

ANNUAL REPORT 2023
OF JOINT STOCK COMPANY
«KAZAKHSTAN ENGINEERING»
NATIONAL COMPANY»





Dear readers!

We present to your attention the Annual Report on the results of our activities for the past 2023.

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

We wish you pleasant reading!



TABLE OF CONTENTS

❖ 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
❖ BUSINESS MODEL AND STRATEGIC DEVELOPMENT	10
♦ Asset structure of JSC «Kazakhstan Engineering» NC» (as of 31.12.2023)	11
2. OVERVIEW OF ACTIVITIES	16
❖ INDUSTRY OVERVIEW	16
♦ Dynamics of production volumes in mechanical engineering	16
❖ KEY EVENTS OF THE REPORTING PERIOD	18
♦ Corporate-wide events.....	18
♦ Activities of subsidiaries and affiliates.....	19
♦ International cooperation and exhibition and marketing activitie	21
❖ FINANCIAL INDICATORS	32
♦ Operational and financial performance of the Company and its subsidiaries	32
❖ ASSET MANAGEMENT.....	34
❖ INVESTMENT ACTIVITIES OF THE COMPANY.....	35
3. CORPORATE GOVERNANCE.....	36
❖ BASIC PRINCIPLES AND STRUCTURE OF CORPORATE GOVERNANCE	36
❖ CORPORATE GOVERNANCE STRUCTURE	37



❖ BOARD OF DIRECTORS OF THE COMPANY	38
◆ Composition of the Company's Board of Directors.....	39
◆ Activities of the Board of Directors.....	45
◆ Committees of the Board of Directors.....	45
◆ Remuneration of members of the Board of Directors	47
◆ Corporate Secretary	47
◆ Internal Audit Service	48
◆ Compliance service	48
◆ Centralized Procurement Control Service.....	50
❖ BOARD OF THE COMPANY	52
◆ Activities of the Board.....	52
◆ Composition of the Board	54
◆ Remuneration of the Board.....	57
◆ Secretary of the Board.....	57
❖ INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT	58
◆ Internal control system.....	58
◆ Risk management.....	58
4. SUSTAINABLE DEVELOPMENT	62
◆ Economic aspect	62
◆ Occupational safety and health.....	63
◆ Ecological aspect.....	65
◆ Personnel policy	67
❖ INTERACTION WITH STAKEHOLDERS	69
EXTERNAL AUDIT AND AUDITOR'S REPORT	73
CONTACT DETAILS	80

❖ MESSAGE OF THE CHAIRMAN OF THE BOARD OF DIRECTORS



RAKHYMZHAN ISAKULOV

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

JSC «Kazakhstan Engineering» National Company» 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.

Kazakhstan Engineering 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 production and repair of aircraft to the disposal of ammunition.

One of the key aspects was the transfer of modern technologies through building mutually beneficial cooperation with foreign partners in order to introduce advanced developments that allow not only meeting the needs of the domestic market, but also strengthening export potential.

Kazakhstan Engineering 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 enterprises 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
JSC «Kazakhstan Engineering» NC»
R. Isakulov**

❖ MESSAGE OF THE CHAIRMAN OF THE BOARD



TALGAT TURLYBAYEV

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

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

2023 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.

In March 2023, the Company celebrated a milestone of 20 years since its founding. This demonstrates the Company's resilience and successful operation over two decades.

At the end of 2023, the income from the sale of products and services of the Holding significantly exceeded our expectations, amounting to about 65.7 billion tenge, which is 36% higher than the planned level.

At the same time, I would especially like to note the success of our subsidiaries, which continue to work on the development and implementation of technological processes not only in the segment of special products, but also simultaneously master the civilian direction. This is the result of the professionalism and efforts of each employee who work both in the corporate center and at production sites.

In addition, our efforts to improve operational efficiency in 2023 led to an 11% increase in productivity compared to 2022, with a 12% increase in sales.

As for the existing debt burden of the Company, the situation is as follows. At the end of the reporting period, the total debt to second-tier banks amounted to 15.3 billion tenge, which is 8.5 billion tenge less compared to the same indicator in 2022. Thus, a significant reduction in the debt burden was achieved. In the future, work in this direction will continue.

However, despite the positive results achieved, at the end of the year the Company recorded a loss of more than 1 billion tenge. This is due to the financial

difficulties faced by our individual subsidiaries. The current circumstances in the future require a deep analysis and revision of the development plan as a whole. Within the framework of the current legislation, appropriate measures will be taken to resolve the situation.

At the same time, one of the main directions in the Company's work is international cooperation and the development of research and innovation activities. These areas play an important role, allowing the Company to keep up with technological progress and offer our customers the most advanced solutions. A lot of work has been done in this block: within the framework of military-technical cooperation with foreign partners, a number of major meetings were held, as a result of which the relevant international agreements were signed.

I firmly believe that joint efforts and interaction will contribute to the successful development of our military-industrial holding and strengthen its position in the international arena. Also, goals will be achieved in technological engineering, export of WME, in the field of attracting investments and technology transfer.

I express my gratitude to the management 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 to all our partners for their attention to our Company.

I am also sincerely grateful to our employees for their work and dedication. Thanks to their professionalism and enthusiasm, our Company was able not only to maintain, but also to expand its position in the market.

2023 brought us significant results, and I am confident that next year will be even more successful. We are ready to continue to move forward based on our values and strategic goals. There are many tasks ahead, but together we can reach new heights.

**Kind regards,
Chairman of the Board of
JSC «Kazakhstan Engineering» NC»
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, 2023.

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 corporate website (www.ke.kz).

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

1. OVERVIEW

❖ ABOUT THE COMPANY

JSC «Kazakhstan Engineering» National 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.

In October 2006, the state block of shares of the Company (100%) was transferred in payment of the authorized capital of Samruk Holding JSC.

In September 2009, the Company's stake was transferred to the trust management of the Ministry of Industry and Trade of the Republic of Kazakhstan. In June 2010, in order to improve the management system of the defense industry of the Republic of Kazakhstan, the Company's stake was transferred to the trust management of the Ministry of Defense of the Republic of Kazakhstan. In December 2016, the Company's stake was transferred to the trust management of the Ministry of Defense and Aerospace Industry of the Republic of Kazakhstan.

In accordance with the Decree of the Government of the Republic of Kazakhstan dated July 3, 2018 No. 405 On Certain Issues of JSC «Kazakhstan Engineering» National Company», the block of shares of the Company was transferred to state ownership, the tenure of which was vested in the Ministry of Digital Development, Defense and Aerospace Industry of the Republic of Kazakhstan.

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

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 improve the efficiency of the public administration system, the rights of ownership and use of the state block of shares of the Company were transferred to the Ministry of Industry and Construction of the Republic of Kazakhstan.

Total number of outstanding shares of the Company as of December 31, 2023, including:

- common shares 57,766,314 pieces;
- preferred shares - none.

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

❖ BUSINESS MODEL AND STRATEGIC DEVELOPMENT

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

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

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

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

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

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

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

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


The Development Plan sets the following goals:





- diversification of production through localisation of production and high-tech products;




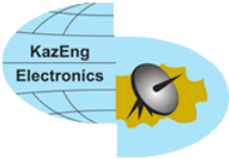
- development of innovation through investment in R&D;
- reduction of production costs by increasing operational efficiency;
- improving organizational management through digital technologies;
- sustainable development through effective personnel policy and interaction with the state.

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

**♦ Asset structure of JSC «Kazakhstan Engineering» NC»
(as of 31.12.2023)**

No.	Name of the organization	Types of 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>
2.	<p>«Petropavlovsk Plant of Heavy Machine Building» 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>
3.	<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>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>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.</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>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 Hidropribor 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>9.</p>	<p>«Kaztechnologies» JSC</p> 	<p>It was founded in 1947 as the Kazakhstan office of the All-Union explosive works trust «Soyuzmeliiovzryv».</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>10.</p>	<p>«R&D center Kazakhstan engineering» LLP</p> 	<p>Created within the premises of the «Unified Center for Implementation of Weapons Management Systems» LLP and accredited as a subject of scientific and scientific-technical activity; licenses were obtained for the development and production, repair of ammunition, weapons and military equipment, spare parts, components and devices; special materials, equipment for their production, including installation, commissioning, modernization, installation, storage, repair and maintenance.</p> <p>Due to the vast market and growing demand, it was decided to develop the engineering direction in the format of Engineering, procurement and construction.</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>

12.	<p align="center">«Aviation Training» Center LLP</p>	<p>LLP Aviation Training Center (ATC) was founded in 2006 for the initial training of pilots and mechanics for the civil and military aviation of Kazakhstan. Located at the Zholaman airfield, the center trained pre-conscription youth from 2007 to 2016. Since 2016, the ATC has been under the jurisdiction of the Ministry of Defense of the Republic of Kazakhstan, and the training program has been suspended. During the period from 2007 to 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 ATC became a 100% subsidiary of JSC «Kazakhstan Engineering» National Company». Currently, the center conducts flight training on a contractual basis for cadets of the Military Institute and students of the Civil Aviation Academy.</p>
13.	<p align="center">«Steel manufacturing» LLP</p> 	<p>In accordance with the Military Doctrine of the Republic of Kazakhstan, adopted in 2011, to provide the country's Armed Forces with ammunition, the Steel Manufacturing LLP plant was created to produce ammunition of the following calibers: 9x18mm PM; 9x19mm Luger; 5.45x39mm; 7.62x54mm.</p> <p>Start of production activities - 2020. There are licenses for the development, production, acquisition and sale of ammunition, weapons and military equipment, spare parts, components and devices for them, special materials, equipment for their production, including assembly, adjustment, modernization, installation, use, storage, repair and maintenance; acquisition, sale and storage of explosives and pyrotechnics (except for civilian) substances and products using them.</p>
Jointly controlled entities (50% ownership interest)		
14.	<p align="center">«Kazakhstan Aviation Industry» LLP</p> 	<p>Created on July 24, 2012 for implementation of the project, commissioned on September 14, 2016.</p> <p>Main activities: production of aircraft, including overhaul and modernization of aircraft, assembly of unmanned aerial vehicles.</p> <p>In 2017, a Certificate of compliance of the quality management system with the requirements of the ST RK ISO 9001-2016 was obtained in relation to maintenance, repair, modernization, modification, supply of aviation equipment, spare parts, equipment, components and devices to them.</p>

15.	<p align="center"> «Kazakhstan ASELSAN Engineering» LLP </p> 	<p>Created on April 18, 2011. The founders are: JSC «Kazakhstan Engineering» NC» (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>
16.	<p align="center"> «Thales Kazakhstan Engineering» LLP </p>	<p>It was established in 2009 on a parity basis by JSC «Kazakhstan Engineering» NC» 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.	<p align="center"> «Indra Kazakhstan Engineering» LLP (49%) </p>	<p>Production and maintenance of radar stations, electronic warfare systems and electronic intelligence.</p>
18.	<p align="center"> «Kaz-ST Engineering Bastau» LLP (49%) </p>	<p>Provision of engineering services (joint venture with Singapore Technologies Engineering).</p>
19.	<p align="center"> «KTM Invest» LLP (20%) </p>	<p>Construction of real estate objects for the needs of the Armed Forces and other security agencies of the Republic of Kazakhstan.</p>
20.	<p align="center"> «Airbus Helicopters Kazakhstan Engineering» LLP (10%) </p> 	<p>Assembly, sales, maintenance of EC-145 helicopters; training of flight and technical personnel of potential customers.</p>

2. OVERVIEW OF ACTIVITIES

❖ INDUSTRY OVERVIEW

◆ Dynamics of production volumes in mechanical engineering

According to the National Statistics Bureau of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan, in 2023, the volume of production in mechanical engineering reached 4,171.9 billion tenge and increased in value terms by 33.9% compared to 2022 (3,114.9 billion tenge). The index of physical production volume in the industry amounted to 125.4% of the same period in 2022.

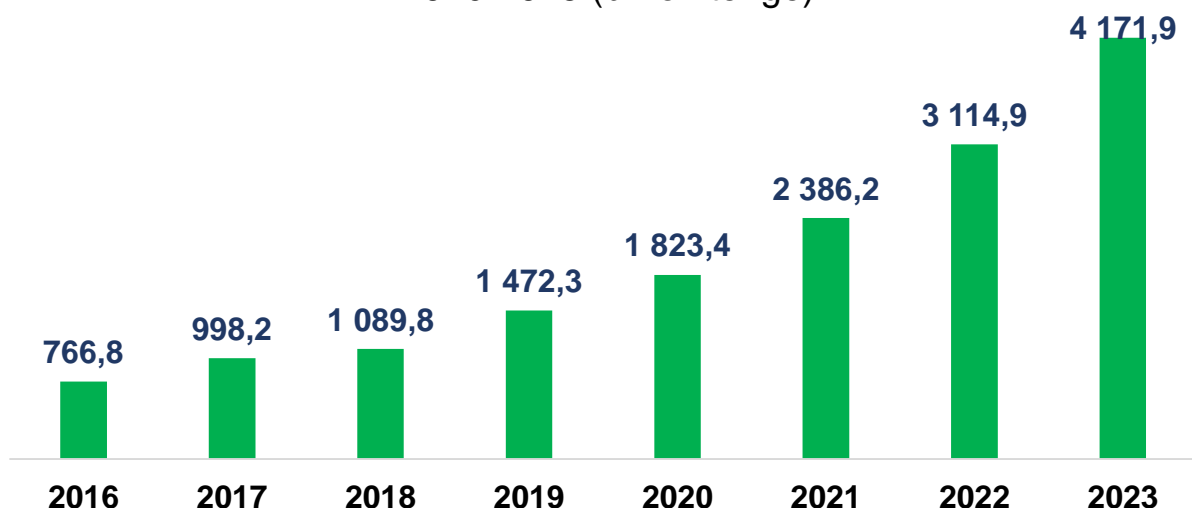
In metalworking, production volumes for the reporting period amounted to 438.9 billion tenge, which in value terms is 15.8% higher than the 2022 level (379.1 billion tenge).

The volume of metal casting services in the reporting period amounted to 32.7 billion tenge, compared to the figure for the same period of the previous year (25 billion tenge), there is an increase in value terms of 31.2%, and in real terms - by 7.7% due to the growth of cast iron casting by 7.5% and steel casting by 14%.

In 2023, all types of activity in the mechanical engineering industry grew, except for the production of machinery and equipment not included in other groupings - a decrease of 3.2% in real terms compared to the same period last year.

Positive dynamics in the industry as a whole were ensured by an increase in the physical volume of production in the automotive industry by 36.8% (the share of the automotive industry in the country's mechanical engineering continues to dominate - 44.3%), as well as by an increase in the production of other vehicles (+39.8%) with a share in the industry of 12.3%, and the repair and installation of machinery and equipment (+14.1%) with a share of 23.7%.

**Dynamics of mechanical engineering production volumes
2016-2023 (billion tenge)**



Dynamics of production volumes by type of economic activities in monetary terms, million tenge.

Industry	2022	2023
1. Manufacture of computers, electronic and optical products	3 114 942	4 171 864
2. Manufacture of electrical equipment	63 409	45 706
3. Manufacture of machinery and equipment not included in other categories	273 015	305 607
4. Manufacture of automobiles, trailers and semi-trailers	395 107	473 779
5. Production of other vehicles	1 200 953	1 848 215
6. Repair and installation of machinery and equipment	334 231	511 373

As of January 1, 2024, there are 4,013 operating enterprises in mechanical engineering, of which 3,847 are small, 101 are medium, and 65 are large. Compared to the situation as of January 1, 2023, the total number of operating enterprises in the industry has increased by 250 units, this was due to the growth in the number of small enterprises.

An increase in the number of operating enterprises is noted for all types of mechanical engineering activities. The largest growth is in the repair and installation of machinery and equipment (+ 125 units).

In general, in order to maintain sustainable positive dynamics of industries in 2023, enterprises continue to receive state support. Today, domestic enterprises can take advantage of a whole range of state support measures: from preferential financing ("Economy of Simple Things", "Business Roadmap 2025", "Preferential Lending Program") to sales assistance (preferential leasing). NWF Samruk-Kazyna JSC is implementing an import substitution program and an "offtake contract" mechanism.

In addition, in 2023, a Comprehensive Plan for the Development of Mechanical Engineering was developed and approved with the aim of identifying long-term and medium-term goals and objectives, including by sector, with the definition of ways to solve them, as well as the necessary measures to facilitate their achievement.

❖ KEY EVENTS OF THE REPORTING PERIOD

◆ Corporate-wide events

The year 2023 was marked by a number of events in various fields of activity of the Company.

- In January 2023, the Company launched an information and analytical website www.QazDef.kz.

QazDef - is an information and analytical site where employees of JSC «Kazakhstan Engineering» NC» will post digests and information materials on various areas of the defense industry.

- On February 21, 2023, by the decision of the Sole Shareholder of JSC «Kazakhstan Engineering» NC», Azamat Beispekov was appointed Chairman of the Board of Directors.

- On March 13, 2023, JSC «Kazakhstan Engineering» NC» celebrated a significant date - 20 years since its foundation!

20 years is a really long history. This is the path that the Company and its employees have traveled, successfully adapting to industrial, structural, economic, social changes, flourishing and reaching ever greater heights.

- From May 10 to 12, 2023, JSC «Kazakhstan Engineering» NC» took part in the XI Forum of Mechanical Engineers of Kazakhstan.

The forum was organized to promote the development of the machine-building industry, strengthen trade and economic ties and ensure an effective dialogue between representatives of business and the state.

- Also in 2023, **Steel Manufacturing LLP** became a subsidiary of the Company. The decision to increase the number of authorized common shares of the Company was made on October 4, 2023 by the Sole Shareholder of the Company. On October 31, 2023, the Board of Directors of the Company approved the placement of these shares by exercising the pre-emptive right. The final transfer of the asset to the authorized capital of the Company was completed on January 26, 2024.

- On December 22, 2023, the Company and Airbus Helicopters signed a Sale and Purchase Agreement for a 40% stake of the Company in the authorized capital of **Eurocopter Kazakhstan Engineering LLP** (now Airbus Helicopters Kazakhstan Engineering LLP).

All terms of the Agreement were finally fulfilled and 40% of the Company's shareholding was transferred to Airbus Helicopters in July 2024.

- In addition, during the period of 2023, the Company managed to significantly reduce the debt burden to JSC Halyk Bank of Kazakhstan and JSC National Welfare Fund Samruk-Kazyna from 23.9 billion tenge to 10.3 billion tenge.

◆ **Activities of subsidiaries and affiliates**

- **Semey Engineering JSC** in 2023 successfully expanded its product line and improved its infrastructure, which led to a significant improvement in the operating efficiency of the enterprise.

An important achievement was the creation and commissioning of a free storage warehouse, which ensured the optimization of logistics processes and increased the level of customer service.

In addition, modern equipment was purchased to improve the repair process of military equipment and vehicles, including a wide-ranging 6T82Sh machine, a BDS MAB-525 magnetic drilling machine and a KARCHER HDS 8/18/4 washer. These investments made it possible to improve the quality and speed of repair work, as well as reduce the time and financial costs of maintaining equipment and machinery.

- During 2023, Research Institute Gidropribor JSC successfully expanded its product range by introducing a number of new products to the market and improving existing ones.

One of the significant achievements was the development of the production of boats with a length of 3.9 meters, presented in two versions: pleasure and rescue. These boats are highly reliable and functional, making them attractive both for recreation and for use in rescue operations.

As part of the development of technical solutions, the Company introduced narrowing devices (diaphragms), which contribute to improving the characteristics and maneuverability of water facilities.

In addition, the production of metal structures has become one of the important activities of the Company. Flexibility in the design of new types of steel structures in accordance with the needs of customers allows the company to effectively meet the needs of the market.

In addition, the Company expanded its product line by introducing raid (mooring) barrels, which makes it possible to meet the needs of customers in this segment and diversify its activities.

- In 2023, **Petropavlovsk Heavy Machine Building Plant JSC** demonstrated active development and expansion of its product line, introducing a number of new products and services to the market.

One of the important areas of activity was the production of gondola cars and covered wagons, which helped to meet the needs of transport infrastructure.

In addition, unmanned aircraft systems have been successfully demonstrated, opening up new prospects in technology and ensuring the efficient use of aviation resources.

An important achievement was also the production of other units for oil producing companies, including mobile pumping units, units for swabbing and oil production from low-yield wells and others, which complemented and expanded the company's product range focused on the needs of the oil industry.

The nomenclature of the railway industry and the production of pumping units for oil producing organizations also became part of the plant's assets, which emphasizes its desire to diversify and meet the needs of various industries.

- **S.M. Kirov Plant JSC** in 2023 successfully expanded its product range by introducing several new types of high-tech computer and electronic equipment to the market.

Cooperation with Acer led to the development of production of new types of computer equipment, including system units and laptops. This allowed the company to expand its product line and meet the demand for modern technologies.

Also in 2023, the plant implemented the production and supply of full-height access control and management systems (ACMS), as well as Medeo radio stations, which expanded its product portfolio in the field of electronics and communications.

The development of the production of printed circuit boards with SMT assembly was another important step in the development of the plant, complementing its capabilities in the field of electronics and microelectronics.

In September 2023, S.M. Kirov Plant JSC received Authorized Intelligent Devices Tier status as a participant in the Lenovo 360 Engage program.

This status enables the company to offer the full range of Lenovo Intelligent Devices commercial products, including related services.

This category includes ThinkPad and ThinkBook laptops, ThinkCentre desktops, workstations, monitors, related accessories, peripherals and more.

The plant has also earned Infrastructure Solutions Tier status, and is therefore authorized to resell all Infrastructure Solutions products.

This area includes ThinkSystem and ThinkAgile servers and storage systems, as well as related options, software and a variety of information services.

- In 2023, **Kazakhstan Aviation Industry LLP** successfully expanded its range of manufactured products by mastering the production of tooling and rigging equipment, including stepladders, trolleys and other auxiliary equipment necessary for aircraft maintenance and repair.

Also in 2023, Kazakhstan Aviation Industry LLP began sewing covers for aircraft, which became an additional service to ensure the protection and safety of aviation equipment.

In addition, one of the important achievements was the development of metrological verification and calibration of measuring instruments, which allowed the company to ensure compliance with high standards of accuracy and reliability in the production of aviation equipment.

- **Kazakhstan ASEL SAN Engineering LLP** successfully localized the production of the automated warning system (ASO) Uran and received the ST-KZ certificate for the alert system of the ASO Uran with a 54% localization share of domestic production. As part of a pilot project to integrate ASO Uran with third-party notification systems, a non-disclosure agreement was signed with the Polish company Digetex.

- During 2023, R&D Center Kazakhstan Engineering LLP successfully mastered the production of several types of products, including the Chagala-M LHC, a ground-based robotic reconnaissance and strike complex and unmanned aerial vehicles with a turbojet engine used as air targets. During 2023, Tynys JSC successfully mastered the production of centralizer bushings for sucker rod pumps. This step allowed us to expand the range of company products and meet customer needs for high-quality and reliable components for the oil industry.

♦ International cooperation and exhibition and marketing activities

- **On January 25, 2023**, JSC «Kazakhstan Engineering» NC» at the production site in the SEZ of Astana organized an exhibition of products manufactured by enterprises of the military-industrial complex for the needs of the Ministry of Emergencies of the Republic of Kazakhstan.

The event was attended by the Company's subsidiaries and affiliates, state and private factories, and domestic manufacturers.

The exhibition presented advanced samples of fire, rescue equipment and an automated warning system with the presentation of robotic, special equipment, various safety systems, UAVs, etc.

- **On February 2-3, 2023**, JSC «Kazakhstan Engineering» NC» and subsidiaries and affiliates of the Company took part in the V International Digital Forum "Digital Almaty: Digital Partnership in a New Reality" in Almaty.

JSC «Kazakhstan Engineering» NC» and its subsidiaries organized a display of their products at the Innovation Center exhibition area, where samples of robotic and special equipment, various security systems, emergency rescue equipment, UAVs, etc. were presented.

- **From 20 to 24 February 2023**, representatives of JSC «Kazakhstan Engineering» NC» visited the 16th International Defense Industry Exhibition IDEX-2023. This is a unique platform for establishing and strengthening relations with government agencies, enterprises and the armed forces.

The Company's employees held meetings with international delegations from the defense and civil industries, such as Turkish Aerospace, Thales, Airbus Defense and Space, Embraer, Yugoimport and Sarsilmaz Silah Sanayi AS.

The interlocutors discussed the implementation of ANKA-S UAV projects, the transfer of technologies for the production of gunpowder, ammunition and non-lethal weapons, as well as the modernity of the ships of the Navy of the Republic of Kazakhstan.

In addition, negotiations were held with American, Uzbek, Azerbaijani and other partners on issues of bilateral cooperation.

- **On February 23, 2023**, in Taldykorgan, representatives of JSC «Kazakhstan Engineering» NC», together with employees of Kazakhstan ASELSAN Engineering LLP, held a meeting with the leadership of the Department for Emergency Situations of the Zhetisu Region of the Ministry of Emergency Situations of the Republic of Kazakhstan.

The meeting took place as part of equipping the Mets in the Zhetisu region with automated warning systems and proposals for the supply of robotic equipment, equipment with clothes for firefighters, AC tankers of all types, UAVs, etc.

- **On April 10-11, 2023**, a delegation of Oil Operators of the Republic of Kazakhstan visited Petropavlovsk Heavy Engineering Plant JSC and S.M. Kirov Plant JSC.

The delegation included representatives of NC KazMunaiGas JSC, Embamunaigas JSC, Mangistaumunaigas JSC, OzenMunaiGas JSC, LLP OzenMunaiService, LLP Oil Service Company and Karazhanbasmunai JSC.

During the visit, the production capabilities of the plants were demonstrated, current issues of existing contracts were discussed, as well as plans for further development of cooperation.

- **On April 24, 2023**, with the participation of the Prime Minister of the Republic of Kazakhstan A.A. Smailov, as well as the Prime Minister of the Czech Republic Petr Fialu, a business forum was held on the issue of Kazakh-Czech cooperation.

During the event, the Chairman of the Board of JSC «Kazakhstan Engineering» NC», T. Abdrakhmanov, reported on current cooperation with leading enterprises of the Czech Republic.

The company is actively working on the issue of aircraft construction with the enterprises Omnipol and Primoco. In addition, work is underway with MSM GROUP on the repair and restoration of ammunition. Also, together with the company Skoda, a project is being developed for the assembly of high-class comfortable trolleybuses.

- **On April 27-28, 2023**, Astana Hub, in partnership with the international technology park Bilkent CYBERPARK, organized a business forum in which about 50 companies from Turkey and Kazakhstan participated.

The event was organized with the aim of developing business ties between the business community and strengthening mutually beneficial cooperation between the two countries in the field of trade and investment.

As part of the development of bilateral cooperation, the forum was attended by such enterprises as: Plant named after S.M. Kirov JSC, 811 car repair plant KI JSC, Semey Engineering JSC, Kaztekhнологies JSC, Tynys JSC, Research Institute Gidropribor JSC, Machine-Building Plant JSC named after S.M. Kirov, KAI LLP, Kazakhstan ASELSAN Engineering LLP, R&D Center Kazakhstan Engineering LLP, PHEP LLP.

- **On May 10, 2023**, a meeting was held on the basis of Eurocopter Kazakhstan Engineering LLP (now Airbus Helicopters Kazakhstan Engineering LLP) with the participation of the leadership of the Air Defense Forces of the Armed Forces of the Republic of Kazakhstan.

- During the meeting, guests were shown several models of Airbus helicopters, the assembly and maintenance of which is carried out at the enterprise Eurocopter Kazakhstan Engineering LLP (now Airbus Helicopters

Kazakhstan Engineering LLP) in Astana. In addition, a review of the procedural and navigation flight simulator was conducted to improve the piloting skills of the EC145 helicopter pilots.

The company's general director, Arnaud Cecile, held a presentation of military helicopters of various types of modifications in order to meet the needs of defense, security and law and order in the state.

- **June 1, 2023** JSC «Kazakhstan Engineering» NC successfully tested the upgraded Shagal-M unmanned aerial vehicle.

The tactical and technical characteristics of the device were improved, namely its speed, altitude and flight range.

The UAV can also be used for reconnaissance purposes, search and rescue operations, and as a repeater for communications and control equipment.

In 2023, the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan developed the Rules for the Operation of Unmanned Aerial Vehicles in the Airspace of the Republic of Kazakhstan, which should regulate not only the procedure for using airspace, but also the registration, categorization of UAVs and the issuance of permits for them.

In turn, JSC «Kazakhstan Engineering» NC» has developed target complexes based on UAVs, and projects for strike and reconnaissance UAVs, as well as kamikaze UAVs, are at the development stage.

In addition, a training program for pilots and mechanics to ensure the safe and efficient operation of civilian drones and copters is being launched at the aviation training center.

- **On June 2, 2023**, JSC «Kazakhstan Engineering» NC» held a meeting with representatives of companies of the People's Republic of China.

The parties exchanged views on the further development of the Company's civil production and discussed the production capabilities of the enterprises, expressing interest in mutually beneficial cooperation and localization of products.

As a result of negotiations between S.M. Kirov Plant JSC and PHEP JSC, memorandums of cooperation with Chinese companies on a number of promising projects were concluded.

Cooperation between the two countries contributes to the promotion of a favorable investment image of Kazakhstan and to increasing the competitiveness of business in the Republic of Kazakhstan and the PRC.

- **On June 7, 2023**, JSC «Kazakhstan Engineering» NC» at the Eurocopter Kazakhstan Engineering LLP plant (now Airbus Healthcare Kazakhstan Engineering LLP) transferred a new helicopter to the N125 customer of Dala Air LLP.

The Airbus H125 model is part of the customer's strategic plan for the development of aviation services. The use of helicopters of this type is planned for search and rescue operations, flights to provide medical assistance to the population and conduct sanitary measures, aviation work to protect and defend the forest fund.

- **On June 9, 2023**, within the framework of the Astana International Forum, Vice Minister of MIID RK Azamat Beyspekov and Chairman of the Board of JSC «Kazakhstan Engineering» NC» Temirzhan Abdrakhmanov held talks with representatives of Mitsubishi Corporation.

During the meeting, the production capabilities of the enterprises of the Kazakhstan Engineering group of companies were presented and investment opportunities in the mechanical engineering industry and promising projects for the implementation of mutually beneficial cooperation were discussed.

- **On June 14, 2023**, at the site of JSC «Kazakhstan Engineering» NC», a meeting was held with representatives of Leonardo S.p.A.

The delegation was introduced to the activities of the Company and Ural Plant Zenit JSC. Also, the possibilities and proposals for the development of bilateral cooperation on current and prospective projects were discussed.

Leonardo SpA is an Italian multinational company and one of the world leaders in the shipbuilding industry. The organization plays a significant role in major international strategic programs and is a reliable technology partner.

- **On June 20, 2023**, as part of the Paris Air Show at the international Le Bourget air show, Temirzhan Abdrakhmanov, Chairman of the Management Board of JSC «Kazakhstan Engineering» NC», held a series of bilateral meetings with leading companies, including Airbus, Thales, Safran SA, and others.

During the meetings, issues related to advanced technologies, development of qualified Kazakhstani personnel and competencies were raised.

JSC «Kazakhstan Engineering» NC» strives to further develop mutually beneficial cooperation in the field of maintenance, repair, modernization of aircraft and helicopters for both military and civilian purposes, as well as improving the qualifications of local specialists.

- **On June 22, 2023**, JSC «Kazakhstan Engineering» NC» held a series of meetings with representatives of the Republic of Serbia.

As part of bilateral cooperation, employees of JSC «Kazakhstan Engineering» NC, together with representatives of Steel Manufacturing LLP, familiarized themselves with the production processes of Serbian plants and held a number of meetings on issues of technology development in Kazakhstan, improving the qualifications of local personnel, and developing and strengthening business ties between the two countries in the field of trade and investment.

- **On June 23, 2023**, JSC «Kazakhstan Engineering» NC» held a meeting with the Ambassador of the Kyrgyz Republic Dastan Dyushekeev.

During the negotiations, issues of further development of trade and economic cooperation within the framework of bilateral relations, as well as the implementation of the supply of helicopters to Eurocopter Kazakhstan Engineering LLP (now Airbus Helicopters Kazakhstan Engineering LLP) were discussed. It should be noted that in 2022, a deal was concluded with the subsequent purchase of 2 helicopters for the needs of the Ministry of Emergency Situations of Kyrgyzstan.

- **On June 26, 2023**, in order to strengthen mutually beneficial relations between JSC «Kazakhstan Engineering» NC» and representatives of the People's Republic of China, the Company's employees visited the Multifunctional Trade and Economic Platform for the SCO countries (TEMP).

The parties discussed ways to strengthen cooperation, develop innovative technologies in Kazakhstan, and improve the qualifications of local personnel.

- **On June 29, 2023**, JSC «Kazakhstan Engineering» NC» held a meeting with Anton Loginov, Russia's trade representative in Kazakhstan.

During the meeting, opportunities and proposals for developing bilateral cooperation on current and prospective projects in the oil and gas, energy and railway industries were discussed.

- **On July 4, 2023**, JSC «Kazakhstan Engineering» NC» held a meeting with a delegation of the Indian multinational company Bharat Forge. Within the framework of the meeting, a presentation was held on the possibilities of the Kazakhstan Engineering Group of Companies within the framework of military-technical cooperation. The parties considered promising projects and opportunities for further investment in Kazakhstani production, the development of local personnel and science.

- **On July 5, 2023**, the Chairman of the Management Board Temirzhan Abdrakhmanov met with the Ambassador of Kazakhstan to the Czech Republic Bakyt Dyusenbaev.

During the meeting, projects related to the maintenance of aircraft manufactured by Omnipol, as well as the production and maintenance of Primoco UAV One 150 unmanned aerial vehicles at the enterprises of the Kazakhstan Engineering Group of Companies to meet customer needs were discussed.

- **On July 7, 2023**, within the framework of the working visit of the Minister of Industry and Infrastructure Development Marat Karabaev to Beijing, a number of meetings were held on cooperation with Chinese companies regarding the development of mutually beneficial cooperation in the field of mechanical engineering.

The management of JSC «Kazakhstan Engineering» NC» met with a number of large engineering organizations of China operating in the civil and defense industries. The parties discussed issues and proposals for the further development of bilateral cooperation.

JSC «Kazakhstan Engineering» NC» reached an agreement on cooperation, exchange of experience and developments, setting joint goals with a number of companies. The Chinese side expressed its readiness to assist in the transfer of certain technologies and consideration of the possibility of creating modern production facilities.

- **In the period from July 10 to July 13, 2023**, JSC «Kazakhstan Engineering» NC» took part in the main industrial exhibition in the field of industrialization of the Russian Federation - the XIII International Industrial Exhibition "INNOPROM-2023" Sustainable Production: Renewal Strategies. "

- **On July 12, 2023**, within the framework of the INNOPROM international industrial exhibition held in Yekaterinburg, the delegation of JSC «Kazakhstan Engineering» NC» held negotiations with Valery Bondarenko, General Director of KONAR JSC.

During the meeting, the parties discussed prospects and opportunities for developing bilateral cooperation in the field of civil production, in particular railway and oil and gas engineering.

KONAR JSC was founded in 1991 and today is an industrial holding with broad competencies in the oil and gas engineering industry, production of complex metal structures, shipbuilding, and integrated engineering.

- **On July 13, 2023**, JSC «Kazakhstan Engineering» NC» held a meeting with representatives of the French company SAFRAN Group on mutually beneficial cooperation.

During the negotiations, the possibilities of implementing new promising projects at the enterprises of the Kazakhstan Engineering Group of Companies were discussed. The parties also made proposals for the further development of bilateral cooperation.

SAFRAN Group is an international high-tech corporation specializing in solutions and services in the fields of optoelectronics, avionics, electronics, telecommunications and software.

- **On July 31, 2023**, during the IDEF-2023 exhibition in Istanbul, Ural Plant Zenit JSC signed a memorandum of cooperation with ASFAT.

Within the framework of this agreement, a joint proposal of projects for the Ministry of Defense of the Republic of Kazakhstan is planned.

- **On July 31, 2023**, as part of the development of civilian production, Machine-Building Plant JSC named after S.M. Kirov JSC held a meeting with representatives of Astana Motors Engineering.

At the meeting, an introduction to the plant's production capabilities was provided, and the parties discussed opportunities and proposals for developing bilateral cooperation on current and future projects.

- **On August 1, 2023**, JSC «Kazakhstan Engineering» NC» held talks with representatives of the Czech company Omnipol.

The parties discussed issues and proposals for the further development of bilateral cooperation.

Following the meeting, the parties came to an agreement that, subject to the purchase of aircraft manufactured by Omnipol by the Kazakh side, full service, maintenance and repair of aircraft will be implemented at the production sites of Kazakhstan Engineering. In addition, it was agreed that training of specialists, improving their qualifications and developing their own personnel and competencies will also be carried out by the Kazakh side.

- **On August 10, 2023**, in Ust-Kamenogorsk, a meeting was held between Temirzhan Abdrakhmanov, Chairman of the Management Board of JSC «Kazakhstan Engineering» NC», and Yermek Kosherbayev, akim of the East Kazakhstan region.

During the negotiations, an agreement was reached to create a competence center in the field of unmanned aviation, where specialists from the region will be trained in the production, assembly, and operation of aircraft and drones. As previously reported, the Company already has its own training program based at the Aviation Training Center LLC at the Zholaman airfield. Unmanned aerial vehicles can be used in various fields, such as agriculture and forestry, medical care, search and rescue operations, and emergency prevention.

Additionally, promising projects for the development of small aviation in the region were discussed. Small aviation has a wide range of applications. The Akim of the region noted the importance of providing access to remote or hard-to-reach places. In addition, with the development of small aviation, tourism in the region will develop even more.

- **On August 11, 2023**, JSC «Kazakhstan Engineering» NC» held a meeting with representatives of the Konsung Technology company, which produces medical equipment.

During the negotiations, a presentation of the company's manufactured products was held, and issues and proposals for localizing the production of medical equipment based on the enterprises of Kazakhstan Engineering were discussed.

- **August 22, 2023** demonstration of new generation unmanned aerial vehicles was held at PHEP. JSC

Following the visit of the Minister of Industry and Infrastructure Development of the Republic of Kazakhstan Marat Karabayev to China, agreements were concluded with Chinese partners on the assembly of unmanned aerial vehicles in Kazakhstan.

The first prototypes were assembled and demonstrated at PHEP JSC. The enterprise hosted a demonstration of 4 types of new-generation unmanned aerial vehicles assembled by the enterprise jointly with the Chinese side.

It should be noted that within the framework of the general program for further cooperation, it is planned to develop production, as well as a training center. Recall that Aviation Training Center LLP is a subsidiary of JSC «Kazakhstan Engineering» NC» and is working on organizing training for UAV operators.

- **On August 25, 2023**, JSC «Kazakhstan Engineering» NC» held a meeting with representatives of the state company ASFAT. The parties discussed issues on the development of the project for the construction of a shipyard in the Caspian Sea together with the shipbuilding enterprises of Ural Plant Zenit JSC and Research Institute Hidropribor JSC, having come to an agreement on its further implementation.

- **Also, on August 25, 2023**, a memorandum of cooperation with KazRockets was signed at JSC «Kazakhstan Engineering» NC». KazRockets is the first foundation for the development of rocket science and aircraft modeling in Kazakhstan, the purpose of which is to create and promote innovations in the field of rocket science by applying its own engineering solutions in the Kazakhstan STEM sector.

Competitions were held among children in the production and launch of rockets with the support of JSC «Kazakhstan Engineering» NC» and LLP Aviation Training Center on the territory of the Zholaman airfield.

- **On September 5, 2023**, Semey Engineering JSC and Kazakhstan ASELSAN Engineering LLP took part in the Batyl-Toytarys-2023 strategic command-staff military exercises held at the Bereg training ground under the leadership of the President of the Republic of Kazakhstan, Supreme Commander-in-Chief of the Armed Forces Kassym-Zhomart Tokayev. Semey Engineering JSC presented its own mobile tank repair shop and demonstrated its ability to repair armored weapons in the field, in turn, Kazakhstan ASELSAN Engineering LLP demonstrated the repair of modern radio stations and night vision devices.

- **On September 7, 2023**, representatives of JSC «Kazakhstan Engineering» NC» met with a number of large engineering organizations in China operating in the civil industry.

The parties discussed issues of proposals for further development of bilateral cooperation, and also signed a memorandum and a cooperation agreement.

First of all, an agreement was concluded with representatives of SINOHYDRO Bureau 14 Co., Ltd. This organization is a key subsidiary of POWER CHINA Corporation.

The projects implemented by SINOHYDRO cover a wide range of fields, including hydropower, mining and many others. It is worth noting that the organization has been the leader among foreign companies in economic indicators in Yunnan Province for several years in a row.

In addition, a framework agreement on investment cooperation was concluded with Liangjiang Jingkun Electronic Precision Control Technology Co., Ltd. This is an agreement on a project to establish a digital industrial park for the production of civilian electronic explosives.

Liangjiang Precise Control Electronic Technology (Chongqing) Co., Ltd. was established as part of a multifunctional trade and economic platform for the SCO countries.

- **On September 14-16, 2023**, the exhibition "EXPO Central Asia-2023" was held in Dushanbe.

At the exhibition, the heads of state of Kazakhstan, Tajikistan, Turkmenistan, Uzbekistan and Azerbaijan inspected the national pavilion, where the products of JSC «Kazakhstan Engineering» NC» and their functional capabilities in the military-industrial complex were presented.

The products presented included: UAVs, small arms, communications equipment, electronic-optical devices, training ammunition, and so on.

- A meeting was also held with the Minister of Industry and New Technologies of the Republic of Tajikistan Sherali Kabir. The parties discussed issues and promising areas of cooperation on industrial issues and the development of advanced civilian technologies.

- **In the period from September 14 to September 15, 2023**, a subsidiary of the Company, R&D Center Kazakhstan LLP, took part in the exercises "Combat Commonwealth - 2023," designed to demonstrate military equipment in the field, conducted under the leadership of the Ministers of Defense of Kazakhstan and Kyrgyzstan: Colonel General Ruslan Zhaksylykov and Lieutenant General Baktybek Bekbolotov at the Saryshagan training ground engineering. The plant introduced the Shagala unmanned aerial vehicle in action for aerial reconnaissance.

- **On September 25-27, 2023**, JSC «Kazakhstan Engineering» NC» took part in the Innoprom International Industrial Exhibition. Kazakhstan-2023 "in Astana. The purpose of the exhibition is to develop industrial cooperation, attract investment, expand trade cooperation and global exchange of experience.

Five subsidiaries and affiliates took part from the Company, and over 35 types of natural products were demonstrated.

- **On October 11, 2023**, a meeting with MRSI holding group took place in the office of JSC «Kazakhstan Engineering» NC», where, together with R&D Center Kazakhstan Engineering LLP and the Chinese side, further promising development paths for the ongoing research and development of new types of products for the needs of customers were discussed. The management of MRSI Holding Group expressed its readiness to further assist in joint cooperation and consider the possibility of creating modern production facilities.

- **On October 12-13, 2023**, JSC «Kazakhstan Engineering» NC» took part in Digital Astana 2023.

"Digital Bridge" became the largest IT-Platform of the year with the participation of the Government of the Republic of Kazakhstan and the countries of Central Asia. The event was organized by the Ministry of Digital Development, Innovation and Aerospace Industry of the Republic of Kazakhstan, the Akimat of Astana and the International Technopark Astana Hub.

Five subsidiaries and affiliates of the Company took part in the event, and over 37 types of products were demonstrated.

- **On October 20, 2023**, a meeting with representatives of the power structures of the Republic of Kazakhstan was held at JSC «Kazakhstan Engineering» NC».

As part of the negotiations, Plant named after S.M. Kirov JSC, together with one of the largest Chinese companies, SETS presented a presentation on the projects of new electronic warfare (EW) systems, and also discussed issues and proposals for localizing the production of EW systems in Kazakhstan.

The parties expressed their readiness to further assist in joint cooperation and consider the possibility of manufacturing modern products.

- **On November 6-8, 2023**, with the support and participation of the akim of the East Kazakhstan region Ermek Kosherbayev, JSC «Kazakhstan Engineering» NC», a presentation of UAVs intended for reconnaissance purposes, search and rescue operations, repeaters for communication and

control equipment, as well as a robotic complex based on a tracked platform was successfully held in the field.

- **On November 10, 2023**, a demonstration of unmanned aerial vehicles assembled at the enterprises of the Kazakhstan Engineering Group of Companies took place on the territory of the Zholaman airfield in Astana.

A presentation of UAVs intended for reconnaissance purposes, search and rescue operations, and repeaters for communications and control equipment was successfully held for representatives of the State Security Service, the National Security Committee, the National Guard and other security agencies.

- **On November 17, 2023**, JSC «Kazakhstan Engineering» NC» held a meeting with representatives of the Chinese company Fenghuo Industrial Co., Ltd.

As part of the negotiations, S.M. Kirov Plant JSC, together with the Chinese side, held a presentation of modern systems and means of shortwave, tactical and trunking communications for the security forces of the Republic of Kazakhstan, and also discussed issues and proposals for localizing production in Kazakhstan.

- **On November 29, 2023**, the successful development of professional digital radio stations at Kazakhstan ASELSAN Engineering LLP took place.

The company has carried out a technology transfer and successfully mastered the production of a line of professional digital radio stations of DMR Tier III standards.

The plant currently supplies radio stations, from portable to mobile and stationary, to various law enforcement agencies and departments. The total volume of manufactured products has already exceeded 10,000 units.

The main task of modern radio stations is to transmit high-quality and efficient communication in real time, ensuring the security of communication channels.

- **On December 1, 2023**, JSC «Kazakhstan Engineering» NC» held a meeting of Aviation Training Center LLP with AARDVARK LLP as part of the training of operators of unmanned aircraft systems.

The parties discussed issues and proposals for the further development of bilateral cooperation, and also signed a memorandum of cooperation.

AARDVARK LLP is a provider of inspection services using unmanned aerial vehicles in the Republic of Kazakhstan. The company has been providing services to industrial enterprises in the country since 2016. With the know-how to implement advanced technologies, the organization represents the world's leading technologies and solutions related to the use of drones in Kazakhstan and provides services to customers in various fields: inspects hard-to-reach places, takes orthophoto plans, creates 3D models, conducts thermal imaging surveys, etc.

Such integration will allow training professional personnel in the field of UAV piloting, as well as developing and bringing this industry in Kazakhstan to a new level.

- **On December 4, 2023**, Ural Plant Zenit JSC held a meeting with delegations of leading organizations specializing in the marine industry. Representatives of such large companies as Aker Arctic, Lloyd's Register and NCOOC visited the plant.

The parties discussed issues and proposals regarding the possible further development of bilateral cooperation.

It should be noted that North Caspian Operating Company NV (NCOOC) is one of the largest enterprises in the oil and gas industry of the Republic of Kazakhstan, engaged in the implementation of a project to develop offshore oil and gas fields in the country.

Aker Arctic specializes in the development and design of icebreakers, ice-fighting vessels and other offshore assets. It is known for its innovative technologies and consulting services in the field of icebreaker and Arctic vessel design.

- **On December 13, 2023**, Kazakhstan Aviation Industry LLP hosted a round table dedicated to the development of cooperation in UAV production.

The meeting was attended by representatives of the Kazakhstan Engineering Group of Companies, the UAV Association, and the Aardvark company.

The parties discussed issues related to the development and support of work in the field of unmanned aircraft systems, the creation of the necessary infrastructure for the operation and maintenance of aircraft, as well as the development of their own competencies through the creation of scientific developments and the training of personnel capable of both operating unmanned aircraft systems and processing data, as well as generating their own engineering solutions.

Among other things, the roundtable participants discussed the concept of the project to create a design bureau, develop requirements for UAV manufacturers, airworthiness standards, as well as laboratory tests and a base for experimental aviation. The main goal is to refine and study the prospects for the transition from UAVs to the level of light aviation.

❖ FINANCIAL INDICATORS

♦ Operational and financial performance of the Company and its subsidiaries

thousand tenge

No.	Name of Subsidiary	Income from sales of products	Total Profit/ (lesion)	Labor productivity (thousand tenge/person)	Number of staff(people)
1	Corporate center	30 558 016	(2,041,281)	402 079	76
2	Semey Engineering JSC	8 736 607	179 208	27 647	316
3	PHEP JSC	5 439 943	(852 361)	13 204	412
4	S.M.Kirov Plant JSC	6 401 138	5 923	13 280	482
5	Tynys JSC *	1 091 795	(602 149)	1 747	625
6	MBK JSC	525 685	(1,323,805)	1 832	287
7	UP Zenit JSC	9 470 377	447 285	12 236	774
8	Research Institute Gidropribor JSC	1 396 177	73 750	12 036	116
9	Kaztechnologies JSC	63 124	33 666	842	75
10	LLP R&D center KI	1 154 361	139 511	37 237	31
11	KazInzh Electronics JSC	-	(41 984)	-	3
12	Aviation Training Center LLP	15 478	(47 998)	1 290	12
13	LLP Steel manufacturing	287 459	262 199	3 091	93
14	811 KI CRP JSC **	662 934	(55 861)	5 179	128
	Consolidated data	65 699 097	(1 251 196)	19 222	3 418

*data of Tynys JSC are indicated for 6 months of 2023, due to the transfer under the EC with subsequent sale

**data of 811 KI CRP JSC are indicated for 6 months of 2023, in connection with the transfer under the EC with subsequent sale

Income from sales of products and services at the end of 2023 amounted to 65,699,097 thousand tenge with a plan of 48,390,118 thousand tenge, exceeding the plan by 36%, including by segments of manufactured products:

- for civilian products: actual 8,460,952 thousand tenge with a plan of 6,172,065 thousand tenge, exceeding the plan by 37%;

- for special products: actual 57,238,145 thousand tenge with a plan of 42,218,054 thousand tenge, exceeding the plan by 36% (mainly due to the Corporate Center).

According to the results of 2023, the Group of Companies had a net loss in the amount of (1,251,196) thousand tenge with a planned profit of 1,027,922 thousand tenge.

According to audited data, assets at the end of 2023 were as follows:

ASSETS	As of December 31, 2023 (thousand tenge)
LONG-TERM ASSETS:	53 671 694
Fixed assets	36 907 098
Investment property	237 671
Intangible assets	152 618
Investments in associates and joint ventures	3 182 581
Deferred tax assets	2 701 588
Loans issued	1 210 167
Restricted funds	5 193 351
Other long-term assets	635 339
Assets held for sale	3 451 281
CURRENT ASSETS:	63 928 462
Inventory	17 802 084
Trade and other receivables	6 797 458
Prepayment of income tax	2 621 735
Loans issued	211 035
Advances paid and other current assets	15 259 349
Restricted funds	404 726
Cash and cash equivalents	18 982 905
Assets held for sale	1 849 170
TOTAL ASSETS	117 600 156

In total, assets for 2023 amounted to 117,600,156 thousand tenge with a plan of 81,332,323 thousand tenge, an increase of 45% due to advance receipts, balances of inventory under transferable contracts, as well as the sale of the Company's share in subsidiaries and affiliates.

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

million tenge

Name of the indicator	2021	2022	2023	Growth/Decrease Dynamics 2023 to 2021
Income from sales of products	92 420	58 771	65 699	(29%)
Assets	126 052	128 359	117 600	(7%)
Financial result	1 893	5 128	(1,251)	(166%)
Labor productivity (thousand tenge/person)	25 244	17 314	19 222	(24%)

Despite the increase in volumes and the increase in revenue from product sales compared to 2022, by the end of 2023 there was a loss in the amount of (1,251) million tenge.

Income from sales of products and provision of services in 2023 compared to 2021 decreased by 29% or from 92,420 million tenge to 65,699 million tenge, which is due to a decrease in orders. Compared to 2022, there is an increase of 12% mainly due to the delivery of products under contracts of the Corporate Center.

Assets in 2023 amounted to 117,600 million tenge, a decrease of 7% compared to 2021 and 8% compared to 2022.

Labor productivity in 2023 compared to 2021 decreased by 24% as a result of a 29% decrease in sales volume. Compared to the 2022 indicator, there is an increase of 11% with an increase in sales volume of 12%.

In addition, the Company, together with its subsidiaries, carries out work on an annual basis to reduce unproductive costs and reduce the cost of manufactured products and services rendered.

The dividend policy of JSC «Kazakhstan Engineering» NC» in relation to organizations, fifty or more percent of voting shares (participatory interests) of which are owned by JSC «Kazakhstan Engineering» NC» on the basis of ownership or trust management, was approved by the decision of the Board of Directors of JSC «Kazakhstan Engineering» NC» dated September 20, 2019 (minutes No. 4).

❖ 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 2023, the sale of 8 and liquidation of 4 Company assets (shareholdings and participation interests) is envisaged.

Assets at the implementation

No.	Asset name
1.	Machine-Building Plant named after S.M. Kirov JSC (100%)
2.	Tynys JSC (100%)
3.	Petropavlovsk Heavy Machine Building Plant JSC (74%)
4.	Eurocopter Kazakhstan Engineering LLP (40%)
5.	KazEng Electronics LLP (80%)

Assets in liquidation

No.	Asset name
1.	Thales Kazakhstan Engineering LLP (50%)
2.	Kaz-ST Engineering Bastau LLP (49%)
3.	Indra Kazakhstan Engineering LLP (49%)

- In 2023, 100% of the ordinary shares of 811 Car Repair Plant KI JSC, 23.65% of the ordinary shares of Munaymash JSC were sold, a purchase and sale agreement were concluded for 40% of the Company's share in the authorized capital of Eurocopter Kazakhstan Engineering LLP (now Airbus Helicopters Kazakhstan Engineering LLP), the Company's real estate (2 warehouses in Almaty), 100% of the shares of Tynys JSC were sold, and Spetsmash Astana LLP was liquidated.

❖ 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.

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 constituent and internal documents of the Company.

For the Company, corporate governance is a key 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 in the Company and in its subsidiaries, ensuring a high level of transparency in our activities.

One of the key internal documents of the Company is the Corporate Governance Code of JSC «Kazakhstan Engineering» NC», which serves as the basis for systematizing corporate governance. This document is aimed at ensuring the transparency of the Company's activities and confirming its readiness to follow the standards of proper corporate governance.

To actively implement the provisions of the Code, the Action Plan for improving the corporate governance of JSC «Kazakhstan Engineering» NC» for 2023-2024 was approved by the decision of the Board of Directors on March 4, 2023. This plan covers both the Company itself and its subsidiaries, and the reporting on its implementation is reviewed by the Board of Directors every six months.

In 2023, a standard Corporate Governance Code was also approved for the Company's subsidiaries, which will unify corporate standards in subsidiaries and ensure a uniform approach to management.

The relationship between the Company and its subsidiaries is governed by approved corporate procedures, which are implemented through the relevant management bodies of both parties. In the course of ongoing work 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.

In order to strengthen the role of independent directors in the decision-making process, the Company organizes a competition to select candidates for the position of independent director for subsidiaries. Independent directors are selected taking into account their high qualifications and experience in various fields, and many of them 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.

In order to maintain effective interaction and coordination between the Company and its subsidiaries, meetings are held regularly with independent directors to discuss current tasks and issues facing the Company and its

enterprises. Independent directors actively make proposals for improving corporate governance, which are then considered for possible implementation.

The important principles of corporate governance of the Company are:

Protection of the rights and interests of the Sole Shareholder;
Effective management through the Board of Directors and the Management Board;

Transparency and objectivity of all actions of the Company;

Compliance with legality and ethical standards;

Effective dividend policy;

Development-oriented human resources policy;

Environmental protection;

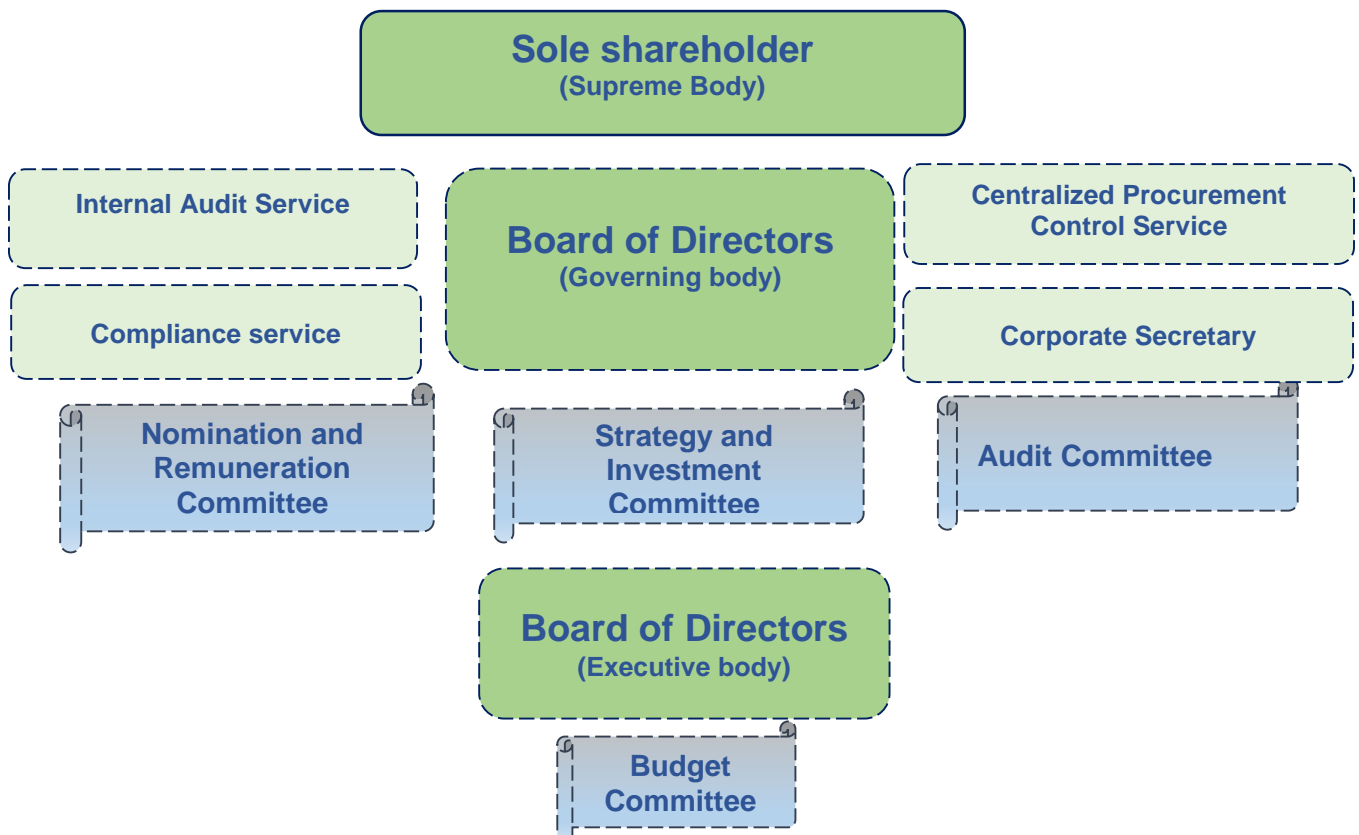
Ensuring safe working conditions;

Settlement of corporate conflicts and prevention of conflicts of interest;

Responsibility to shareholders and society.

The Company continues to follow these principles, which helps to strengthen the trust of shareholders and investors, and also allows the Company to achieve sustainable development.

❖ CORPORATE GOVERNANCE STRUCTURE



❖ BOARD OF DIRECTORS OF THE COMPANY

The general management of the Company's activities is carried out by the Board of Directors, with the exception of resolving issues referred to the exclusive competence of the Sole Shareholder.

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

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

As of December 31, 2023, the Company's Board of Directors consisted of the following members:

No.	Composition of the Board of Directors	Term of office
1	Beyspekov Azamat	Chairman of the Board of Directors, term of office (August 2025)
2	Akhmetov Yerbol	Member of the Board of Directors, term of office (August 2025)
3	Satzhanov Kenzhebay	Member of the Board of Directors, independent director, term of office (August 2025)
4	Shukputov Andar	Member of the Board of Directors, independent director, term of office (August 2025)
5	Zhakenov Serikzhan	Member of the Board of Directors, independent director, term of office (August 2025)
6	Abdrakhmanov Temirzhan	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.

◆ **Composition of the Company's Board of Directors**
(as of 31.12.2023)



AZAMAT BEYSPEKOV

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

Date of birth: 04.01.1985

Citizenship: Republic of Kazakhstan

Education:

Karaganda State University named after Academician E.A. Buketov,
international economist with knowledge of a foreign language

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

- **2019 - 2020**
Head of Sector of the Department of Military Security and Defense of the Security Council of the Republic of Kazakhstan, Astana city;
- **2020 - 2022**
Deputy Head of the Department of Military Security and Defense Security Council of the Republic of Kazakhstan, Astana city
- **2022 - 2023**
Head of the Office of the Ministry of Labor and Social Protection of the Population of the Republic of Kazakhstan, Astana city
- **February 2023 - October 2023**
Vice Minister of Industry and Infrastructure Development of the Republic of Kazakhstan
- **From October 2023**
Vice Minister of Industry and Construction of the Republic of Kazakhstan

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



YERBOL AKHMETOV

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

Date of birth: 12.07.1980

Citizenship: Republic of Kazakhstan

Education:

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

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

- **2016 - 2019**

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

- **Since 2019**

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

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



KENZHEBAY SATZHANOV

Member of the Board of Directors
JSC «Kazakhstan Engineering» NC»,
independent director

Date of birth: 19.08.1955

Citizenship: Republic of Kazakhstan

Education:

- Karaganda Polytechnic Institute, engineer-economist
- Almaty State University, lawyer
- Diplomatic Academy at the Eurasian National University, International Relations

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

- **2018 - 2023**– Advisor to the Chairman of the Board
Kazakhstan Center for Modernization and Development of Housing and Public Utilities JSC;
- **2016 - 2017**
Deputy Chairman of the Board of JSC «Kazakhstan Engineering» NC»

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



ANDAR SHUKPUTOV
Member of the Board of Directors
JSC «Kazakhstan Engineering» NC»,
independent director

Date of birth: 12.05.1953

Citizenship: Republic of Kazakhstan

Education:

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

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

- **2022 - 2023**– Member of the Board of Directors, Independent Director Nursultan Nazarbayev International Airport JSC;
- **June 2021**– September 2023 – Member of the Board of Directors, Independent Director of Kazakhstan Sustainability Fund JSC;
- **2019 - 2021 years**– Advisor to the Chairman of the Board of NC KazMunayGas JSC

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



SERIKZHAN ZHAKENOV
Member of the Board of Directors
JSC «Kazakhstan Engineering» NC»,
independent director

Date of birth: 08.10.1949

Citizenship: Republic of Kazakhstan

Education:

- Karaganda Polytechnic Institute, mechanical engineer

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

- **Since 2009**

Director, Advisor of LLP KarGorMash-M

- **Since November 2018**

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

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



TEMIRZHAN ABDRAKHMANOV

Member of the Board of Directors

Date of birth: 29.07.1987

Citizenship: Republic of Kazakhstan

Education:

- Moscow State Institute of International Relations, international lawyer with knowledge of foreign languages;
- Narxoz University, MBA, Master of Business Administration;
- National Research Nuclear University MEPhI, Master of Management, Management in the Nuclear Industry;

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

- **2017 - 2020**

Deputy General Director
Samruk-Kazyna Contract LLP

- **2020 - 2022**

Deputy General Director
Samruk-Kazyna Business Service JSC

- **2022 - 2024**

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

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

◆ Activities of the Board of Directors

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

In 2023, the Board of Directors held 24 meetings (9 in person, 16 in absentia), at which 151 issues were considered.

◆ Committees of the Board of Directors

In accordance with the Law of the Republic of Kazakhstan "On Joint Stock Companies", in order 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 committees of the Board of Directors 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 Committee of the Board of Directors is headed by a member of the Board of Directors. The heads (chairmen) of the Committees of the Board of Directors, whose functions include consideration of the issues provided for in subparagraphs 1) - 5), are independent directors.

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

As of December 31, 2023, three Committees of the Board of Directors have been formed and operate on a permanent basis in the Company:

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

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

The Nomination and Remuneration Committee of the Company's Board of Directors assists the Company's Board of Directors through preliminary consideration, analysis and development of recommendations on issues within their competence. The Committee was established to improve the efficiency and quality of the Board of Directors, through in-depth study and monitoring of issues related to the competence of the Board of Directors in the field of personnel policy, corporate social responsibility, the system of appointments and remuneration, as well as an assessment of activities in general, and separately members of the Board of Directors, members of the executive body; planning the succession of members of the executive body, assessing the performance of employees and services reporting to the Company's Board of Directors.

The Audit Committee of the Board of Directors of the Company assists the Board of Directors of the Company by preliminary review, analysis and development of recommendations on issues within their competence. It was created with the purpose of improving the efficiency and quality of the work of the Board of Directors of the Company by preparing recommendations on establishing a control system for the financial and economic activities of the Company; on monitoring the reliability and efficiency of the internal control and risk management system; on monitoring the independence of the external and internal auditor (if necessary - the Compliance Officer), compliance with the legislation of the Republic of Kazakhstan, internal documents of the Company.

The Strategy and Investment Committee of the Company's Board of Directors provides assistance to the Company's Board of Directors through preliminary consideration, analysis and development of recommendations on issues within their competence. It was established for the purpose of preparing recommendations to 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, corporate development, including the development of measures to improve the Company's performance, its profitable activities and sustainable development.

In 2023, 9 meetings of the Company's Audit Committee, 10 meetings of the Nomination and Remuneration Committee and 10 meetings of the Company's Strategy and Investment Committee were held.

◆ Remuneration of members of the Board of Directors

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

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

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

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

The total amount of remuneration paid to members of the Board of Directors of the Company for the year ended December 31, 2023 amounted to 21,533,889 tenge.

◆ Corporate Secretary

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

The functions, tasks and duties of the Corporate Secretary are provided for in the Regulation on the Corporate Secretary, approved by the Board of Directors of the Company on December 2, 2022 (minutes No. 19).

Thus, as part of his/her 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/her 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 for 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 was established by decision of the Company's Board of Directors in 2007.

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

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

The activities of the Internal Audit 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 Internal Audit Service submits a report on its activities to the Audit Committee and the Board of Directors of the Company on a quarterly basis.

The annual audit plan of the Internal Audit Service of JSC «Kazakhstan Engineering» NC» for 2023 was approved by the decision of the Board of Directors of the Company dated December 29, 2022.

In accordance with the Annual Audit Plan, in 2023 the Internal Audit Service completed audit assignments related to the activities of the Company, Petropavlovsk Heavy Machine Building Plant JSC, S.M. Kirov Machine-Building Plant JSC, Tynys and JSC Research Institute Gidropribor JSC.

Based on the results of the specified audits conducted during the reporting period, 97 recommendations were issued as of December 31, 2023.

◆ Compliance service

The Company pays special attention to social ethics and anti-corruption culture, in connection with which compliance officers operate in the Company and in all subsidiaries of the Company, tools are being introduced to ensure

transparency of procurement and activities in general, and explanatory work is being carried out with suppliers to avoid possible risks.

The Company's Compliance Service was established by the decision of the Board of Directors dated September 13, 2022 (minutes No. 13).

The service reports directly to the Board of Directors of the Company and is supervised by the Audit Committee of the Board of Directors. The staff number is 2 units: a compliance officer and a compliance service manager.

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

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

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

In June 2023, the Company's Compliance Service brought the "Regulations on the Compliance Service" into compliance JSC «Kazakhstan Engineering» NC» in accordance with the "Model Regulation on Anti-Corruption Compliance Services in a Quasi-Public Sector Entity", approved by the Chairman of the Anti-Corruption Agency of the Republic of Kazakhstan on March 31, 2023 (Order No. 112).

In 2023, 7 subsidiaries of the Company introduced compliance officer units reporting to the Board of Directors of the Companies; in 2 subsidiaries, compliance functions were assigned to employees; in 3 subsidiaries, the position of compliance officer is impractical due to the small number of staff (less than 5) and the financial condition of the enterprise.

The activities of the Company's Compliance Service are carried out in accordance with the Action Plan for Combating Corruption in JSC «Kazakhstan Engineering» NC» for 2023, approved by the Board of Directors of the Company in December 2022 (hereinafter referred to as the Plan).

As part of the implementation of the Plan, the following activities were carried out:

- officials and employees of the Company were familiarized in the 1st quarter of 2023 (with signing of familiarization sheets) with the Company's internal anti-corruption regulations (approved by the Company's Board of Directors in December 2022) - Policy on Identification and Settlement of Conflict of Interest in JSC «Kazakhstan Engineering» NC», Anti-Corruption Standards of JSC «Kazakhstan Engineering» NC», Anti-Corruption Instructions of JSC «Kazakhstan Engineering» NC». On an ongoing basis, newly hired employees are familiarized

with the Company's internal anti-corruption regulations (in 2023, the Company hired 14 employees and 11 employees under paid service contracts).

- in the first half of the year, for subsidiaries, the Company's Service developed standard regulatory documents on combating corruption (Anti-Corruption Policy, Policy for identifying and resolving conflicts of interest, Anti-Corruption Standards, Instructions for combating corruption), for their approval by the Boards of Directors of Companies/Supervisory Boards of Partnerships.

- the adoption of anti-corruption restrictions by all officials who are persons equal to persons authorized to perform state functions has been ensured.

- quarterly checks are carried out on officials and employees of JSC «Kazakhstan Engineering» NC» for affiliation and conflict of interest.

- control over the delivery of income and property declarations of officials and employees of JSC «Kazakhstan Engineering» NC», as well as their spouses (Article 45-1 of the Law of the Republic of Kazakhstan dated December 25, 2017 No. 121-VI of the Air Defense Missile System "On the Enactment of the Code of the Republic of Kazakhstan "On Taxes and Other Mandatory Payments to the Budget ").

- 14 explanatory and training events were held for officials and employees of JSC «Kazakhstan Engineering» NC» on issues of compliance with the requirements of the legislation on combating corruption.

- 17 explanatory and training events were held for officials, employees, compliance officers of subsidiaries of JSC «Kazakhstan Engineering» NC» on issues of compliance with the requirements of the legislation on combating corruption.

- An anonymous survey was conducted in 10 subsidiaries.

In 2023, the Company's Service posted 12 publications on corruption prevention issues on the Company's corporate website and social networks.

◆ Centralized Procurement Control Service

The Centralized Procurement Control Service is a structural subdivision of the Company controlled by the Board of Directors of the Company, which exercises internal control over compliance by the Company and its subsidiaries with the legislation of the Republic of Kazakhstan and other internal documents of the Company and subsidiaries in the field of procurement.

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

The main tasks of the Centralized Procurement Control Service are monitoring compliance by subsidiaries, officials and employees of the Company

with the legislation of the Republic of Kazakhstan and internal documents in the field of procurement of the Company and subsidiaries, as well as improving the procedures and process of procurement in the Company and subsidiaries.

The Centralized Procurement Control Service carries out its activities in accordance with the Regulation on the Centralized Procurement Control Service of JSC «Kazakhstan Engineering» NC», 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 of the Minister of Finance of the Republic of Kazakhstan No. 1252 dated November 30, 2021.

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

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

- carries out continuous monitoring of the purchases carried out through the web portal;
- ensures clear and effective interaction between the Company's bodies, between the Service and the responsible structural divisions/employees implementing the procurement procedure in the Company;
- monitors the implementation and compliance by the 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 requests 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, revision of rules and procedures for procurement in the Company and subsidiaries.

As part of the procurement control carried out by the Company and its subsidiaries in order to identify and suppress violations of procurement rules at the early stages, the Centralized Procurement Control Service sent 29 mandatory notifications on identified violations in 2023.

❖ BOARD OF THE COMPANY

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

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

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

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

For the purpose of preliminary consideration, making collegial decisions and preparing recommendations to the Company's Management Board on supervised issues, a consultative and advisory body has been created under the Management Board of the Company - the Budget Commission, which assists the Company's Management Board in developing a unified position of the Company's representatives in the management bodies of subsidiaries and dependent organizations on budgets submitted for approval, development plans, planning and implementation of investment projects, as well as in ensuring the timely and high-quality development of the Company's draft budget for the relevant financial period and the development of proposals for its adjustment and implementation.

◆ Activities of the Board

In 2023, 54 meetings of the Company's Management Board were held, where 157 issues were considered.

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

- development, approval and submission to the Board of Directors for approval of the Development Plan, the Program (plan) for restructuring the Company's assets;
- alienation by the Company of blocks of shares (participatory interests) in certain subsidiaries and dependent organizations;
- making decisions on concluding a transaction or a set of interrelated 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;



- making decisions to increase the Company's liabilities by an amount that is less than ten percent of the amount of its equity capital;
- approval of documents adopted for the purpose of organizing the Company's activities;
- preliminary review and approval of materials on issues submitted for consideration by the Board of Directors and the Sole Shareholder.

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

◆ **Composition of the Board**
(as of 31.12.2023)



TEMIRZHAN ABDRAKHMANOV
Chairman of the Board

Date of birth: 29.07.1987

Citizenship: Republic of Kazakhstan

Education:

- Moscow State Institute of International Relations
international lawyer with knowledge of foreign languages;
- Narxoz University
MBA, Master of Business Administration;
- National Research Nuclear University MEPhI
Master of Management, Nuclear Management;

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

- **2017 - 2020**
Deputy General Director
Samruk-Kazyna Contract LLP
- **2020 - 2022**
Deputy General Director
Samruk-Kazyna Business Service JSC
- **2022–2024**
Chairman of the Board of JSC «Kazakhstan Engineering» NC»

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



GARYP ISMATOV
Deputy
Chairman of the Board

Date of birth: 20.02.1986

Citizenship: Republic of Kazakhstan

Education:

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

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

- **2019 - 2021**
Bureau of Continuous Professional Development of the Astana International Financial Center
- **from February to December 2021**
First Deputy Chairman of the Board
Optima Bank JSC
- **from March to September 2022**
Director of the Department of Economics and Planning, Managing
Director of JSC «Kazakhstan Engineering» NC»
- **2022 - 2024**
- Deputy Chairman of the Board
- JSC «Kazakhstan Engineering» NC»

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



KUANYSH KISIKOV

**Deputy
Chairman of the Board**

Date of birth: 11.07.1964

Citizenship: Republic of Kazakhstan

Education:

- Higher Courses of the KGB of the USSR, Tashkent
Officer with higher specialized education
- Kazakh State University named after Al-Farabi
lawyer-jurist

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

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

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

◆ Remuneration of the Board

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, assessing the performance of bonuses (remuneration) and providing social support to members of the Management Board of JSC «Kazakhstan Engineering» NC», 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 depending on work results with the aim of providing material incentives for achieved successes 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 (KPI), setting target values;
- approval of motivational performance indicators;
- performance monitoring;
- calculation and approval of actual performance.

The total amount of remuneration paid to members of the Company's Management Board for the year ended December 31, 2023 amounted to 85 770 356,53 tenge.

◆ Secretary of the Board

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

The functions of the Secretary of the Board include:

- development, approval and monitoring of the Board's work plan,
- preparation of a report on the progress of the implementation of the Board's 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;
- control over the timely submission of materials and their completeness for the meeting of the Board;
- 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 «Kazakhstan Engineering» NC», 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 the efficiency of operational activities;
- preparation of complete and reliable financial statements;
- compliance with the requirements of the legislation of the Republic of Kazakhstan and internal documents of the Company.

The 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-oriented 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 set goals, objectives and specified criteria and provides recommendations for improving the internal control system.

◆ Risk management

The Company's fundamental document in the field of risks is the Risk Management Policy of JSC «Kazakhstan Engineering» NC», approved by the decision of the Board of Directors of the Company dated April 30, 2021 (minutes No. 4).

Risk management is an integral part of the Company's activities, covering 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.

In 2023, the Company's financial and economic risks increased significantly, expressed in an increase in expenses (including currency risk) and failure to meet the planned indicators of subsidiaries and affiliates for net profit, which have a delayed effect and a negative impact on the financial condition of

the Company in 2024 and 2025 (a decrease in the amount of dividends received from subsidiaries and affiliates).

To reduce economic risks, the Company is actively taking the following measures:

- interaction with government agencies to support export products and obtain state defense orders;
- development of civilian production, expansion of product range, increasing localization of manufactured products, reducing cost, expenses, etc.;
- active participation in tenders (competitions) and taking other measures to promote products;
- monitoring the implementation of roadmaps of subsidiaries and affiliates for implemented investment projects;
- quarterly monitoring of the implementation of planned indicators by subsidiaries and dependent organizations, etc.

In terms of social risk management. The Company ensures compliance with and fulfillment of its social (labor) obligations established in the Labor Code of the Republic of Kazakhstan, the Collective Agreement and internal documents of the Company.

The Company has a trade union organization – Branch of the Public Organization “Industry Trade Union of Mechanical Engineers”. At the expense of the Company’s deductions to the trade union, it holds cultural events for the Company’s employees who are members of the trade union, purchases fitness memberships, etc.

Based on the results of 2023, the Company did not record the occurrence (emergence) of social or labor risks.

In terms of environmental risk management, the situation is stable and manageable. According to the results of 2023, the Company and its subsidiaries and affiliates did not record the implementation (occurrence) of environmental risks.

The Company is constantly working with its subsidiaries and affiliates to ensure occupational safety and the environment, including analyzing the status of reports and checklists provided by subsidiaries and affiliates to the Company.

The main risks of the Company:

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

Based on the results of risk identification and assessment, the following 12 risks were included in the Company's Risk Register for 2023:

- The risk of the Company’s failure to fulfill its financial obligations under loans from Halyk Bank JSC of Kazakhstan and National Welfare Fund Samruk-Kazyna JSC;
- Risk of non-implementation of investment projects;
- The risk of failure of the Company’s subsidiaries and dependent organizations to fulfill the state defense order;

- The risk of failure of the Company's subsidiaries and affiliates to meet planned targets for the production of civilian products and export deliveries;
- Risk of non-fulfillment of the Company's Asset Restructuring Plan;
- Risk of damage from legal proceedings (claims and litigation work) of the Company;
- Risk of non-compliance with legislation;
- Currency risks of the Company and its subsidiaries and affiliates;
- The risk of failure by the Company and its subsidiaries and affiliates to meet planned indicators for net profit;
- The risk of non-fulfillment of the Company's obligations to settle with counterparties, with the exception of financial obligations;
- Risks of doubtful/bad accounts receivable of the Company's subsidiaries and affiliates;
- Risk of non-compliance with labor safety and environmental protection by the Company's subsidiaries and dependent organizations.

Basic principles of the corporate risk management system:

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

The structure of the risk management system in the Company:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Structural units are responsible for the implementation of the risk management action plan, should timely identify and inform about significant risks

in the area of their activities and provide risk management proposals for inclusion in the action plan.

The main functions of the Company's structural 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 developing risk communication;
- Providing risk information, including information on realized risks, to the risk management unit.

4. SUSTAINABLE DEVELOPMENT

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

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

◆ Economic aspect

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

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

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

Despite the difficult situation developing in the financial and economic activities of the Company, caused, first of all, by the high debt burden,

Kazakhstan Engineering has been showing positive growth dynamics over the past 2-3 years.

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

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

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

The total volume of purchases for the group of companies of JSC «Kazakhstan Engineering» NC» at the end of 2023 amounted to 14 319 million tenge, while the domestic value in purchases amounted to 9% or 1 288,7 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, 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

JSC «Kazakhstan Engineering» NC» and its subsidiaries and affiliates, based on the results of 2023 work in the field of occupational health and safety (hereinafter referred to as OHS), fire safety and environmental management, showed zero injuries and no emergencies, which is the achievement of one of the most important and prerogative tasks of the Group of Companies.

It is very important for the Company to adhere to this indicator on a permanent basis, continuing to carry out relevant work in this direction, to ensure the safety of life and health, the prevention and elimination of risks of injuries and accidents for all employees of enterprises during the work and production process. To ensure the prevention of environmental pollution and compliance with environmental standards in production, to carry out an appropriate response in emergency situations.

In order to achieve these goals, based on 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 to increase their awareness in the field 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 the elimination of 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 other 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).

Development of measures to ensure safety in the production process and regular implementation of events in this direction. Includes the organization of inspections, especially during off-season periods (floods, heating season, etc.), at enterprises in order to identify violations, risks and inconsistencies. Based on the results of audits, information is provided to the management of subsidiaries to eliminate the identified problems, bring activities into compliance with current legislation and internal regulations, and also to streamline the maintenance of official documentation and reporting.

The Company coordinates the OSH, SR and environmental management of the subsidiaries and affiliates. The coordination of this activity was organized by sending directives and recommendations, developing recommendations, forms, methods, and the effectiveness of control procedures for compliance with requirements and eliminating omissions in the work of responsible persons of the subsidiaries and affiliates, as well as for the purposes of preventive and preventive measures. Monitoring the status and necessary measures for compliance with OSH, SR and environmental management carried out by the subsidiaries and affiliates is carried out by studying the checklists previously developed by the Company, according to which the subsidiaries and affiliates provide updated and relevant data on a monthly basis, as well as the Unified Reports (previously developed by the Company and provided to all subsidiaries and affiliates for quarterly reports on OSH, SR and EM in a unified form).

Twice a year, in a commission manner, verifications of information provided by subsidiaries and affiliates are conducted according to checklists, with visits to the subsidiaries and affiliates themselves. During such events, audits are conducted at enterprises to identify discrepancies, risks, violations of standards, etc. Based on the results, recommendations are given for eliminating and/or bringing existing violations and/or discrepancies into compliance. At the same time, meetings are held between responsible employees of the Company and the management and work teams of subsidiaries and affiliates, during which problematic issues and ways to solve them are discussed.

◆ Ecological aspect

The enterprises of the Company Group carry out production activities in accordance with the requirements of national legislation in the field of environmental protection. The main principles of management in this area are identification and management of risks, implementation of resource-saving technologies aimed at reducing emissions of pollutants and greenhouse gases and increasing energy efficiency, ensuring transparency and awareness. The contribution to the sustainable development of the region of presence of the enterprises of the Company Group is ensured by compliance with the requirements of environmental legislation. In accordance with the current environmental legislation of the Republic of Kazakhstan, permits for emissions into the environment have been obtained. Standards for maximum permissible emissions have been developed and agreed with the territorial environmental protection authorities, after the expiration of which new standards are developed.

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

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

The enterprises of JSC «Kazakhstan Engineering» NC» regularly implement measures to implement "green technologies": energy audits, environmental control, analytical control of the quality of discharged waters are carried out, based on the results of which Action Plans for improving energy efficiency have been developed (replacement of existing light sources, purchase of low-power equipment, equipment of autonomous boiler houses is transferred from diesel fuel to liquefied gas, replacement of high-voltage oil switches with vacuum ones, planting of green spaces in the territories, environmental clean-up days for landscaping and cleaning of the territory, etc.). The enterprises are considering the possibility of using renewable energy sources, such as solar and wind energy.

Waste management is carried out in accordance with the Environmental Code of the Republic of Kazakhstan and other regulatory legal acts in the field of environmental protection.

The Company's enterprises have developed appropriate waste management programs, the main objectives of which are defined as:

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

The programs regulate the processes of accounting, collection, sorting, storage, recycling, transportation for disposal or burial in accordance with the

requirements for waste management by hazard classes. As a rule, the Company's enterprises do not independently dispose of waste, but conclude 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 work);
- solid household waste;
- packaging;
- industrial wood residues.

The company strives to comply with the principles of careful attitude to the environment and rational use of natural resources, helps prevent negative impacts on the environment, takes initiatives aimed at increasing responsibility for the state of the environment, promotes the development and dissemination of environmentally friendly and energy-saving technologies, environmental monitoring and open provision of environmental information.

The main tasks 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;
- increasing energy efficiency of activities;
- implementation of a reporting system.

For mechanical engineering companies, as energy-intensive industries, energy consumption is key from the point of view of environmental protection. The Company's energy consumption consists of two components: electrical energy and thermal energy for business needs. The greatest effect in terms of energy saving is provided by measures to reduce energy intensity through the use of innovative energy-saving technologies. A significant reduction in costs can also be a significant reduction in the volume of thermal energy consumption during the implementation of an enterprise modernization project, through the use of new materials, facade insulation and window design, reducing heat loss in the building.

In accordance with the Law of the Republic of Kazakhstan "On Energy Saving and Improving Energy Efficiency", energy audits are conducted at the Company's subsidiaries and affiliates and energy efficiency action plans are approved annually. Based on the comments and conclusions of the energy audit, the subsidiaries carry out the following activities in the field of energy saving and improving energy efficiency:

- Energy Policy has been developed at a number of subsidiaries and affiliates;

- technical accounting and analysis of energy consumption by sections is carried out;
- equipment is repaired, replacing obsolete equipment with new high-tech and energy-saving equipment;
- gradual replacement of outdated induction technical electricity meters with electronic ones 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.

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

At different times of the year, the Company carried out monitoring with coordination actions on the readiness of the subsidiary and subsidiary organizations: 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 period, in the fall - about 100% readiness for the heating season, in the winter - maintaining control during the winter season, as well as about readiness in the spring for flood situations.

Thanks to the control functions provided by the Company's management and subsidiaries and affiliates, there were no emergencies or injuries during the reporting period.

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.

◆ Personnel policy

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

One of the priority areas of the Company's Personnel Policy is the training of the talent pool, which includes searching for and identifying young and

promising leaders in order to train new-format managers having the necessary professional competences to provide the Company with highly qualified personnel.

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

The key priorities of the Personnel Policy are:

- attracting, developing and retaining highly professional employees;
- introduction of advanced methods of personnel management;
- managing the talent pool through a judicious mix of internal talent and external resources;
- building a talent pool of managers;
- creating and developing shared values, social norms and standards governing employee behaviour;
- regulation of social and labour relations, prevention of labour conflicts.

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

The staffing level of the Company group as of December 31, 2023 was 4,552 people, including 76 people in the Company.

In 2023, the Company hired 16 employees.

24 employees were dismissed, 13 of whom resigned at their own request. The staff turnover rate was 32.9%.

The gender structure of the Company maintains a balance between the number of men and women: out of 68 employees, 40 are men and 28 are women.

JSC «Kazakhstan Engineering» NC» is interested in popularizing engineering and technical specialties to form a new generation of highly qualified specialists. Preservation and transfer of experience, continuity of generations and mentoring at enterprises are the main principles of the Company's personnel and social program.

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

In addition, attention was paid to issues of social stability in subsidiaries:

- the provision of workplaces was monitored (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 in the performance of their work duties;
- provision of food, leisure and sports opportunities.

As part of improving working conditions, a number of enterprises have carried out repairs to buildings and dormitories, repaired roofs, and renovated classrooms, canteens, bathrooms and showers.

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 of the employer's civil liability for causing harm to the life and health of an employee in the performance of work (official) duties is carried out.

❖ INTERACTION WITH STAKEHOLDERS

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

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

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

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

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

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

The map is designed to systematize and visualize information about the environment of the Company and its subsidiaries, for an adequate strategy for working with each of the stakeholders. Identification and classification of stakeholders and work with them is one of the tools that allows increasing the long-term value of the Company, strengthening its business reputation, establishing effective and balanced relationships with all stakeholders.

The company defines the following groups of stakeholders for itself:

Stakeholders	Contribution, influence	Expectations, interest
Investors, including financial institutions	Financial resources (equity, borrowed funds)	Return on investment, timely payment of dividends, principal and remuneration
Personnel (employees, officials)	Human resources, loyalty	High wages, good working conditions, professional development
Trade unions	Promoting social stability, regulating labor relations and resolving conflicts	Respect for workers' rights, proper working conditions
Customers, clients	Financial resources through the acquisition of products (goods and services) of the organization	Getting high quality, safe products and services at an affordable price
Suppliers	Supply of resources (goods, works and services) to create value	Reliable sales market, regular solvent buyer
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; benevolent attitude; cooperation	Creation of additional jobs, development of the region
Government, state bodies, Parliament	Government regulation	Taxes, solving social problems

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, clients;
- suppliers;
- partners;
- Public Council;

Area of indirect influence

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

Based on the assessment of the degree of influence of stakeholders on the Company and the degree of influence of the Company's activities on stakeholders, a strategy and methods of interaction with one or another party are developed. Approaches and methods of interaction with stakeholders are set out in the Stakeholder Interaction System of JSC «Kazakhstan Engineering» NC». In general terms, the system defines the following main approaches:

Interaction with the Sole Shareholder

The Sole Shareholder owns 100% of the Company's shares. The Company understands the importance of constant and effective interaction with the Sole Shareholder. The Company provides the Sole Shareholder with timely and complete information about its activities in the manner prescribed by the Charter and internal documents of the Company.

Interaction with government agencies

The Company builds relations with government bodies on the principles of partnership and respect, understanding that all initiatives of government bodies and the Company should be aimed at developing the country's economy. The Company and its subsidiaries and dependent organizations are responsible and conscientious taxpayers.

Interaction with subsidiaries and dependent organizations

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

implementation of a coordinated and effective development strategy for the Company.

Interaction with suppliers, contractors and clients

In building relationships with suppliers, contractors and clients, the Company is guided by the principles of openness, honesty, respect for the interests of mutual benefit, understanding of full responsibility for the obligations assumed, complies with all terms of contractual relations, shows respect and good faith in relationships, holds working meetings with customers on the fulfillment of contractual obligations.

Staff

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

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

Interaction with local communities and authorities

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

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

The Public Council «Kazakhstan Engineering» as part of the implementation of state policy on the formation of a state accountable to the population ensures broad participation of civil society in the adoption of important decisions by the national company.



EXTERNAL AUDIT AND AUDITOR'S REPORT



Moore Kazakhstan

3rd floor, Business Centre Centro D,
Kayym Mukhamedkhanova str. 5, Astana

T +7 727 266 99 04

E info@moore.kz

kazakhstan.moore-global.com

INDEPENDENT AUDITORS' REPORT

Shareholder of Kazakhstan Engineering National Company JSC

Opinion

We have audited the accompanying consolidated financial statements of Kazakhstan Engineering National Company JSC and its subsidiaries (hereinafter – the “Group”), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (hereinafter – “IFRSs”).

Basis for Opinion

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

Important information – Going Concern

As indicated in note 2 (b) to the consolidated financial statements, for the year ended December 31, 2023, the Group incurred a loss in the amount of KZT 1,251,196 thousand and as at December 31, 2023, the accumulated loss of the Group amounted to KZT 10,762,176 thousand. These conditions indicate the existence of uncertainty that may raise doubts about the Group's ability to continue as a going concern. The Company's management's plans for future actions are disclosed in note 2 (b) to the separate financial statements. We do not express a modified opinion on this issue.

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

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

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

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



Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

Approve

Vasily Nikitin
Auditor, audit certificate No.0000507
dated 8 February 2001
Managing partner
Moore Kazakhstan LLP
31 May 2024

Nikolay Slavianinov
Concurrent engagement partner
Certified Public Accountant
USA Oregon
No. 10018 dated 20 August 2001

General licence No. 23023540 for audit activity issued 27 October 2023 by Ministry of Finance of the Republic of Kazakhstan

Kazakhstan Engineering National Company JSC
Consolidated statement of profit or loss and other comprehensive income
 for the year ended 31 December 2023

KZT'000	Note	2023	2022
ONGOING ACTIVITIES			
Revenues	3	65,699,097	58,771,471
Cost of sales	4	(63,419,815)	(53,290,775)
Gross profit		2,279,282	5,480,696
Selling and distribution costs	5	(1,016,758)	(1,151,741)
Administrative expenses	6	(5,690,965)	(4,523,102)
(Losses) reversal of impairment losses, net	7	(1,962,176)	578,944
Other operating income, net	8	2,234,810	3,871,852
Operating (loss) profit		(4,155,807)	4,256,649
Dividend income		167,221	–
Share in income of associates and joint ventures	12	343,893	583,486
Finance income, net	9	2,041,611	1,170,015
Foreign exchange gain		279,538	225,512
(Loss) profit before taxation		(1,323,544)	6,235,662
Income tax expense (recovery)	10(a)	72,348	(1,107,168)
Profit (loss) for the year		(1,251,196)	5,128,494
Other comprehensive income for the year		–	–
Total comprehensive (loss) income for the year		(1,251,196)	5,128,494
Attributable to:			
The share of the Company's shareholders		(1,240,828)	5,113,899
Non-controlling interest		(10,368)	14,595

These consolidated financial statements have been approved for issue on 31 May 2024 and signed on behalf of the Group's management by:

Talgat Turlybayev

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

Kulaziya Chokusheva

 Deputy Chairman of the
 Management Board for Economics
 and Finance

Gulvira Ikmatova

Chief Accountant



Kazakhstan Engineering National Company JSC
Consolidated statement of financial position
as at 31 December 2023

KZT'000	Note	2023	2022
ASSETS			
Non-current assets			
Property, plant and equipment	11	36,907,098	41,106,509
Investment property		237,671	243,643
Intangible assets		152,618	338,183
Investments in joint ventures and associates	12	3,182,581	6,876,240
Deferred tax asset	10(b)	2,701,588	1,827,465
Loans issued	13	1,210,167	9,669
Restricted cash	14	5,193,351	2,474,148
Other non-current assets	15	635,339	2,115,935
		<u>50,220,413</u>	<u>54,991,792</u>
Assets held for sale	16	3,451,281	–
		<u>53,671,694</u>	<u>54,991,792</u>
Current assets			
Inventories	17	17,802,084	21,061,675
Corporate income tax prepaid		2,621,735	1,804,303
Advances paid and other current assets	18	15,259,349	18,193,887
Trade and other receivables	19	6,797,458	5,233,457
Loans issued	13	211,035	1,579,313
Restricted cash	14	404,726	426,566
Cash and cash equivalents	20	18,982,905	24,883,812
		<u>62,079,292</u>	<u>73,183,013</u>
Assets held for sale		1,849,170	184,087
		<u>63,928,462</u>	<u>73,367,100</u>
TOTAL ASSETS		<u>117,600,156</u>	<u>128,358,892</u>
EQUITY AND LIABILITIES			
Equity and reserves			
Share capital	21(a)	58,654,619	58,323,806
Additional paid in capital		412,406	412,406
Accumulated losses		(10,762,176)	(9,261,799)
Equity attributable to shareholders of the Company		<u>48,304,849</u>	<u>49,474,413</u>
Minority interests		328,274	342,446
		<u>48,633,123</u>	<u>49,816,859</u>
Non-current liabilities			
Borrowings	22	3,260,015	2,827,247
Preference shares dividends payable		824,166	776,347
Trade and other payables	23	311,249	392,335
Deferred tax liability	10(b)	277,625	443,209
		<u>4,673,055</u>	<u>4,439,138</u>
Liabilities related to assets held for sale	16	1,601,256	–
		<u>6,274,311</u>	<u>4,439,138</u>
Current liabilities			
Borrowings	22	11,482,591	22,491,776
Deferred income - government grant	22	–	192,344
Trade and other payables	23	10,534,497	13,527,331
Provisions	24	3,249,470	3,740,235
Advances received	25	36,717,263	33,634,075
Preference shares dividends payable		388,703	511,829
Income tax payable		320,198	5,305
		<u>62,692,722</u>	<u>74,102,895</u>
TOTAL LIABILITIES		<u>68,967,033</u>	<u>78,542,033</u>

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



Kazakhstan Engineering National Company JSC
Consolidated statement of financial position
as at 31 December 2023

TOTAL EQUITY AND LIABILITIES

117,600,156	128,358,892
--------------------	--------------------

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

3

Kazakhstan Engineering National Company JSC
Consolidated statement of cash flows
 for the year ended 31 December 2023

KZT'000	Note	2023	2022
OPERATING ACTIVITIES			
Cash receipts of funds from buyers		74,041,829	74,023,714
Cash paid to employees		(8,956,107)	(9,266,433)
Other taxes and mandatory payments paid		(8,948,069)	(10,464,338)
Cash paid to suppliers		(52,893,271)	(54,938,155)
Cash from (used in) operating activities before receiving (paying) interest and income tax	26	3,244,382	(645,212)
Interest received		3,028,072	2,613,090
Interest paid	22	(2,068,139)	(1,012,185)
Income tax paid		(238,219)	(1,482,056)
Net cash from (used in) operating activities		3,966,096	(526,363)
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(465,557)	(872,595)
Proceeds from sale of property, plant and equipment		149,299	22,607
Purchases of intangible assets		(827)	(76,572)
Purchases of other investments		–	(65,047)
Use of restricted funds		190,686	–
Proceeds from sale of shares in subsidiaries and associates		2,285,388	403,882
Disposal of subsidiaries		(504,877)	(254)
Decreasing in the bank deposit		–	2,640
Issuing loans	13	(64,163)	(132,469)
Repayment of loans issued	13	8,020	559,606
Dividends received		–	382,810
Net cash flows from investing activities		1,597,969	224,608
FINANCING ACTIVITIES			
Funds restricted in use as part of obtaining loans	22	(5,018,750)	–
Proceeds from borrowings	22	7,928,875	3,326,864
Repayment of borrowings	22	(15,610,824)	(6,059,634)
Dividends paid	21(b)	(3,804)	(10,926)
Net cash used in financing activities		(12,704,503)	(2,743,696)
Net decrease in cash		(7,140,438)	(3,045,451)
Effect of exchange rate changes on cash		1,239,531	(299,604)
Cash and cash equivalents at the beginning of the year		24,883,812	28,228,867
Cash and cash equivalents at the end of the year	20	18,982,905	24,883,812

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

Kazakhstan Engineering National Company JSC
Consolidated statement of changes in equity
for the year ended 31 December 2023

	Note	Share capital	Additional paid in capital	Accumulated losses	Equity attributable to shareholders of the Company	Minority interests	Total
KZT'000							
At 1 January 2022		58,323,806	412,406	(14,375,698)	44,360,514	338,777	44,699,291
Total comprehensive income		–	–	5,113,899	5,113,899	14,595	5,128,494
Dividend declared	21(b)	–	–	–	–	(10,926)	(10,926)
At 31 December 2022		58,323,806	412,406	(9,261,799)	49,474,413	342,446	49,816,859
Total comprehensive loss		–	–	(1,240,828)	(1,240,828)	(10,368)	(1,251,196)
Issue of shares	21(a)	330,813	–	–	330,813	–	330,813
Receipt of subsidiary	21(a)	–	–	(259,549)	(259,549)	–	(259,549)
Dividends declared	21(d)	–	–	–	–	(3,804)	(3,804)
At 31 December 2023		58,654,619	412,406	(10,762,176)	48,304,849	328,274	48,633,123

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



CONTACT DETAILS

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