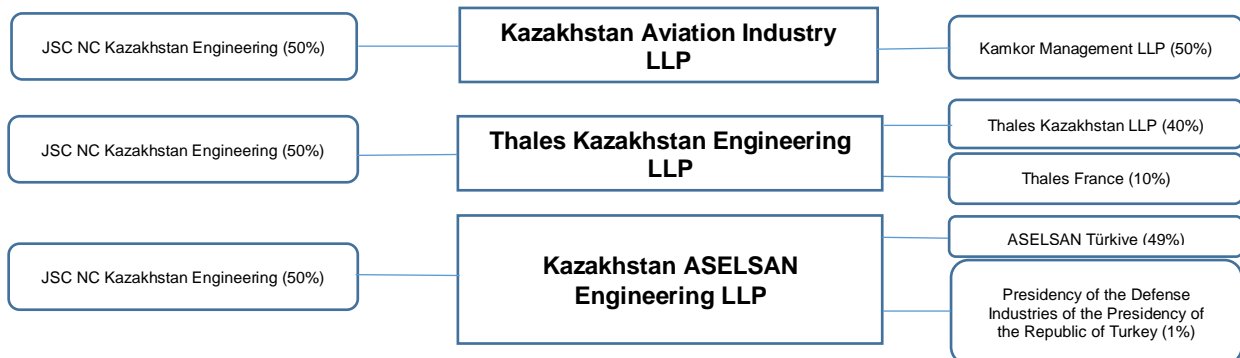
In view of the changes taking place in the country and the world, the company intends to update the vision of its strategic development and it is therefore planned to introduce amendments to the strategic planning documents.

◆ **Structure of assets of NC Kazakhstan Engineering JSC**
(as of 31.12.2024)

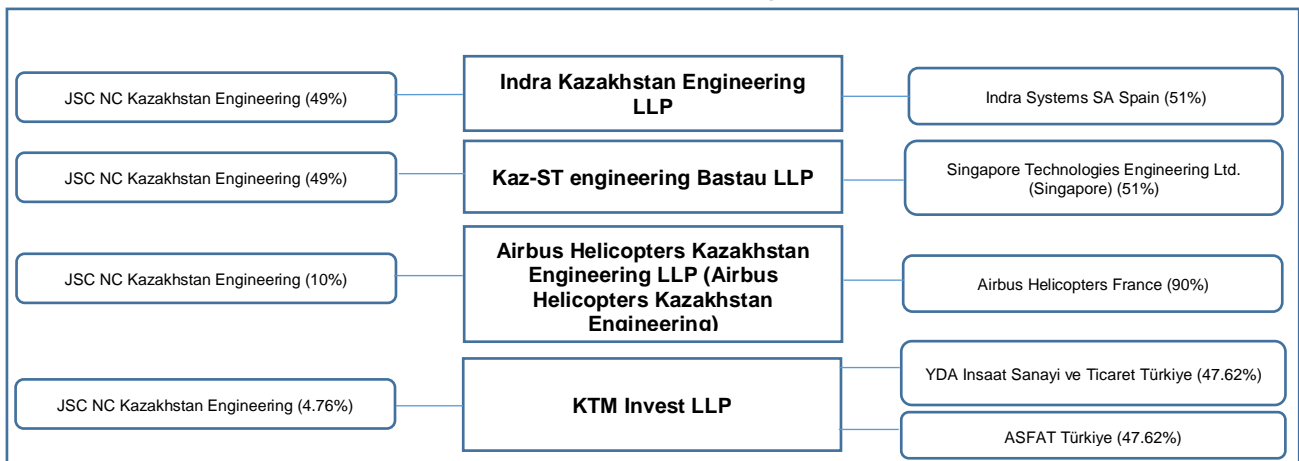
Subsidiaries (voting shares)



Jointly controlled entities



Dependent organizations



◆ **ORGANIZATIONAL STRUCTURE GRI 2-9**

The organizational structure of the Company is provided on the corporate Internet resource: <https://ke.kz/ru/company/corporate-management/structure/organizatsionnaya-struktura-kompanii/>.

2. OVERVIEW OF ACTIVITIES

❖ **INDUSTRY OVERVIEW**

◆ **Dynamics of production volumes in mechanical engineering**

According to the Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan, mechanical engineering production volume reached 4 642.5 billion tenge in 2024, an 11.3% increase compared to 2023 (4 171.9 billion tenge). The physical production volume index in the industry was 109.8% of the same period in 2023.

In metalworking, production volumes for the reporting period amounted to 586.7 billion tenge, which in value terms is 22.1% higher than the 2023 level (480.6 billion tenge).

Figure 1



Source: Analytical report on the state of the mechanical engineering industry of the Republic of Kazakhstan for January–December 2024, Union of Mechanical Engineers of Kazakhstan, according to the Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan.

The Company's subsidiaries' share of Kazakhstan's mechanical engineering output stood at 0.84% in 2024. Despite increased sales volumes

by individual subsidiaries, this figure remained at the 2023 level due to the growth of the country's mechanical engineering industry. Thus, the volume of mechanical engineering production in Kazakhstan in 2024 increased by 11% compared to 2023, from 4 172 billion tenge to 4 642 billion tenge.

As of January 1, 2025, there were 4 170 active enterprises in the mechanical engineering sector, including 3 998 small, 105 medium, and 67 large. Compared to January 1, 2024, the total number of active enterprises in the industry increased by 157, due to the growth in the number of enterprises of all categories.

In 2024, the state continued its policy of providing support to enterprises in the mechanical engineering industry: preferential financing ("Economy of Simple Things", "Business Roadmap 2025", "Preferential Lending Program"), assistance in product sales through preferential leasing, implementation of the import substitution program and the "offtake contract" mechanism of JSC NWF Samruk-Kazyna.

Furthermore, as part of the implementation of the Action Plan of the Government of the Republic of Kazakhstan to ensure economic growth for 2024, a state investment proposal was developed in the amount of 50 billion tenge to increase the authorized capital of the country's key industrial holdings: JSC National Management Holding Baiterek, JSC Development Bank of Kazakhstan, and JSC Industrial Development Fund.

❖ KEY EVENTS OF THE REPORTING PERIOD

◆ Corporate events

The year 2024 was marked by a number of events in various areas of activity for the Company.

- In January 2024:

The company has fully repaid loans initially received from JSC Halyk Bank of Kazakhstan in 2016 in the amount of 26.2 billion tenge, which were used to repay Eurobonds.

By the decision of the sole shareholder of the Company (Order of the Ministry of Industry and Construction of the Republic of Kazakhstan dated January 17, 2024, No. 21), Bakytbek Sydykov, Deputy Minister of Defense of the Republic of Kazakhstan, and Dauren Akshalov, independent director, were elected to the Board of Directors of the Company.

By the decision of the Board of Directors of the Company dated January 29, 2024, the composition and terms of office of the Management Board (three years) were determined, and Kulaziya Chokusheva was elected as a new member of the Management Board, Deputy Chairperson of the Management Board.

According to the results of a study conducted by the State Institution "Language Policy Committee of the Ministry of Science and Higher Education of the Republic of Kazakhstan" as part of the "Monitoring of Official Internet

Resources" project, the Company ranks second among national companies (joint-stock companies) for 2023 in terms of compliance with standards for the use of the state language.

- In March 2024:

By the decision of the Board of Directors dated March 1, 2024 (minutes No. 02), the powers of Temirzhan Abdrakhmanov as Chairman of the Company's Management Board were terminated early.

By the decision of the Sole Shareholder (Order of the Ministry of Industry and Construction of the Republic of Kazakhstan dated March 4, 2024 No. 89), the powers of Temirzhan Abdrakhmanov as a member of the Board of Directors were terminated early.

- In May 2024:

By the decision of the Board of Directors dated May 14, 2024, Talgat Turlybaev was appointed (elected) as Chairman of the Management Board of the Company.

- In June 2024:

By the decision of the Sole Shareholder (Order of the Ministry of Industry and Construction of the Republic of Kazakhstan dated June 4, 2024 No. 206), the Chairman of the Board of the Company, Talgat Turlybaev, was elected a member of the Board of Directors of the Company.

- In July 2024:

Eurocopter Kazakhstan Engineering LLP has rebranded and been renamed Airbus Helicopters Kazakhstan Engineering LLP.

- In August 2024:

The Company's Board of Directors approved a major investment project, "Creation of a testing laboratory for personal protective equipment based on Steel Manufacturing LLP", which is included in the Investment Projects Portfolio of Kazakhstan Engineering NC JSC.

- In September 2024:

An investor was attracted to Steel Manufacturing LLP by signing a Trust Management Agreement for Steel Manufacturing LLP between the Company and AYDA INTEGRATED DEFENCE SYSTEMS LLP with a trust management period of 10 years, including for the commissioning of the automatic (rifle) line and its launch into industrial operation.

- In October 2024:

By the decision of the Board of Directors of the Company dated October 4, 2024 (minutes No. 16), a decision was made to increase the number of members of the Company's Management Board to four people.

- In November 2024:

By the decision of the Sole Shareholder (Order of the Ministry of Industry and Construction of the Republic of Kazakhstan dated November 30, 2024 No. 409):

- the powers of Azamat Beispekov as Chairman of the Board of Directors of the Company and Erbol Akhmetov as a member of the Board of Directors of the Company were terminated early;

- Isakulov Rakhymzhan, Vice Minister of Industry and Construction of the Republic of Kazakhstan, was elected Chairman of the Board of Directors of the Company;

Tynysbekov Baurzhan, Deputy Chairman of the State Property and Privatization Committee of the Ministry of Finance of the Republic of Kazakhstan, was elected as a member of the Board of Directors of the Company.

- In December 2024:


The Company's property, real estate located at the following address: Petropavlovsk, Teplie Kusty Street, Building 5, was sold. The buyer was Ultradecor Trading Kazakhstan LLP.

The company has successfully passed an independent corporate governance assessment for the period 2022–2024.



Based on the assessment, the Company's corporate governance level was 80% out of 100%. This result reflects the Company's corporate governance system's compliance with all material aspects of the established criteria, and provides sufficient evidence that the system is operating effectively.



◆ Activities of subsidiaries and affiliates




Table 1

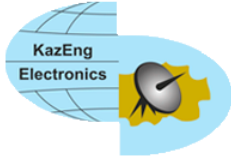
No	Name of the organization	Activities
Subsidiaries (holding more than 50% of shares/interests)		
1.	<p>Semey Engineering JSC</p> 	<p>Founded by reorganisation of the Armour Repair Plant, a republican state enterprise founded on July 2, 1976.</p> <p>It is the only specialized organization in the Central 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> <p>In 2024, JSC Semey Engineering successfully expanded its range of repaired equipment.</p> <p>In addition, to improve the repair process for military equipment and vehicles, modern equipment was purchased and launched, including an IGK-1625 vibrating knife cutting machine and a metal processing machine (laser cutting), which has improved the quality and speed of repair work.</p>


<p>2.</p>	<p>Petropavlovsk Heavy Machinery Plant JSC</p> 	<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> <p>Petropavlovsk Heavy Machinery Plant JSC manufactures tube bundles and gas-tight heating panels for boilers for combined heat and power plants (CHPs), as well as a wide range of railway products (swing hangers, traction yoke wedges, brake shoe pins, and spare tanks). These products are used at CHPs and railway enterprises both in Kazakhstan and the CIS.</p> <p>Orders have also been received and are being fulfilled for the supply of equipment for the oil and gas industry – in particular, hydraulic pumps and cylinders for drilling and lifting systems.</p> <p>In addition, the plant supplied well lifting and repair units with a lifting capacity of 40 tons (APRS 40) to Embamunaygaz and Ozenmunaigas.</p>
<p>3.</p>	<p>S.M. Kirov Plant JSC</p> 	<p>It was founded in 1928 with a specialization in the production of radio equipment. In 1941, the plant was evacuated to Petropavlovsk.</p> <p>The main activity of the plant is design and production, installation, commissioning, maintenance and repair of communications equipment, railway automation, security systems for the needs of law enforcement agencies, railway transport, oil and gas complex, technical means for digital television and special means.</p> <p>There are all the necessary licenses and certificates for the organization of production.</p> <p>Quality management systems ISO 9001:2015 and occupational health and safety OHSAS 18001:2007 have been implemented and are functioning.</p> <p>In 2024, S.M. Kirov Plant JSC demonstrated sustainable development, accompanied by a significant expansion of its product range. This was made possible by modernization, digitalization of production lines, and active import substitution efforts.</p> <p>The plant has strengthened its position in the supply sector:</p>



		<ul style="list-style-type: none"> - railway products, expanding the range of automation, dispatch and radio communication equipment; - components for the oil and gas and agricultural sectors. <p>As part of the technical re-equipment, the following was mastered:</p> <ul style="list-style-type: none"> - production of multilayer printed circuit boards (up to 16 layers, 5–6 accuracy classes); - SMD assembly line – allows for the assembly of up to 30,000 components/hour; - automatic quality control and etching systems. <p>This allowed the Plant to enter the electronics and microelectromechanical systems (MEMS) market.</p> <p>In addition, S.M. Kirov Plant JSC was the first to develop and partially localize the production of agricultural drones, military UAVs, electronic countermeasure systems, and anti-drone systems.</p> <p>In 2024, the plant demonstrated not only a quantitative but also a qualitative expansion of its product line.</p>
<p>4.</p>	<p>Semipalatinsk Machine-Building Plant JSC</p> 	<p>It was founded in 1969 as a branch of the Rubtsovsk Machine-Building Plant in accordance with the order of the Ministry of Defense Industry of the USSR.</p> <p>Production facilities are focused on the manufacture of tracked conveyor tractors and spare parts, trailed equipment, products for the railway industry.</p> <p>The ISO9001:2008 quality management system has been implemented and is functioning.</p> <p>Since February 7, 2022, a rehabilitation procedure has been applied to Semipalatinsk Machine-Building Plant JSC (hereinafter referred to as JSC SMZ) for a period of 5 years.</p> <p>Based on the Reorganization Agreement signed with OLJAKOL LLP on April 21, 2023, OLJAKOL LLP was approved as a participant in the reorganization of SMBP JSC.</p>
<p>5.</p>	<p>Tynys JSC</p> 	<p>Tynys JSC, previously known as the Oxygen-Breathing 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 production of specialized products for various types of aircraft, body armor of various protection classes, PE pipes, fire extinguishers, geotextiles, and casting using gasifiable models.</p> <p>The ISO9001:2008 quality management system has been implemented and is functioning. In 2024, JSC Tynys continues to fulfill contracts under the state defense order and civilian products.</p>


<p>6.</p>	<p>Machine-Building Plant named after S.M.Kirov JSC</p> 	<p>It was founded in 1942 within the premises of the factory No. 182 evacuated from Makhachkala (now the Dagdiesel plant).</p> <p>The production facilities of the plant are focused on modernization, restoration repair of underwater weapons; production of marine hydraulics and automatics of combustion of boilers, spare parts for the railway industry, products for the mining industry and oil and gas complex; production of engineering products for general industrial purposes.</p> <p>It has accredited sanitary-industrial and metrological laboratories, testing center, Bureau for Design and Technology.</p> <p>The ISO9001:2008 quality management system has been implemented and is functioning.</p>
<p>7.</p>	<p>Ural Plant Zenit JSC</p> 	<p>It was created within the premises of the Engine plant evacuated from Leningrad in 1941.</p> <p>The main activity is construction of boats and ships, which was the beginning of shipbuilding in the Republic of Kazakhstan. This became possible due to the availability of the plant's appropriate technical and production capabilities, intellectual and human potential. During this time, the serial production of boats and ships has been mastered.</p> <p>Manufactured products:</p> <ul style="list-style-type: none"> - shipbuilding; - products for oil and gas complex; - other mechanical engineering products. <p>The ISO9001:2008 quality management system has been implemented and is functioning.</p> <p>Throughout 2024, Ural Plant Zenit JSC successfully completed scheduled maintenance and repairs on ships and boats for law enforcement agencies, and continued to fulfill contracts under the state defense order and civilian products.</p> <p>One of the significant achievements was the development of production of high-speed patrol boats of the CHASER project made of composite materials.</p> <p>As part of its technical development efforts, Ural Plant Zenit JSC showcased its production of various metal structures and tanks, repair of large-scale drilling equipment, testing services at its central plant laboratory, and the manufacture of gas burners and other in-demand products.</p>
<p>8.</p>	<p>Scientific-Research Institute Hidropribor 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 Hidropribor 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> <p>During 2024, JSC Research Institute Gidropribor successfully expanded its product range, introducing a number of new products to the market and improving existing ones.</p> <p>One of the significant achievements was the development of repairs for artillery weapons of the ships of the Navy of the Armed Forces of the Republic of Kazakhstan and the production of unmanned aerial vehicle systems for the needs of law enforcement agencies.</p> <p>Furthermore, the production of metal structures has become one of the Company's key activities. Flexibility in designing new types of metal structures to meet customer needs allows the company to effectively meet market demands.</p>
<p>9.</p>	<p>Kaztechnologies JSC</p> 	<p>It was founded in 1947 as the Kazakhstan office of the All-Union explosive works trust «Soyuzmeliovzryv».</p> <p>The main areas of activity are production of cartridges for small arms; liquidation (disposal, destruction, burial) and processing of released ammunition, weapons, military equipment, special means; storage of explosive materials; R&D on the creation of products and production of the main activities.</p> <p>The Company has all the necessary licenses to carry out its activities.</p> <p>The company has all the necessary licenses to carry out its activities.</p> <p>Owns 49% of shares in KaztecKalkan LLP, Kazvzryprom LLP, and SP Kaztechnology LLP.</p> <p>In 2024, JSC Kaztechnologies continues to fulfill contracts within the framework of the state defense order and civilian products.</p>
<p>10.</p>	<p>LLP R&D center Kazakhstan engineering</p> 	<p>On November 13, 2009, with 100% participation of National Company Kazakhstan Engineering, a decision was made to establish the Unified Center for the Implementation of Weapons Control Systems (JSC). In 2012, the JSC was transformed by the Company's Board of Directors into the Kazakhstan Engineering Research Institute (JSC).</p> <p>In 2016, the institute underwent new development and was transformed into R&D Center Kazakhstan Engineering LLP.</p>

		<p>R&D Center Kazakhstan Engineering LLP is accredited as a subject of scientific and scientific-technical activities;</p> <p>Due to market development and growing demand, a decision was made to create an engineering department in the Engineering, Procurement and Construction format.</p> <p>Kazakhstan Engineering R&D Center LLP has received licenses for the development, production, and repair of ammunition, weapons, and military equipment, spare parts, components, and devices for them; special materials and equipment for their production, including installation, commissioning, modernization, installation, storage, repair, and maintenance.</p> <p>In 2024, Kazakhstan Engineering R&D Center successfully completed R&D on the Shagala-M unmanned aerial system (UAS), a ground-based robotic reconnaissance and strike system, and unmanned aerial vehicles for aerial target use, including those with a turbojet engine and a Luneberg lens. In 2024, the Center's specialists successfully completed the training and acceptance of the KVR-7001 unmanned aerial vehicle. That same year, Kazakhstan Engineering R&D Center was awarded the title of "Best Innovative Company, and its CEO, G.N. Baiseitov, became a laureate of the state award for "Best Scientist".</p> <p>Currently, the development of a technological line for the production of UAS products has begun as part of the commercialization of scientific areas in unmanned systems.</p> <p>In addition, on an annual basis, R&D Center Kazakhstan Engineering LLC develops military national standards.</p>
<p>11.</p>	<p>KazEng Electronics LLP</p> 	<p>It was established in 1994 within the premises of the scientific and technical complex of Sary-Shagan landfill, enterprises and organizations of the radio engineering profile of the union subordination.</p> <p>The scope of the company's activities includes modernization and overhaul of weapons, dual-use products, production of modern communications equipment and radio electronics products, assembly plant for computer equipment.</p>
<p>12.</p>	<p>Aviation Training Center LLC</p>	<p>The Aviation Training Center (ATC) was founded in 2006 to provide initial training for pilots and mechanics for Kazakhstan's civil and military aviation. Located at the Zholaman airfield, the center trained pre-conscription youth from 2007 to 2016. In 2016, the ATC came under the jurisdiction of the Ministry of Defense of the Republic of Kazakhstan, and the</p>

		<p>training program was suspended. Between 2007 and 2019, 307 pilots and 335 mechanics were trained.</p> <p>According to the Decree of the Government of the Republic of Kazakhstan dated August 16, 2022 No. 561, the state shareholding in Aviation Training Center LLP in the amount of 100% (one hundred percent) was transferred in payment for the Company's shares.</p> <p>In 2024, the center will conduct flight training on a contractual basis for cadets of the Military Institute and students of the Civil Aviation Academy.</p>
<p>13.</p>	<p>LLP Steel manufacturing</p> 	<p>In accordance with the Military Doctrine of the Republic of Kazakhstan, adopted in 2011, the Steel Manufacturing LLP plant for the production of ammunition was established to provide the country's Armed Forces with ammunition.</p> <p>The start of production activities is 2020. In accordance with the Decree of the Government of the Republic of Kazakhstan dated February 23, 2023, No. 159, the state share in the authorized capital of Steel Manufacturing LLP in the amount of 100% (one hundred percent) was transferred in payment for the Company's shares.</p> <p>Licenses are held for the development, production, acquisition, and sale of ammunition, weapons, and military equipment, spare parts, components, and devices for them, special materials, and equipment for their production, including assembly, adjustment, modernization, installation, use, storage, repair, and maintenance; the acquisition, sale, and storage of explosives and pyrotechnics (except for civilian use) and products using them.</p> <p>In 2024, Steel Manufacturing LLP manufactured products for the needs of the security forces of the Republic of Kazakhstan.</p> <p>In August 2024, the implementation of the investment project "Creation of a testing laboratory for personal body armor" was launched on the basis of Steel Manufacturing LLP - certification of manufactured products of personal body armor (hereinafter - PBA) on the territory of the Republic of Kazakhstan, meeting the testing needs of both domestic and foreign PBA manufacturers.</p> <p>Also in 2024, 100% of the Company's share in the authorized capital of Steel Manufacturing LLC was transferred into trust management to the Investor represented by AYDA INTEGRATED DEFENCE SYSTEMS LLC for the commissioning of the automatic (rifle) line and its launch into industrial operation.</p>
<p>Jointly controlled entities (50% ownership)</p>		
<p>14.</p>	<p>Kazakhstan Aviation Industry LLP</p>	<p>Created on July 24, 2012 for the implementation of the project, commissioned on September 14, 2016.</p>

		<p>The participants are Kamkor Management LLC (50%) and the Company (50%).</p> <p>Main areas of activity: production of aircraft, including major repairs and modernization of aircraft, assembly of unmanned aerial vehicles.</p> <p>In 2017, the quality management system received a Certificate of Conformity with the requirements of ST RK ISO 9001-2016 applicable to the maintenance, repair, modernization, modification, supply of aircraft equipment, spare parts, equipment, components and devices for them.</p> <p>In 2024, the transfer of five aircraft into service was completed, including a C-295 (03) aircraft after repairs in Poland. Approximately 20 units of C-295 aircraft assemblies and components were repaired and returned to Kazakhstan. Eight Su-25 aircraft engines were transferred into service, subsequently used at the opening of the SCO summit.</p>
<p>15.</p>	<p>Kazakhstan ASELSAN Engineering LLP</p> 	<p>Created on April 18, 2011. The founders are: NC Kazakhstan Engineering JSC (50%), the Turkish company Aselsan (49%) and the Department of Defense Industry under the Administration of the President of the Republic of Turkiye (1%).</p> <p>The activity is production of electronic-optical devices (night and day vision devices, thermal imagers, optical sights, etc.). The company also provides technical support, maintenance, personnel training and R&D.</p> <p>The management and quality system in aviation, environment, occupational safety and health ISO9001:2008, ISO14001, AGAP-160, AGAP-2110, OHSAS18001, AS9100 has been implemented and is functioning.</p> <p>Kazakhstan ASELSAN Engineering LLP has successfully completed the pilot operation (hereinafter referred to as the PO of military SDR radio stations in the HF/VHF range in the interests of the Ministry of Defense of the Republic of Kazakhstan.</p> <p>Based on the results of the operational evaluation, the presented military radio stations confirmed the declared tactical and technical characteristics and were accepted for equipping the Armed Forces of the Republic of Kazakhstan.</p> <p>In 2024, the Partnership concluded 5 contracts for the supply of radio stations of various modifications.</p>
<p>16.</p>	<p>Thales Kazakhstan Engineering LLP</p>	<p>It was established in 2009 on a parity basis by NC Kazakhstan Engineering JSC and the French company Thales.</p> <p>Manufacture and maintenance of electronic equipment, systems and software; manufacture and maintenance of radio communication equipment.</p>

Affiliates (holding less than 50% of shares/interests)		
17.	Indra Kazakhstan Engineering LLP (49%)	Created jointly with Indra Sistemas SA (Spain), which owns 51% Production and maintenance of radar stations, electronic warfare systems and electronic intelligence.
18.	Kaz-ST Engineering Bastau LLP (49%)	Created jointly with Singapore Technologies Engineering Ltd. (Singapore), which owns 51% for the provision of engineering services (jointly with Singapore Technologies Engineering).
19.	KTM Invest LLP (4.76%)	The participants are ASKERI FABRIKA VE TERSANE ISLETME AS (Turkey) (47.62%), YDA INSAAT SANAYI VE TICARET (Turkey) (47.62%) and the Company (4.76%). Construction of real estate for the needs of the Armed Forces and other security agencies of the Republic of Kazakhstan.
20.	Airbus Helicopters Kazakhstan Engineering LLP (10%) 	Created jointly with Airbus Helicopters (France), which owns 90%. Assembly, sales, and maintenance of EC-145 helicopters; training of flight and technical personnel for potential customers. In 2024, 1 contract was executed for the supply of the H-145 helicopter for the needs of the Ministry of Emergency Situations of the Republic of Kazakhstan, as well as a Contract for the Maintenance and Repair of 2 helicopters in the interests of KazAviaSpas JSC (2024).

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

In 2024, the Company continued its active efforts to strengthen and develop international and cross-industry cooperation in defense, mechanical engineering, aviation, and unmanned aerial vehicles. As part of its established strategy, meetings, negotiations, product demonstrations, and participation in specialized forums, exhibitions, and events were held at both the national and international levels. Particular attention was paid to technological cooperation, production localization, the development of research and development capabilities, and the integration of innovative solutions into production processes.

In 2024, the Company carried out the following international cooperation and exhibition and marketing activities:

A demonstration of an unmanned robotic system (tankette) was held as part of the Ministry of Defense of the Republic of Kazakhstan's experimental military trials. Following the event, an agreement was reached to hold an additional demonstration in early April 2024 to further familiarize the Ministry of

Defense of the Republic of Kazakhstan with the capabilities and technical characteristics of the robotic system.

During a videoconference with representatives of the State Institution Kazselezashchita, the potential of using unmanned aerial vehicles (UAVs) to monitor avalanche- and landslide-prone areas in the Medeu and BAO regions was demonstrated. Key parameters were recorded: altitudes up to 3,600 meters, a round-trip range of 60 km, and over 1,300 potentially hazardous areas. The parties expressed their readiness for further cooperation.

The opening of the DroneTech R&D center at the Astana Hub, presenting a new platform dedicated to the development of UAV technologies. During the event, contacts were exchanged and potential areas of collaboration were discussed.

A presentation of UAV solutions took place during the Kazakhstan – Korea Drone Roadshow. A memorandum of understanding was signed between Kazakhstan Engineering R&D Center and the Korea Institute of Aviation Safety Technology. The document outlined areas of academic and educational cooperation between the parties.

Participation in the "Kazakhstan Security Systems 2024" exhibition was held. During the event, products from leading global security manufacturers were showcased. Potential areas of collaboration with suppliers of fire protection equipment, anti-drone systems, and portable analyzers were identified.

A meeting of the Mechanical Engineering and Metalworking Committee was attended. During the event, the Committee and the Union of Mechanical Engineers' work plans for 2024 were approved. Organizational matters related to the preparation of the 12th Mechanical Engineers' Forum and proposals for adjusting the classification criteria for businesses in the industry were also discussed.

Participation in the 15th International Exhibition "Mechanical Engineering and Metalworking 2024" included an introduction to cutting-edge technologies and a discussion of cooperation opportunities in the mechanical engineering industry.

Participation in the 5th Kazakhstan International Industrial Exhibition Kazakhstan Machinery Fair was held, and prospects for localization of mechanical engineering production were discussed.

Participation in the AMM Congress 2024, dedicated to energy conservation in industry, was attended. Leading industrial companies discussed modern digital innovations, investment solutions, and energy service approaches.

Participants of the Kazakhstan Machine Builders Union (Kazakhstan Machine Builders Union) attended a general meeting to discuss industry development and the integration of initiatives within the framework of national industrial policy.

Events held in 2024 demonstrated strong interest from domestic and international partners in developing joint projects with the Company. The

agreements reached, negotiations initiated, and presentations of new technologies lay a solid foundation for further industrialization, technology transfer, and strengthening the national production base. The Company will continue to implement priority areas that contribute to the development of Kazakhstan's industrial potential and ensure technological sovereignty in strategic sectors.

❖ COMPANY PERFORMANCE, ASSET MANAGEMENT AND PLANS FOR 2025

◆ Achievement of the Company's Key Performance Indicators

In accordance with the Decree of the Government of the Republic of Kazakhstan dated December 25, 2019, No. 969, the Company's Development Plan for 2020–2029 was approved, defining the mission, vision, and the following strategic areas of the Company's activities:

1) Diversification of production. The goal of the strategy within this area is to expand production of defense products and services, ensure stability by increasing sales of dual-use and civilian products, and develop marketing and export promotion functions.

2) Innovative development. The goal is to increase the innovation and technological advancement of manufactured products and services.

3) Developing production potential and improving operational efficiency. The goal of the strategy within this area is to ensure the necessary level of technical and technological equipment and reduce production costs.

4) Organizational Development. The goal of this area is to improve the Company's manageability and the profitability of its asset portfolio.

5) Sustainable Development. The goal of this strategy is to improve corporate culture, enhance occupational health and safety, and improve the environmental performance of production.

6) Financial stability. The goal of the strategy within this area is to ensure an optimal debt load and increase profitability.

For each strategic direction, strategic goals, objectives and key performance indicators are defined.

Dynamics of the implementation of strategic KPIs of the Development Plan

Table 2

Item No.	Name of key performance indicators	Unit of measurement	The value of indicators by year				
			2023		2024		2025
			plan	fact	plan	fact	plan
1	The Company's income from product sales	billion tenge	41,8	35,2	48,8	38,9	53,00
1.1	<i>The Company's share in the volume of mechanical engineering products in the Republic of Kazakhstan</i>	%	3,00	0,84	3,40	0,84	3,60
2	The share of civilian products in the Company's total revenue	%	26	24	28	19	30



Item No.	Name of key performance indicators	Unit of measurement	The value of indicators by year				
			2023		2024		2025
			plan	fact	plan	fact	plan
3	The share of export revenue in total revenue	%	2,8	3,6	2,8	0,5	4
4	The share of expenses on innovation development from total revenues	%	2,0	1,6	2,0	11,6	3,0
5	The number of employees of the Company and subsidiaries and affiliates who have completed training or improved their qualifications	man	300	1 720	400	1 530	500
6	Investments in fixed assets	%	2,0	3,2	2,1	2,7	2,5
7	The share of the cost of the subsidiary in the revenue of the subsidiary	%	82,0	95,8	81,0	96,9	80
8	Increase in labor productivity	thousand tenge	12 672	19 222	13 700	17 307	14 900
9	Increasing the return on assets (ROA)	%	4,3	- 1,1	6,0	0,14	8
10	Inflow of foreign direct investment	thousand US dollars	2 679	-	7 019	9 890	8 020
11	Level of effectiveness of intragroup communication		6,0	7,8	6,0	8	7
12	Increasing the proportion of women at the decision-making level	%	25	26	25	26	26
12.1	<i>Gradual increase in the proportion of women in executive bodies</i>	%	-	-	-	33	33
12.2	<i>Gradually increasing the proportion of women on boards of directors</i>	%	2	2	4	6.7	4
12.3	<i>Gradual increase in the proportion of female managers in structural divisions of organizations</i>	%	25	28	30	29	30
13	Reducing the share of state participation in the economy to increase the share of medium-sized businesses	Number of assets sold	5	3	-	1	-
14	Staff turnover	%	less than 15%	24.62%	less than 10%	20.67%	less than 10%
15	Zero mortality rate		-	-	-	-	-
16	The share of preschools using green technologies	%	50	100	60	93	70
17	Debt/EBITDA ratio	%	1.90	3.92	1.70	1.79	1.60
18	Return on invested capital ratio (ROIC)	%	3.30	- 10.67	4.50	- 8.37	5.50

KI 1. Based on the results of operations for 2024, the Company's subsidiaries' revenue from product sales amounted to 38.9 billion tenge, compared to the planned value of 48.8 billion tenge, achieving 80%. Failure to achieve this indicator is due to:

- sale of a block of shares of JSC Tynys (the planned indicator includes data on sales volume in the amount of 7.7 billion tenge, in fact not consolidated);
- failure of JSC PPHMB to fulfill the contract as a result of late delivery of components,
- failure to fulfill the planned volume of sales of civilian products due to the lack of orders;
- a reduction in Steel Manufacturing LLC as a result of the postponement of the contract execution deadline to 2025.

KI 1.1. The share of the Company's subsidiaries in the volume of mechanical engineering products in the Republic of Kazakhstan at the end of 2024 was 0.84%, compared to the planned 3.4%. Despite the increase in sales volumes by individual subsidiaries, the failure to achieve this target is due to the fact that the growth in mechanical engineering production within the Company group is lower than the national average (the volume of mechanical engineering production in the Republic of Kazakhstan in 2024 increased by 11% compared to 2023).

KI 2. The share of civilian products in the Company's total revenue for 2024 amounted to 19%, compared to the planned figure of 28%. The failure to achieve this figure was due to the failure to fulfill the plan for the sale of civilian products by JSC PK, JSC MPK, JSC PPHMB, and LLP ATC, which is due to a lack of orders and concluded contracts for the supply of products.

KI 3. The share of export revenue in total revenue in 2024 was planned at 2.8%, but actually amounted to 0.5%. The decrease in the indicator is due to the geopolitical situation and the sale of a block of shares of JSC Tynys.

KI 4. The share of expenses on innovation development from the Company's total revenues amounted to 11.6% with a plan of 2%.

KP 5. The number of Company and subsidiary employees who completed training or improved their qualifications amounted to 1,530 people, compared to a planned target of 400 people. This increase is due to mandatory training of production personnel at plants under occupational health and safety programs.

A significant increase in the number of employees who completed training or advanced training occurred at JSC UP Zenit, JSC PK, JSC Semey Engineering, and LLC Steel Manufacturing, due to production needs and increased production volumes at these enterprises.

KI 6. Investments in fixed capital reflect the volume of capital investments of subsidiaries as a percentage of the volume of income from the sale of subsidiaries and amounted to 2.7% with a plan of 2.1%.

KI 7. The share of the cost of production in the revenue of the subsidiary was at the level of 96.9% with the planned indicator of 81%. The increase in the share of cost to the plan by 15.9 percentage points is due to the increase in the cost of purchased materials and components, high currency volatility and the geopolitical situation.

KI 8. Labor productivity in 2024 amounted to 17 293 thousand tenge with a planned indicator of 13 700 thousand tenge, exceeding the plan by 26%, as a result of a decrease in the number of employees compared to the planned indicator by 36% with a decrease in the volume of sales by 35%.

KI 9. The return on assets (ROA) in 2024 was 0.14%, compared to the planned 6% (the ratio of the Company's net profit to assets). This represents a positive trend, compared to a negative figure in 2023. However, the underperformance was due to a decrease in net income compared to the planned figure.

KI 10. The inflow of direct investment, with a plan of 7 019 thousand US dollars, actually amounted to 9 890 thousand US dollars, the plan being fulfilled by 141%.

KI 11. The level of effectiveness of intra-group communication with a plan of 6 points actually amounted to 8 points (conducting a survey of employees on a scale from 0 to 10 points).

KI 12. The increase in the proportion of women at the decision-making level, compared to the planned figure of 25%, was 26%. This increase is due to the involvement of more women in leadership and administrative positions at JSC Research Institute Hidropribor, JSC Petrozavodsk Plant of Heavy Machinery, JSC MPK, Research & Development Center Kazakhstan Engineering, and Steel Manufacturing.

KI 12.1. The gradual increase in the proportion of women in executive bodies implies the ratio of the number of women on the Corporate Center Management Board to the total number of women on the Company's Corporate Center Management Board. By the end of 2024, this figure stood at 33%, compared to the planned 0%.

KI 12.2. Gradual increase in the proportion of women on the board of directors, the indicator reached 6.7% with a planned indicator of 4%.

KI 12.3. Gradually increase the proportion of female managers in structural divisions of organizations with a plan of 30%, the actual figure was 29%, a decrease of 1%.

KI 13. The reduction in the state's share of participation in the economy to increase the share of medium-sized businesses amounted to 1%, compared to the planned 0% (reflects the amount of the Company's assets sold as part of privatization and restructuring). A 40% stake in Airbus Helicopters Kazakhstan Engineering LLC was sold.

KI 14. Employee turnover shows the ratio of dismissed employees to the average annual headcount of the Company. The indicator stood at 20.67%, with the target being less than 10%. The highest employee turnover was at JSC UP Zenit (99 employment contracts terminated), JSC MPK (76), JSC Kaztekhologii (42), JSC PPHMB (122), and JSC Semey Engineering (67). 22 contracts were terminated at the Company's Corporate Center.

KI 15. Occupational mortality rate is 0 with a plan of 0.

KI 16. The share of subsidiaries using "green" technologies, compared to a planned 60%, actually reached 93%. The Company's organizations are gradually transitioning to energy-efficient lighting in production and utility areas, installing motion sensors in common areas, and replacing cutting fluids with brands that pose no health risks to personnel or environmental hazards.

KI 17. The debt/EBITDA ratio was 1.79% in 2024, compared to a target of 1.70%. This ratio is the ratio of total debt to earnings before interest, income tax, depreciation, and amortization. This ratio demonstrates the Company's ability to repay existing liabilities by using all net cash flow to repay them.

KI 18. The return on invested capital (ROIC) ratio in 2024 was negative (8.37%) with a plan of 4.5% (the ratio of the company's net operating profit to

the average annual total invested capital) as a result of a decrease in gross profit from 11% (planned 6,953 million tenge) to 5% (actual 2,288 million tenge) due to an increase in the cost of production (the share of the cost of subsidiaries in sales revenue increased from 81% according to the plan to 96.9% in fact).

◆ **Operating and financial performance of the Company and its subsidiaries**

Information on the Company Group

Table 3

N o.	Name of the subsidiary	Income from sales of products, thousand tenge	Total profit/loss thousand tenge	Labor productivity (thousand tenge/people)	Average headcount(p eople)
1	JSC PPHMB	5 666 518	(1 213 437)	14 273	397
2	JSC S.M. Kirov Plant	12 739 345	73 189	29 085	438
3	JSC UP Zenit	8 398 851	135 025	10 978	765
4	JSC Scientific-Research Institute Hidropribor	804 380	55 521	6 875	117
5	JSC Semey Engineering	8 047 916	90 584	25 388	317
6	JSC MPK	209 648	(655 998)	866	242
7	LLP R&D center KE	957 472	27 584	26 596	36
8	JSC Kaztechnologies	272 420	(154 223)	5 675	48
9	Kazinj Electronics JSC	-	(253 158)	-	3
10	LLP Steel manufacturing	1 772 843	177 553	16 265	109
11	Aviation Training Center LLC	470	(73 157)	36	13
12	Corporate Center (JSC NC Kazakhstan Engineering)	3 518 540	2 714 494	52 515	67
	Consolidated data	42 351 142	131 265	16 595	2 552

Revenue from sales of products and services at the end of 2024 amounted to 42 351 142 thousand tenge with a plan of 64 819 053 thousand tenge, 65% fulfillment, including by product segments:

- for civilian products, the actual output is 7 258 200 thousand tenge with a plan of 12 325 625 thousand tenge, fulfillment is 59%;

- for special products, the actual volume is 35 092 942 thousand tenge with a plan of 52 493 428 thousand tenge, fulfillment is 67%.

According to the results of 2024, the net income of the Group of Companies amounted to 131 265 thousand tenge with a plan of 1 122 125 thousand tenge.

The decline in key indicators is due to the difficult geopolitical situation and a reduction in civilian and military orders at the Company's group organizations.

According to audited data, assets at the end of 2024 were as follows:

Assets of the Company Group

Table 4
thousand tenge

ASSETS	As of December 31, 2024
LONG-TERM ASSETS:	33 443 523
Fixed assets	13 177 659
Investment property	231 699
Intangible assets	108 494
Investments in associates and joint ventures	3 433 077
Investments at fair value through profit or loss	5 208 700
Deferred tax assets	1 040 478
Loans issued	1 437 363
Restricted funds	4 824 574
Other long-term assets	619 833
Assets held for sale	3 361 646
CURRENT ASSETS:	62 662 308
Inventories	16 620 738
Trade and other receivables	12 061 949
Prepayment of income tax	1 835 157
Loans issued	860 592
Advances paid and other current assets	17 601 436
Restricted funds	404 726
Cash and cash equivalents	13 261 201
Assets held for sale	16 509
TOTAL ASSETS	96 105 831

Total assets for 2024 amounted to 96 105 831 thousand tenge with a plan of 108 777 057 thousand tenge, a decrease to the plan of 12% due to the sale of a block of shares of Tynys JSC and the transfer to trust management of Steel Manufacturing LLC.

The Company's key performance indicators over the past 3 years have changed as follows:

Dynamics of the main indicators of the Company group

Table 5
million tenge

Name of the indicator	2022	2023	2024	Growth/decline dynamics from 2024 to 2022, %
Income from sales of products	58 771	65 699	42 351	(28)
Assets	128 359	117 600	96 106	(25)
Financial result	5 128	(1 251)	131	(97)
Labor productivity(thousand tenge/person)	17 314	19 222	17 293	(0,12)

Income from sales of products and services in 2024 compared to 2022 decreased by 28% or from 58 771 million tenge to 42 351 million tenge, compared to 2023 a decrease of 36%, which is due to a decrease in orders and the sale of a block of shares of Tynys JSC.

Assets in 2024 amounted to 96 106 million tenge, a decrease of 25% compared to the 2022 figure, a decrease of 18% compared to the 2023 figure.

Labor productivity in 2024 was at the same level as in 2022 and amounted to 17 293 thousand tenge per person; compared to the 2023 figure, there was a 10% decrease.

The company, together with its subsidiaries, carries out annual work to reduce unproductive expenses and lower the cost of manufactured products and services.

The Dividend Policy of JSC NC Kazakhstan Engineering in relation to organizations, fifty or more percent of voting shares (participatory interests) of which are owned by JSC NC Kazakhstan Engineering on the basis of ownership or trust management, was approved by the decision of the Board of Directors of JSC NC Kazakhstan Engineering dated September 20, 2019 (Minutes No. 4), and also in accordance with Article 56 of the Budget Code of the Republic of Kazakhstan.

◆ **Asset Management**

In accordance with the Resolution of the Government of the Republic of Kazakhstan dated December 29, 2020 No. 908 "On certain issues of privatization for 2021-2025" and the Company's Asset Restructuring Plan for 2024-2025, the sale of 4 and liquidation of 3 Company assets (shareholdings, participation interests and real estate) are envisaged.

Assets under implementation

Table 6

No.	Name of the asset
1.	JSC Machine-Building Plant named after S.M. Kirov
2.	JSC Petropavlovsk Heavy Machinery Plant
3.	JSC Ural Plant Zenit
4.	Real estate Object 520 (North Kazakhstan region, Petropavlovsk, Teplie Kusty street, 5)

Assets in liquidation

Table 7

No.	Name of the asset
1.	Thales Kazakhstan Engineering LLP
2.	Kaz-ST Engineering Bastau LLP
3.	Indra Kazakhstan Engineering LLP

In 2024, the Company's real estate property, Object 520 (5 Teplie Kusty Street, Petropavlovsk, North Kazakhstan Region), was sold. The buyer was Ultradecor Trading Kazakhstan LLP.

◆ **The Company's plans for 2025**

In 2025, ensure the receipt of income from the sale of products by the Company group in the amount of 51.6 billion tenge.

In 2025, the Company will continue to implement the Comprehensive Privatization Plan for 2021–2025 by selling the Company's shareholdings in JSC S.M. Kirov Machine-Building Plant, JSC Petropavlovsk Heavy Machine-Building Plant, and JSC Ural Plant Zenit.

It is planned to gradually increase the proportion of women at the decision-making level – in executive bodies and on the Boards of Directors of subsidiaries and the Company.

The company will continue to take measures to implement green technologies and prevent workplace injuries.

❖ **INVESTMENT ACTIVITIES OF THE COMPANY**

In accordance with the Company's Investment Policy, the goal of investment activities 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;
- use of investment assessment tools in making investment decisions;
- use of project management tools and procedures in managing investment activities;
- balance of budgetary control and the degree of managerial freedom of the executives responsible for the results of the Company's investment activities;
- mandatory monitoring, evaluation and analysis of 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, meeting domestic needs and entering the export market.

Individual investment projects are strategic and aimed at developing the military-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.

In August 2024, the implementation of the investment project “Creation of a testing laboratory for personal protective equipment” was launched at Steel Manufacturing LLC.

The purpose of this project is to solve the current problem with the certification of manufactured personal protective equipment (hereinafter referred to as PPE) products in the Republic of Kazakhstan, ensuring the testing needs of both domestic and foreign PPE manufacturers.

On September 12, 2024, in order to increase the production capacity of Steel manufacturing LLP, an Investor (AYDA INTEGRATED DEFENCE SYSTEMS LLP) was attracted and a Trust Management Agreement for Steel manufacturing LLP was signed between the Company and AYDA INTEGRATED DEFENCE SYSTEMS LLP (established by the Turkish companies ASFAT and YDA Group) (hereinafter referred to as the Investor) with a management period of 10 years.

The main obligations of the Investor are to direct investments at its own expense into Steel Manufacturing LLC for the commissioning of the automatic (rifle) line, maintaining the profile of the activity (specialization), maintaining jobs and creating new jobs (if necessary).

3. CORPORATE GOVERNANCE

❖ BASIC PRINCIPLES AND STRUCTURE OF CORPORATE GOVERNANCE

The Company's corporate governance system is based on the legislation of the Republic of Kazakhstan, as well as on the Charter and other internal documents of the Company.

For the Company, corporate governance is a critical component of responsible and sustainable development, aimed at making decisions that have a significant impact on stakeholders. We strive to ensure that our corporate practices comply with the best international standards, both within the Company and its subsidiaries, ensuring a high level of transparency in our operations.

One of the Company's key internal documents is the Company's Corporate Governance Code, which serves as the foundation for systematizing corporate governance. This document aims to ensure the transparency of the Company's operations and confirm its commitment to adhere to standards of good corporate governance.

In 2024, to actively implement the provisions of the Corporate Governance Code, the Company implemented the Action Plan for Improving Corporate Governance of JSC NC Kazakhstan Engineering for 2023-2024, approved by the Board of Directors' decision dated March 30, 2023 (Minutes No. 4). This plan covers the Company itself, and the Board of Directors reviews its progress reports semiannually. Of the 30 measures, 27 have been completed. The lack

of available budget resources for these measures is contributing to the lack of implementation.

Relationships between the Company and its subsidiaries are governed by approved corporate procedures, which are implemented through the relevant governing bodies of both parties. As part of its ongoing efforts to improve corporate governance, the Company has implemented a number of key initiatives aimed at developing and updating internal documents for both itself and its subsidiaries.

To strengthen the role of independent directors in decision-making, the Company organizes a competition to select candidates for independent director positions at its subsidiaries. Independent directors are selected based on their high qualifications and experience in various fields, and many are members of the Qazaq Independent Directors Association. This process plays an important role in the formation and strengthening of the boards of directors of the Company's subsidiaries.

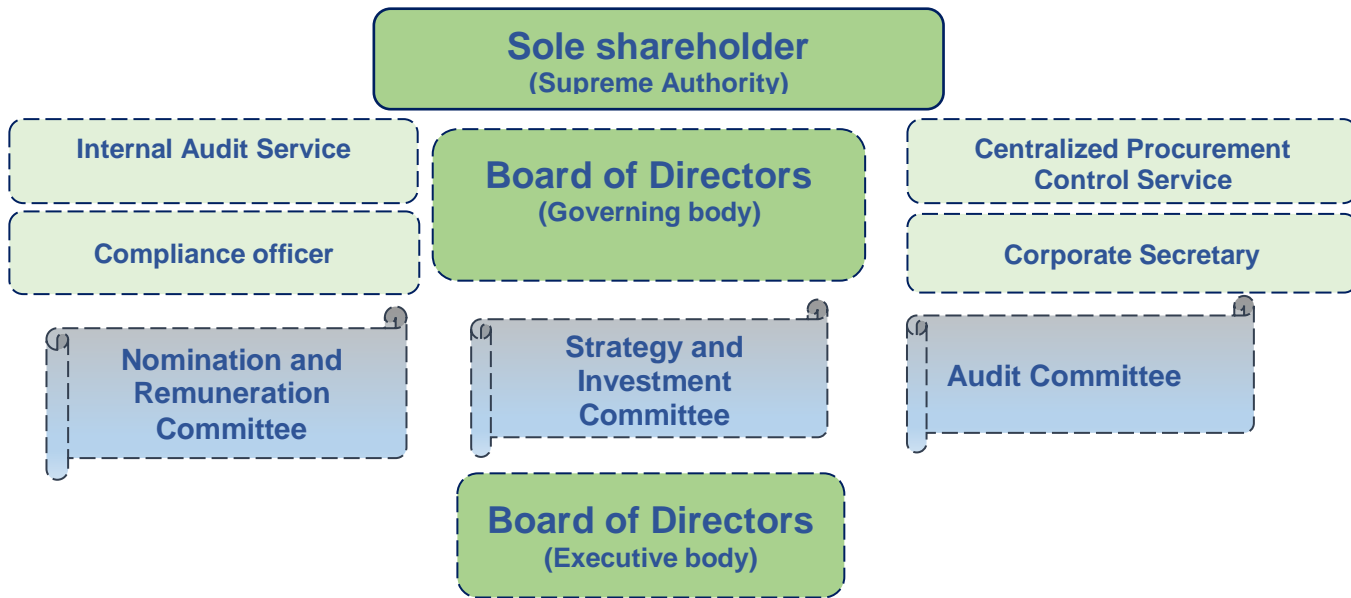
To maintain effective communication and coordination between the Company and its organizations, meetings with independent directors are held regularly to discuss current challenges and issues facing the Company and its organizations. Independent directors actively contribute proposals for improving corporate governance, which are then considered for potential implementation.

The important principles of corporate governance of the Company are:

- principle of separation of powers;
- the principle of protecting the rights and interests of the Sole Shareholder;
- the principle of effective management of the Company by the Board of Directors and the Management Board;
- principle of sustainable development;
- risk management principle, internal control and audit;
- the principle of regulating corporate conflicts and conflicts interests;
- the principle of transparency and objectivity in disclosing information about the Company's activities.

CORPORATE GOVERNANCE STRUCTURE

Figure 3



Compliance of the Company's corporate governance practices with the principles of the Corporate Governance Code

A report on compliance with the principles and recommendations of the Company's Corporate Governance Code is submitted annually to the Board of Directors for consideration.

The Board of Directors of the Company, at its meeting on May 16, 2025 (Minutes No. 06), approved the Report of the Corporate Secretary on compliance/non-compliance with the principles and provisions of the Company's Corporate Governance Code for 2024.

Also, during the corporate governance assessment, an independent consultant (KPMG Tax and Advisory LLC) assessed the compliance of the Company's corporate governance practices with the principles set out in the Model Code of Corporate Governance of the Republic of Kazakhstan.

By the end of 2024, the company will ensure the following compliance with the principles of the Corporate Governance Code:

Table 8

Principles of the Corporate Governance Code	Compliance information
The principle of separation of powers	A clear delineation of powers is ensured between the General Meeting of Shareholders, the Board of Directors and the Management Board.
The principle of protecting the rights and interests of shareholders	the rights of the Sole Shareholder are respected and protected, including his participation in management and access to information.
The principle of effective	Strategic direction and oversight by the Board of



<p>management of the Company by the Board of Directors and the Management Board</p>	<p>Directors and accountability of the Management Board are ensured. However, there is a lack of disclosure of the environmental agenda, a lack of regular discussion of risk management issues, and a predominance of absentee meetings. Structural and procedural gaps exist: a lack of performance evaluation of the Board of Directors, a lack of gender diversity in the Board of Directors, a lack of development plans for the Board of Directors and Management Board members, a lack of succession rules, and a lack of annual sessions with potential candidates for the Management Board.</p>
<p>The principle of sustainable development</p>	<p>The Company strives to ensure alignment between economic, environmental, and social sustainability goals throughout its operations. However, the Company is encouraged to follow global trends in this area, including the transition to a low-carbon economy and decarbonization, as well as the development of sustainable financing instruments. The Company is also encouraged to develop specific tools for the effective implementation of sustainable development and regularly monitor their implementation plans.</p>
<p>Risk management principles, internal control and audit</p>	<p>An effective risk management system is ensured. The internal control, risk management, and Internal Audit systems are based on the "three lines of defense" model. The Company also notes the effective performance and independence of the Internal Control Service. However, the Company's internal control tools are underdeveloped: risk and control matrices and business process flowcharts have not been developed. Furthermore, comprehensive business continuity plans are lacking, which reduces the effectiveness of risk monitoring and response. Risk culture and training for first-line employees are insufficiently developed. Insufficient staffing of the risk management service reduces its effectiveness.</p>
<p>The principle of regulating corporate conflicts and conflicts of interest</p>	<p>Prevention and resolution of corporate conflicts and conflicts of interest are ensured.</p>
<p>The principle of</p>	<p>Financial and non-financial information is</p>

transparency and objectivity in disclosing information about the Company's activities	disclosed and protected; processes for engaging with financial stakeholders and the Sole Shareholder, as well as processes for resolving corporate conflicts and conflicts of interest, are in place. However, some aspects of information disclosure require improvement to enhance the Company's transparency.
---	--

Recommendations were given for all the identified discrepancies, which were taken into account in the Company's Corporate Governance Improvement Plan for 2025–2027, approved by the decision of the Company's Board of Directors on July 17, 2025 (Minutes No. 08).

The Company will continue to adhere to these principles in order to ensure the sustainable development of the Company and strengthen the trust of shareholders and investors.

❖ **BOARD OF DIRECTORS OF THE COMPANY**

The Board of Directors is a management body accountable to the Sole Shareholder, providing strategic management of the Company and overseeing the activities of the Company's Management Board.

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, the Regulation on the Board of Directors 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, 2024, the Company's Board of Directors consists of the following members:

Table 10

No.	Composition of the Board of Directors	Term of office
1	Isakulov Rakhymzhan	Chairman of the Board of Directors, term of office (August 2025)
2	Sydykov Bakytbek	Member of the Board of Directors, term of office (August 2025)
3	Tynysbekov Baurzhan	Member of the Board of Directors, term of office (August 2025)
4	Akshalov Dauren	Member of the Board of Directors, independent director, term of office (August 2025)

5	Satjanov Kenzhebay	Member of the Board of Directors, independent director, term of office (August 2025)
6	Zhakenov Serikzhan	Member of the Board of Directors, independent director, term of office (August 2025)
7	Shukputov Andar	Member of the Board of Directors, independent director, term of office (August 2025)
8	Turlybaev Talgat	Member of the Board of Directors, term of office (August 2025)

The term of office of the members of the Board of Directors of the Company is until August 25, 2025.



**Isakulov
Rakhymzhan**

**Chairman of the Board of Directors
Vice Minister of Industry and Construction
of the Republic of Kazakhstan**

Date of first election to the BD:
November 30, 2024

**Date of election to the current
composition of the Board of Directors:**
November 30, 2024

Date of birth: November 5, 1987

Citizenship: Republic of Kazakhstan

Education:

- Royal Holloway University (UK), Bachelor of Arts in Economics and Management (2010, Bolashak program)
- National Graduate Institute for Policy Studies (Japan), Master of Public Administration

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

- **2018 - 2020**
Head of the Office of the Akim of the West Kazakhstan Region
- **2020 - 2022**
Chief of Staff of the Astana City Mayor
- **2022 - 2023**

Chief of Staff of the Ministry of Information and Social Development of the Republic of Kazakhstan

- **October 2023 - November 2024**

Chief of Staff of the Ministry of Industry and Construction of the Republic of Kazakhstan

- **From November 2024**

Vice Minister of Industry and Construction of the Republic of Kazakhstan.

Does not own shares of the Company, suppliers or competitors of the Company.



**Sydykov
Bakytbek**

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

Date of first election to the BD:
January 17, 2024

**Date of election to the current
composition of the Board of
Directors:** January 17, 2024

Date of birth: October 12, 1969

Citizenship: Republic of Kazakhstan

Education:

- Vladikavkaz Higher Combined Arms Command School (1991)
- Military Academy of Armored Forces (1999)
- Faculty of Military and Public Administration of the National Defense University (2013)

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

- **2017-2019**

Head of the Department of Military-Technical Policy of the Ministry of Defense of the Republic of Kazakhstan

- **2019 - 2021**

Deputy Commander of the Directorate of the Commander of the Troops of the Regional Command "Vostok"

- **2021-2022**

Chief of the General Staff - First Deputy Chief of Logistics and Armament of the Armed Forces of the Republic of Kazakhstan

- **2022-2023**

Chief of Armaments of the Armed Forces of the Republic of Kazakhstan

- **From June 2023**

Deputy Minister of Defense of the Republic of Kazakhstan for Armaments and Military Equipment

- **From July 2025**

Head of the Representative Office of West Kazakhstan Machine-Building Company JSC.

Does not own shares of the Company, suppliers or competitors of the Company.



**Tynysbekov
Baurzhan**

**Member of the Board of Directors,
Deputy Chairman of the Committee
state property and privatization of the Ministry of
Finance
of the Republic of Kazakhstan**

Date of first election to the BD: November 30, 2024

Date of election to the current composition of the Board of Directors: November 30, 2024

Date of birth: October 17, 1987

Citizenship: Republic of Kazakhstan

Education:

- University of International Business (2011)
- Al-Farabi Kazakh National University (2014)
- University of Nottingham (UK) (2017)
- Karaganda Economic University of Kazpotrebsoyuz (2020)

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

- **2019-2021**

Head of the Concession Projects Department of the State Borrowing Department of the Ministry of Finance of the Republic of Kazakhstan

- **2022-2023**

Deputy Head of the Department of State Property and Privatization of the State Property and Privatization Committee of the Ministry of Finance of the Republic of Kazakhstan, Almaty

- **2023-2024**

Head of the West Kazakhstan Department of State Property and Privatization of the State Property and Privatization Committee of the Ministry of Finance of the Republic of Kazakhstan, Uralsk

- **From October 31, 2024**

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

Does not own shares of the Company, suppliers or competitors of the Company.



Akshalov Dauren
Member of the Board of Directors,
Independent Director,
Chairman of the Risk Management
Committee

Date of first election to the BD:
January 17, 2024

**Date of election to the current
composition of the Board of
Directors:** January 17, 2024

Date of birth: June 23, 1982

Citizenship: Republic of Kazakhstan

Education:

- Law Institute of the Academy of the Ministry of Internal Affairs of the Republic of Kazakhstan (with honors), specializing in "Lawyer"
- University of International Business (UIB), Master of Business Administration in Management (MBA)

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

- **2018–2021**
Head of the Compliance Service of JSC Samruk-Energo
- **2021–2023**
Head of the Compliance Service of Samruk-Kazyna JSC
- **from August 2023**
Freelance compliance advisor to the Minister of Energy of the Republic of Kazakhstan, supervisor of compliance issues for subordinate organizations of the Ministry of Energy of the Republic of Kazakhstan
- **From June 2024**
Managing Director of JSC Jusan Invest (since 06.2024).

Does not own shares of the Company, suppliers or competitors of the Company.



**SATZHANOV
KENZHEBAI**

**Member of the Board of Directors,
independent director,
Chairman of the Strategy and Investment
Committee**

Date of first election to the BD:
February 17, 2022

**Date of election to the current
composition of the Board of
Directors:** August 26, 2022

Date of birth: August 19, 1955

Citizenship: 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 work and positions held over the last five years:

- **2018–2023**

Advisor to the Chairman of the Board of JSC Kazakhstan Center for Modernization and Development of Housing and Public Utilities

- **Since 2019**

Member of the Board of Directors of JSC Kazakh Research and Design Institute of Construction and Architecture.

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



**ZHAKENOV
SERIKZHAN**

**Member of the Board of Directors,
independent director,
Chairman of the Nomination and
Remuneration Committee**

Date of first election to the BD:
December 9, 2019

**Date of election to the current
composition of the Board of Directors:**
August 26, 2022

Date of birth: October 8, 1949

Citizenship: Republic of Kazakhstan

Education:

- Karaganda Polytechnic Institute, mechanical engineer

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

- **Since 2009**

Director, Advisor of KarGorMash-M LLP

- **Since 2019**

Member of the Board of Directors of JSC Kazakhstan Industry and Export Center Qazindustry.

Does not own shares of the Company, suppliers or competitors of the Company.



**SHUKPUTOV
ANDAR**

**Member of the Board of Directors,
independent director,
Chairman of the Audit Committee**

Date of first election to the BD: August 26, 2022

Date of election to the current composition of the Board of Directors: August 26, 2022

Date of birth: June 17, 1958

Citizenship: Republic of Kazakhstan

Education:

- Kazakh Polytechnic Institute named after V.I. Lenin, 1981, major: Systems Engineer
- Gubkin Russian State University of Oil and Gas, 1991, PhD in Economics, Oil and Gas Business Management.

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

- **2022-2023**

Member of the Board of Directors, Independent Director of JSC Nursultan Nazarbayev International Airport

- **2021–2023**

Member of the Board of Directors, Independent Director of JSC Kazakhstan Sustainability Fund

- **2019 - 2021**

Advisor to the Chairman of the Board of JSC NC KazMunayGas.

Does not own shares of the Company, suppliers or competitors of the Company.



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

Date of first election to the BD: June 4, 2024
Date of election to the current composition of the Board of Directors: June 4, 2024
Date of birth: September 10, 1964
Citizenship: Republic of Kazakhstan

Education:

- Higher School of the CSS of the USSR named after F.E. Dzerzhinsky, Moscow in 1990, specializing in specialist in Eastern countries;
- Russian Presidential Academy of National Economy and Public Administration, Moscow, 2015, Master of Laws.

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

- **March 2017 – June 2017**
President, JSC Center for Military-Strategic Research
- **2017–2024**
General Director of JSC Semey Engineering
- **from 05.2024**
Chairman of the Board of JSC NC Kazakhstan Engineering.

Does not own shares of the Company, suppliers or competitors of the Company.

◆ **Activities of the Board of Directors**

The Company's Board of Directors focused on addressing current issues, considering matters within its purview. The list of issues and decisions on them are reflected in the relevant minutes and resolutions of the Board of Directors meetings.

In 2024, the Board of Directors held 18 meetings (12 in person, 6 in absentia), at which 109 issues were considered.

Significant attention was paid to strategic development and financial and economic activities.

Figure 3



Statistics on participation in the activities of the Board of Directors by number of meetings

Table 11

Full name	Term of office	% of visits
Beyspekov A.O.	01.01.2024 – 30.11.2024	100%
Isakulov R.E.	30.11.2024 – 31.12.2024	100%
Sydykov B.S.	01.01.2024 – 31.12.2024	66%
Akhmetov E.S.	01.01.2024 – 30.11.2024	Did not participate (meetings, business trips, social and work leave)
Tynysbekov B.A.	30.11.2024 – 31.12.2024	100%
Zhakenov S.A.	01.01.2024 – 31.12.2024	83%
Satjanov K.S.	01.01.2024 – 31.12.2024	89%
Shukputov A.M.	01.01.2024 – 31.12.2024	88%
Akshalov D.E.	17.01.2024 – 31.12.2024	100%
Abdrakhmanov T.K.	01.01.2024 – 04.03.2024	Participated in 1 meeting until the termination of his powers on 01.03.2024
Turlybaev T.T.	04.06.2024 – 31.12.2024	100%

The Board of Directors operates based on an approved annual work plan. During its work in 2024, the Board of Directors consistently implemented key objectives in the Company's priority areas of activity.

The Board of Directors plays a key role in identifying key areas for improving corporate governance within the Company. At its meetings, the Board of Directors regularly considers matters related to the Company's corporate governance activities, including reports on completed activities in this area and measures for their further implementation. Throughout 2024, the Company's Risk Management Reports were regularly reviewed at Board of Directors meetings in accordance with the Board of Directors' 2024 Work Plan.

The Board of Directors devotes sufficient attention to assessing the competencies and analyzing the performance of the Company's Management Board. Each year, the Board of Directors approves key performance indicators (KPIs) for the Chairman and members of the Management Board, based on strategic and functional KPIs, and hears performance reports.

The performance of the Company's Board of Directors was not assessed in 2024.

◆ Committees of the Board of Directors

In accordance with the Law of the Republic of Kazakhstan "On Joint Stock Companies", to consider the most important issues and prepare recommendations to the Board of Directors, the company must create Committees of the Board of Directors.

The Board of Directors committees consider the following issues:

- 1) strategic planning;

- 2) appointments and remuneration;
- 3) internal audit;
- 4) social issues;
- 5) other issues provided for by the Company's internal documents.

The Board of Directors Committees consist of members of the Board of Directors and experts with the necessary professional knowledge to serve on a particular committee.

The Board of Directors Committee is headed by a member of the Board of Directors. The heads (chairmen) of the Board of Directors Committees, whose functions include considering the issues specified in subparagraphs 1) - 5), are independent directors.

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

As of December 31, 2024, the Company has four Committees of the Board of Directors formed and operating on a permanent basis:

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

Membership in the Board of Directors Committees

Table 12

Committee	Chairman	Members
Strategy and Investment Committee	Satjanov Kenzhebay	Zhakenov Serikzhan \; Shukputov Andar \ Akshalov Dauren
Nomination and Remuneration Committee	Zhakenov Serikzhan	Satjanov Kenzhebay Shukputov Andar Akshalov Dauren
Audit Committee	Shukputov Andar	Satjanov Kenzhebay; Zhakenov Serikzhan; Akshalov Dauren

Risk Management Committee	Akshalov Dauren	Shukputov Andar; Satjanov Kenzhebay; Zhakenov Serikzhan
---------------------------	-----------------	---

The Strategy and Investment Committee of the Board of Directors of the Company provides assistance to the Board of Directors of the Company through preliminary review, analysis, and development of recommendations on matters within their purview. It was established to prepare recommendations for the Company's Board of Directors on strategic areas of the Company's activities, the implementation of the Company's investment projects, asset management, safety and environmental protection, and corporate development, including the development of measures to improve the Company's operational efficiency, profitability, and sustainable development.

The Nomination and Remuneration Committee of the Board of Directors of the Company assists the Board of Directors of the Company through preliminary review, analysis, and development of recommendations on matters within their purview. The Committee was established to improve the effectiveness and quality of the Board of Directors' work through in-depth study and monitoring of issues within its purview, including HR policy, corporate social responsibility, the appointment and remuneration system, as well as performance assessments of both the Board of Directors and the executive body, as well as succession planning for the executive body, and performance assessments of employees and departments reporting to the Company's Board of Directors.

The Audit Committee of the Company's Board of Directors assists the Company's Board of Directors through preliminary review, analysis, and development of recommendations on matters within their purview. It was established to improve the effectiveness and quality of the Company's Board of Directors by preparing recommendations for establishing a system of control over the Company's financial and economic activities; monitoring the reliability and effectiveness of the internal control and risk management system; overseeing the independence of the external and internal auditors (and, where necessary, the Compliance Officer); and ensuring compliance with the laws of the Republic of Kazakhstan and the Company's internal documents.

The Risk Management Committee of the Company's Board of Directors assists the Company's Board of Directors through preliminary review, analysis, and development of recommendations on matters within their purview. It was established to improve the effectiveness and quality of the Company's Board of Directors by preparing recommendations on ensuring the existence, functioning, improvement, and strengthening of the Company's

internal control and risk management system, compliance with the laws of the Republic of Kazakhstan, and the Company's internal documents. It also provides recommendations to the Company's Board of Directors on developing priority areas of activity (development) and mitigating risks related to them.

In 2024, the Committees actively carried out their activities, preliminarily considering issues submitted for consideration by the Company's Board of Directors.

Committee Meeting Statistics

Table 13

Name of the Committee	Number of meetings
Strategy and Investment Committee	10
Nomination and Remuneration Committee	10
Audit Committee	9
Risk Management Committee*	2

** holds meetings from October 4, 2024 (from the date of the Committee's establishment)*

◆ Remuneration of members of the Board of Directors

In accordance with the Law of the Republic of Kazakhstan "On Joint-Stock Companies", by decision of the Sole Shareholder, independent directors who are members of the Company's Board of Directors are paid remuneration and reimbursed for expenses related to the performance of their functions. The amounts of such remuneration and compensation are established by decision of the Company's Sole Shareholder – the Rules for the Payment of Remuneration and Reimbursement of Expenses to Independent Directors and the Representative of the Shareholder of JSC NC Kazakhstan Engineering, with the exception of members of the Board of Directors who are civil servants, approved by decision of the Company's Sole Shareholder dated September 1, 2023 (Order No. 479).

Remuneration of independent directors and shareholder representatives (hereinafter referred to as Directors) consists of two parts:

- annual fixed remuneration by decision of the Sole Shareholder;
- annual additional remuneration for participation in in-person meetings of the committees of the Board of Directors, as decided by the Sole Shareholder.

Remuneration to independent directors and shareholder representatives, with the exception of members of the Board of Directors who are government officials, is paid in the following amount:

- annual fixed remuneration in the amount of 3 700 000 (three million seven hundred thousand) tenge;

- annual additional remuneration for participation in in-person meetings of the committees of the Board of Directors in the amount of 2 110 000 (two million one hundred ten thousand) tenge.

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

The total amount of remuneration paid to members of the Board of Directors of the Company for the year ended December 31, 2024 amounted to 22 993 814 tenge.

◆ **Public Council**

The Company's Public Council, established in September 2021, is a consultative, advisory, and supervisory body created to ensure that civil society's opinions are taken into account and to increase the transparency and accountability of the Company and its subsidiaries.

The Company's Public Council includes representatives from civil society, the Company, and the Company's group of organizations (Members of the Public Council are a diverse group of experts with knowledge and practical experience in the fields of entrepreneurship, mechanical engineering, finance, sustainable development, and public activities.

The powers of the Public Council are defined by the legislation of the Republic of Kazakhstan, the Company's Regulations, and internal regulatory documents. Information about the Company's Public Council is available on the Company's website: <https://ke.kz/ru/company/public-council/>.

In 2024, the Public Council held 2 meetings.

◆ **Corporate Secretary**

The Corporate Secretary is responsible for ensuring proper practice and development of the corporate governance system in the Company, organizing meetings and supporting the work of the Board of Directors of the Company 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 the Company's documents in accordance with the requirements of the law and the internal documents of the Company.

The functions, tasks and responsibilities of the Corporate Secretary are established by the Regulation on the Corporate Secretary, approved by the decision of the Board of Directors of the Company dated December 2, 2022 (Minutes No. 19).

Thus, as part of his activities, the Corporate Secretary ensures the 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 materials on the agenda submitted to him 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 of Kazakhstan, the Charter and internal documents of the Company, as well as the completeness of the materials submitted.

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

◆ **Internal Audit Service**

The Internal Audit Service (hereinafter referred to as the Service) was established by a decision of the Board of Directors and has been operating since 2007.

The Service has a staff of 2 people.

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

The activities of the Service are regulated by the Regulation on the Internal Audit Service of the Company, the Policy on the organization of internal audit in the Company and other internal regulatory documents.

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

The annual audit plan for the Service for 2024, approved by the decision of the Board of Directors dated January 12, 2024 (minutes No. 25), provided for the following audit assignments:

- in Kazakhstan Aviation Industry LLP

- Audit of product costs and procurement procedures, including the validity of supplier selection.

- in JSC NC Kazakhstan Engineering

- Monitoring limits on certain types of administrative expenses for 2023;

- Assessment of the effectiveness of the corporate risk management system;

- Assessment of the effectiveness of the internal control system;

- Verification of the implementation of key performance indicators by the Company's management team.

- Assessment of the rationality and efficiency of the use of the Company's resources and the methods (techniques) used for selecting and hiring employees, as well as concluding contracts for the provision of services for a fee;

- Audit of compliance with the Rules for the development (algorithm) of the Company's Development Plan, as well as an assessment of the reliability of reports on their implementation.

In fact, in 2024 The Service completed the following audit assignments:

- **Kazakhstan Aviation Industry LLP**- *Audit of product costs and procurement procedures, including the validity of the choice of supplier;*

- JSC Petropavlovsk Heavy Machinery Plant, on behalf of the Board of Directors of the Company dated May 24, 2024 (minutes No. 09) - audit of the issues specified in the appeal of the director of KazNefteMash LLP V.G. Akhmadov dated May 15, 2024 No. 225;

- **JSC NC Kazakhstan Engineering**- “Monitoring the limits of certain types of administrative expenses of the Company for 2023”;

- **JSC Kaztechnologies** by order of the Board of Directors of the Company dated October 4, 2024 (minutes No. 16)- Audit of product costs and procurement procedures, including the validity of supplier selection and the reasonableness of prices for purchased materials and components. Audit of accounts receivable and accounts payable.

In addition to the above-mentioned audit activity, during the reporting period, the Service conducted an audit of the actual values of the efficiency coefficient and the calculation of the remuneration amounts for the Company's executives based on the results of work for 2023.

Since the beginning of the year, a total of 42 recommendations have been issued based on the results of audit activities,

including:

- *critical - 14 recommendations;*

- *important - 28 recommendations.*

According to the Service, 13 recommendations were implemented in 2024.

◆ **Compliance officer**

The Company places special emphasis on social ethics and an anti-corruption culture. To this end, compliance officers are employed within the Company and its subsidiaries, tools are being implemented to ensure transparency in procurement and operations in general, and outreach work is being conducted with suppliers to avoid potential risks.

The Company's Compliance Service was established by the decision of the Board of Directors dated September 13, 2022 (minutes No. 13), and from October 4, 2024, it was transformed into the position of Compliance Officer - 1 unit.

The Compliance Officer reports directly to the Company's Board of Directors and is supervised by the Risk Management Committee of the Board of Directors.

The functions, tasks and responsibilities of the Compliance Officer are provided for in the Regulation on the Compliance Officer of the Company.

As part of their activities, the Compliance Officer ensures that the Company's employees comply with the requirements of anti-corruption legislation and the Company's internal documents on anti-corruption matters, ensures the transparency of the Company's activities and strengthens trust in the Company, and also carries out measures to prevent and minimize corruption risks and associated losses to the Company due to non-compliance with the

requirements of anti-corruption legislation, the Company's internal documents, and obligations to stakeholders.

The Company's main documents in the field of combating corruption are:

1. The Company's Anti-Corruption Policy

Approved by the Board of Directors' decision of September 13, 2022 (Minutes No. 13). This document is a fundamental document defining anti-corruption principles, internal control methods, and behavioral guidelines for employees. It aims to foster a culture of intolerance toward corruption and establish a system of preventative measures and accountability.

2. Anti-corruption action plan for 2023

Approved by the Board of Directors' decision dated December 30, 2022 (Minutes No. 21). It is a detailed list of actions, deadlines, and responsible persons aimed at implementing the anti-corruption policy. The plan covers internal control, staff training, corruption risk assessment, implementation of ethical practices, and monitoring of compliance with anti-corruption procedures.

3. Policy for identifying and resolving conflicts of interest in the Company

Approved by the Board of Directors' decision of December 30, 2022 (Minutes No. 21). This document aims to minimize the risks of conflicts of interest and describes the procedure for identifying, notifying, resolving, and recording them. The policy emphasizes the priority of the Company's interests and transparency in relationships between employees and contractors.

4. Instructions for combating corruption in the Company

Approved by the Board of Directors' decision of December 30, 2022 (Minutes No. 21). It defines a list of corruption offenses and corrupt actions, as well as an employee action plan if signs of corruption are detected. This instruction serves as a practical guide for all employees.

5. Anti-corruption standards of the Company

Approved by the Board of Directors' decision of December 30, 2022 (Minutes No. 21). These constitute a set of mandatory standards of conduct, prohibitions, and recommendations aimed at raising the level of legal culture, fostering anti-corruption behavior, and developing corporate ethics.

Thus, the Compliance Officer's activities in 2024 were systematic, documented, and strictly regulated. All work is carried out in full compliance with the corporate principles of transparency, integrity, violation prevention, and compliance with the laws of the Republic of Kazakhstan.

◆ **Centralized Procurement Control Service**

The Centralized Procurement Control Service reports to the Board of Directors of the Company and carries out internal control over compliance by the Company and its subsidiaries according to the legislation of the Republic of Kazakhstan and other internal documents of the Company and subsidiaries in the field of procurement.

The Centralized Procurement Control Service carries out its activities in accordance with the Regulation on the Centralized Procurement Control Service

of the Company, approved by the decision of the Board of Directors of the Company dated April 30, 2021, and the Rules for conducting control carried out by the centralized procurement control service, with the exception of the centralized procurement control service of the National Welfare Fund, approved by Order No. 1252 of the Minister of Finance of the Republic of Kazakhstan dated November 30, 2021.

The main tasks of the Centralized Procurement Control Service are to monitor compliance by the Company's subsidiaries, officials, and employees with the legislation of the Republic of Kazakhstan and internal procurement documents of the Company and its subsidiaries, as well as to improve the procurement procedures and process in the Company and its subsidiaries.

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

- carries out continuous monitoring of ongoing purchases via a web portal;
- ensures clear and effective interaction between the Company's bodies, between the Service and the responsible structural units/employees implementing the procurement procedure in the Company;
- monitors the implementation and compliance by bodies, officials and employees of the Company and its 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 organizes consultations to officials, employees of the Company and subsidiaries on issues related to the requirements of government agencies, provisions of the legislation of the Republic of Kazakhstan in the field of procurement;
- participates in working groups in the development and revision of rules and procedures for the implementation of procurement in companies and subsidiaries.

As part of the Company's and its subsidiaries' procurement monitoring efforts to identify and prevent procurement violations at an early stage, the Centralized Procurement Control Service issued 37 notices in 2024 (compared to 29 in 2023) to address the identified violations. All violations have been resolved.

In 2024, the total amount of contracts concluded by the Company group, for all procurement methods through the Eurasian Electronic Procurement Portal "Mitwork", amounted to 9 billion 121 million tenge.

In the structure of the completed purchases, the tender share amounted

to 3% or an amount of 315 million tenge;

- the share of purchases carried out by the Request for Price Proposals (RFP) method is 46% or in the amount of 4 billion 265 million tenge;
- the share of purchases by the Single Source method for failed purchases, this is when, in procurement by tender and RFQ, one participant remains - 45% or in the amount of 4 billion 169 million tenge;
- the share of purchases made using the Single Source method through direct contracting is 4% or 368 million tenge.

In accordance with Article 10 of the Law of the Republic of Kazakhstan "On Procurement of Certain Entities of the Quasi-Public Sector", 6 materials on suppliers received from the Company's subsidiaries and dependent organizations were reviewed, verified, and sent to the Eurasian Electronic Procurement Portal "Mitwork" for inclusion in the register of unscrupulous procurement participants.

In accordance with the rules, suppliers included in the Register of Unscrupulous Participants are deprived of the right to participate in procurement for two years.

In 2024, the Centralized Procurement Control Service received four complaints and one appeal. All were reviewed, verified, and responded to.

❖ BOARD OF THE COMPANY

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

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

The Management Board operates in accordance with the laws of the Republic of Kazakhstan "On Joint Stock Companies", "On State Property", the Charter, the Corporate Governance Code of the Company, the Regulation on the Management Board of the Company and other internal documents of the Company.

The Chairman and members of the Management Board must act in the interests of the Company and the Sole Shareholder, have an impeccable business reputation, possess the professional competence necessary to manage the current activities of the Company, have specialized knowledge both in the area of the Company's activities and in the area of management, and also properly perform the duties assigned to them.

◆ On the activities of the Board

In 2024, 44 meetings of the Company's Management Board were held, where 98 issues were considered.

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

- making decisions on concluding a transaction or a set of interconnected transactions as a result of which the Company acquires or alienates (may acquire or alienate) property, the value of which is less than ten percent of the total value of the Company's assets;
- approval of internal documents adopted for the purpose of organizing the Company's activities;
- alienation by the Company of blocks of shares (participatory interests) in certain subsidiaries and dependent organizations;
- making decisions to increase the Company's liabilities by an amount that is less than ten percent of the amount of its equity capital;
- preliminary review and approval of materials on issues submitted for consideration by the Board of Directors and the Sole Shareholder.

During the reporting period, the Company's Management Board actively interacted with the Sole Shareholder and the Board of Directors, as well as all stakeholders in corporate relations, to effectively address the challenges facing the Company.

The Secretary of the Management Board is an employee of the Company and acts on the basis of the Regulation on the Management Board of the Company, approved by the decision of the Board of Directors dated October 12, 2021 (Minutes No. 08).

◆ Composition of the Board (as of December 31, 2024)



**Turlybaev
Talgat**

Chairman of the Board

Date of birth: September 10, 1964

Citizenship: Republic of Kazakhstan

Education:

- Higher School of the CSS of the USSR named after F.E. Dzerzhinsky, Moscow in 1990, specializing in Eastern countries
- Russian Presidential Academy of National Economy and Public Administration, Moscow, 2015, Master of Laws

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

- **March 2017 – June 2017**
President, JSC Center for Military-Strategic Research
- **2017–2024**
General Director of JSC Semey Engineering
- **from 05.2024**
Chairman of the Board of JSC NC Kazakhstan Engineering.

Does not own shares of the Company, suppliers or competitors of the Company.



**KISIKOV
KUANYSH**

**Deputy
Chairman of the Board**
*oversees issues of security, protection of
state secrets and legal support*

Date of birth: July 11, 1964
Citizenship: Republic of Kazakhstan

Education:

- Higher Courses of the CSS of the USSR, Tashkent, officer with higher specialized education
- Al-Farabi Kazakh State University, lawyer

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

- **2010–2018**
Counselor of the Embassy of the Republic of Kazakhstan in Azerbaijan, Tajikistan, Kyrgyzstan
- **2018-2019**
Vice President for General Affairs of JSC NC Kazakhstan Garysh Sapary
- **2019-2020**
Advisor to the Chairman of the Board of JSC NC Kazakhstan Garysh Sapary
- **Since August 2020**
Deputy Chairman of the Board of JSC NC Kazakhstan Engineering.

Does not own shares of the Company, suppliers or competitors of the Company.



**Chokusheva
Kulazia**

**Deputy
Chairman of the Board**

*oversees issues of accounting and finance,
economics and planning, corporate
governance and asset management*

Date of birth: June 24, 1990

Citizenship: Republic of Kazakhstan

Education:

- Kazakh Humanitarian and Law University, Bachelor of Finance
- KazGUU University, Master of Finance

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

- **Since 2013**
Employee of JSC NC Kazakhstan Engineering (manager, chief manager, department director)
- **From January 2024**
Deputy Chairman of the Board of JSC NC Kazakhstan Engineering.

Does not own shares of the Company, suppliers or competitors of the Company.

◆ **Board of Directors Remuneration**

The conditions and procedure for assessing the performance and paying remuneration and providing social support to the Company's executives are regulated by the Rules for remuneration, performance assessment, bonuses (remuneration) and provision of social support to members of the Management Board of JSC NC Kazakhstan Engineering, approved by the decision of the Board of Directors of the Company dated March 31, 2023 (Minutes No. 05).

Performance-based remuneration (short-term and long-term remuneration) is paid based on performance results with the aim of providing material incentives for achieved success and improving work efficiency and is not of a permanent nature.

The procedure for assessing the performance of management employees consists of the following stages:

- selection of motivational key performance indicators (KPIs), setting target values;

- approval of motivational performance indicators;
- performance monitoring;
- calculation and approval of actual performance.

The total amount of payments to members of the Company's Management Board (annual payroll, remuneration, taxes to the budget, other mandatory payments) paid for the year ended December 31, 2024, amounted to 86 566 893.10 tenge.

◆ **Secretary of the Board**

The Secretary of the Board must possess high professional, business and personal qualities, and have organizational skills.

The functions of the Secretary of the Board include:

- development and monitoring of the implementation of the Board of Directors' Work Plan,
- formation of the agenda of the Board meeting and materials in accordance with the agenda of the Board meeting;
- registration of decisions of the Company's Board of Directors;
- monitoring and control over the implementation of decisions of the Board.

❖ **INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT**

◆ **Internal control system**

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

The main principles and approaches to the organization of internal control in the Company are reflected in the Regulation on the internal control system of JSC NC Kazakhstan Engineering, approved by the decision of the Board of Directors of the Company dated June 27, 2014 (Minutes No. 7), with amendments and additions made by the decision of the Board of Directors of the Company dated December 2, 2022 (Minutes No. 19).

The internal control system is aimed at providing reasonable assurance in achieving the Company's objectives 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 the internal documents of the Company.

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

The Company's Management Board is responsible for the effective functioning of the internal control system.

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

The Company's Internal Audit Service (audit report dated March 31, 2025) conducted an audit of the effectiveness of the Company's internal control system for the reporting period, establishing an overall effectiveness rating of 83.7%.

◆ Risk management

The Company's fundamental document in the area of risks is the Company's Risk Management Policy, approved by the decision of the Company's Board of Directors dated April 30, 2021 (Minutes No. 4).

Risk management is an integral part of the Company's activities, encompassing various processes and strategies aimed at the timely identification and adoption of measures to reduce the level of risks that may negatively affect the value and reputation of the Company group.

The company operates taking into account a wide range of risks, divided into categories: strategic, financial, operational and legal risks.

The main principles of the corporate risk management system:

- integrity – consideration of the elements of the overall risk of the Company group in the context of the corporate risk management system;
- openness – a prohibition on considering the corporate risk management system as autonomous or separate;
- structured – 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.

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 and procedures for risk management and internal control, as well as their improvement, ensuring compliance and analysis of effectiveness;

- review and approval of the Company's risk reports.

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

The Management Board is responsible for creating a risk-aware culture that reflects the Company's risk management policy and philosophy.

The Management Board is also responsible for establishing an effective risk management system so that employees have clearly defined risk management responsibilities and are accountable for fulfilling their duties.

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

- implementation of the Risk Management Policy;
- organizing an effective risk management system that allows identifying and assessing potential risks;
- ensuring compliance with the provisions of the Policy by the Company's structural divisions;
- improvement of internal procedures and regulations in the field of risk management and other functions to ensure the integrity and functionality of the risk management system.

The Board of Directors and the Management Board of the Company rely on the "Three Lines of Defense" model in performing their functions.

The third level is the structural division of the Company responsible for risk management (Risk Management and Internal Control Service of the Company), the main functions of which are:

- organization and coordination of the process of identification and assessment of critical risks;
- preparation and provision of risk information to the Management Board and the Board of Directors of the Company;
- development, implementation and updating (if necessary) of the methodological base, policies, rules for risk management, and 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;
- identification of possible cases of risk occurrence, real or potential, negative trends indicating an increase in risk, analysis of the factors that caused the risk, and assessment of the scale of the expected loss.

The Company's Internal Audit Service is the fourth level and 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 approved internal documents.

One of the important elements in the structure of the risk management system is the structural divisions of the Company, represented by each employee – who is the owner/holder of risks.

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

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

Structural units are responsible for the implementation of the risk management action plan, must promptly identify and report significant risks in their area of activity and provide risk management proposals for inclusion in the action plan.

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

- risk identification and assessment;
- participation in the development of methodological and regulatory documentation within the scope of their competence;
- making proposals for improving and eliminating deficiencies in the internal control and risk management system;
- implementation of approved risk response and management measures and regular reporting on the execution of risk management measures;
- facilitating the process of risk communication development;
- Providing risk information, including information on realized risks, to the risk management unit.

Based on the results of risk identification and assessment, the Company's Risk Register for 2024¹The following 10 risks were included:

- The risk of the Company's failure to fulfill its financial obligations under loans from Halyk Bank of Kazakhstan JSC;
- Risk of non-implementation of investment projects;
- Risk of failure of the Group of Companies to fulfill the state defense order;
- The risk of failure to meet planned targets by the organizations of the Company group for the production of civilian products and export deliveries;
- Risk of failure to implement the Company's Asset Restructuring Plan;
- Risk of damage from legal proceedings (claims and lawsuits) of the Company;
- Risk of non-compliance with legislation;
- Currency risks of the Company and the organizations of the Company's group;

¹- approved by the decision of the Board of Directors of the Company dated January 12, 2024 (minutes No. 24)

- The risk of failure by the Company and the organizations of the Company's group to achieve planned indicators for net profit;
- Risk of non-compliance by the Group's organizations with occupational health and safety and environmental protection.

4. SUSTAINABLE DEVELOPMENT

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

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

The company fully supports the 17 Sustainable Development Goals adopted by the UN General Assembly in 2015 and is working to achieve 8 of them.

◆ Sustainable Development Goals of the Company

Figure 4



In recognition of the principles of the UN Global Compact, the Company declares its commitment to the following principles in its activities:

Table 14

Principle 1: Openness	The Company is open to meetings, discussions and dialogue, and strives to build long-term cooperation with stakeholders based on consideration of mutual interests, respect for rights and a balance between the interests of the Company, its subsidiaries and stakeholders.
Principle 2: Accountability	The Company is aware of its accountability for its impact on the economy, the environment, and society, and its responsibility to the Sole Shareholder and investors for the growth of long-term value

	and sustainable development of the Company over the long term; it strives to minimize the negative impact of its activities on the environment and society through careful use of resources, consistent reduction of emissions and waste, and the implementation of high-performance, energy- and resource-saving technologies.
Principle 3: Transparency	The Company strives to ensure that its activities and decisions are clear and transparent to its stakeholders. The Company promptly discloses information required by law and internal documents, taking into account confidential information protection regulations.
Principle 4: Ethical behavior	The Company's decisions and actions are based on the following values: respect, honesty, openness, team spirit, trust, integrity and fairness.
Principle 5: Respect	The Company respects the rights and interests of stakeholders that follow from legislation, concluded contracts, or arise within the framework of business relationships.
Principle 6: Legality	The Company's decisions, actions and conduct comply with the legislation of the Republic of Kazakhstan and the decisions of the Company's bodies.
Principle 7: Respect for human rights	The Company respects and promotes respect for human rights as provided for in the Constitution of the Republic of Kazakhstan and international documents, such as the Universal Declaration of Human Rights, adopted by UN General Assembly resolution No. 217 A (III) of 10.12.1948.
Principle 8: Intolerance of corruption	The Company pledges zero tolerance for corruption in any form in its interactions with all stakeholders. The Company is developing a dialogue with stakeholders to raise their awareness in the fight against corruption.
Principle 9: Inadmissibility of conflicts of interest	The Company recognizes that serious violations related to conflicts of interest can damage its reputation and undermine stakeholder trust. When interacting with partners and stakeholders, the Company strives to act with the utmost honesty, integrity, fairness, and loyalty, and takes measures to prevent, identify, and eliminate conflicts of interest to ensure that the Company's managers and employees perform their duties impartially.
Principle 10: Personal example	Each of the Company's employees contributes to the implementation of sustainable development principles daily through their actions, behavior, and decision-making; officials and employees in management positions motivate the implementation of sustainable development principles by their personal example.

JSC NC Kazakhstan Engineering views long-term value growth while simultaneously ensuring sustainable development as its primary strategic objective. Sustainable development management issues are described in the Company's Corporate Governance Code, and its goals are included in the Company's Development Plan to 2029 as part of a separate strategic direction.

◆ Economic aspect

The economic component of sustainable development directs the activities of the Company and its subsidiaries toward increasing long-term value, ensuring the interests of shareholders and investors, improving process efficiency, increasing investment in the creation and development of more advanced technologies, and increasing labor productivity.

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

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

Despite the challenging financial and economic situation facing the Company, primarily due to its high debt burden, the Company is committed to positive growth dynamics.

Subsidiaries play an important role in regional development, in the formation of the gross regional product, in providing jobs for the local population, in replenishing local budgets, etc.

Subsidiaries strive to improve the standard of living and well-being of residents in the regions where they operate by investing in job creation, developing the social sphere, supporting secondary and higher vocational education programs, developing healthcare, physical education, and sports, and promoting corporate social responsibility programs through sponsorship, charity, and supporting socially vulnerable groups and individuals with disabilities.

The company also contributes to the development of the country's medium-sized businesses by transferring its assets to a competitive environment.

In 2024, the total amount of contracts concluded, across all procurement methods, amounted to 9 billion 121 million tenge. At the same time, the domestic value in purchases amounted to 11% or 1 026.5 million tenge.

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

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

◆ Occupational safety and health

In 2024, the Group of Companies continued its activities in the field of occupational health and safety (hereinafter referred to as OHS), fire safety, and

environmental management, which is one of the most important and prerogative tasks of the Group of Companies.

It is crucial for the Company to consistently adhere to this indicator, continuing to carry out relevant work in this area, ensuring life and health safety, preventing and eliminating the risk of injury and accidents for all employees of the Company's group organizations during work and production processes. Ensure compliance with environmental protection requirements, preventing pollution, and adhering to environmental standards during production, and implement an appropriate response in emergency situations.

To achieve these goals, in accordance with the Company's recommendations, the heads of subsidiaries and affiliates and responsible persons (for occupational safety, fire safety, environmental management, civil defense and emergency response) have strengthened the measures taken to ensure that all employees comply with safety requirements and increase their awareness in the areas of occupational safety and health, fire safety and environmental management.

In the event of any emergency situations (natural or man-made), all necessary measures are immediately taken, including eliminating the consequences of such an incident.

Particular attention is paid to the mandatory pre-shift medical examination of workers working in production areas with a particular risk (hazardous mechanical processes, laboratory processes with flammable/explosive and similar substances, and other processes), as well as those involved in high-altitude and other hazardous work (with the mandatory availability of the appropriate permit for such types of work).

Developing measures to ensure safety in the production process and regularly implementing safety measures. This includes organizing inspections, particularly during off-season periods (floods, heating season, etc.), at the Company Group's organizations to identify violations, risks, and non-compliances. Based on the audit results, information is provided to the management of subsidiaries to address identified issues, bring operations into compliance with current legislation and internal regulations, and streamline the maintenance of official documentation and reporting.

The Company coordinates the occupational health and safety, industrial safety, and environmental management of the Group's organizations. This coordination is organized through the issuance of directives and recommendations, the development of recommendations, forms, methods, and the effectiveness of control procedures to ensure compliance and the elimination of omissions by responsible persons within the Group's organizations, as well as through preventative and preventative measures. Monitoring the status and necessary measures for compliance with occupational health and safety, industrial safety, and environmental management carried out by the Group's organizations is carried out through the review of previously developed checklists, according to which the Group's organizations provide updated and relevant data on a monthly basis, as well

as the Uniform Occupational Health, Safety, and Environmental Management System.

Every year, a committee verifies the information submitted by the Group's organizations on occupational safety, industrial safety, and environmental protection, including site visits. During these events, audits are conducted to identify discrepancies, risks, violations of regulations, and the like. Based on these findings, recommendations are issued for eliminating and/or harmonizing existing violations and/or discrepancies. At the same time, responsible Company employees meet with the management and workforce of the Group's organizations to discuss problematic issues and their solutions.

On occupational safety and health among organizations of the group of company had 2 accidents and 2 emergency situations:

Table 15

Name of the subsidiary	Brief description	Taken measures	Note
Accidents			
JSC Ural Plant Zenit	On March 27, 2024, at 2:50 p.m., an electric welder from workshop No. 25 suffered an industrial injury at his workplace while welding in a shaft on an aluminum panel located above the engine room of a multifunctional vessel and fell into the engine room.	The employee was sent to the regional multidisciplinary hospital.	An investigation into this incident was conducted by the State Labor Inspectorate Commission for the West Kazakhstan Region.
JSC Petropavlovsk Heavy Machinery Plant	On November 29, 2024, at 3:00 p.m., a mechanic performing mechanical assembly work fell from the axle of a vehicle while performing work, where he was installing the platform onto the subframe, installing the bolts for fastening the front bearing housing onto the crossmember (during the rocking, the block broke, and under the influence of inertia, the latter lost its balance and fell onto the concrete floor).	The worker was hospitalized at the Multidisciplinary City Emergency Hospital.	An investigation into this incident was conducted by the State Labor Inspectorate Commission for the North Kazakhstan Region.
Emergency situations			
JSC Ural Plant Zenit	On June 24, 2024, at 3:45 p.m., during work to prepare production for possible reconstruction	The fire could not be extinguished with the available resources, so 45 firefighting units	Building 56A was commissioned in 1984, but is currently not



Name of the subsidiary	Brief description	Taken measures	Note
	<p>and development of new production in building 56A, in a mothballed area, during the dismantling of metal heating and water supply pipes, a fire broke out in the insulation (foam) of the building during the cutting of pipelines.</p>	<p>from the State Fire Service and 10 pieces of equipment were called in to fight the blaze. The estimated fire area was 50 square meters. One person was evacuated from the scene. There were no casualties or injuries as a result of the fire, and no damage was caused to lifting equipment or hazardous technical devices.</p>	<p>involved in production and is mothballed in accordance with the inventory report of buildings and structures not involved in production dated October 12, 2021.</p>
<p>Airbus Helicopters Kazakhstan Engineering LLP</p>	<p>On July 7, 2024, at 7:51 AM, an explosion occurred in the boiler room adjacent to the main building, which contained two automatic boilers fed by natural gas from the central gas pipeline. There were no injuries as a result of this accident.</p>	<p>According to the Astana Regional Emergency Situations Department, a gas leak occurred. Building structural assessors prepared a preliminary report on the building's condition (whether it was safe to work there). The report concluded there were no safety risks (the load-bearing structures and beams were undamaged). It was recommended that the premises (the boiler room, warehouse, and cafeteria were closed, and the paint booth was partially operational) not be used again until after a complete renovation.</p>	<p>The Partnership has an insurance contract with the foreign company Chab, which, through its appraisal firm, Euro Gol, assessed the damages suffered by the Partnership as a result of the accident, totaling 70 million tenge. Under this contract, the Partnership plans to receive compensation from Chab, but this is not possible directly, as Chab operates in Kazakhstan only through the insurance company Halyk Insurance, and this issue is currently being resolved. After Chab pays the Partnership the specified funds, Chab will then file a lawsuit to recover</p>

Name of the subsidiary	Brief description	Taken measures	Note
			the amount from the equipment supplier.

In this area, standard rules in the field of industrial safety were developed, which were subsequently sent to the subsidiaries and affiliates for the development of similar rules at the local level.

◆ **Environmental aspect**

The Group's organizations conduct their production activities in accordance with environmental legislation. Key management principles in this area include identifying and managing risks, implementing resource-saving technologies aimed at reducing pollutant and greenhouse gas emissions and improving energy efficiency, and ensuring transparency and awareness. The Group's organizations contribute to the sustainable development of the region where they operate by complying with environmental legislation. Emission permits have been obtained in accordance with the current environmental legislation of the Republic of Kazakhstan. Maximum permissible emission standards have been developed and agreed upon with regional environmental authorities; new standards are developed upon expiration of these standards.

The main sources of pollutant emissions into the atmosphere from the production activities of the Group of Companies' organizations are emissions from:

- boiler houses (if any);
- heating furnaces;
- machine tools and workshop equipment;
- painting and shot blasting areas;
- automotive equipment.

The Group's organizations are continuously implementing green technologies, including energy audits, environmental monitoring, and analytical testing of discharged water quality. These audits have led to the development of Energy Efficiency Action Plans (replacing existing light sources, purchasing low-power equipment, converting autonomous boiler equipment from diesel fuel to liquefied gas, replacing high-voltage oil circuit breakers with vacuum circuit breakers, planting greenery, and conducting environmental cleanups and improvements, etc.). The Group is also exploring the use of renewable energy sources, such as solar and wind power.

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 Group's organizations have developed appropriate waste management programs, the main objectives of which are defined as:

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

The programs regulate the processes of accounting, collection, sorting, storage, recycling, and transportation for disposal or burial in accordance with waste management requirements for hazard classes. The Group's organizations do not independently dispose of waste, but instead enter into contracts for its removal with specialized organizations.

Taking into account the specifics of mechanical engineering, the main waste from production and consumption of the Company's subsidiaries (dependent) organizations are:

- scrap metal, including metal shavings;
- mercury-containing lighting sources;
- used batteries;
- waste oils and liquids, oily rags;
- construction waste (during construction and installation works);
- municipal solid waste;
- container;
- wood processing waste.

The Company strives to adhere to the principles of environmental stewardship and the rational use of natural resources, promotes 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, conducts environmental monitoring, and openly provides environmental information.

The main objectives for ensuring environmental sustainability and safety are:

- respect for the environment;
- compliance with norms and standards in the field of labor protection and industrial safety;
- improving energy efficiency of operations;
- implementation of a reporting system.

For mechanical engineering companies, as energy-intensive industries, energy consumption is key from an environmental perspective. A company's energy consumption consists of two components: electrical energy and thermal energy for operational needs. The greatest energy savings are achieved by reducing energy intensity through the use of innovative energy-saving technologies. Significant cost savings can also be achieved by significantly reducing thermal energy consumption during modernization projects, through the use of new materials, façade insulation, and window designs that reduce building heat loss.

In accordance with the Law of the Republic of Kazakhstan "On Energy Conservation and Energy Efficiency", energy audits are conducted and energy

efficiency action plans are approved annually within the Group's organizations. Based on the comments and conclusions of the energy audit, the Group's organizations implement the following energy conservation and energy efficiency measures:

- the Energy Policy of the organization was developed;
- technical accounting and analysis of energy consumption by sections is carried out;
- equipment is being repaired, replacing obsolete equipment with new, high-tech, energy-saving equipment;
- phased replacement of outdated induction meters for technical electricity metering with electronic meters with an accuracy class of 0.5;
- replacement of lighting sources with energy-saving LED lamps;
- installation of adjustable compensating devices;
- replacement of piston compressors with energy-saving screw compressors;
- replacement of obsolete power transformers;
- installation of infrared heaters;
- insulation of pipelines.

A proactive approach to environmental issues is being considered as 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 for recycling industrial waste for reuse, the development of environmentally friendly products, participation in renewable energy production projects, etc.

At different times of the year, the Company conducted monitoring and coordinated actions to ensure the preparedness of its subsidiaries and affiliates: in the spring – for the summer fire hazard period, carrying out appropriate measures to clear the territory of dead wood, fallen leaves, etc.; in the summer – according to plans for preparing for the winter heating season; in the fall – for 100% readiness for the heating season; in the winter – maintaining control during the winter season, as well as for preparedness in the spring for flood situations.

Thanks to the control functions provided by the Company's management, there were no cases of violation of the Environmental Code requirements in 2024.

◆ **Personnel policy**

The Company's HR policy is implemented in accordance with the Labor Code of the Republic of Kazakhstan, the Company's Development Plan and internal documents.

The Company also applies regulatory documents and procedures, methodological approaches, information and technological support systems,

and other necessary components of the personnel management system, as stipulated by the Company's internal documents.

The recruitment procedure in the Company is carried out in accordance with the Rules of the competitive selection of personnel for administrative positions of the Company, including the use of elements of testing on professional and personal-business competencies and interviews through a meeting of the Selection Committee, including with the top management of the Company (subject to passing the test), to assess the level of knowledge of candidates.

The Company's group of employees as of December 31, 2024, amounted to 3 073 people, including 76 people in the Company.

In 2024, the Company hired 19 employees.

Twenty-two employees were dismissed, 14 of whom resigned voluntarily. The turnover rate was 18.7%.

The Company maintains a balance between men and women in its gender structure: out of 64 employees, there are 37 men and 27 women, including 3 members of the Management Board among the management team – 2 men and 1 woman.

In 2024, 2 Company employees reached retirement age.

All employees of the Company have higher professional education and work experience in their specialty in areas corresponding to the functional areas of the position, in accordance with the standard qualification requirements for the administrative position of the Company.

Social support for employees is provided in accordance with the Rules for the Provision of Social Support to Administrative and Managerial Employees of the Company in order to create favorable conditions for their effective work, retention, and attraction of highly qualified specialists.

The rules provide for the provision of the following types of social support to employees:

- financial assistance;
- health insurance (health insurance);
- additional payments to social benefits for temporary disability.

Financial assistance is paid to the Company's employees in the following cases:

- For health improvement, provided paid annual leave in the amount of no more than two (2) monthly salaries. In 2024, 72 employees were paid a total of 97 406 654.58 tenge (before taxes and other budget contributions in accordance with the legislation of the Republic of Kazakhstan).

- in connection with entering into a legal marriage - in the amount of no more than 50 MCI with a one-time payment to the employee;

- in connection with the birth of a child/adoption of children - in the amount of no more than 100 MCI, with a one-time payment to the employee.

If both parents are employees of the Company, a one-time financial assistance is paid to one of them at their choice;

- in connection with the death of:
 - employee - in the amount of no more than 400 MCI with a one-time payment to one of the family members or, in the absence of such, to the person who has undertaken to organize the funeral;
 - spouse, children, parents of the employee - in the amount of no more than 300 MCI with a one-time payment to the employee.

Financial assistance in the above cases was paid to 3 employees in the amount of 738 400 (before deductions of taxes and other deductions to the budget in accordance with the legislation of the Republic of Kazakhstan) tenge.

The Company is committed to promoting engineering and technical professions to develop a new generation of highly qualified specialists. Preserving and sharing experience, intergenerational continuity, and mentoring within the Company Group are key principles of the Company's HR and social programs.

As part of this initiative, the Company and its organizations collaborate closely with technical colleges, higher education institutions, and schools. Students and schoolchildren regularly attend tours of the Company's organizations, designed to spark interest in careers in the defense industry among younger generations and subsequently help them choose careers in the defense industry.

In addition, attention was paid to issues of social stability in the organizations of the Company group:

- implementation of control over the provision of workplaces (temperature conditions and lighting in workshops and rooms, condition of facades and roofs, cleanliness in all rooms, operability of machines and equipment, etc.);
 - conducting preventive medical examinations;
 - provision of workers with special clothing, footwear, and personal protective equipment;
 - insurance of liability for harm caused to the life and health of employees while performing their work duties;
 - provision of food, leisure and sports opportunities.


In accordance with the requirements of the Law of the Republic of Kazakhstan "On compulsory insurance of employees against accidents in the performance of their work (official) duties", insurance is provided for the employer's civil liability for causing harm to the life and health of an employee in the performance of their work (official) duties.

The Company's contribution to achieving the Sustainable Development Goals in 2024.

Table 16

Target	Company Contribution
<div data-bbox="220 271 496 533" style="background-color: #2e8b57; color: white; padding: 10px;"> <p>3 ХОРОШЕЕ ЗДОРОВЬЕ И БЛАГОПОЛУЧИЕ</p>  </div> <p data-bbox="220 539 576 645">Ensuring healthy lives and promoting well-being for all at all ages</p>	<p data-bbox="603 271 1485 338">The company continues to carry out organized work to ensure the safety of employees in the workplace:</p> <ul data-bbox="603 344 1485 705" style="list-style-type: none"> - training of employees in production processes by conducting mandatory instructions and testing of knowledge on issues of safety and labor protection of employees, on topics of fire safety and labor protection, primarily for newly hired employees; - conducting scheduled preventive maintenance of equipment and utility networks, computers and office equipment at employees' workplaces; - purchase of fire extinguishers and equipment for emergency response work; <p data-bbox="603 712 1485 817">The Company Group places special emphasis on employee health, working conditions, and workplace safety. To enhance the personal health potential of employees and their families:</p> <ul data-bbox="603 824 1485 1064" style="list-style-type: none"> - access to health insurance services (health insurance), including a 24-hour consultation and dispatch service (call center), ambulance services, inpatient treatment, outpatient care, preventive medical care, family doctor and home nurse services, dental services, flu vaccination, etc.; - financial support is provided in the form of a health benefit for labor leave.
<div data-bbox="220 1077 496 1339" style="background-color: #d62728; color: white; padding: 10px;"> <p>4 КАЧЕСТВЕННОЕ ОБРАЗОВАНИЕ</p>  </div> <p data-bbox="220 1346 576 1525">Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</p>	<p data-bbox="603 1077 1485 1189">The Company creates opportunities for professional growth and reorientation/retraining of the Company's group employees.</p> <p data-bbox="603 1196 1485 1525">To this end, an Employee Development and Training Plan is approved annually. Group companies have signed memorandums with educational institutions (higher and/or secondary specialized education institutions). Apprentices from these institutions complete internships at the company's production facilities. In 2024, 131 students completed internships, 16 of whom were employed by Group companies. Dual training agreements have also been signed for 22 people, 3 of whom are already employed within the Company group.</p>
<div data-bbox="220 1563 496 1825" style="background-color: #d62728; color: white; padding: 10px;"> <p>5 ГЕНДЕРНОЕ РАВЕНСТВО</p>  </div> <p data-bbox="220 1832 576 1966">Achieving gender equality and empowering all women and girls</p>	<p data-bbox="603 1563 1485 1742">The Company is committed to ensuring gender equality at all management levels. In 2024, women accounted for 42% of the workforce, including one woman on the Company's three Management Board members – K.A. Chokusheva, Deputy Chair of the Management Board.</p> <p data-bbox="603 1749 1485 2031">The Company also established a strategic key indicator in its 2020–2029 Development Plan: "The ratio of the number of management positions held by women to the total number of management positions". Internal documents do not contain any different requirements for candidates or employees based on gender, age, race, religion, or other differences. The Company provides for equal compensation for men and women.</p>

 <p>6 ЧИСТАЯ ВОДА И САНИТАРИЯ</p>	<p>The company strives to ensure equal access to water, sanitation, and hygiene services for employees in the regions where it operates. When leasing office space, the availability of such services is a key requirement.</p>
<p>Ensuring availability and sustainable management of water and sanitation for all</p>	
 <p>8 ДОСТОЙНАЯ РАБОТА И ЭКОНОМИЧЕСКИЙ РОСТ</p>	<p>The company strives to provide employees with equal labor rights and ensures decent wages. The internal documents of the Group of Companies provide for measures of material and non-material motivation of employees. The Company's development plan for 2020–2029 includes indicators for increasing the Company's profitability and labor productivity per employee.</p>
<p>Promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>	
 <p>9 ИНДУСТРИАЛИЗАЦИЯ, ИННОВАЦИИ И ИНФРАСТРУКТУРА</p>	<p>The Group's organizations implement resource-saving technologies aimed at reducing pollutant and greenhouse gas emissions, improving energy efficiency, and ensuring transparency and awareness. The Group's organizations contribute to the sustainable development of their regions of operation by complying with environmental legislation.</p>
<p>Building resilient infrastructure, promoting inclusive and sustainable industrialization and fostering innovation</p>	<p>The Group's organizations also implement investment projects, including through budgetary investments for the modernization and development of production.</p>
 <p>12 ОТВЕТСТВЕННОЕ ПОТРЕБЛЕНИЕ И ПРОИЗВОДСТВО</p>	<p>The Company strives to adhere to the principles of environmental stewardship and the rational use of natural resources, promotes 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, conducts environmental monitoring, and openly provides environmental information.</p> <p>The Company's energy consumption consists of two components: electricity and thermal energy for business needs. The greatest impact in terms of energy conservation comes from measures to reduce energy intensity through the use of innovative energy-saving technologies. Significant cost</p>
<p>Ensuring sustainable consumption and production patterns</p>	

	<p>savings can also be achieved by significantly reducing thermal energy consumption during the implementation of a modernization project, through the use of new materials, façade insulation, and window designs that reduce building heat loss.</p> <p>The Group's organizations are constantly implementing green technology initiatives, including energy audits, environmental monitoring, and analytical testing of discharged water quality, which have resulted in the development of Energy Efficiency Improvement Action Plans (replacing existing light sources, purchasing low-power equipment, converting autonomous boiler equipment from diesel fuel to liquefied gas, replacing high-voltage oil circuit breakers with vacuum circuit breakers, planting greenery, and conducting environmental cleanups to improve and clean up the area, etc.).</p>
	<p>The Company is committed to fully implementing all sustainable development strategies. The Company's development plan for 2020–2029 includes the Strategic Focus Area "Sustainable Development". To achieve sustainable development, the Holding Company has set the following goals:</p>
<p>Strengthening the means to achieve sustainable development and revitalizing the global partnership for sustainable development</p>	<ol style="list-style-type: none"> 1. Improving corporate culture. 2. Increasing staff satisfaction. 3. Improving the level of occupational safety and health and environmental friendliness of production.

❖ STAKEHOLDER ENGAGEMENT

In the course of its activities, the Company influences or is influenced by stakeholders.

Stakeholders can have both a positive and negative impact on the Company and its subsidiaries, specifically on the Company's value growth, sustainable development, reputation, and image, and can create or mitigate risks. Therefore, the Company views stakeholder engagement as a key to creating the necessary conditions for creating long-term value, achieving strategic goals, and building a positive reputation.

The Company's stakeholder engagement system is aimed at harmonizing the interests of all stakeholders. Stakeholder engagement is based on the principles of respect for interests and cooperation, transparency of the Company's activities, regular interactions, and adherence to obligations.

The Company Group places great emphasis on establishing and maintaining a sustainable dialogue with all stakeholders through various communication platforms.

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

- the state represented by the Sole Shareholder, the legislative and executive branches of government, regulatory and supervisory government bodies, and local executive bodies;
 - employees, officials, affiliated legal entities;
 - investors, creditors, partners;
 - customers, consumers, clients;
 - suppliers, contractors;
 - competitors;
 - trade unions;
 - local communities, population in the areas where activities are carried out, public organizations.

In 2022, the Company's Stakeholder Map (hereinafter referred to as the Map) was developed to identify stakeholders, determine their level of influence, and develop strategies and methods for engaging with them. 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 Company's environment and that of its subsidiaries, enabling an adequate strategy for engaging with each stakeholder. Identifying, classifying, and engaging with stakeholders is a tool that helps increase the Company's long-term value, strengthen its business reputation, and establish effective and balanced relationships with all stakeholders.

The company categorizes stakeholders based on their area of impact:

Area of authority/responsibility:

- Sole shareholder;
- governing body;
- personnel (employees and officials);
- subsidiaries;

Direct impact area:

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

Area of indirect influence

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

Based on an assessment of the degree of stakeholder influence on the Company and the degree of impact of the Company's activities on these

stakeholders, strategies and methods for engaging with each party are developed. Approaches and methods for engaging with stakeholders are outlined in the Company's Stakeholder Engagement System. Broadly speaking, the system defines the following key approaches:

The company defines the following stakeholder groups for itself.

Company Stakeholder Map

Table 17

Stakeholders	Contribution, influence	Expectations, interest
The State represented by the Sole Shareholder	The Sole Shareholder's decision to develop the Company Group is made. The Company shall promptly and fully communicate information about its activities to the Sole Shareholder in accordance with the Company's Charter and internal documents.	Respect for the rights of the Sole Shareholder, creation of long-term value of the state asset,
Government, state bodies, Parliament	Government Regulation. The Company builds relationships with government agencies based on principles of partnership and respect, recognizing that all initiatives of government agencies and the Company must be aimed at developing the country's economy.	The company and its subsidiaries and affiliates are responsible and conscientious taxpayers. Solution of social problems.
Personnel (employees, officials)	Human resources, loyalty, ensuring stable financial development, profitability, increasing the investment attractiveness of the Company and its subsidiaries and affiliates, development and implementation of a coordinated and effective development strategy for the Company.	High wages, good working conditions, professional development
Investors, including financial institutions	Financial resources (equity, borrowed funds)	Return on investment, timely payment of dividends, principal and remuneration
Customers, consumers, clients	Financial resources are obtained through the sale of products (goods and services) of the Company Group. The Company	Obtaining high-quality, safe goods and services at an affordable price

	complies with all contractual terms, demonstrates respect and integrity in its relationships, and holds working meetings with customers to fulfill contractual obligations.	
Suppliers, contractors	Supply of resources (goods, works, and services) for the creation of products (goods and services). The Company complies with all contractual terms, demonstrates respect and integrity in its interactions, and holds working meetings with suppliers and contractors to ensure the fulfillment of contractual obligations.	Reliable sales market, regular solvent buyer
Competitors	Benchmark, implementation of new technologies	Motivation to increase productivity and reduce costs
Trade unions, public organizations	Promoting social stability, regulating labor relations, and resolving conflicts. Broad civil society participation in the national company's important decision-making process.	Respect for workers' rights and proper working conditions
Local communities, population in the areas where the activities of the preschool educational institution are carried out, non-profit organizations	Local support; loyalty and support of local authorities; favorable attitude; cooperation	Creation of additional jobs, development of the region

❖ EXTERNAL AUDIT AND AUDITOR'S REPORT

The company engages an audit organization to confirm the reliability of the annual financial statements by conducting a tender in accordance with the Rules for the implementation of procurement by certain entities of the quasi-public sector, with the exception of the National Welfare Fund and organizations of the National Welfare Fund, approved by Order No. 1253 of the Minister of Finance of the Republic of Kazakhstan dated November 30, 2021.

Moore Kazakhstan audited the 2024 financial statements. The auditor is auditing the Company's separate and consolidated financial statements. The fee for the 2024 financial statement audit was 56,560,000 tenge, including VAT, which was paid by the Company in 2025.

The external auditor does not provide the Company with consulting services that may pose a threat to the independence of the external auditor. The Company does not practice selection for the board of directors, hiring for management positions, including members of the executive body, the head of the Internal Audit Service, the chief accountant, the financial director, or former members of the audit team.

The financial reporting period is from January 1, 2024, to December 31, 2024. The report is published and can be accessed on the Company's website. The report is preliminarily approved by the Management Board and the Board of Directors of the Company and approved by a resolution of the Sole Shareholder.

Statement of financial position, thousand tenge

Table 18

Name	2024	2023
Non-current assets	33 443 523	53 671 694
Fixed assets	13 177 659	36 907 098
Investment property	231 699	237 671
Intangible assets	108 494	152 618
Investments in subsidiaries, joint ventures and associated organizations	3 433 077	3 182 581
Investments at fair value through profit or loss	5 208 700	-
Deferred tax asset	1 040 478	2 701 588
Loans issued and dividends receivable	1 437 363	1 210 167
Restricted funds	4 824 574	5 193 351
Other long-term assets	619 833	635 339
Assets held for sale	3 361 646	3 451 281
Current assets	62 662 308	63 928 462
Inventories	16 620 738	17 802 084
Prepayment of income tax	1 835 157	2 621 735
Advances paid and other current assets	17 601 436	15 259 349
Trade and other receivables	12 061 949	6 797 458
Loans issued	860 592	211 035
Restricted funds	404 726	404 726
Cash and cash equivalents	13 261 201	18 982 905
Assets held for sale	16 509	1 849 170
TOTAL ASSETS	96 105 831	117 600 156
Capital and reserves	27 456 457	48 633 123
Share capital	85 382 217	58 654 619
Additional paid-in capital	412 406	412 406
Uncovered loss	(58 663 852)	(10 762 176)
Shareholder share of the Company	27 130 771	48 304 849
Non-controlling interest	325 686	328 274



Name	2024	2023
Long-term liabilities	6 969 854	6 274 311
Loans	2 973 336	3 260 015
Dividends payable on preferred shares	813 779	824 166
Trade and other payables	89 835	311 249
Deferred tax liability	331 648	277 625
Liability associated with assets held for sale	2 761 256	1 601 256
Current liabilities	61 679 520	62 692 722
Loans	7 204 554	11 482 591
Trade and other payables	14 851 203	10 534 497
Estimated liabilities	116 866	3 249 470
Advances received	39 053 132	36 717 263
Dividends payable on preferred shares	410 515	388 703
Income tax payable	43 250	320 198
Total Liabilities	68 649 374	68 967 033
TOTAL CAPITAL AND LIABILITIES	96 105 831	117 600 156

Statement of income and expenses and other comprehensive income, thousand tenge

Table 19

Name	2024	2023
Revenue from sales	42 351 142	65 699 097
Cost of sales	(40 062 462)	(63 419 815)
Gross income	2 288 680	2 279 282
Sales expenses	(743 482)	(1 016 758)
General administrative expenses	(5 005 683)	(5 690 965)
Reversal of impairment losses, net	1 855 643	(1 962 176)
Other operating income, net	4 056 736	2 234 810
Operating income (loss)	2 451 894	(4 155 807)
Dividend income	-	167 221
Share of (losses) in income of associates and joint ventures	(641 135)	343 893
Financial income	1 260 950	2 041 611
Income from exchange rate differences	9 939	279 538
Income (loss) before tax	3 081 648	(1 323 544)
(expenses) income tax savings	(2 950 383)	72 348
Net income (loss) for the year	131 265	(1 251 196)
Related:		
<i>to shareholders</i>	133 853	(1 240 828)
<i>non-controlling interest</i>	(2 588)	(10 368)



CONTACT INFORMATION

National Company Kazakhstan Engineering
Joint-stock company
Postal address:
Republic of Kazakhstan
010000, Astana,
12A Kerey, Zhanibek khandar Str.,
tel.: +7 (7172) 72-52-52
e-mail: ke@ke.kz