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by the SK-Pharmacy LLP
Supervisory Board
on August 28, 2023
(Protocol No. 6)**



SK - PHARMACEUTICALS

**CREATION OF A UNIFIED
SOCIO-ORIENTED
HEALTH PROVISION
SYSTEM DESIGNED TO
ENSURE ACCESSIBILITY,
TIMELINESS, QUALITY
AND UNINTERRUPTION**

SEMI-ANNUAL REPORT

Astana City, 2023



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DEAR READER!

At the moment, you have in your hands the Semiannual Report of SK-Pharmacy LLP, which reflects our goals and results of work on the uninterrupted provision of the population with medicines and medical devices (MD) within the guaranteed volume of free medical care and in the system of compulsory social health insurance in a pandemic and proper performance of the role of the Single Distributor

WISH YOU A PLEASANT READING!

The system of Single distribution of medicines and MD within the framework of the guaranteed volume of free medical care (GVFMC) and compulsory social health insurance (CSHI) in the Republic of Kazakhstan was created in accordance with the Decree of the Government of the Republic of Kazakhstan dated February 11, 2009 No. 134 "On some issues on the implementation of the Unified distribution system of medicines within the framework of the guaranteed free medical insurance" in order to consolidate the procurement of drugs, medical devices within the framework of the GVFMC.

By the Decree of the Government of the Republic of Kazakhstan dated November 7, 2009 No. 1781, SK-Pharmacy Limited Liability Partnership was determined as the Single Distributor for the procuring of drugs, MD, services for the storage and transportation of drugs, MD and the conclusion of contracts, long-term contracts, as well as the organization of the procurement of medical equipment in within the framework of the GVFMC.





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MESSAGE OF THE MANAGEMENT

Welcome speech by the Chairman of the Supervisory Board

**Dear readers of the Report,
colleagues, partners!**



**Deputy Chairman of the
KAZLOGISTICS Union of
transport workers of
Kazakhstan,
Chairman of the Board
of Directors of KTZ NC
JSC**

**Lavrinenko Yury
Ivanovich**

Since 2020, the Comprehensive Plan for the Development of the Pharmaceutical and Medical Industry for 2020-2025 has been implemented, which provides for the main directions for supporting and developing the pharmaceutical and medical industry: legislative and regulatory acts regulating pharmaceutical activities, circulation of drugs and medical devices within the EAEU, measures of state support, research and development, attracting investments, staffing the industry, labeling, traceability of medicines and increasing the capacity of domestic manufacturers of drugs and medical devices.

To date, the pharmaceutical industry is represented in Kazakhstan by more than 100 enterprises, while the production sites of domestic enterprises comply with the international quality standards of GMP (Good Manufacturing Practice - Good Manufacturing Practice).

Undoubtedly, the state has a significant impact on the formation of the pharmaceutical market by providing a guaranteed volume of free medical care and supporting domestic manufacturers under long-term 10-year contracts. In fact, for the development of the market, it was necessary to radically reform the entire system - production, import, registration and certification of medicines. Today, the country has streamlined registration, certification, quality control of medicines, medical products and medical equipment.



MESSAGE OF THE MANAGEMENT

Welcome speech by the Chairman of the Board

**Dear readers of the Report,
colleagues, partners!**



**PhD in Economics, MBA,
DBA**

**Iskaliyev Yerikhat
Serikovich**

We are glad to welcome you on the pages of the report of SK-Pharmacy LLP based on the results of the 1st half of 2023.

The purchase of pharmaceutical products within the framework of the guaranteed volume of medical care increased by 13 times from 2009 to 2023.

At the same time, preference is given to domestic manufacturers when purchasing medicines. The result of this policy was that today the share of medicines produced in Kazakhstan in the total volume of purchases exceeds 30%.

According to experts, the Kazakh pharmaceutical industry has great prospects ahead.

As part of its activities to improve the sustainability and competitiveness of the pharmaceutical industry in Kazakhstan and the development of the pharmaceutical industry, the Single Distributor is working to attract foreign investment and the best foreign experience in the production of pharmaceutical products, transfer technologies and the latest developments to domestic production sites.

Thus, the Single Distributor is working with a number of BigPharma companies on projects for the production of innovative drugs with the possibility of export to the countries of the EAEU and Central Asia.

As a result of this work, to date, the Ministry has already concluded framework cooperation agreements with such global pharmaceutical companies as F. Hoffmann-La Roche Ltd. and Novo Nordisk and AstraZeneca UK LTD. The signing of an agreement on cooperation and readiness for localization with the companies Bayer AG, Takeda Pharmaceutical, Jonson & Jonson is underway. During the visit of the Head of State to the United States, following the results of the study of the Single Distributor, Pfaizer and Kazakhinvest signed an agreement on the localization of production in Kazakhstan of a vaccine to protect children and adults from pneumococcal infection.

The single distributor held negotiations with foreign manufacturers of medical equipment on localization of production and life cycle: Philips, Canon, General Electric, Mindray, Lowenstein, Roche Diagnostic using the mechanisms of long-term contracts, off-take contracts, leasing mechanisms, life cycle. Also, through the Ministry of Foreign Affairs of the



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MESSAGE OF THE MANAGEMENT

Republic of Kazakhstan, requests were sent to the headquarters of about 50 foreign manufacturers of medical equipment with proposals for cooperation.

Based on the results of the study of the Single Distributor with South Korean companies, the domestic manufacturer JSC "Ordamed" places on its site the production of medical equipment of South Korean companies - JW Pharmaceutical, Samsung Medison, GENORAY. Aktyubrentgen JSC intends to localize X-ray equipment of the Korean company DRTECH on its site.



MESSAGE OF THE MANAGEMENT

SK-Pharmacy LLP history of the creation

2009

- Establishment of SK-Pharmacy LLP as a subdivision of the Samruk-Kazyna NWF, in order to ensure uninterrupted provision of the population with high-quality and affordable medicines within the framework of the State Observatory of the Supplementary Health Care, saving budgetary funds, and promoting the development of the pharmaceutical industry of the Republic of Kazakhstan.

2013

- Transfer of the right to own and use a 100% state stake in SK-Pharmacy LLP to the Ministry of Health of the Republic of Kazakhstan

2018

- Centralization of outpatient drug provision

2019-2023

- New development strategy

2020

- Introduction of compulsory social health insurance
- Single Distributor is endowed with the functions of supplying the storage of medicines and medical devices of the mobilization reserve
- Single Distributor For receiving humanitarian aid for medicines and MD
- Powers for the wholesale procurement of medicines and MD for subsequent sale in a retail network

2021

- Pilot project on digitalization of the cold chain of vaccines was completed
- Pilot project for camouflage of medicines and MD was completed
- Implementation of a comprehensive plan for the development of the pharmaceutical industry of the Republic of Kazakhstan for 2020-2025. Support for the development of domestic production of medicines and MD

2022

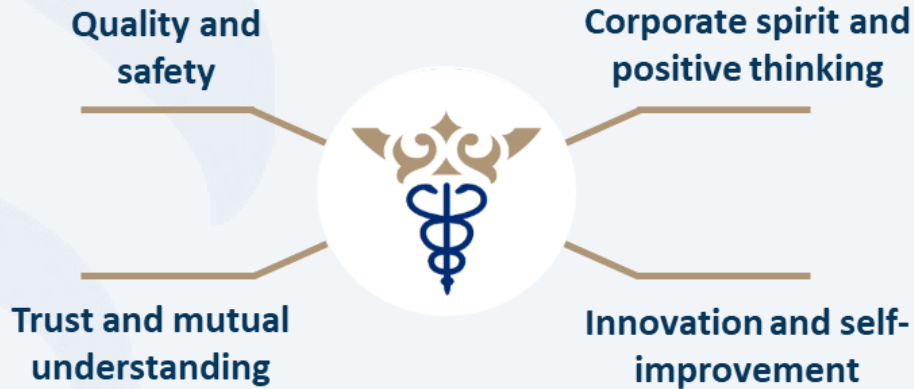
- Centralization of medical equipment procurement
- Development of medical and pharmaceutical clusters



MESSAGE OF THE MANAGEMENT

Mission, vision and strategic initiatives

OUR VALUES



MISSION

With highly professional employees and a developed infrastructure, we provide the population of the Republic of Kazakhstan with equal and timely access to drugs and medical equipment. We are focused on the quality of our work.

VISSION

Our company in 2022 is an efficiently functioning organization with a modern infrastructure that ensures the uninterrupted supply of drugs and medical equipment to MO on the territory of the Republic of Kazakhstan and the EAEU.









STRATEGIC INITIATIVES

- transformation of activities in the context of expanding business opportunities;
- quality management in the organization's activities;
- improvement of management technologies.



MESSAGE OF THE MANAGEMENT

SWOT ANALYSIS

INTERNAL		STRENGTHS		WEAK SIDES
		<ul style="list-style-type: none"> ➤ Prospects for the development of our own logistics infrastructure ➤ Exclusive right to centralized procurement of medicines and MD within the framework of the GVFMC and the CSHI system ➤ Trend to increase the volume of procurement through international organizations and foreign manufacturers ➤ Availability of own IT-infrastructure, integrated by MH of the RK systems ➤ Economics of scale of centralized procurement 		<ul style="list-style-type: none"> ➤ Dependence on medicines and MD providers and logistics services ➤ Lack of product tracking system ➤ Incorrect formation of the need for medicines and MD by medical organizations ➤ Long terms of mutual settlements with the Fund ➤ There is no unified mechanism for managing applications during the reorganization / liquidation of a medical organization ➤ Direct dependence on the exchange rate difference when procuring under direct contracts
EXTERNAL		CAPABILITIES		THREATS
		<ul style="list-style-type: none"> ➤ The current system of the SD allows to ensure the timeliness and transparency of drug provision of the population ➤ Development of infrastructural capabilities of logistics companies through production automation ➤ Effective budgeting of the GVFMC 		<ul style="list-style-type: none"> ➤ Inflation growth decrease in interest rates of foreign currency deposits banks ➤ The rules for conducting the procurement procedure are not always in accordance with the higher regulatory legal acts ➤ Inefficient planning of the need for medical products by customers

Development strategy

By the decision of the Supervisory Board dated May 20, 2019 (Protocol No. 74), the Development Strategy of SK-Pharmacy LLP for 2019-2023 was approved (hereinafter referred to as the Development Strategy).

The new Development Strategy of the Partnership has been developed considering the ongoing state policy in the field of drug provision and is aimed at expanding the business opportunities of the Partnership in the context of changes in healthcare legislation. An important factor that influenced the formation of the new Development Strategy is the empowerment of the Single Distributor with the authority to operate the mobilization reserve of the healthcare system and transfer the warehouses of special medical supply bases to the Partnership. Moreover, the Strategy provides for the introduction of modern approaches to outpatient drug provision within the framework of the GVFMC and CSHI.

The vision of the proposed Development Strategy is that by 2023 the Partnership will be an efficiently functioning organization with an infrastructure that ensures the uninterrupted supply of medicines and medical devices to medical organizations in Kazakhstan and the Eurasian Union.

The development strategy is risk-oriented, defines the mission, vision, values, strategic goals and objectives of the Partnership for the coming 2019-2023.

MESSAGE OF THE MANAGEMENT

Taking into account the main indicators of state program documents and the ongoing healthcare policy, the Strategy provides for the achievement of the following strategic goals and objectives for their implementation:

“OBJECTIVE 1. Transformation of activities in the context of expanding business opportunities”

Within the framework of this strategic goal, the Organization will provide a full industry production cycle in the Single Distribution system, and will also allow developing the potential of its business opportunities.

The key to achieving this goal is the empowerment of the Single Distributor with the authority to operate medicines and medical devices of the mobilization reserve and the transfer of special medical supply bases to the Organization, as well as the implementation of a number of innovative solutions.

Thus, in order to ensure uninterrupted provision of the population with medicines and MD within the framework of the GVFMC at the outpatient level, the Organization aims to implement an innovative project to introduce an automatic system for providing patients with prescription dosage forms in Kazakhstan through the sale of goods through prescription drug dispensers. At present, only 24 US states have implemented such a system of prescription medicines and MD.

Tasks:

Task 1.1. Development of own logistics infrastructure;

Task 1.2. “Provision of medicines and MD outside the Single Distributor List (including in emergency situations)”;

Task 1.3. Centralized purchase of medical equipment on the basis of a single distributor.

“OBJECTIVE 2. Quality management in the activities of the Organization”

Within the framework of this strategic goal, the Organization takes responsibility for all issues of quality management of products and services provided. Since in recent years a new approach to the strategy in quality management has been formed, this trend shows the need for a change in the attitude towards quality.

The new direction of strategy in quality management is characterized by a number of points:

- ✓ quality assurance should not be understood as a technical function carried out by any one unit, but as a systematic process that permeates the entire organizational structure of the Organization;

- ✓ quality should be oriented to meet the requirements of all stakeholders of the Organization;

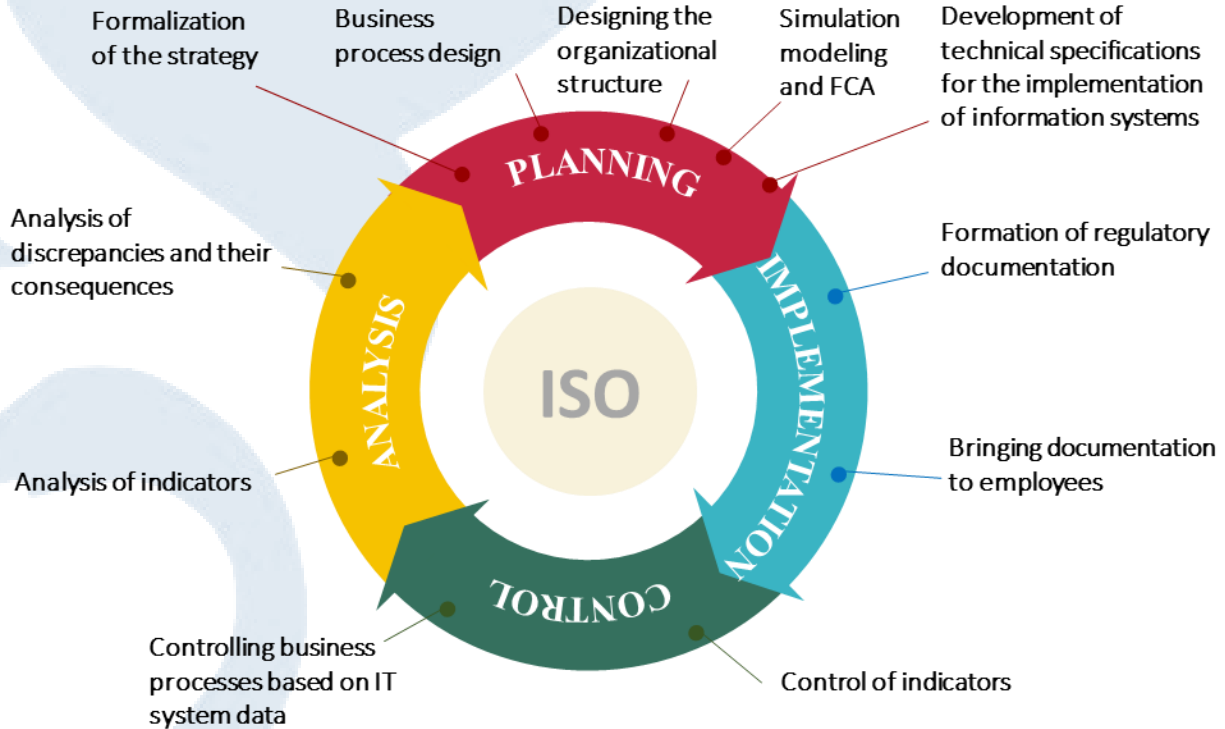
- ✓ improving product quality requires the use of new technologies both in production and the use of new management technologies along with the improvement of business processes.

The key to the successful implementation of this strategic goal is the application of the PDCA cycle in the practical activities of the Organization, the method of which will be applied with the frequency of reporting and planning cycles. When corrective actions are taken, the duration of the PDCA may be less or longer than the duration of the reporting and planning



MESSAGE OF THE MANAGEMENT

cycles and is set depending on the nature, scope, duration and content of the actions to eliminate the causes of the deviation



PDSA Cycle

Tasks:

- Task 2.1. Ensuring continuity of supply;
- Task 2.2. Improving the efficiency of interaction with partners;
- Task 2.3. Improving the efficiency of business processes

“OBJECTIVE 3. Improvement of management technologies”

As one of the directions for improving management technologies by the Organization, we can single out the improvement of the organization of managerial work. This direction is connected with the effective organization of the work of the employees of the Organization. The main task of each employee of the Organization is to make decisions regarding the efficiency of the production process. It is the employees of the Organization that play a key role in the process of maintaining a balance between production activities and the goals set, in determining the optimal option for the development of production and maintaining its efficiency.

Also, in order to increase the development of the Organization and improve activities, it is necessary to preserve knowledge and experience. To do this, the Organization defines a knowledge base based on experience and information received through seminars, on-the-job training, workshops, etc.

Tasks:

- Task 3.1. Human resources development;
- Task 3.2. Achieving Financial Sustainability

MESSAGE OF THE MANAGEMENT

SK-Pharmacy Reboot Program

The main activities of the Single Distributor in accordance with the Code of Public Health and the Health System are:

1. Support for domestic pharmaceutical production and increasing its presence in the market of Kazakhstan;
2. Uninterrupted provision and advance purchase of drugs and medical devices for the population of Kazakhstan within the framework of the State Observatory and the Compulsory Health Insurance;
3. Ensuring equal and fair access to medicines and medical devices for the population of Kazakhstan within the framework of the guaranteed volume of medical care and compulsory medical insurance;

Every year, the Single Distributor provides more than two thousand medical organizations and more than five million patients are recipients of drugs purchased by us (that is, every 4 Kazakhstanis).

SK-Pharmacy does not have its own warehouses and annually purchases warehouse and transport logistics services from the private market.

In its activities, SK-Pharmacy follows international quality management standards with strict international requirements, ensuring the quality of distribution of medicines and medical devices.

Effects from the purchase of medicines and medical devices through the Single Distributor:

1. Equalization and price reduction as a result of centralized procurement throughout the country
2. Every year, about 2 million patients are provided with the same quality drugs at the same price
3. Cumulative savings of budgetary funds in the amount of 192.6 billion tenge following the results of the purchase of drugs and medical devices
4. Centralized procurement for 2 thousand medical organizations (hospital and ALO).

As part of the SK-Pharmacy Reload Program, a lot of work was carried out over the year to improve the activities of the Single Distributor and develop the country's pharmaceutical industry in the following areas;

1) Support for domestic producers and entrepreneurial initiatives.

Work has been carried out to introduce **amendments and additions to the regulatory legal acts** in the field of circulation of medicines:

- revised **evaluation criteria** for the application of potential suppliers who intend to create and (or) modernize the production of drugs and medical devices,
- the mechanism for concluding **long-term contracts with contract manufacturing customers** has been improved, taking into account requests from BigPharma.
- measures have been developed that contribute to the growth of the level of localization of production in Kazakhstan and the creation of a value chain in the pharmaceutical industry.

MESSAGE OF THE MANAGEMENT

2) Improving procurement procedures

In order to ensure the transparency of procurement procedures, mitigate corruption risks, optimize labor costs, reduce paperwork, eliminate the factor of human errors and transparent reporting, the Single Distributor initiated the following proposals:

Work has been carried out to transfer the Competition for the conclusion of long-term supply contracts among OTPs that intend to create and (or) modernize the production of medicines and (or) medical devices from paper to electronic format, through the web portal (fms.ecc.kz). Based on the results of the approval of the nomenclature of drugs and medical products, it is planned to hold a competition for the conclusion of a DD with an OTP.

Agreements on public procurement of services dated March 28, 2023 were concluded. No. DGZ-56 and DGZ-57 with Electronic Finance Center JSC (modification of the "Purchases" module in terms of finalizing the method for purchasing medicines and (or) medical devices "From a single source" under long-term supply contracts with OTP for the corresponding financial year ; - improvements to the "Purchases" module in terms of exclusion from mandatory documentation, as well as in the grounds for rejecting the following sections: "Document confirming the presence of an automatic fire alarm in the pharmacy warehouse", as well as "Document confirming the presence of an automatic fire alarm in the pharmacy warehouse" And in terms of adding a section to the documentation: "Certificate of Good Distribution Practice (GDP)" - modification of the "Agreements" module in terms of creating the possibility of concluding additional agreements for each financial year to long-term agreements - adding two templates to the system: a long-term agreement and contracts, in accordance with the forms approved by the authorized body;

As part of the implementation of the instructions of the President of the Republic of Kazakhstan, Kassym-Jomart Tokayev, given in the Address to the people of Kazakhstan dated September 1, 2021, in terms of expanding the volume and range of off-take contracts with domestic manufacturers, as well as bringing the share of medicines and medical products of domestic production from the existing 17 up to 50% A number of projects have been initiated by the Single Distributor.

In order to ensure the transfer of technologies to the Republic of Kazakhstan, provide patients with access to innovative medicines and methods of treatment, as well as build up the human and scientific potential of the country, the Single Distributor is working with a number of BigPharma companies on projects for the production of innovative drugs with further export to the countries of the EAEU and the Central Asia.

Thus, the Single Distributor is working with a number of BigPharma companies on projects for the production of innovative drugs with the possibility of export to the countries of the EAEU and Central Asia.

As a result of this work, to date, the Ministry has already concluded framework cooperation agreements with such global pharmaceutical companies as F. Hoffmann-La Roche Ltd. and Novo Nordisk and AstraZeneca UK LTD. The signing of an agreement on cooperation and readiness for localization with the companies Bayer AG, Takeda Pharmaceutical, Jonson & Jonson is underway. During the visit of the Head of State to the United States, following the results of the study of the Single Distributor, Pfaizer and



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MESSAGE OF THE MANAGEMENT

Kazakhinvest signed an agreement on the localization of production in Kazakhstan of a vaccine to protect children and adults from pneumococcal infection.

Emphasizing the Order of the Head of State, given at an expanded meeting of the Government in July 2021, on the need to centralize the purchase of medical equipment at the level of a Single Distributor, the first stage of centralization was carried out through tender procedures for the purchase of medical equipment worth up to 20 million tenge.

Currently, as part of the centralized procurement of medical equipment on the basis of SK-Pharmacy LLP, in 2023 it is planned to purchase 593 units of medical equipment worth over 20 million tenge per unit in the amount of 66,470,567,911 tenge.

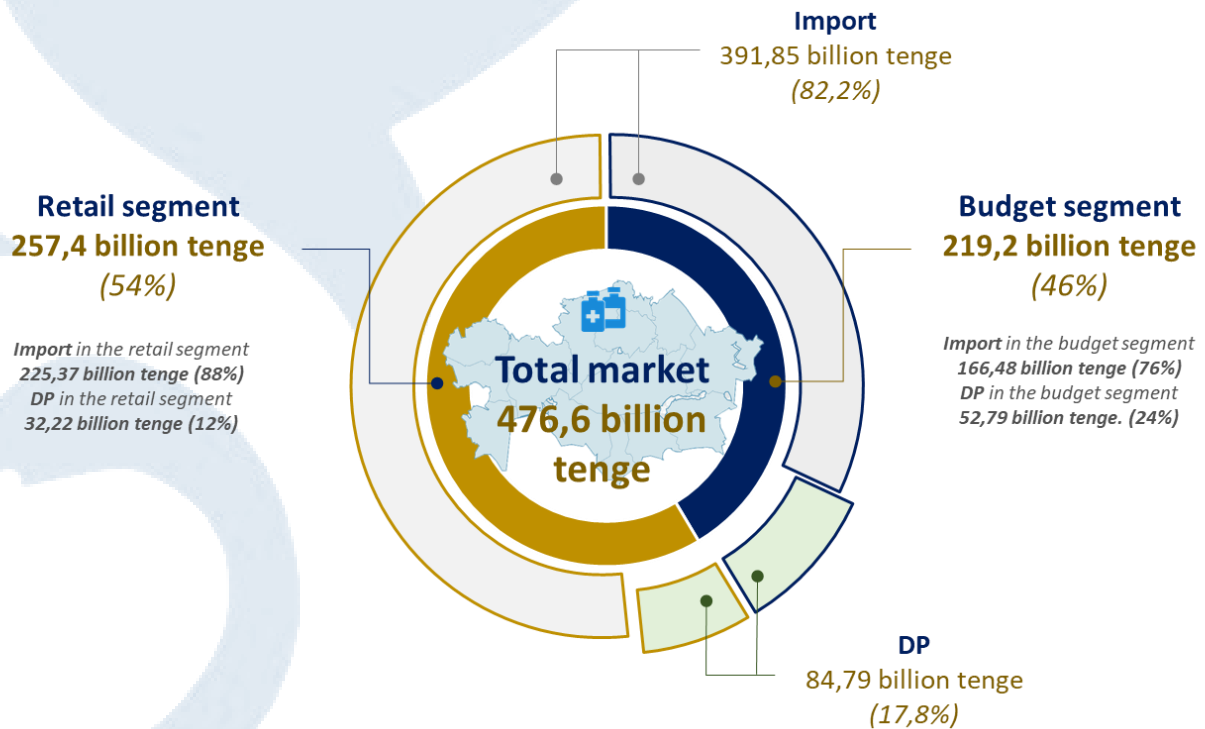
For the first half of 2023, 9 tenders were announced for 96 units of medical equipment, in the amount of 16,243,916,325 tenge.

In order to digitalize drug supply and improve the IT infrastructure of the Single Distributor, work is underway to consolidate balances at the level of medical organizations, improve and automate the planning processes for medicines and medical devices by medical organizations, as well as fully automate procurement procedures. To date, the Concept for the Development of Information Systems of the Single Distributor has been developed and approved. At the moment, the Ministry of Health of the Republic of Kazakhstan is conducting a pilot project in terms of centralized accounting of balances in 14 medical institutions. organizations.



MESSAGE OF THE MANAGEMENT

Pharmaceutical Market Overview



According to the report of the IQVIA international analytical company, the value of the Kazakhstani pharmaceutical market (including retail sales and procurement procedures for the guaranteed volume of medical care) for 6 months of 2023 amounted to 476.6 billion tenge in distributor prices, which is 17.1% higher than 6 months of 2022 (407.16 billion tenge) (*there is growth in the budget segment by 21.12%, retail by 13.82%*), while the growth of sold products in physical terms (number of packages) amounted to only 0.7%, which indicates an increase in the cost of 1 unit of goods. So, the average market price of 1 unit of goods increased by 16.23%, while the growth in the budget segment is 8.8% (stationary market – 3.9%, outpatient drug supply (OPDS) – 5.6%), in the retail segment – 15.5%.

Market segment	6 months of 2023			6 months of 2022		
	Amount, in billion tenge	Number of units of goods (million packs)	Price for 1 unit of goods	Amount, in billion tenge	Number of units of goods (million packs)	Price for 1 unit of goods
Budget segment	219,27	61,23	3 581,2	181,04	54,98	3 292,9
Inpatient care	89,55	41,65	2 149,9	80,68	38,98	2 069,8
OPDS	129,72	19,58	6 626,7	100,35	16,00	6 273,2
Retail segment	257,37	264,55	972,9	226,13	268,49	842,2
TOTAL PHARMACEUTICAL MARKET OF RK	476,64	325,78	1 463,1	407,16	323,47	1 258,7



RESULTS OF THE MAIN ACTIVITY

Procurement status of medicines and medical devices



The list of the Single Distributor was approved by the order of the Ministry of Health of the Republic of Kazakhstan on August 20, 2021 No. KR DSM-88.

Thus, there are 1,800 names of medicines and medical devices on the list of the Single Distributor.

To ensure the continuity of therapy at the PHC level, from 2021 **all medicines** intended for patients **treated at the outpatient level are included for hospitals**. At the same time, for 116 types of medicines and medical devices, medical organizations do not have a need for 2023. Thus, within the framework of inpatient care, medical organizations declared a need for 1593 medicines and medical devices in the amount of 184.9 billion tenge, and within the framework of outpatient drug provision - 646 items in the amount of 232.8 billion tenge.

As of June 30, 2023, **1,548** items of medicines and medical devices have been procured.



RESULTS OF THE MAIN ACTIVITY

The procurement of 1,548 types of medicines and medical devices was carried out in the following ways:

- 1) **two-stage tender** – 597 items;
- 2) **from one source** – 164 items, including:
- 3) **under direct contracts with manufacturers** – 148 items;
- 4) **through international organizations (UNICEF, UNDP, STOP-TB)** – 16 items;
- 5) **special procurement procedure** (additional agreements to LTC) – 773 items;

* - *withdrawn from the procurement due to: the presence of a carry-over balance – 30 items, the purchase of other trade names - 9 items.*

136 types of medicines and medical devices, announced repeatedly within the framework of a two-stage tender, were not procured due to the lack of proposals from potential suppliers (possible reasons for not procuring: lack of registration in Kazakhstan, withdrawal from production, small volume, low price). At the same time, for those not procured positions, analogues were procured according to indications, dosages, other dosage forms of release.

Savings based on the results of the procurement amounted to about 21.5 billion tenge.

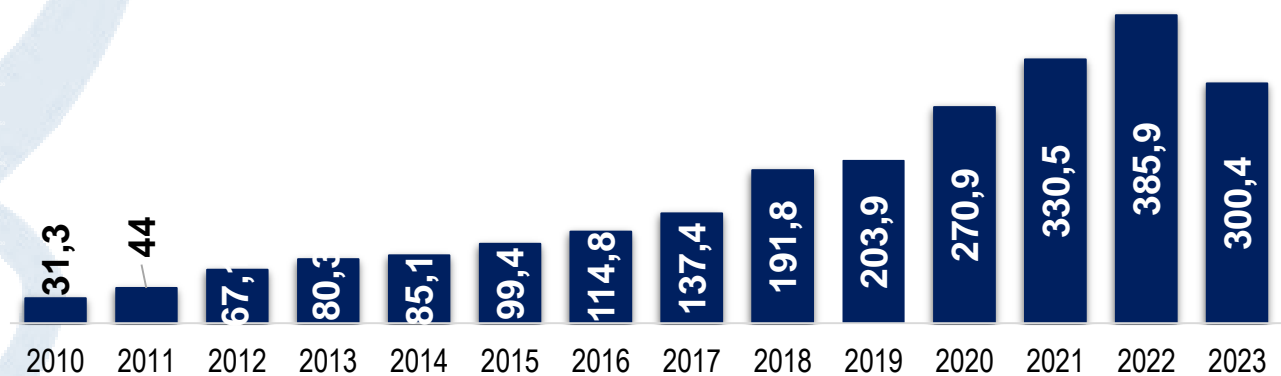
Thus, for 2023, 92% of medicines and medical devices were procured from the declared need for 2023, that is, 1,548 types of medicines and MD in the amount of more than 300.39 billion tenge.

At the same time, on behalf of the Ministry of Health of the Republic of Kazakhstan, a vaccine against yellow fever, not included in the list of units, was purchased in the amount of 450 thousand tenge.

Out of 1,548 items, 938 medicines and 610 medical devices were procured. Of the 938 procured drugs, 262 items (27.9%) do not have registered analogues in the Republic of Kazakhstan (original drugs).

For the period from 2010 to the first half of 2023, there has been a decrease in the share of procurement from local commercial distributors, an increase in the share of procurement under direct contracts (including through international organizations (UNICEF, UNDP)) and from domestic manufacturers.

The dynamics of the SD procurement for 2010 – the first half of 2023 (in billion tenge)





RESULTS OF THE MAIN ACTIVITY

As a result of the work of the Single Distributor, over the period from 2009 to the present, medicines and medical devices worth more than 2.3 trillion tenge or \$7.2 billion have been centrally procured.

For the first half of 2023, the total share of the ten most popular drugs amounted to 17% of the total volume shipped by SK-Pharmacy LLP to medical organizations in the regions, both inpatient and outpatient levels.

TOP-10 Trade Names of Medicines

No	Trade name	The 1st half of 2022, in million tenge	The 1st half of 2023, in million tenge	Growth by 2022	The share
1	Keytruda	4 309,65	5 436,18	26%	3%
2	Hexaxim®	4 696,03	4 735,41	1%	2%
3	Prevenar 13®	4 291,07	4 734,76	10%	2%
4	Pentaxim	3 514,98	3 828,21	9%	2%
5	Simponi®	2 681,32	3 166,81	18%	2%
6	Bevacizumab	2 336,46	2 961,52	27%	1%
7	Spinraza™	-	2 798,04		1%
8	Victoza®	1 830,87	2 673,25	46%	1%
9	Jardiance®	1 571,24	2 556,16	63%	1%
10	Revilade™	1 886,37	2 511,43	33%	1%
	TOP 10		35 401,77		17%
	Total shipped to medical organizations (MO)		205 375,75		
	Total purchased		300 390,02		

The first place in the TOP-10 according to the results of shipment for the first half of 2023 fell on the anticancer drug Keytruda manufactured by MSD Ireland (Carlow).

The second place according to the results of the shipment of the Single Distributor at the request of customers was taken by the Hexaxim multicomponent vaccine (adsorbed) against diphtheria, tetanus, whooping cough, hepatitis B, poliomyelitis and Haemophilus influenzae type b infection, conjugated by Sanofi.

According to the results of the first half of 2023, the Single Distributor of medicines and medical devices was actually procured in the amount of 300.39 billion tenge, while 45% (134.8 billion tenge) is supplied through local distributors, the total share of the ten largest distributors amounted to 37% of total procurement volume of SK-Pharmacy LLP.

**RESULTS OF THE MAIN ACTIVITY****TOP-10 major suppliers among distributors**

No	Supplier	The 1st half of 2022, in million tenge	The 1st half of 2023, in million tenge	growth by 2022	Share of total procurement
1	Medservice Plus LLP	27 123,42	23 859,84	-12%	8%
2	Ak Niet LLP	24 244,22	17 128,02	-29%	6%
3	STOPHARM LLP	17 415,78	16 502,29	-5%	5%
4	KNYAZ PHARMA LTD LLP	20 568,14	10 748,87	-48%	4%
5	SWIXX BIOPHARMA LLP	-	9 600,15		3%
6	R-Pharm Kazakhstan LLP	10 225,95	9 529,83	-7%	3%
7	Novo Nordisk Kazakhstan LLP	5 118,85	8 224,19	61%	3%
8	INKAR LLP	11 216,64	7 782,17	-31%	3%
9	Takeda Kazakhstan LLP	5 804,60	5 481,61	-6%	2%
10	OAD-27 LLP	6 298,61	5 261,29	-16%	2%
TOP 10			114 118,26		38%
TOTAL PROCUREMENT FROM DISTRIBUTORS			134 797,32		45%
TOTAL PROCUREMENT			300 390,02		

According to the results of the first half of 2023, the share of the ten largest manufacturers amounted to 41% of the total purchase of SK-Pharmacy LLP, where DCP JSC Nobel was the leader, overtaking two Sanofi and DCP JSC Chimpharm.

TOP-10 major manufacturers

No	Manufacturer	The 1st half of 2022, in million tenge	The 1st half of 2023, in million tenge	Growth by 2022	Share
1	Nobel	19 790,47	20 330,96	3%	7%
2	Sanofi	24 369,50	14 267,35	-41%	5%
3	Himfarm	16 901,87	13 845,53	-18%	5%
4	KFK	10 738,73	12 568,77	17%	4%
5	F. Hoffmann-La Roche	10 664,43	11 271,44	6%	4%
6	Baxter	14 368,83	10 824,80	-25%	4%
7	Vetter Pharma	7 562,07	10 698,27	41%	4%
8	Eleas pfk llp	7 763,56	10 424,85	34%	3%
9	Pfizer	15 138,20	9 284,90	-39%	3%
10	GlaxoSmithKline	8 459,75	8 832,35	4%	3%
ТОП-10			122 349,22		41%
Всего			300 390,02		

According to the results of the procurement, **the 1st place** in terms of the share in the total volume of procurement fell on **domestic products** and the 2nd place was procured by

**RESULTS OF THE MAIN ACTIVITY**

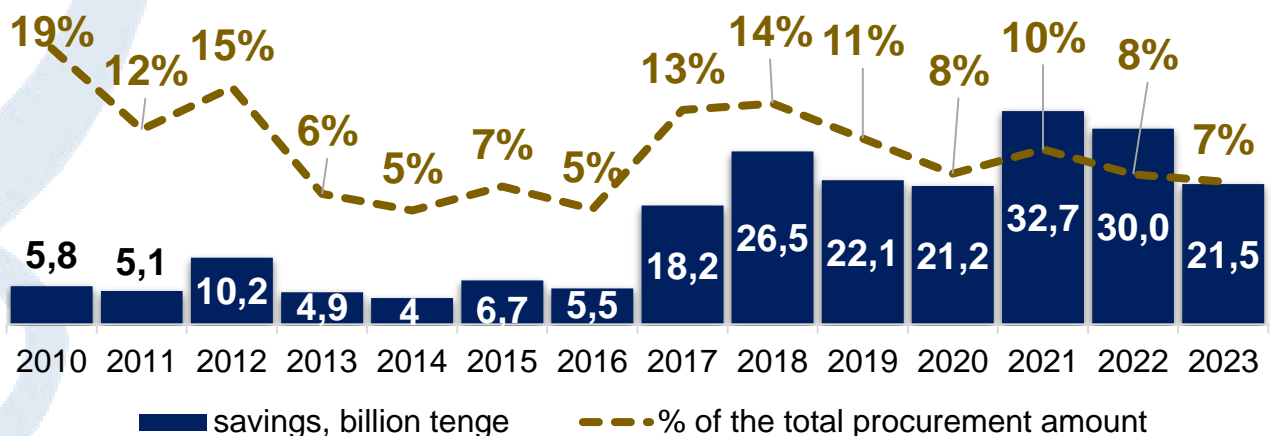
customers from **German products**. The share of the TOP-10 countries based on the results of the procurement amounted to 84% of the total volume.

TOP-10 countries according to the procurement results

№	Country	The 1st half of 2022, in million tenge	The 1st half of 2023, in million tenge	Growth by 2022.	Share	Number of hiring M and MD	share of hired M and MD
1	Kazakhstan	114 250,59	103 885,96	-9%	35%	928	60%
2	Germany	43 742,33	41 832,43	-4%	14%	87	6%
3	Italy	12 645,41	19 198,67	52%	6%	26	2%
4	Switzerland	25 767,07	19 119,01	-26%	6%	26	2%
5	USA	16 783,93	14 775,65	-12%	5%	16	1%
6	France	24 324,05	14 431,94	-41%	5%	34	2%
7	Ireland	18 624,70	13 776,42	-26%	5%	15	1%
8	India	13 738,15	9 308,83	-32%	3%	109	7%
9	Great Britain	8 688,34	8 755,48	1%	3%	19	1%
10	Austria	8 735,55	6 730,95	-23%	2%	13	1%
ТОП-10			251 815,35		84%	1273	82%
ВСЕГО			300 390,02			1548	

Thus, the Single Distribution fully justified itself as a tool for minimizing risks through centralized procurement, curbing the rise in prices for pharmaceutical products within the framework of the GVFCM, reducing the share of intermediaries in the form of local commercial distributors.

Since the creation of the SD, the total savings in funds allocated for drug provision under the GVFCM amounted to 214.4 billion tenge. There is a tendency to increase savings, so compared to 2010, in the first half of 2023, the amount of savings in absolute terms increased by 3.7 times.





RESULTS OF THE MAIN ACTIVITY

Thus, savings are achieved due to the centralization of procurement and the consolidation of the volume of demand from all regions. Suppliers go for a significant price reduction when the volume for the whole republic is procured centrally. And it is this difference between the allocated budget and the amounts actually used that constitutes the savings. The freed-up difference is used by medical organizations to procure additional volumes of drugs, thereby increasing the coverage and availability of drugs to the population.

Shipment of medicines and medical devices to medical organizations

Since the beginning of 2023, the Single Distributor has begun the procedure for shipment of medicines and medical devices as part of outpatient drug provision to medical organizations in accordance with the declared volume. As of June 30, 2023, the Single Distributor shipped medicines and medical devices in the amount of more than 153.2 billion tenge as part of the OPDS. At the same time, medical organizations in the Drug Supply information system provided prescriptions in the amount of 96.2 billion tenge, (*within the framework of the GVFCM – 89.2 billion tenge; and within the framework of the CSHI – 7.04 billion tenge.*)

As of June 30, 2023, the Single Distributor shipped medicines and MD worth more than 109.2 billion tenge within the hospital.



Outpatient drug provision within the framework of the activities of the Single Distributor

Single Distributor conducts centralized procurement of the entire outpatient list from January 1, 2018. Centralized procurement of the entire outpatient list at the level of the Single Distributor allowed saving the country's budget in 2018 in the amount of 23.4 billion tenge.

Every year the state increases funding for outpatient drug provision, the coverage of nosologies and the population is increasing.

RESULTS OF THE MAIN ACTIVITY

Since January 1, 2020, the CSHI system has been introduced in Kazakhstan, which made it possible to cover an additional 105 nosologies.

Thus, **the expansion of the coverage** of nosologies within the framework of the GVFCM and CSHI was achieved by **3 times** from **45** to **131** nosologies.

Drug provision within the framework of outpatient drug provision is carried out in accordance with the List of medicines and MD for free and (or) preferential outpatient provision of certain categories of citizens of the Republic of Kazakhstan with certain diseases (conditions), approved by order of the Minister of Health of the Republic of Kazakhstan dated August 5, 2021 No. KR DSM – 75.

Expenses for the treatment of **the TOP-10 nosologies amount to 70.98 billion tenge**, or 74% of the total expenditure on drug provision within the allocated budget funds for outpatient drug provision.

TOP 10 nosologies by the amount of expenses

No	Name	Sign of GVFCM / CSHI	The 1st half of 2022, in million tenge	The 1st half of 2023, in million tenge	Growth by 2022	Share
1	Diabetes mellitus	GVFCM, CSHI	17 007,53	19 190,22	13%	20%
2	Oncological diseases	GVFCM, CSHI	11 709,62	13 288,25	13%	14%
3	Malignant neoplasms	GVFCM, CSHI	7 554,08	8 943,45	18%	9%
4	Arterial hypertension	GVFCM, CSHI	6 378,18	7 109,91	11%	7%
5	Hereditary deficiencies of blood clotting factors	GVFCM	6 122,32	7 043,54	15%	7%
6	Rheumatoid arthritis	GVFCM, CSHI	3 547,53	4 069,88	15%	4%
7	Мукополисахаридоз	GVFCM	4 401,97	3 826,65	-13%	4%
8	Spinal muscular atrophy	GVFCM	-	2 798,04		3%
9	Mental illness.	GVFCM, CSHI	2 701,78	2 529,62	-6%	3%
10	Duchenne muscular dystrophy	GVFCM	1 883,45	2 175,44	16%	2%
	TOP 10			70 975,01		74%
	Total			96 206,90		

At the same time, the TOP 10 nosologies in terms of the number of patients differ from the TOP 10 nosologies in terms of the amount of expenses and makes up 88% of all patients provided with free medicines as part of outpatient drug provision.

**RESULTS OF THE MAIN ACTIVITY****TOP 10 nosologies by number of patients***

No	Nosology	Sign of GVFCM / CSHI	Number of patients provided in the first half of 2022	Number of patients provided in the first half of 2023	Growth by 2022.	Share
1	Arterial hypertension	GVFCM, CSHI	1 148 821	1 026 525	-11%	40%
2	Coronary heart disease (CHD)	GVFCM, CSHI	440 200	400 441	-9%	16%
3	Diabetes mellitus	GVFCM, CSHI	425 193	377 736	-11%	15%
4	Acute respiratory infections of the lower respiratory tract	CSHI	122 921	97 499	-21%	4%
5	Hypothyroidism / Hyperthyroidism / Hypoparathyroidism	GVFCM, CSHI	99 553	88 261	-11%	3%
6	Chronic heart failure	GVFCM, CSHI	72 910	71 638	-2%	3%
7	Bronchial asthma	GVFCM, CSHI	72 058	66 277	-8%	3%
8	Chronic obstructive pulmonary disease	GVFCM, CSHI	60 828	53 559	-12%	2%
9	Epilepsy	GVFCM, CSHI	56 142	51 930	-8%	2%
10	Mental illness	GVFCM, CSHI	46 215	42 555	-8%	2%
TOP 10				2 276 421		88%
TOTAL				2 576 327		

* - the number of unique patients was calculated taking into account the type of payment (GVFCM/CSHI), the region of the Republic of Kazakhstan and nosology.

Thus, in the first half of 2023, more than 8.35 million prescriptions were issued for 2.58 million patients in the amount of more than 96.2 billion tenge, which indicates that, **on average, about 46,000 prescriptions are issued and dispensed daily recipes.**

In the first half of 2023, **more than 2 million 576 thousand of the population** were covered with free medicines, of which 540.6 thousand were covered within the framework of the implemented compulsory health insurance system.

Support for domestic producers

According to subparagraph 4 of article 248 of the Code "On the health of the people and the healthcare system", one of the principles for the procurement of medicines and medical devices is to support domestic producers. To implement this principle, Procurement Rules 110 provide for Chapter 5 to support domestic pharmaceutical production in the purchase of their products in the Single Distributor system.

In the procurement of medicines and MD, domestic manufacturers are granted privileges in tender procedures, when applications from other suppliers are not considered in the tender with the participation of a domestic manufacturer. Procurement Rules 110 provide for the possibility of concluding long-term contracts for the supply of domestic products for a period of 10 years. This fact gives domestic enterprises a powerful incentive and a solid platform for the development of their own pharmaceutical production.



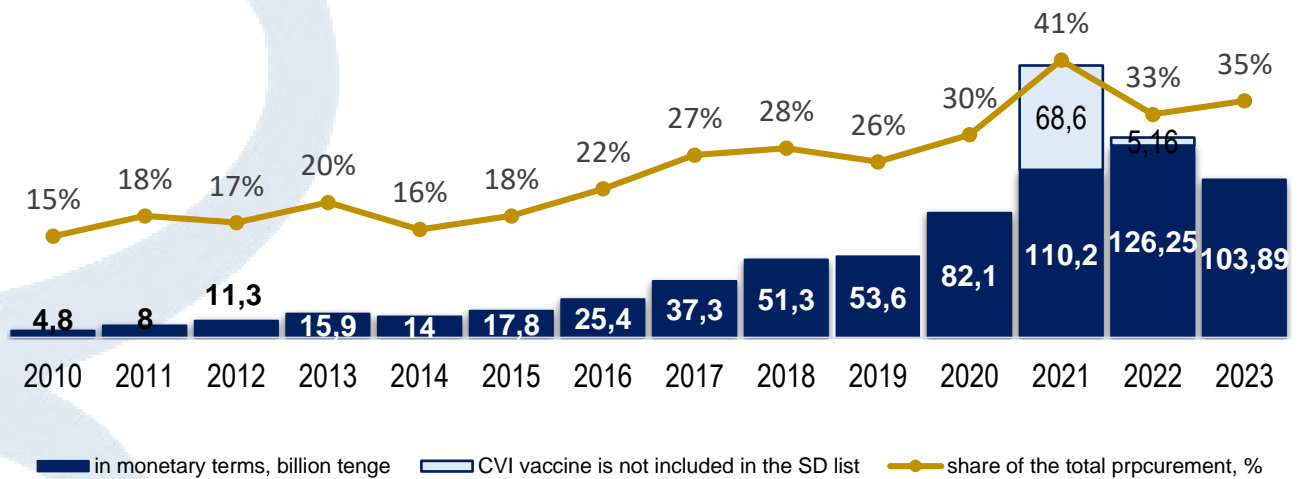
RESULTS OF THE MAIN ACTIVITY

Support for domestic producers and entrepreneurial initiatives is one of the main activities of the Single Distributor.

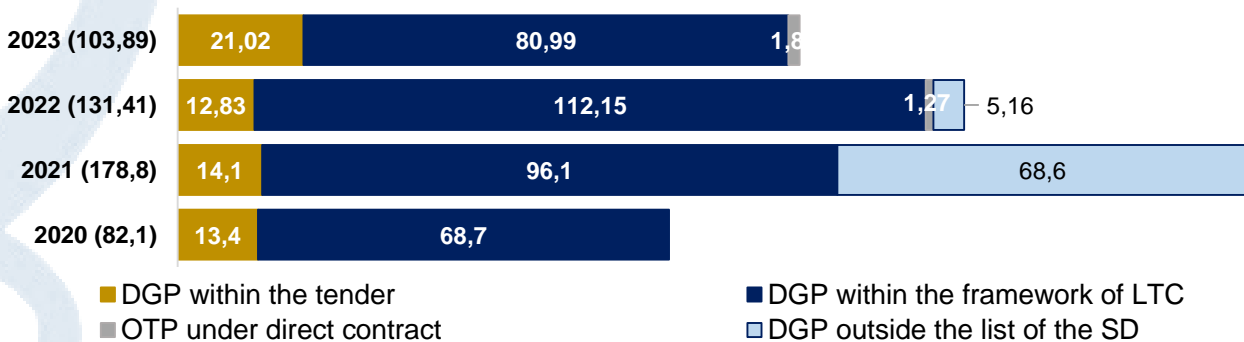
In the period from 2009 to the first half of 2023, there has been a systematic increase in the share of Kazakhstani drugs in the procurement of the Single Distributor. Most of the domestic drugs are procured through the conclusion of long-term contracts with DGP for 10 years.

If in 2010 the share of domestic producers in monetary terms amounted to 15% (in the amount of 4.8 billion tenge), then according to the results of the first half of 2023, the share of procurement in monetary terms increased by 2.3 times, amounting to 35% (in the amount of 103.89 billion tenge).

Procurement dynamics of the Single Distributor from DGP for the period 2010 – the first half of 2023



Procurement dynamics of the Single Distributor from DGP within the framework of LTC for 2020 – the first half of 2023

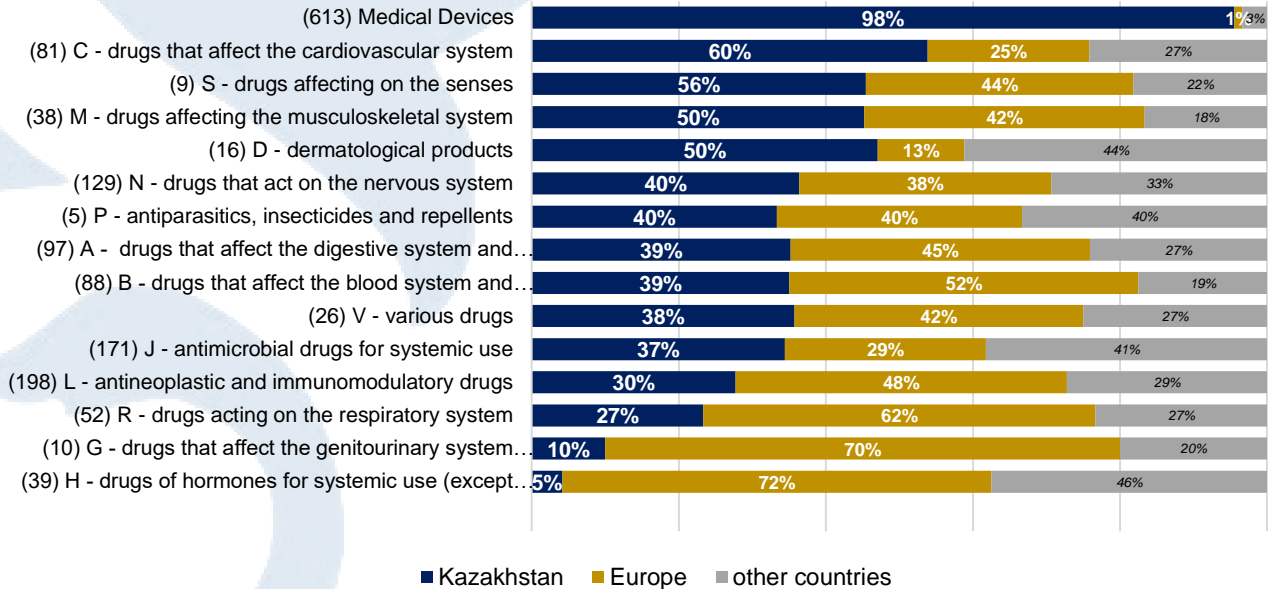




RESULTS OF THE MAIN ACTIVITY

78% (80.99 billion tenge) of the medicines and MD procured in 2023 from DGP, were procured through long-term contracts.

DGP coverage of items in the context of anatomical-therapeutic-chemical groups



An analysis of DGP coverage in the context of ATC groups (including MD) for the 1st half of 2023 (shipment fact + OPDS provision) showed the following:

- Over 50% DGP are covered in 5 groups:
 - **medical devices:** 598 items out of 613 procured according to the list of the SD produced in Kazakhstan
 - **drugs affecting the cardiovascular system:** 49 items out of 82 procured according to the list of the SD produced in Kazakhstan;
 - **drugs affecting on the senses:** 5 items out of 9 procured according to the list of the SD produced in Kazakhstan;
 - **drugs affecting the musculoskeletal system:** 19 item out of 38 procured according to the list of the SD produced in Kazakhstan;
 - **dermatological drugs:** 8 items out of 16 procured according to the list of the SD procured in Kazakhstan.
- 12 out of 15 DGP groups produce more than 30% of drug names procured under the SD list.

Thus, in order to implement the instructions of the President of the Republic of Kazakhstan and the Government of the Republic of Kazakhstan in order to achieve high-quality coverage of 50% DGP, it is necessary to consider the issue of localizing drugs from 3 groups with a share of DGP drugs less than 30%.

The current situation of pharmaceutical production in the country cannot be considered sufficient: its volumes provide only 24% of the country's need for medicines and medical devices.

RESULTS OF THE MAIN ACTIVITY

To date, there are **98 long-term contracts** concluded with **36 domestic goods producers** for the supply of 700 medicines and 3,821 medical devices, of which 46 long-term contracts are concluded for drugs and 53 long-term contracts for medical devices.

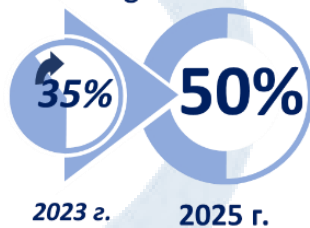
The DGP portfolio under the DD consists of 75.19% of medicines in tablet form of release, injectable forms of release account for only 24.44%.

The nomenclature of medical devices according to DD consists of 60.99% of medical devices intended for arthroplasty. Medical products used in diagnostics account for only 25.18%.

The current DGP portfolio for DD is formed not from the real need of health care, but from the proposals of potential suppliers.

Thus, there are the following industry problems:

Share of medicines and MD of DGP as part of the procurement of the Single Distributor



1. More than 80% within the framework of LTC concluded for MD;
2. Implemented only 27 out of 98 LTC;
3. Lack of interaction between the scientific community of Kazakhstan and manufacturers;
4. Low level of research and educational potential in the field of pharmaceuticals, as well as their financing;
5. Lack of production of substances and original drugs;
6. DGP portfolio is represented by low-margin

generic drugs

To reach 50% by 2025, it is necessary to:

1. Switch focus from MD to medicines in LTC;
2. Implementation of LTC projects concluded with the SD;
3. Creation of R&D centers;
4. Localization of original drugs in order to conclude LTC;
5. Conclusion of LTC on expensive innovative drugs.

In order to simplify the entry of global pharmaceutical companies into the domestic market and the localization of the production of original drugs in the country, the Single Distributor has carried out work to improve the mechanisms for concluding long-term contracts with contract manufacturing customers. The proposed changes include providing the possibility of localizing in the territory of the Republic of Kazakhstan only original drugs and medical devices that are under patent protection. As part of the discussion of changes and additions, a working group was formed consisting of representatives of business, associations, employees of SK-Pharmacy, NCELS, MZRK.

To date, the Ministry of Health of the Republic of Kazakhstan has already concluded framework cooperation agreements with such global pharmaceutical companies as F. Hoffmann-La Roche Ltd. and Novo Nordisk. We are working on signing an agreement on cooperation and readiness for localization with AstraZeneca UK LTD., Bayer AG, Takeda Pharmaceutical. As part of the recent visit of the Head of State to the United States, following

RESULTS OF THE MAIN ACTIVITY

the results of the study of the Single Distributor, Pfaizer and Kazakhinvest signed an agreement on the localization of production in Kazakhstan of a vaccine to protect children and adults from pneumococcal infection. Cooperation with South Korean companies is also being actively developed, and as of today, as a result of our work, six memorandums of intent have already been signed between domestic manufacturers and large Korean pharmaceutical companies on localization of production and transfer of advanced technologies.

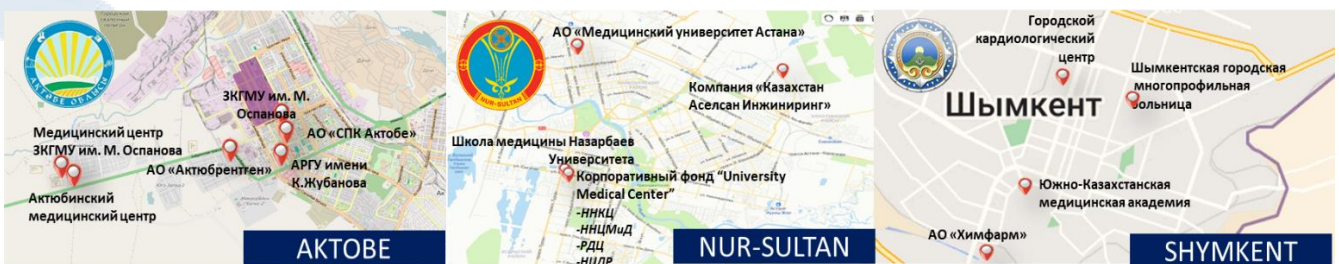
Development of medical and pharmaceutical clusters

One of the main directions of the Comprehensive Plan for the Development of the Pharmaceutical Industry until 2025 adopted by the Government is the development of pharmaceutical science and the creation of new industries with the participation of world players.

In this regard, it seems appropriate to create pharmaceutical clusters through the involvement of domestic research institutes, scientific laboratories, large medical universities, domestic production sites, the involvement of investment project support institutions, local executive bodies, as well as the deployment of clusters in free economic and industrial zones like R&D centers . In addition, the production of medical equipment and consumables will be actively developed.

The President of the country instructed to expand the volume and range of off-take contracts with domestic producers. These areas are open for investment, and such projects will receive full support from the state.

At the moment, 3 cluster zones are considered in the years. Aktobe, Nur-Sultan and Shymkent.



Single Distributor with the assistance of the Institute for the Development of the Health Industry of South Korea held a round table with large Korean pharmaceutical clusters on cooperation in the framework of the creation and development of medical and pharmaceutical clusters between Kazakhstan and South Korea.

Based on the results of the round table, the Single Distributor developed proposals for the development of the production of expensive innovative products, the promotion of the industry in the direction of technology transfer, its digitalization.

On June 27-30, a Kazakh delegation visited South Korea on a working visit to develop projects and study the work of South Korean medical and pharmaceutical clusters and the production of medical equipment.



RESULTS OF THE MAIN ACTIVITY

The working visit was organized by the SK-Pharmacy Single Distributor on behalf of the Vice Prime Minister of the Republic of Kazakhstan R. Sklyar and the Minister of Health of the Republic of Kazakhstan A. Giniyat, with the assistance of the Korean Health Industry Development Institute (KHIDI) and the Embassy of the Republic of Kazakhstan in Korea.



The Kazakh delegation included representatives of the Public Health Department of the city of Nur-Sultan, the Pharmaceutical Cluster of South Kazakhstan, SK-Pharmacy LLP, Ordamed JSC, Dolce Group of Companies with the Dolce-Pharm brand.

During the visit, the Kazakh delegation visited large Korean medical and pharmaceutical clusters of Songdo and Wonju Tech Valley.

Currently, a team of scientists and KHIDI managers are working on creating a cluster infrastructure model for Kazakhstan and plan to present it to the Ministry of Health of the Republic of Kazakhstan in September of this year.

This important strategic direction solves several socially significant tasks at once. This is a matter of new jobs, raising the level of the scientific base, the transition to GMP standards, the creation of innovative drugs, the popularization of the domestic pharmaceutical industry and, of course, the economic development of the region in which the cluster is being built. Combining the efforts of Kazakh companies around the creation of clusters in different regions of the country and investing in their development both from the state and private capital will ensure the growth in the production of import-substituting products and attract foreign companies to the construction of pharmaceutical plants in Kazakhstan.

Developing the initiative to establish medical and pharmaceutical clusters in the Republic of Kazakhstan, the Unified Distributor developed a top-level structure of clusters in Nur-Sultan, Aktobe and Shymkent.

These regions were chosen due to the presence in the region of large medical and technical universities, production sites and clinical bases that provide high-tech medical care to the population.

In this regard, on October 21, 2022, the MZRK approved Order No. 828 “On the organization of work on the formation of medical and pharmaceutical clusters for the development of innovative medicines and medical devices”.



RESULTS OF THE MAIN ACTIVITY

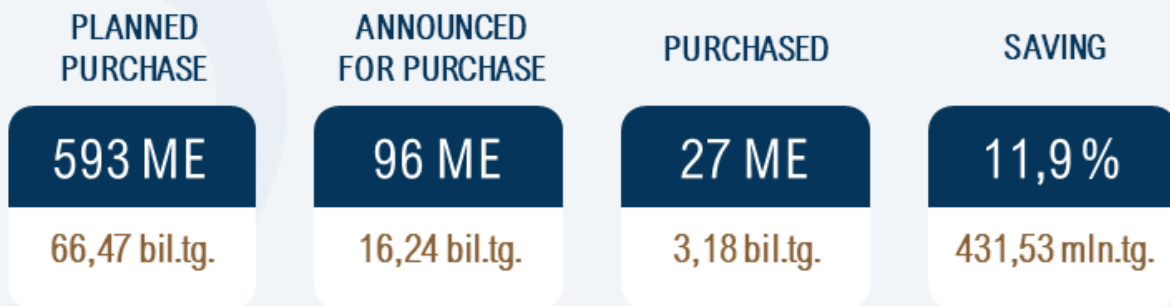
Centralization of the medical equipment procurement at the level of the Single Distributor

In accordance with the instructions of the President of the Republic of Kazakhstan, K-J. Tokayev, given at an expanded meeting of the Government of the Republic of Kazakhstan on February 8, 2022, the Ministry of Health of the Republic of Kazakhstan is currently actively working together with SK-Pharmacy LLP to centralize the medical equipment procurement on the basis of the Single Distributor.

Centralized procurement of medical equipment on the basis of SK-Pharmacy LLP is planned to be carried out in two stages.

Stage I – 2022 – centralization of the medical equipment procurement (pilot project);

Stage II – from 2023 – the conclusion of long-term contracts on the terms of localization / contract manufacturing, contracts for the life cycle of medical equipment.



As part of the centralized procurement of medical equipment on the basis of SK-Pharmacy LLP, in 2023 it is planned to purchase **593 units** of medical equipment worth over 20 million tenge per unit in the amount of **66,470,567,911 tenge**.

For the first half of 2023, **9 tenders were announced for 96 units** of medical equipment, in the amount of **16,243,916,325 tenge**.

Purchased **27 units** of medical equipment: allocated amount for the purchase of medical equipment **3,607,232,566 tenge**, according to the results of the auction, the purchase amount was **3,175,701,866 tenge**, savings amounted to 431,530,700 tenge - 11.90% of them within the framework of negotiations to reduce the price of **19,200,000 tenge**.

THE OPERATIONAL RESULTS

Financial performance results

The indicator of the Gross income of the Partnership for the first half of 2023 amounted to 185.48 billion tenge, including:

- income from the sale of medicines and medical devices amounted to 181.55 billion tenge, there is a decrease of 5.9% compared to the same period in 2022 – 193.01 billion tenge.
- financial income – 3.59 billion tenge, an increase of 2.4 times compared to the previous period (1.04 billion tenge).
- other income – 3.93 billion tenge, an increase compared to the previous period (3.01 billion tenge) amounted to 30.7%.

Increase in financial income by increasing the amount of temporarily free cash placed on deposit accounts and overnight in STB.

There is also a decrease in the total expenses of the Partnership from 193.08 billion tenge in the first half of 2022 to 185.6 billion tenge in the first half of 2023. Compared to the first half of 2022, a decrease of 4.0%.

For the first half of 2023, the amount of the total expenses of the Partnership by purpose of expenses:

- cost of goods sold amounted to 179.54 billion tenge. Reducing the cost of production by 2.1% compared to the first half of 2022 - 183.36 billion tenge;
- general administrative expenses in the first half of 2023 amounted to 2.99 billion tenge, a decrease of 25.1% compared to the first half of 2022 - 3.99 billion tenge;
- other costs of the main activity (transportation, exchange rate difference) amounted to 2.15 billion tenge, which shows a decrease in expenses by 2.4 times compared to the first half of 2022 - 5.01 billion tenge.

As of June 30, 2023, the amount of receivables of medical organizations is 22.1 billion tenge.

Cash flow management

The partnership manages temporarily free money in accordance with the Decree of the Government of the Republic of Kazakhstan dated September 14, 2004 No. 960 “On Certain Issues of Acquiring Financial Services by State Enterprises on the Right of Economic Management and Organizations, a Controlling Stock (Share) of Which Is Owned by the State, of Financial Services”, Rules for the Management of IRR approved by the Supervisory Board of the Partnership. The purpose of managing temporarily free money is to place them in financial instruments on the domestic financial market to ensure the safety of temporarily free money while matching the level of profitability to the level of accepted risk, maintaining the necessary liquidity ratio of the Partnership.

THE OPERATIONAL RESULTS

Dynamics of remuneration on accounts in SRB, million tenge

Indicators / Periods	2016	2017	2018	2019	2020	2021	2022	the 1 st half of 2022	the 1 st half of 2023
Remuneration income	4 779	2 439	1 229	793	2 373	1 752	1 902	1 042	3 590
Average annual balance of IRR	33 886	32 612	18 431	11 925	29 142	22 486	17 075	19 405	46 273
Average annual remuneration rate	14,10%	7,48%	6,67%	6,65%	8,14%	7,80%	11,14%	5,37%	7,76%

According to preliminary data for the 1st half of 2023, income in the form of remuneration amounted to 3,590.0 million tenge, in the same period last year 1,042.0 million tenge, an increase of 3.4 times. The reason for the increase in financial income is the increase in the volume of temporarily free funds placed on deposit accounts with STB.

Average annual balance of IRR (millions tenge)

Period	The 1st half of 2022	The 1st half of 2023
January 1	13 606	20 510
February 1	38 158	45 475
March 1	28 088	44 205
April 1	30 483	63 245
May 1	15 781	66 602
June 1	8 096	45 772
July 1	1 516	38 141
Average value	19 405	46 278
Remuneration income	1 042	3 590

For the 1st half of 2022, the FSMS received in January 35,212.3 million tenge 25% of the advance payment, in May 7,015.3 million tenge 5% of the advance payment under the compulsory medical insurance and compulsory medical insurance contracts, the total receipt was 42,227.6 million. tenge.

For the same period in 2023, the FSMS received only 103,983.4 million tenge, 2.5 times more compared to the same period last year (66,140.9 million tenge 30% advance, 37,842.4 million tenge for outpatient drug security: of which 23,739.1 million tenge under contracts for 2022, 14,103.3 million tenge for January-February 2023).

For inpatient drug provision in the 1st half of 2022, the receipts amounted to 120,040.9 million tenge, in the same period of 2023, 108,118.8 million tenge, a slight decrease by 9.9%.

The solvency ratio allows you to assess the ability of the organization to ensure the payment of funds only through cash inflows or through the balance at the beginning of the year and cash inflows in the analyzed period.

**THE OPERATIONAL RESULTS****Ratio of cash flows, in tenge**

Period	PCF	NCF	PC1 = PCF/NCF
2017	142 626 822 716,55	131 855 491 278,33	1,08
2018	166 787 219 062,99	178 997 616 861,42	0,93
2019	197 149 160 066,07	181 370 453 811,16	1,09
2020	261 769 122 773,82	260 474 384 829,51	1,00
2021	444 027 455 944,84	436 072 142 463,75	1,02
2022	398 633 076 199,38	376 157 049 381,22	1,06
<i>including the 1st half of 2022</i>	<i>164 297 478 578,91</i>	<i>170 900 156 576,49</i>	<i>0,96</i>
The 1st half of 2023	212 370 042 334,43	192 559 168 298,73	1,10

In the first half of 2023, the solvency ratio was 1.10 (the ratio of positive and negative cash flows from the sale of medicines and medical products), which is higher than the standard indicator and reflected the Partnership's ability to make its current payments from cash receipts.



SUSTAINABLE DEVELOPMENT POLICY

Sustainable development of the Partnership is a set of principles and obligations that guide the Partnership in carrying out its activities, in terms of:

- 1) stakeholder relationship management;
- 2) assessing and managing the impact on the economic, social and environmental spheres.

Economic sphere



- Ensuring the interests of the Sole Member;
- Improving the sustainability and competitiveness of the pharmaceutical industry of the Republic of Kazakhstan;
- Development of the pharmaceutical industry through the consolidation of public procurement of medicines;
- Budget savings.

Social sphere



- Ensuring equal, timely and uninterrupted drug supply of the population of the Republic of Kazakhstan;
- Ensuring labor safety and maintaining the health of workers;
- Fair remuneration;
- Individual development of personnel.

Environmental sphere



- Minimize the impact on natural systems: reduce consumables, for example, reduce paperwork through the transition to electronic document management;
- Single Distributor procures medicines and medical devices only from manufacturers and suppliers with the international GMP / GDP standard, which ensures proper environmental control of the production and supply of medicines and medical devices.

SUSTAINABLE DEVELOPMENT POLICY

Stakeholder Engagement

Interaction with stakeholders is an integral part of the sustainable development of the Partnership and is a daily practice within the framework of current operations and is carried out in accordance with the law.

Our priority is a listening healthcare system and a patient-centered approach.

In order to increase the level of public awareness of the mechanisms for providing medicines to the population within the framework of GVFCM and in the CSHI, increase the stability and competitiveness of the pharmaceutical industry of the Republic of Kazakhstan, develop the pharmaceutical industry by consolidating public procurement of medicines, as well as forming and maintaining a positive image of SK-Pharmacy LLP explanatory work is carried out through studying the target audience, conducting information campaigns, forming public opinion, transparency and openness of processes.

All existing channels for informing the public about the activities SK-Pharmacy LLP are used to the full extent and carry relevant and reliable information. These are the official website, social media pages, the Chairman's Blog and social media pages where you can go online and get feedback. It should be noted that after updating the corporate website and updating the formats of official pages in social networks, traffic to the site and social pages increased, which in turn increased the openness and transparency of the activities of the Single Distributor.

Also, SK-Pharmacy LLP has a Contact Center for drug supply within the framework of the GVFCM and in the CSHI system by the short number **1439**, which is available for both landline and mobile phones.

One of the important functions of the Contact Center of the Single Distributor is feedback from the population and control over the receipt by patients of free medicines and medical devices procured by the Single Distributor. Information on medicines and MD is provided in real time mode and is the most reliable

In total, in the first half of 2023, CC of the SD **received 21,660 calls** from the public. Of these, there were **24,113** complaints and appeals on drug provision with registration **of a client card**. The total number of received calls from patients is significantly less than the number of registered appeals for medicines/MD, since almost 20% of registered CC patients are registered at the dispensary for 2 and more nosologies.

3426 calls are informational calls on the activities of the Single Distributor within the competence that is not confidential.

It should be noted that in the 1st half of 2023, the number of calls from eGov.kz users decreased significantly compared to the 1st half of 2022. In the first half of 2023, there were 130 calls, 47 patients did not confirm the receipt of drugs and MI, and in the first half of 2022, there were 730 calls, 275 patients did not confirm receipt of drugs and MI. Most of the calls were from patients with diseases:

Most of the calls were from patients with diseases:

1. Diabetes – 5579;
2. Arterial hypertension – 3993;

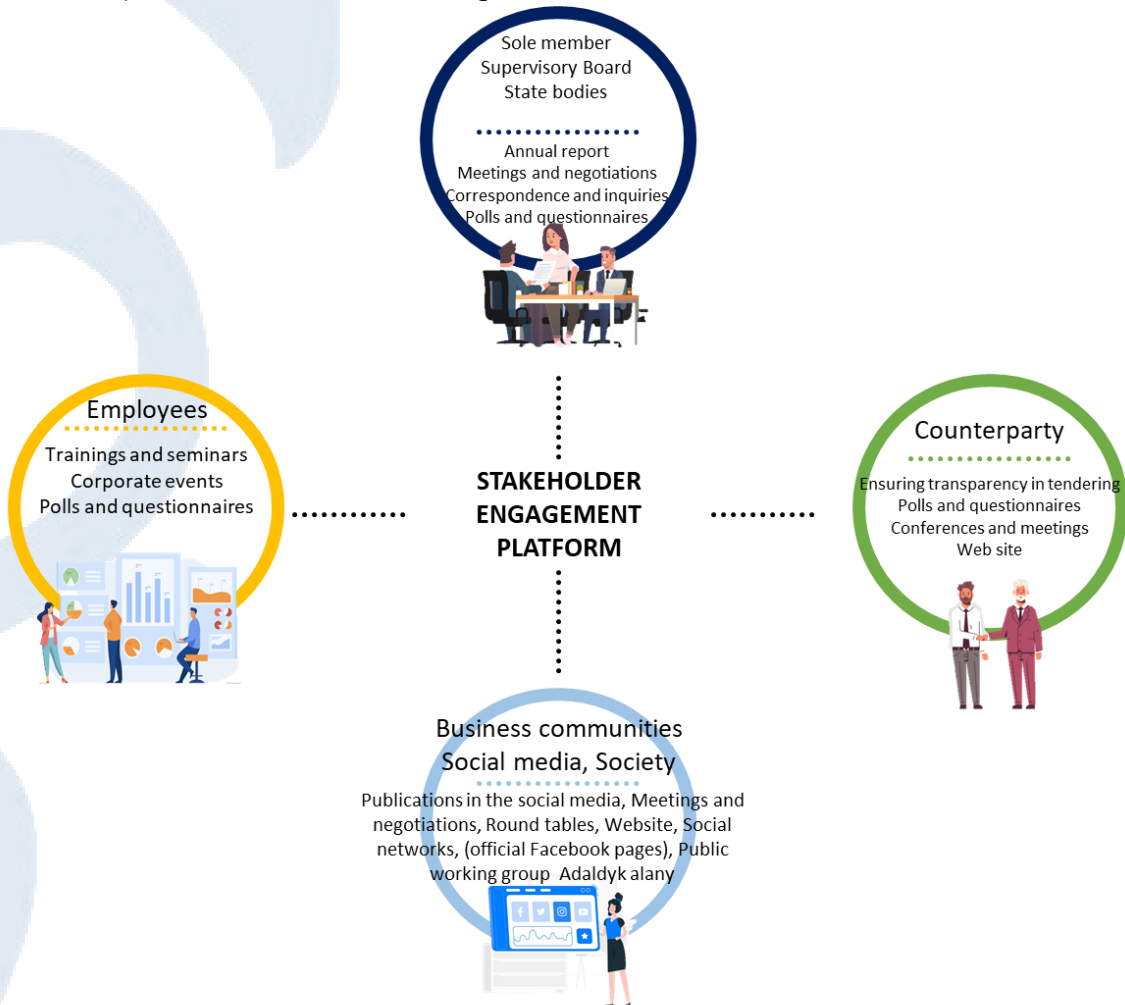


SUSTAINABLE DEVELOPMENT POLICY

3. Coronary heart disease – 2001;
4. Epilepsy – 1773;
5. Chronic obstructive pulmonary disease – 1128.

During the reporting period, **5,438 respondents** rated the work of CC operators **at 4.85 points** on a 5-point scale

Single Distributor **is interested** in forming a constructive interaction with the public, including through the official website, pages on social networks, the contact center (by free short number 1439) and the Chairman's Blog.



In order to improve interaction with the public, a public working group was created, where the most pressing issues of drug provision were openly discussed. All issues raised were included in the Book of Problematic Issues. It has already worked out 44 systemic issues.

The public working group includes representatives of civil society and the business community, deputies and industry experts, created to improve interaction with civil society on socially significant issues of drug provision. To date, the working group has held 7 meetings and a meeting with the Minister of Health of the Republic of Kazakhstan. Each meeting of the Working Group is broadcast online on the official Facebook page.



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Along with this, a meeting was held with patient organizations for various groups of diseases. All proposals and appeals voiced during the meeting were included in the Register of Issues.

Meetings were also held with medical associations on topical issues of planning and medical provision.

All incoming requests from the media and the public **are processed according to the "golden hour" principle**, which allows for prompt interaction and refutation of negative information.

In its work, SK-Pharmacy intends to continue to adhere to the principle of openness to civil society and the media.

The Single Distributor is convinced that the active participation of all stakeholders in solving common problems is a fundamental condition for successful development in the 21st century.

Moreover, in order to establish an open dialogue between government agencies and big business, it is **planned to hold the III International Pharmaceutical Forum "GLOBAL PHARM" and "MedTech" on October 26-27, 2023.**

Risk management and internal control

The risk management and internal control system is used in strategic and operational management to provide sufficient confidence in the achievement of the strategic and operational goals of the Partnership.

The tasks of the risk management and internal control system are:



The sustainable success of the Partnership is achieved through the effective management of the company and the risks associated with the activities of the Partnership,



SUSTAINABLE DEVELOPMENT POLICY

through understanding the environment in which the organization operates, continuous staff training and innovation.

As part of the risk management of the Partnership, risk management procedures have been developed and implemented in the Risk Management Rules approved by the decision of the Management Board of the Partnership.

The risk management and internal control system is aimed at identifying, assessing and monitoring all significant risks, as well as taking measures to reduce the level of risks that may adversely affect the activities and reputation of the Partnership.

The risk management process model is presented below.

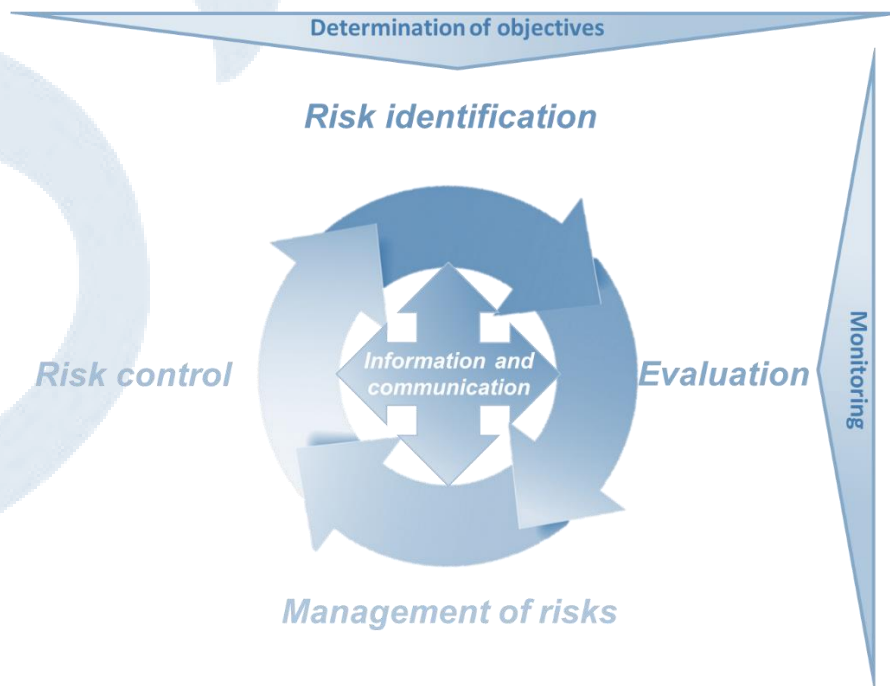


Diagram of the risk management process

(from the Risk Management Policy of the Partnership, approved by the decision of the Supervisory Board dated May 25, 2018, Protocol No. 64)

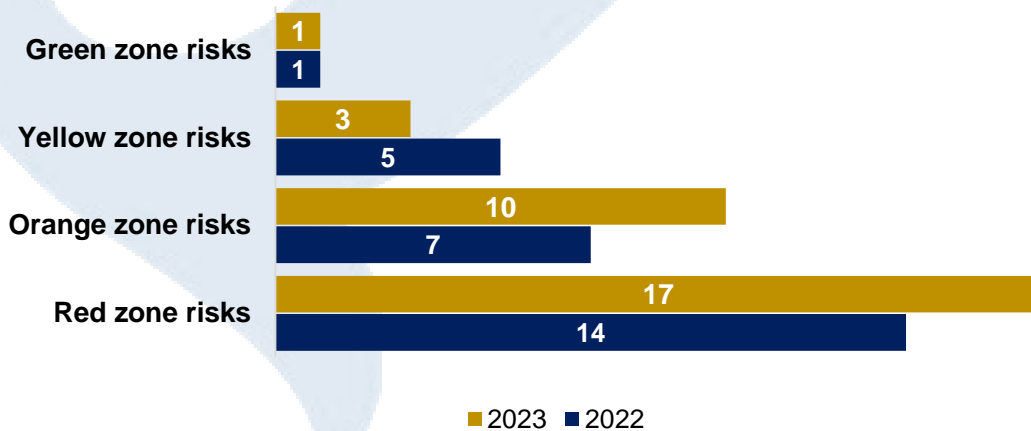
In the process of carrying out its activities, the Partnership faces various risks that, to one degree or another, affect the achievement of planned indicators and goals, the effectiveness of decisions made and the performance in general.

The risk management process in the Partnership is carried out in accordance with the Risk Management Policy approved by the Supervisory Board of the Partnership dated April 23, 2021 (Protocol No. 3). This Risk Management Policy defines the risk management structure, the main components of the risk management process, provides a systematic and consistent approach to the implementation of the risk management process in the Partnership.

In 2023, the Partnership provides for risks that are reflected in the Development Strategy for 2019-2023, the Partnership's Risk Register for 2023 consists of 31 risks, while the 2022 Risk Register provides for 27 risks.



SUSTAINABLE DEVELOPMENT POLICY



The level of probability of realization and the size of the impact of the risk have been revised, internal and external factors that affect the realization of risks have been revised.

These risks are subject to detailed monitoring and based on the proposals submitted by the Risk Owners, the Internal Control and Risk Management Service has formed an Action Plan for managing critical risks. On a quarterly basis, the Partnership informs the Supervisory Board of the Partnership about the identified risks.

The Anti-Corruption Agency of the Republic of Kazakhstan issued a recommendation on the development of a Register and a Map to minimize corruption risks. As part of reducing unnecessary document flow and strengthening control, 4 corruption risks have been introduced into the general Register and Risk Map of the Partnership.

Internal control

Internal control is defined as a process carried out by participants in the internal control system in order to achieve the set objectives in three key areas:

- operating activities;
- preparation of financial statements;
- compliance with regulatory and legal requirements.

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

The activities of the Partnership within the framework of the internal control system are carried out in accordance with the Regulations on the internal control system of the Partnership. As part of internal control, a risk matrix has been developed, the key purpose of the risk matrix is to correlate risks affecting the activities of the Partnership at the top, second and third levels of business processes. The risk and control matrix will allow testing the operational effectiveness of control procedures, identifying shortcomings and areas for improvement. Also approved by the Supervisory Board of SK-Pharmacy LLP on April 17, 2023, Protocol No. 1 "Action Plan for Improving the Internal Control System of SK-Pharmacy LLP for 2023".



SUSTAINABLE DEVELOPMENT POLICY

The purpose of the internal control system is to improve the Partnership's processes by promptly identifying and preventing process risks in order to provide reasonable assurance to management in achieving the Partnership's strategic and operational goals.

The internal control system is divided into four stages:

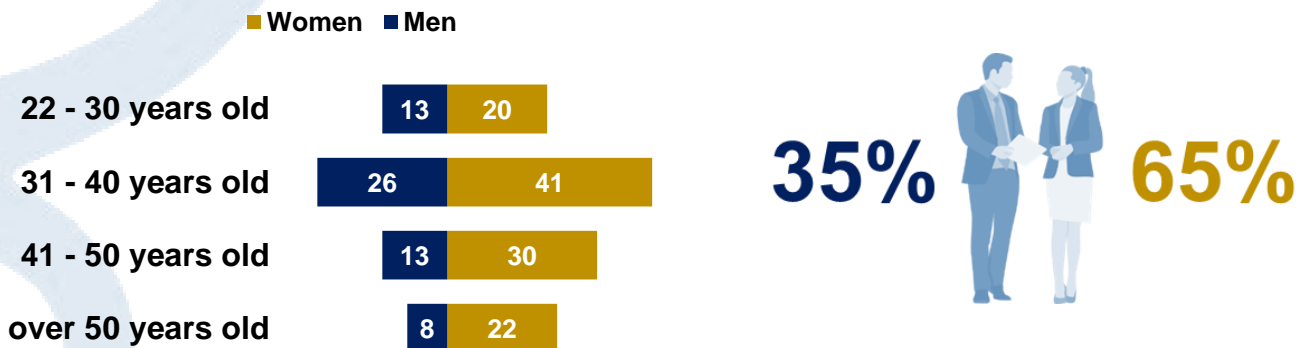
1. *Organization of the internal control system;*
2. *Preparation for internal control procedures;*
3. *Carrying out an audit in the structural unit of the Partnership;*
4. *Formation of conclusions about the results of the check.*

All results identified during the audit in the structural unit are mandatory recorded in the Risk Management Reports and reports on the assessment of the internal control system of the Partnership on a quarterly basis.

Personnel Management

The main resource of the Single Distributor is highly qualified personnel. The development of human resources is part of the sustainable development policy.

As of June 30, 2023, the Partnership has 194 employees, the average annual headcount was 173 employees, staffing is 89.2%. Staff turnover for the first half of 2022 was 4.6%.



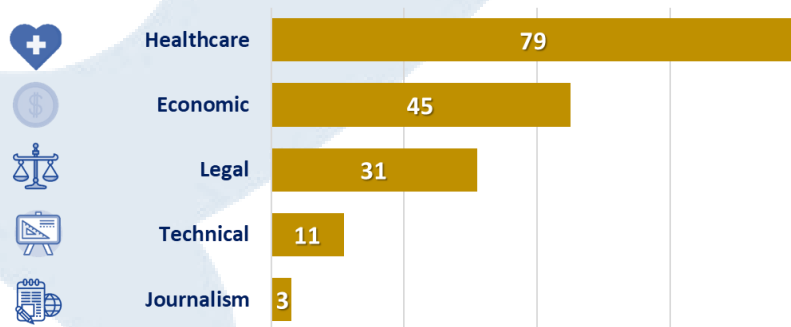
Most of the staff are young people, about 58% of employees are under 40 years old. 65% of the total number of employees are women.

In fact, as of June 30, 2023, the Partnership employs 169 people. All employees have higher education.

Employee Education



SUSTAINABLE DEVELOPMENT POLICY



For the first half of 2023, 4 employees of the Partnership were promoted on the principle of meritocracy, of which one employer were promoted to heads of structural divisions.

For the first half of 2023, individual and corporate training was conducted for the employees of the Partnership on the topics: "Critical thinking, the ability to analyze and make decisions", "Negotiating and conflict resolution", "ISO 27005 information security risk management", "Professional financial manager", "Introduction to PostgreSQL Administration", "Administrative Procedural Code of the Republic of Kazakhstan. Actual changes in the civil procedure code of the Republic of Kazakhstan". Training on the topic "English" takes place from January to the end of this year.

In accordance with the Roadmap for the implementation of the Strategy of SK-Pharmacia LLP for 2019-2023, the event "Assessment of employee testing" is planned, covering at least 30% of the total number of employees of the Partnership.

Testing of employees is scheduled for the second half of the year.

At the same time, the personnel motivation system provides for a material and non-material component.

Material:

- key performance indicators were developed and approved for the departments and services of the partnership, upon fulfillment of which bonuses were paid to employees at the end of the quarters, the average key performance indicator was 96.5%;
- employees received bonuses for holidays;
- issuance of material assistance to employees in connection with marriage or the birth of a child.

Intangible::

- Departmental awards were given to:
 - badge "Densaulyk saktau isinin uzdigi" - 1 employee;
 - badge "Densaulyk saktau isine koskan ulesi ushin" - 1 employee;
 - ; diplomas of the Minister of the Republic of Kazakhstan - 2 employees;
 - Gratitude of the Minister of the Republic of Kazakhstan - 2 employees.
- employees are rewarded with internal awards on an ongoing basis, as follows during the reporting period:
 - certificate of honor for achievements in work - 7 employees;
 - letters of thanks from the Chairman of the Board - 7 employees.

SUSTAINABLE DEVELOPMENT POLICY

- as part of the corporate culture, congratulations on the birthday of employees are sent by corporate mail.

SK-Pharmacy LLP Youth Committee

SK-Pharmacy LLP the Youth Committee is a permanent advisory and advisory body of the Partnership. The activity of the Youth Committee is based on the principles of collegiality, transparency, independence and equality of its members, consideration and support of public opinion.

In carrying out its activities, the Youth Committee interacts with the leadership, structural divisions, youth councils of territorial bodies, youth and public organizations and councils of other government bodies. The Youth Committee was established to coordinate youth work.

Anti-corruption activity

As part of the **formation of an anti-corruption culture**, the Single Distributor interacts on an ongoing basis with the Anti-Corruption Agency of the Republic of Kazakhstan (Anti-Corruption Service).

A single distributor interacts on an ongoing basis with the Anti-Corruption Agency of the Republic of Kazakhstan (Anti-Corruption Service).

On February 2 this year, a meeting of the Partnership's employees with a representative of the Anti-Corruption Agency of the Republic of Kazakhstan was organized to clarify the Law of the Republic of Kazakhstan "On Amendments and Additions to Certain Legislative Acts of the Republic of Kazakhstan on Anti-Corruption and Ensuring the Security of Persons Subject to State Protection", approved by the Head of State 3 January 2023.

As part of the letter of the Anti-Corruption Service No. 10-1-9 / 4631-I dated 05/30/2023, on June 27 of this year, together with the Security Service, a seminar was organized and held for employees of the Partnership to explain innovations in anti-corruption legislation.

Thus, the norms introduced by the Law of the Republic of Kazakhstan dated January 3, 2023 "On amendments and additions to certain legislative acts of the Republic of Kazakhstan on combating corruption and ensuring the safety of persons subject to state protection", the Labor Code and the Law "On Anti-Corruption", aimed at creating a system for the protection of persons who reported the facts of corruption.

In addition, on behalf of the Agency, the Model Basic Direction "Prevention and Combating Corruption" is being implemented as part of the Decree of the Government of the Republic of Kazakhstan dated May 31, 2021 No. 358 "On Approval of the Rules for the Implementation of Project Management".

As part of this area, such activities are carried out as an internal analysis of corruption risks, the formation of an anti-corruption culture and the maintenance of an anti-corruption management system.

SUSTAINABLE DEVELOPMENT POLICY

Reports on ongoing activities are timely sent to the Anti-Corruption Agency of the Republic of Kazakhstan and the Ministry of Health.

Identification of corruptogenic norms during the production of legal expertise in accordance with the legislation of the Republic of Kazakhstan.

The compliance officer conducts an anti-corruption examination of internal regulatory documents on an ongoing basis in accordance with the legislation of the Republic of Kazakhstan.

There are no corruption risks in the internal regulatory documents.

Anti-corruption standards, restrictions.

The implementation of the Anti-Corruption Policy of the Partnership was monitored. All officials of the Partnership have adopted anti-corruption restrictions against signature.

For the 1st half of 2023, no violations of anti-corruption restrictions were identified.

Measures of financial control.

Officials of SK-Pharmacy LLP (managing directors - members of the Management Board, chief accountant) annually, during the period of exercising their powers, in the manner prescribed by tax legislation, submit to the state revenue authority at the place of residence a declaration of income and property that is the object of taxation and is located both on the territory of the Republic of Kazakhstan and outside it.

Prevention and resolution of conflicts of interest.

The Regulation on the settlement of corporate conflicts and conflicts of interest in the Partnership was approved by the Supervisory Board on December 25, 2020 (Minutes No. 92).

Officials, employees of the Partnership submitted updated declarations of conflict of interest in accordance with subparagraph

3) paragraph 6.1 of the Regulations on the settlement of conflicts of interest in SK-Pharmacy LLP.

Reporting corruption offenses.

The Partnership's confidential information policy was approved by the Supervisory Board on April 23, 2021 (Minutes No. 3).

Information leaflets are posted on 4 floors of the Partnership's central office, the confidential information tab is located on the official Internet resource.

During the reporting period, no requests were received through the channels of confidential information through the tab on the official Internet resource of the Partnership, as well as by e-mail senim@sk-pharmacy.kz.

Internal analysis of corruption risks

From May 23 to July 3, 2023, SK-Pharmacy LLP conducted an internal analysis of corruption risks by order of the Chairman of the Board No. 199 dated May 12, 2023.

An internal analysis of corruption risks in the activities of SK-Pharmacy LLP was carried out in the following areas:

- 1) identification of corruption risks in regulatory legal acts affecting the activities of SK-Pharmacy LLP;
- 2) identification of corruption risks in the organizational and managerial activities of SK-Pharmacy LLP.



CORPORATE GOVERNANCE REPORT

Basic principles and structure of corporate governance

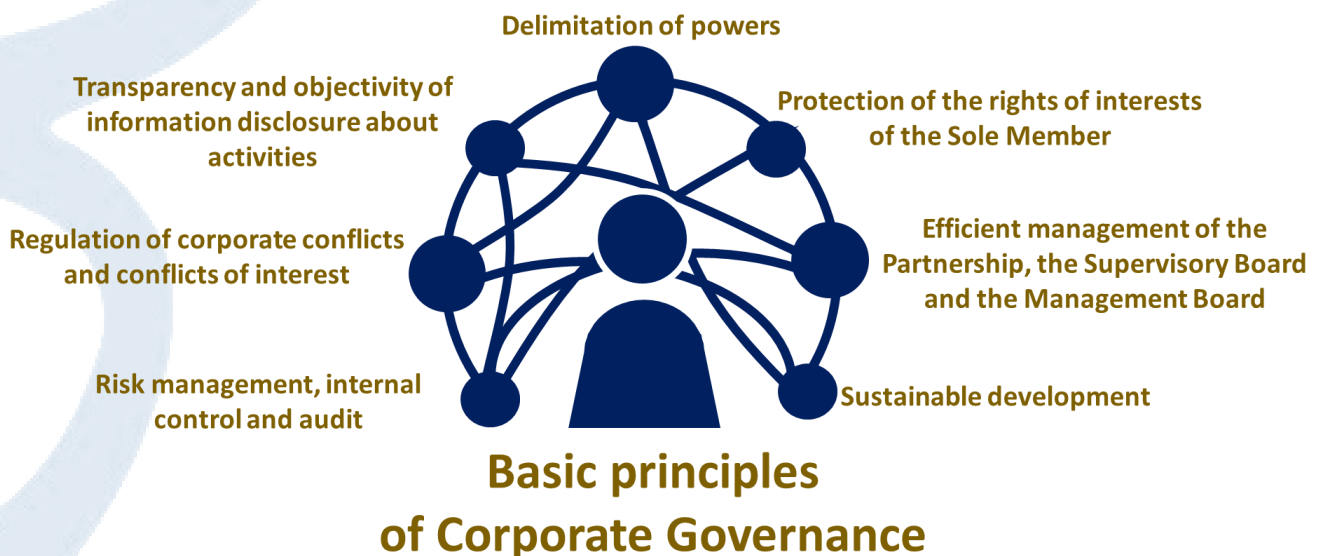
SK-Pharmacy LLP considers corporate governance as a means of increasing the efficiency of the Partnership, ensuring transparency and accountability, and strengthening its reputation.

The Partnership's existing corporate governance system is constantly being improved to meet the requirements and standards of Kazakhstani and international corporate governance practices.

The Partnership's corporate governance system is a set of processes that ensure management and control over the activities of the Partnership, as well as a system of relationships between the Sole Member, the Supervisory Board, the Management Board and stakeholders. The competences of the bodies of the Partnership are clearly delineated and enshrined in the Charter and other internal documents of the Partnership.

Since 2018, the Partnership has been implementing a new Code of Corporate Governance of the Partnership, approved by the decision of the Sole Member (Order of the Vice Minister of Health of the Republic of Kazakhstan dated May 10, 2018 No. 249).

The organization and implementation of the Partnership's corporate governance is carried out in accordance with the Charter of the Partnership and other internal documents regulating relations between corporate bodies – the Sole Member, the Supervisory Board, the Management Board, the Audit Commission.



Structure and governing bodies of the Partnership

- 1) the supreme body of the Partnership is the Sole Member;
- 2) the collegial supervisory body of the Partnership is the Supervisory Board;
- 3) the executive body of the Partnership is the Board;
- 4) the supervisory body is the Audit Commission.

CORPORATE GOVERNANCE REPORT

The report on compliance with the principles and provisions of the Corporate Governance Code of SK-Pharmacy LLP was approved by the decision of the Supervisory Board of SK-Pharmacy LLP dated December 24, 2019 (Protocol No. 81). According to the report, all principles of corporate governance of the Partnership are observed.

The Sole Member

In 2013, in accordance with the Decree of the Government of the Republic of Kazakhstan dated May 25, 2013 No. 516 “On measures to implement the Decree of the President of the Republic of Kazakhstan”, dated May 22, 2013 No. 571 “On some measures to optimize the management system of development institutions, financial organizations and the development of the national economy” the rights to own and use a 100% state stake in SK-Pharmacy were transferred to the Ministry of Health of the Republic of Kazakhstan.

The Authorized Capital of the Partnership is formed to ensure the activities of the Partnership and its amount is 700,000,000 (seven hundred million) tenge.

The Supervisory Board

The Supervisory Board is a management body accountable to the Sole Participant, providing strategic management of the Partnership and control over the activities of the Management Board.

The Supervisory Board performs its functions in accordance with the legislation of the Republic of Kazakhstan, the Charter of the Partnership, the Corporate Governance Code of the Partnership, decisions of the Ministry of Health of the Republic of Kazakhstan, the Regulations on the Supervisory Board and other internal documents of the Partnership. At the same time, the Supervisory Board pays special attention to the following issues:

- 1) determining the development strategy (directions and results);
- 2) setting and monitoring KPIs set in the development strategy and/or development plan;
- 3) organization and supervision of the effective functioning of the risk management and internal control system;
- 4) approval and monitoring of the effective implementation of large investment projects and other key strategic projects within the competence of the Supervisory Board;
- 5) determining the official salary (bonus payment) and supervising the activities of the Chairman and members of the Management Board;
- 6) corporate governance and ethics.

The new composition of the Supervisory Board was determined by order of the Minister of Health of the Republic of Kazakhstan No. 232 dated April 4, 2022 with a term of office of 3 (three) years, in the following composition:

- Shoranov Marat Edigeevich - First Vice Minister of Health of the Republic of Kazakhstan;



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- Tashenev Bakytbek Khakimovich - Chairman of the State Property and Privatization Committee of the Ministry of Finance of the Republic of Kazakhstan;
- Saida Zhanabilevna Taukeleva – Member of the Supervisory Board;
- Yury Ivanovich Lavrinenko – member of the Supervisory Board;
- Dauren Uristemovich Baimagambetov – Member of the Supervisory Board.

By order of the Ministry of Health of the Republic of Kazakhstan dated August 15, 2022 No. 706 “On some issues of the Supervisory Board of SK-Pharmacy LLP” (the powers of Shoranov M.E. were terminated ahead of schedule, and Vice Minister of Health Dudnik V.Yu. was elected to the composition);



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CORPORATE GOVERNANCE REPORT

Composition of the Supervisory Board as of June 30, 2023



**Lavrinenko
Yury Ivanovich**

Chairman of the Supervisory Board

Date of Birth:

11/24/1945

Place of work:

Deputy Chairman of the KAZLOGISTICS Union of Transport Workers of Kazakhstan

Education:

1968 – Leningrad Institute of Railway Transport Engineers, Operation of railways specialty
1991 – Academy of Social Sciences under the Central Committee of the CPSU, Political Scientist specialty

Citizenship:

Republic of Kazakhstan



**Dudnik
Vyacheslav Yurievich**

Member of the Supervisory Board

Date of Birth:

04/02/1963

Place of work:

Vice Minister of Health of the Republic of Kazakhstan..

Education:

1986 - KSMI with a degree in General Medicine (with honors);
2010 - Kazakh University of Economics, Finance and International Trade with a degree in Economics;
2013 - MAB for the qualification "Master of Business Administration";
2016 - RANH for the qualification "Doctor of Business Administration";
2017 - European University of Switzerland, DBA. Doctor of the highest category, MD

Citizenship:

Republic of Kazakhstan



**Tashenev
Bakytbek Khakimovich**

Member of the Supervisory Board

Date of Birth:

10/19/1977

Place of work:

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

Education:

1999 – Kazakh State Academy of Architecture and Construction Engineer-economist specialty;
2002 – Kazakh Humanitarian Law University, Lawyer specialty.

Citizenship:

Republic of Kazakhstan



**Baymagambetov
Dauren Uristemovich**

Member of the Supervisory Board

Date of Birth:

12/28/1977

Place of work:

Financial Director and Compliance Director of the iKapitalist Ltd PE

Education:

1997 – Kazakh State Academy of Management, economist specialty
1999 – Kazakhstan Institute of Management, Economics and Forecasting, Master of State Management
2000 – Kazakh National University named after Al-Farabi, Lawyer specialty

Citizenship:

Republic of Kazakhstan



**Taukeleva
Saida Zhanabilevna**

Member of the Supervisory Board

Date of Birth:

06/24/1980

Place of work:

"Public Control" Coordinator in the Republic of Kazakhstan, Volunteer of the "I am an Almaty citizen" NGO, Almaty

Education:

2001 – Kazakh State Law Academy, Almaty

Citizenship:

Republic of Kazakhstan

CORPORATE GOVERNANCE REPORT

Criteria for selection of Members of the Supervisory Board

When selecting candidates for the Supervisory Board, the following are taken into account:

- 1) work experience in managerial positions, including in the field of healthcare or in the profile of the organization and / or economics / finance and / or business and / or law for at least 3 years;
- 2) experience as a member of the Supervisory Board and membership in public associations in the field of healthcare and/or economics and/or business and/or law;
- 3) education, specialty, including the presence of international certificates, additional education in the field of healthcare and / or economics and / or business and / or law (MBA), with at least 3 years of work experience;
- 4) availability of competencies in areas and industries (industries may vary depending on the portfolio of assets);
- 5) business reputation.

Committees of the Supervisory Board

On November 26, 2020, during a meeting of the Supervisory Board of the Partnership, at the initiative of independent members of the Supervisory Board, the Management Board was instructed to make changes/additions to internal regulations that allow the creation of advisory and advisory committees under the Supervisory Board.

By order of the Ministry of Health of the Republic of Kazakhstan dated February 17, 2021 No. 82, amendments and additions were made to the current Corporate Governance Code, which regulated the procedure for creating Committees

By the decision of the Supervisory Board on July 28, 2021, 3 Committees were created under the Supervisory Board and the Regulations on them were approved:

- 1) Audit Committee of the Supervisory Board of SK-Pharmacy LLP;
- 2) Committee for Strategic Planning, Human Resources and Remuneration of the Supervisory Board of SK-Pharmacy LLP;
- 3) Risk and Internal Control Committee of the Supervisory Board of SK-Pharmacy LLP.

Thus, during 2022, the Committees are working on a preliminary review of the materials submitted for consideration by the Supervisory Board and developing recommendations.

Members of the Committees of the Supervisory Board	Attendance		
	Committee for Strategic Planning, Human Resources and remuneration of the Supervisory Board of SK-Pharmacy LLP	Audit Committee of the Supervisory Board of SK-Pharmacy LLP	Risk and Internal Control Committee
Lavrinenko Yuri Ivanovich	2/2	4/4	5/5

CORPORATE GOVERNANCE REPORT

Baimagambetov Dauren Uristemovich	2/2	4/4	5/5
Taukelev Saida Zhanabilevna	2/2	4/4	5/5

Results of the work of the Supervisory Board

For the first half of 2023, SK-Pharmacy LLP held 3 meetings of the Supervisory Board, including 2 in person and 1 in absentia. The Supervisory Board of SK-Pharmacy LLP considered issues and made appropriate decisions in the following areas:

1. Reports of the Audit Commission (reports of the Audit Commission reviewed on a quarterly basis);
2. Issues of risk management and internal control (risk management reports reviewed on a quarterly basis; Risk register; Risk map; Critical risk management action plan; Risk appetite; Risk and control matrix of the Partnership, **Action plan for testing the LLP internal control system " SK-Pharmacy" for 2023**).
3. Issues of the financial, economic, strategic direction (adjusted Development Plan for 2022-2026 (clarification in the first half of 2023); results of the Partnership's activities in 2022; Report for 2022 on assessing interaction with stakeholders (stakeholders)).
4. Personnel (determining the official salary of a compliance officer).

Members of the Supervisory Board	Attendance			% of total number of meetings in 1H 2023
	04/17/23 №1 (O)	04/27/23 №2 (3)	06/12/23 №3 (O)	
Lavrinenko Yuri Ivanovich <i>Elected by order of the Ministry of Health of the Republic of Kazakhstan dated 04.04.2022 No. 232</i>	+	+	+	100%
Dudnik Vyacheslav Yurievich <i>Elected by order of the Ministry of Health of the Republic of Kazakhstan dated 15.08.2022 No.706</i>	-	-	+	33,33%
Tashenev Bakytbek Khakimovich <i>Elected by order of the Ministry of Health of the Republic of Kazakhstan dated 04.04.2022 No. 232</i>	⊕	⊕	⊕	100%
Baimagambetov Dauren Uristemovich <i>Elected by order of the Ministry of Health of the Republic of Kazakhstan dated 04.04.2022 No. 232</i>	+	+	+	100%
Taukelev Saida Zhanabilevna <i>Elected by order of the Ministry of Health of the Republic of Kazakhstan dated 04.04.2022 No. 232</i>	+	+	+	100%

⊕ participation in in-person meetings of the Board of Directors with the provision of a written opinion on the agenda items.

CORPORATE GOVERNANCE REPORT

Remuneration of members of the supervisory board

In accordance with the order of the Minister of Health of the Republic of Kazakhstan dated July 29, 2022 No. 630, the amount of remuneration to independent members of the Supervisory Board is determined in the amount of 550,000 (five hundred and fifty thousand) tenge each, paid quarterly.

Remuneration is not paid to members of the Supervisory Board of the Partnership who are civil servants.

The payment of remuneration to members of the Supervisory Board is subject to the following conditions:

- conscientious performance of the powers of a member of the Supervisory Board;
- participation in meetings of the Supervisory Board of the Partnership, except for illness, vacation, business trips.

If a member of the Supervisory Board participates in less than half of all in-person and absentee meetings of the Supervisory Board, the fixed remuneration is reduced by fifty percent, except for illness, vacation, business trip.

Compensation of expenses for members of the Supervisory Board of the Partnership related to travel to meetings of the Supervisory Board of the Partnership held outside the place of permanent residence of a member of the Supervisory Board of the Partnership is carried out in the manner and within the limits of the reimbursement of travel expenses of the Chairman of the Management Board of the Partnership. Compensation of expenses to members of the Supervisory Board of the Partnership, who are civil servants, is not made.

About the Board

The Management Board is accountable to the Sole Member and the Supervisory Board and manages the current activities of the Partnership, is responsible for the implementation of the development strategy and / or development plan and decisions made by the Sole Member and the Supervisory Board.

In the first half of 2023, 16 meetings of the Management Board were held, at which 57 issues were considered, 165 decisions were made.

16

Meetings held
in the first half
of 2023

8

Face-to-face
meetings

8

Meetings in absentia

57

questions were
considered



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CORPORATE GOVERNANCE REPORT

Composition of the Management Board



**Iskaliyev
Yerkhat
Serikovich**
Chairman of the Board

Date of Birth:
09/25/1976

Date of Appointment:

Was appointed to the position of Chairman of the Board By order of the Ministry of Health of the Republic of Kazakhstan dated July 12, 20, No. 27.

Education:

1998 – Academy of Banking and Trade of the Karic Brothers University (Yugoslavia), Economics-Manager specialty;
2003 – Academy of Jurisprudence – Adilet Higher School of Law (Astana), Jurisprudence specialty;
2009 – International Academy of Business (Astana) – MBA program;
2009 - KazEU named after T. Ryskulova (Almaty) – Ph.D., Finance, money circulation and credit specialty;
2015 - International DBA Program.

Level of authority and responsibility:

Coordination and general management of the activities of the Partnership.



**Omarova
Gulnar
Attinovna**
Deputy Chairman of the Board

Date of Birth:
11/27/1967

Date of Appointment:

Was appointed to the position of Deputy Chairman of the Board by order of the Ministry of Health of the Republic of Kazakhstan dated April 13, 23, No. 214.

Education:

1990 – Alma-Ata State Medical Institute, Pharmacist specialty;
2008 – Academy of Economics and Law, Jurisprudence specialty;
2009 – Bolashak Karaganda University, Pharmacy specialty.

Level of authority and responsibility:

Representation of interests and ensuring the performance of the functions of the Partnership on the formation of a policy for the development of front and middle offices, as well as information technology and digitalization



SK - PHARMACEUTICALS

CORPORATE GOVERNANCE REPORT

Composition of the Management Board



**Oteuov
Mukan Kanatovich**

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

Date of Birth:
05/11/1990

Date of Appointment:

Order of the Ministry of Health of the Republic of Kazakhstan dated April 13, 2023 No.214

Education:

2010 - Simon Fraizer University, Department of Business Administration - distance course (Vancouver, Canada);
2012 - Kazakh-Russian University in Astana, Faculty of Jurisprudence - correspondence department;
2016 - Kokshe Academy, Master of Economics;
2019 - Kazakhstan Medical University "VSHOZ" -Master, Healthcare Manager.

Level of authority and responsibility:

Ensuring the organization of financial and economic activities of the Partnership and accounting



**Kurmanova
Bakhytzhama Sadykovna**

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

Date of Birth:
02/19/1964

Date of Appointment:

Order of the Ministry of Health of the Republic of Kazakhstan dated April 13, 2023 No.214

Education:

1986 – Al-Farabi Kazakh State University, majoring in Biology. Biology and Chemistry teacher;
2005 – Kazakh National Medical University named after. S.D. Asfendiyarov, Pharmacist specialty;
Academic degree - candidate of biological sciences

Level of authority and responsibility:

Ensuring the activities of the Partnership in terms of monitoring and planning of drug supply



**Kansultan
Nurzhan Galymzhanuly**

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

Date of Birth:
06/29/1978

Date of Appointment:

Order of the Ministry of Health of the Republic of Kazakhstan dated April 13, 2023 No.214

Education:

1999 – Kazakh State Law University, Lawyer specialty;
2007 – Kainar University, Finance specialty;
2020 - Academy of Civil Aviation, Organization of transportation, traffic and operation of transport specialty.

Level of authority and responsibility:

Ensuring administrative, economic, legal and procurement activities



**Kazhibayev
Artur Estenovich**

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

Date of Birth:
04/03/1988

Date of Appointment:

Order of the Ministry of Health of the Republic of Kazakhstan dated February 6, 2023 No.78

Education:

2011 – Kazakh National Medical University named after S.D. Asfendiyarov with a degree in General Medicine;
2012 – Kazakh National Medical University named after S.D. Asfendiyarov internship in the specialty "Surgery";
2014 – Research Center for Traumatology and Orthopedics, residency in Traumatology-Orthopedics;
2015 - Kazakh Medical University of Continuing Education, Master's degree in "Public Health";
2018 - Almaty Management University, bachelor's degree in Economics;
2021 – Almaty Management University, Doctor of Business Administration DBA;

Level of authority and responsibility:

Ensuring the activities of the Partnership in terms of monitoring and supporting suppliers, incl. DGP, logistics and storage

CORPORATE GOVERNANCE REPORT

Audit Committee

The Annual Audit Plan of the Audit Commission of SK-Pharmacy LLP (hereinafter referred to as the Audit Commission) of SK-Pharmacy LLP (hereinafter referred to as the Partnership) for 2023 (hereinafter referred to as the GAP) was approved by order of the Ministry of Health of the Republic of Kazakhstan on January 24, 2023 No. 48.

For the 1st half of 2023, it is planned to complete 3 audit activities:

1. Audit of the legal support of the activities of the Partnership and ensuring the activities of the Board;
2. Audit of monitoring the status of receivables and payables;
3. Evaluation of the reliability, completeness, objectivity of the accounting system and drawing up on its basis the financial statements of the Partnership.

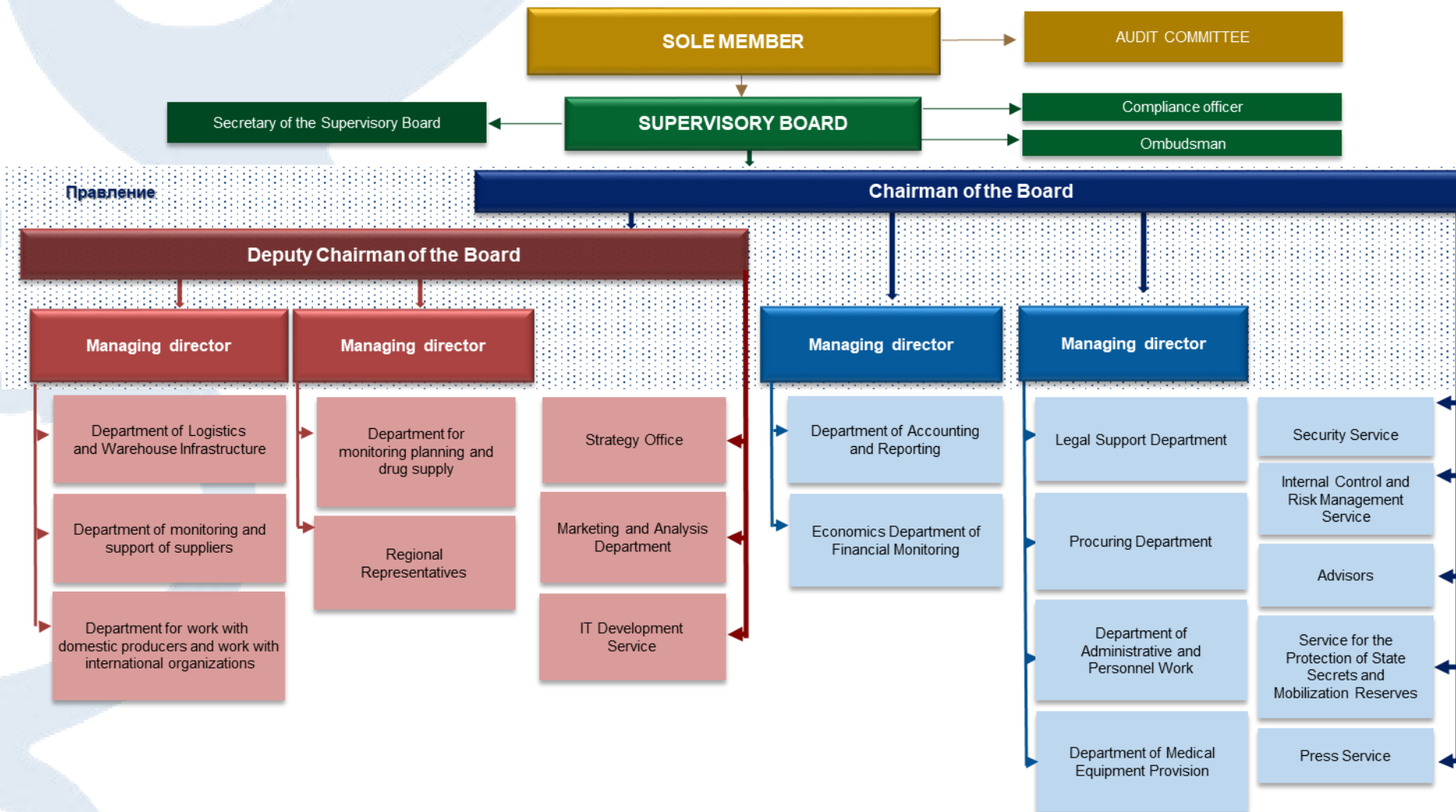
According to the results of internal audits, **27 important discoveries were identified, 28 recommendations were issued.**

In order to eliminate the deficiencies and inconsistencies identified by the Audit Commission, to prevent them in the future, to implement the recommendations received based on the results of the completed audit assignments, the Partnership developed and approved corrective action plans with the establishment of responsible persons and deadlines.



CORPORATE GOVERNANCE REPORT

Organizational structure





SK - PHARMACEUTICALS

PLANNING FOR 2023

Key initiatives for 2023



ATTRACTION OF BIGFARM INVESTMENTS

Attraction of foreign investments and the best foreign experience in the production of pharmaceutical products, transfer of technology and the latest developments to domestic production sites.



OPTIMIZATION OF LOGISTICS COSTS

Improvement of the logistics of the Single Distributor and the introduction of KAIZEN and SUPPLY CHAIN MANAGEMENT
Automation of logistics processes



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SK-PHARMACY LLP Report
on the results of the first half of 2023

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Contact Information

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Office: +7 (7172) 559 708

**Contact Center phone number for the provision
of free medicines**

1439

(free of charge for landline and mobile phones)

E-mail: info@sk-pharmacy.kz

Website: www.sk-pharmacy.kz