

UNINTERRUPTED
PROVISION OF
MEDICINES AND
MEDICAL PRODUCTS
WITHIN THE
FRAMEWORK OF
CREATING A FAIRER
AND HEALTHIER
KAZAKHSTAN

SEMI-ANNUAL REPORT

The Report was approved
by the SK-Pharmacy LLP
Supervisory Board
on August 26, 2022
(Protocol No. 7)



SK - PHARMACEUTICALS

Nur-Sultan City, 2022



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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**

Considering measures to restore economic and investment activity in Kazakhstan in the context of the coronavirus pandemic, Head of State K-J. Tokayev emphasized **the importance of developing the domestic pharmaceutical industry**, saying that **by 2025** the country expects to **increase the share of its own pharmaceutical production in the country to 50%**.

The Kazakh pharmaceutical industry, thanks to effective state support measures, **has a huge potential for profitable investments**, one of which is the conclusion of SK-Pharmacy LLP with domestic producers of long-term contracts for 10 years, which allowed increasing the procurement share in monetary terms from 15% in 2010 up to 33% in the 1st half of 2022.

To date, there are **94 long-term contracts** concluded with **34 domestic producers for the supply** of 806 medicines and 3,955 medical devices.

Thus, in the context of the geopolitical crisis and sanctions pressure from the world economic community, there is an urgent need to mobilize all possible resources to ensure the national drug security of Kazakhstan.

At the same time, on the basis of the instructions of the Head of State, work is underway on the centralized procurement of medical equipment at the level of SK-Pharmacy LLP.



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 Yerxhat
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 2022.

As soon as the pandemic exposed the weaknesses of the single distribution system, SK-Pharmacy set out to completely reboot the system, where the main focus is on a patient-oriented drug supply system.

The Single Distribution System was created with the aim of providing medicines to the population within the framework of the GVFCM, increasing the stability and competitiveness of the pharmaceutical industry in Kazakhstan, developing the pharmaceutical industry by consolidating public procurement of medicines in accordance with the country's legislation and registered with the justice authorities as a Partnership with 100% participation of the state and represents the interests of the state.

Thus, the advantages of the Single Distribution system represented by SK-Pharmacy are:

1) **Equal access to medicines for the population:** Before the creation of SK-Pharmacy, the regions procured drugs on their own, and the prices for medicines in different regions could vary significantly.

2) **Budgetary savings.** Consolidation of volumes from all over the republic allows you to get significant discounts due to large volumes; access to international contracts directly with foreign manufacturers (price reduction due to the exclusion of a distributor from the procurement chain) and through international organizations of the UN system (UNICEF, UNDP) - access to medicines prequalified by WHO at the lowest prices.

3) **Development of the pharmaceutical industry:** support for domestic developments and development of the domestic pharmaceutical industry: conclusion of 10-year contracts with DGP (guaranteed sales market and investment attractiveness). As a result, the pharmaceutical



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MESSAGE OF THE MANAGEMENT

industry has become one of the most dynamically developing.

4) Developed logistics network: SK-Pharmacy ensures the delivery of medicines even to the most remote settlements without increasing the cost of medicines.

5) Transparency of procurement: Procurement is carried out in electronic format on a specially developed platform of the Center for Electronic Finance of the Ministry of Finance of the Republic of Kazakhstan. All procedures are open and transparent, each action in the system leaves a digital footprint, which eliminates the corruption of procurement.

6) Minimum stock: At the expense of SK-Pharmacy's own funds, a minimum stock of up to 25% of the total annual need for medicines has been formed.

In its work, SK-Pharmacy is open to direct dialogue and interaction, and is set for close cooperation and constructive dialogue, so that each valuable proposal finds practical implementation and will be a useful tool for improving the provision of medicines to the population.



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



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MESSAGE OF THE MANAGEMENT

Mission, vision and strategic initiatives

Our values



SK - PHARMACEUTICALS









Mission, vision and strategic initiatives





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)”;

“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;

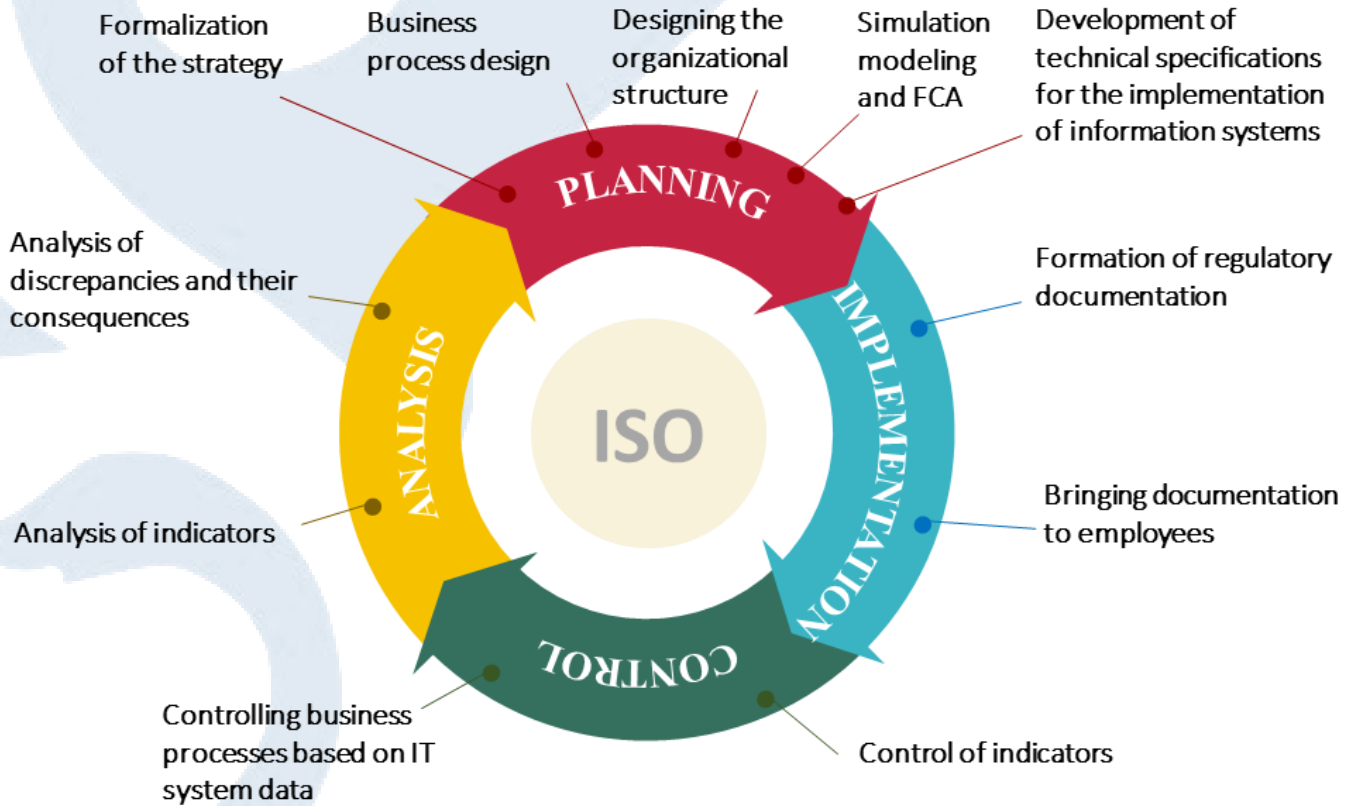
- ✓ quality should be oriented to meet the requirements of all stakeholders of the Organization;

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



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PDCA 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

As soon as the pandemic exposed the weaknesses of the Single Distribution system, SK-Pharmacy has set a course for a complete **Reboot of the system**, where the main focus is on a patient-oriented drug supply system.

AS PART OF THE FIGHT AGAINST COVID-19:

1) **stocks of medicines**, personal protective equipment were created in medical organizations, as well as in the warehouses of the Single Distributor for prompt shipment.

As part of the IMPROVEMENT OF LOGISTICS, the Partnership's logistics processes were modernized. To change the situation, the logistics format was changed from static to dynamic.

a) Shipment terms were reduced from 2 weeks to 1 week,

b) The distribution of goods from the Hub to the regions was introduced, according to the principle of Cross-docking,

c) The work of the warehouse in 24/7 mode was introduced by forming duty groups,

The measures taken made it possible to reduce the terms of transportation of medicines by four times, to increase the efficiency and timeliness of deliveries according to the principle of shipment "from wheels".

2) in order **to prevent the delay of humanitarian cargo**, a **model of preliminary information** was developed, when documents on humanitarian cargo sent to the country are sent in advance.

3) completed a **pilot project on the digitalization of the cold chain** of vaccines with the SK-Pharmacy participation.

As part of the IMPROVEMENT OF PROCUREMENT PROCEDURES, a draft Procurement Rules 375 was developed, which was supported by the Government of the Republic of Kazakhstan and entered into force.

The main changes in this resolution were:

1) transition to electronic procurement of medicines and MD and reduction of the list of documents;

Thus, the e-procurement system at the end of 2022 made it possible to achieve savings of up to **27 billion tenge** in the procurement made, due to open competition and transparency of procurement procedures. At the same time, since the creation of the single distribution, **the total savings in funds** allocated for drug provision within the framework of the guaranteed volume of free medical care amounted to 189.9 billion tenge

2) the criteria for concluding long-term contracts with GDPs (export, scientific potential, technology transfer) were improved;

3) the list of the minimum stock by a single distributor was increased to 25% (previously 10%) to prevent a product gap between the procurement cycles of medicines and MD;

4) In terms of automation of procedures for **the procurement of logistics services for medicines and medical devices**, the Decree of the Government of the Republic of Kazakhstan dated February 9, 2021 No. 47 was adopted. The changes provide for the



MESSAGE OF THE MANAGEMENT

transition to electronic procurement, the organization and conduct of procurement through a web portal.

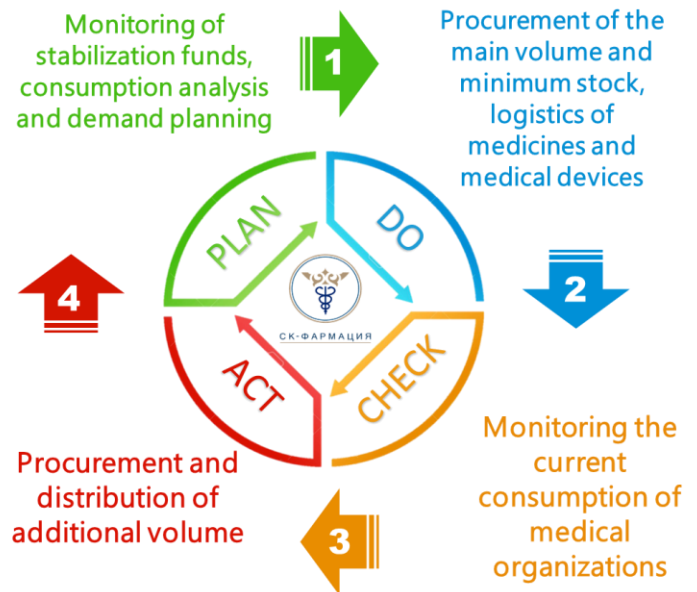
As part of the **IMPROVEMENT OF MEDICINES AND MD PLANNING BY THE REGIONS**, the Single Distributor proposed a **NEW MODEL OF MEDICINES AND MD PLANNING**.

Done

- 1 An irreducible stock has been formed in the amount of up to 25% of the total number of procured medicines and medical devices (Decree of the Government of the Republic of Kazakhstan 375)
- 2 Permanent List of medicines and MD for procurement in accordance with the Kazakhstani national medicinal formulary (Decree of the Government of the Republic of Kazakhstan 375)
- 3 The institution of freelance specialists at the health departments has been resumed

In work

- 1 Implementation of the methodology for calculating the need for medicines and MD according to personalized patient treatment regimens in the Electronic Register of Dispensary Patients and Data Medical Information System (Pilot completed However, the IS of the Ministry of Health of the Republic of Kazakhstan is not ready and the methodology itself has not been approved)



WITHIN THE SUPPORT OF THE DOMESTIC PHARMINDUSTRY:

- 1) The criteria for selecting suppliers for the conclusion of LTC have been revised (export, scientific potential, technology transfer),
- 2) Examination of the registration of domestic medicines and MD has been accelerated, which makes it possible to accelerate the launch of new products.
- 3) Monitoring of execution of Long-term contracts is carried out
- 4) KPI for the growth in the share of procurement from DGP was set at least 50% until 2025
- 5) Accelerated assessment of safety and quality (certification) of domestic medicines and MD.
- 6) **An initiative was developed to create and reboot pharmaceutical clusters**, within the framework of which a working trip was made to Uzbekistan and South Korea to exchange experience.

To attract foreign investors to the pharmaceutical industry of Kazakhstan, the Single Distributor, together with Kazakh Invest, **prepared a guide for potential investors** ready to localize their production in the territory of the Republic of Kazakhstan - **INVESTMENT GUIDE BOOK**. The document is intended, according to the one-stop-shop principle, to provide a platform for major drug brands to enter the country from packaging to the full production cycle.

Meetings were held on readiness **for localization of production in the territory of the Republic of Kazakhstan with representatives of BigPharm**.

Based on the results of the meetings, cooperation was developed with **Swiss pharmaceutical companies: Roshe, Novartis, Novo Nordisk**.



MESSAGE OF THE MANAGEMENT

At the same time, as part of the reboot of the industry, work is underway to collect proposals for improving the healthcare system.

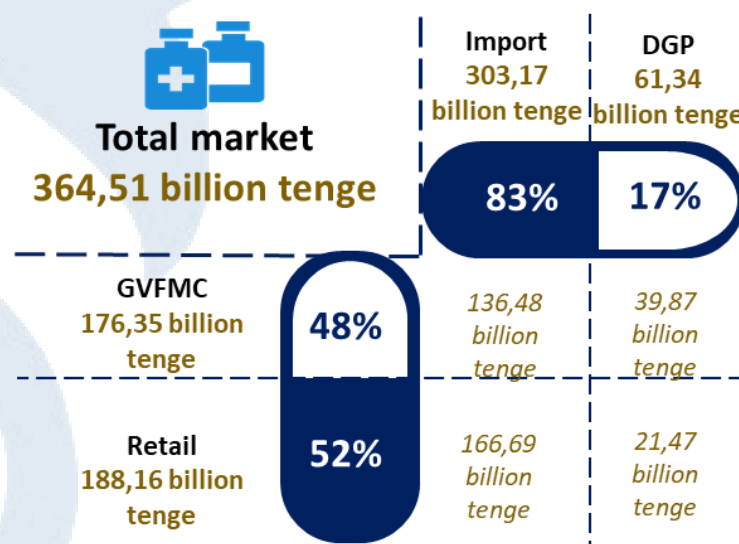
Thus, a team of industry experts, the Ministry of Health of the Republic of Kazakhstan, public figures, the scientific elite in the field of healthcare, DGP and BigPharm, employees of the Single Distributor, proposed a model of effective medicine necessary for the systemic transformation of the industry. The main indicators of its effectiveness are: **a decrease in mortality and an increase in the life expectancy of Kazakhstanis**. The model was discussed on the sidelines of the international forums GLOBAL FARM and MEDTECH.

This model consists of three backbone areas - this is the provision of a pool of **highly qualified medical personnel (SKILLS OF THE DOCTOR)**, **the equipment** of medical organizations with modern **medical equipment and innovative medicines and medical devices**.

All three elements cannot work separately but **only as a whole**, since these **three elements are a resource component**, which together should lead to the widespread application of the principles of **personalized medicine**.

**MESSAGE OF THE MANAGEMENT****Pharmaceutical Market Overview**

The pharmaceutical market of the Republic of Kazakhstan for 5 months of 2022 amounted to 364.51 billion tenge.

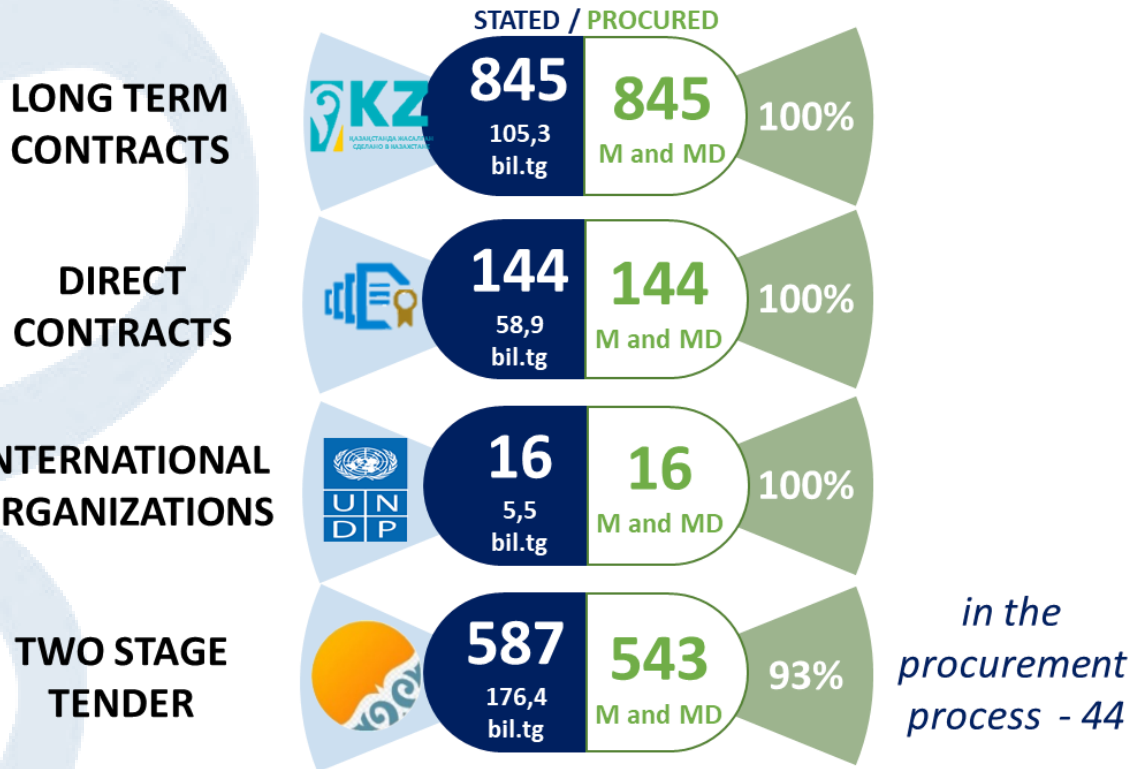
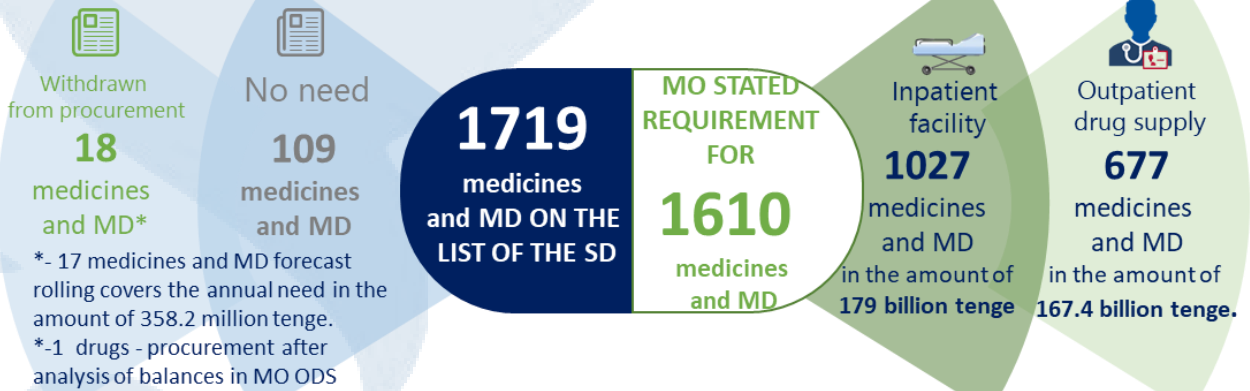


According to the report of the IQVIA international analytical company, the value of the Kazakhstani pharmaceutical market (including retail sales and procurement procedures for the guaranteed volume of medical care) for 5 months of 2022 amounted to 364.51 billion tenge in distributor prices, which is 19.6% higher than 5 months of 2021 (304, 76 billion tenge) (*there is growth in the budget segment by 21.2%, retail by 18.2%*), while the growth of sold products in physical terms (number of packages) amounted to only 7.2%, which indicates an increase in the cost of 1 unit of goods. So, the average market price of 1 unit of goods increased by 11.6%, while the growth in the budget segment is 20% (stationary market - 14.7%, outpatient drug supply (OPDS) - 23.1%), in the retail segment - 8.7%.

Market segment	5 months of 2022			5 months of 2021		
	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	176,35	52,17	3 380,18	145,52	51,65	2 817,59
<i>Inpatient care</i>	<i>72,34</i>	<i>35,65</i>	<i>2 029,47</i>	<i>62,75</i>	<i>35,46</i>	<i>1 769,72</i>
<i>OPDS</i>	<i>104,00</i>	<i>16,52</i>	<i>6 293,85</i>	<i>82,77</i>	<i>16,19</i>	<i>5 113,03</i>
Retail segment	188,16	224,63	837,64	159,25	206,58	770,87
TOTAL PHARMACEUTICAL MARKET OF RK	364,51	276,80	1 316,85	304,76	258,23	1 180,22



Procurement status of medicines and medical devices



TOTAL PROCURED – 1566 ITEMS (97%) INCLUDING THE FORECAST CARRY-OVER, COVERING THE ANNUAL DEMAND (18 ITEMS)

SAVINGS ON THE RESULTS OF THE PROCUREMENT IS 27 BILLION TG

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 1,719 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 109 types of medicines and medical devices, medical organizations do not have a need for 2022. Thus, within the framework of inpatient care, medical organizations declared a need for 1027 medicines and medical devices in the amount of 179 billion tenge, and within the framework of outpatient drug provision - 677 items in the amount of 167.4 billion tenge.

As of June 30, 2022, **1,566** items of medicines and medical devices have been procured.

The procurement of 1,566 types of medicines and medical devices was carried out in the following ways:

- 1) **two-stage tender** – 543 items;
- 2) **from one source** – 160 items, including:
- 3) **under direct contracts with manufacturers** – 144 items;
- 4) **through international organizations (UNICEF, UNDP, STOP-TB)** – 16 items;
- 5) **special procurement procedure** (additional agreements to LTC) – 845 items;

* - *withdrawn from the procurement due to the presence of a carry-over balance* – 18 items.

44 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 27 billion tenge.

Thus, for 2022, 97% of medicines and medical devices were procured from the declared need for 2022, that is, 1,566 types of medicines and MD in the amount of more than 344.4 billion tenge.

At the same time, on behalf of the Ministry of Health of the Republic of Kazakhstan, 4 types of drugs and medical devices were procured that are not included in the list of the SD.

Out of 1,566 items, 952 medicines and 614 medical devices were procured. Of the 952 procured drugs, 328 items (34.4%) do not have registered analogues in the Republic of Kazakhstan (original drugs).

At the same time, the generic drug contains the same active substance as the original, but may differ in excipients, drug form, production technology, etc. Side effects of generics and the original also coincide. Even now, in such prosperous countries as the USA or Sweden, generics are bought more often than originals.

The main advantages of generics:

- the prices of generics are significantly lower than the prices of original drugs, which means that they are more accessible to all categories of the population (according to international recommendations, the cost of a generic should not be more than 70% of the price of the original drug);
- generics allow doctors to strive to “treat everyone and well”, using in their practice the most modern generics of expensive original drugs;
- generics are well studied in terms of efficacy and safety, provide a choice for the doctor and the patient;

- the "pressure" of generics in the market is one of the factors that force companies producing original drugs to actively introduce new promising developments. In addition, the reduction in the cost of generic analogues is stimulated.

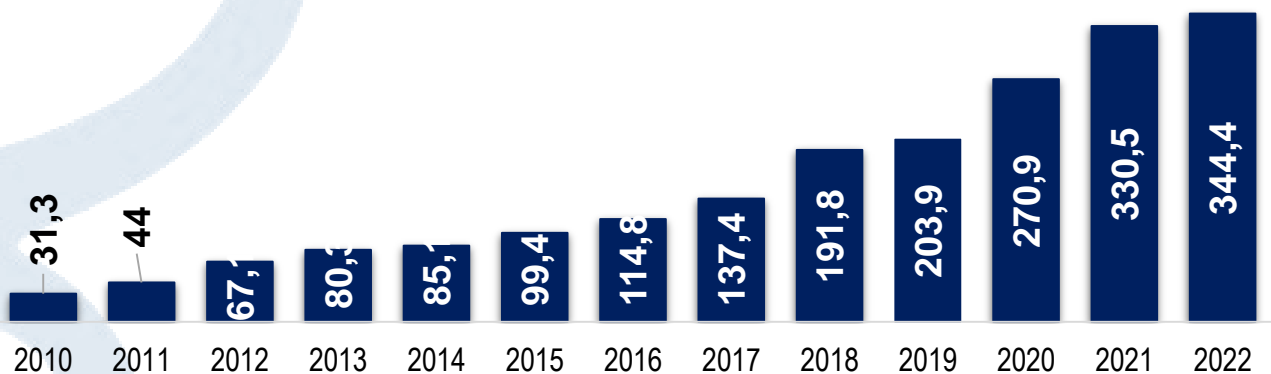
Almost every original drug has a generic. Exceptions are newly created drugs that are still under patent protection, unique drugs for the treatment of cancer and AIDS, where any optional ingredient matters.

Thus, the difference between the original drug and the generic is the price. But it is justified by a large evidence base for effectiveness and patient tolerance.

In addition, a co-payment mechanism is currently being introduced, which will allow patients to receive original drugs by paying the difference in cost between the price of the originator and the generic.

For the period from 2010 to 2022, 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 2022 (in billion tenge)



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 trillion tenge or \$6.3 billion have been centrally procured.

Based on the results of the last three years of work of the Single Distributor, the share of direct contracts in the procurement structure increased both with domestic and foreign manufacturers, including with international organizations such as UNICEF, UNDP and STOP-TB.

Procurement of medicines through international organizations established by the United Nations (UNICEF, UNDP, STOP-TB) can significantly save money allocated by Kazakhstan. Even for small volume of medicines' procurement, UNICEF, UNDP and STOP-TB can benefit from discounts provided for large procurement under global corporate contracts with trusted vendors. Due to this, in 2018-2021, the government of Kazakhstan managed to save about 30 million US dollars on the procurement of medicines.

At the same time, procurement through UNICEF made it possible to increase the coverage of HIV patients from 6,000 to 18,000 people by reducing the price of specific drugs,

which made it possible to provide 85-90% of HIV-infected patients with free drugs throughout the country.

Procurement through UNDP is an increase in the coverage of patients with Hepatitis C from 4 thousand to 18 thousand people. Thanks to UNDP, the procurement cost of medicines has decreased by 10 times, which has significantly increased the coverage of patients with antiviral therapy against hepatitis C. So, if before cooperation with UNDP for 7 years, from 2011 to 2018, only 6.5 thousand people underwent treatment. Since 2018, thanks to the reduction in the cost of drugs, the number of patients receiving free treatment has increased to 28,000.

For the first half of 2022, the total share of the ten most popular drugs amounted to 19% 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 2021, in million tenge	The 1st half of 2022, in million tenge	Growth by 2021	The share
1	SARS-CoV vaccine (Sinopharm)	-	5 214,96		3%
2	Hexaxim®	4 645,69	4 696,03	1%	2%
3	Keytruda	2 062,57	4 309,65	109%	2%
4	Prevenar 13®	4 610,90	4 291,07	-7%	2%
5	QazCovid-in®	-	3 870,00		2%
6	Pentaxim	-	3 514,98		2%
7	Simponi®	1 730,15	2 681,32	55%	1%
8	Herceptin	1 836,25	2 550,63	39%	1%
9	Elapraxe®	1 980,01	2 471,16	25%	1%
10	Bevacizumab	1 689,40	2 336,46	38%	1%
	TOP 10		35 936,25		19%
	Total shipped to medical organizations (MO)		189 873,65		

The first place in the TOP 10 according to the results of shipment for the 1st half of 2022 was for the Vaccine against SARS-CoV produced by Sinopharm.

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

According to the results of the first half of 2022, the Single Distributor of medicines and medical devices was actually procured in the amount of 344.4 billion tenge, while 46% (159.63 billion tenge) is supplied through local distributors, the total share of the ten largest distributors amounted to 39% of total procurement volume of SK-Pharmacy LLP.

TOP-10 major suppliers among distributors

No	Supplier	The 1st half of 2021, in million tenge	The 1st half of 2022, in million tenge	growth by 2020	Share of total procurement
1	Medservice Plus LLP	21 314,15	27 123,42	27%	8%
2	Ak Niet LLP	19 558,51	24 244,22	24%	7%
3	KNYAZ PHARMA LTD LLP	-	20 568,14		6%
4	STOPHARM LLP	15 323,22	17 415,78	14%	5%
5	INKAR LLP	13 412,93	11 216,64	-16%	3%
6	R-Pharm Kazakhstan LLP	4 681,04	10 225,95	118%	3%
7	OAD-27 LLP	4 053,95	6 298,61	55%	2%
8	Takeda Kazakhstan LLP	-	5 804,60		2%
9	Sanofi Aventis Kazakhstan LLP	6 272,89	5 669,98	-10%	2%
10	ZERDE NGO LLP	1 844,80	5 361,97	191%	2%
	TOP 10		133 929,32		39%
	TOTAL PROCUREMENT FROM DISTRIBUTORS		159 629,64		46%
	TOTAL PROCUREMENT		344 436,48		











According to the results of the 1st half of 2022, the share of the ten largest manufacturers amounted to 41% of the total procurement of SK-Pharmacy LLP, where Sanofi turned out to be the leader, overtaking two DGPs Nobel JSC and Chimfarm JSC.

TOP-10 major manufacturers

No.	Manufacturer	The 1st half of 2021, in million tenge	The 1st half of 2022, in million tenge	Growth by 2021	share
1	Sanofi	15 079,04	24 369,50	62%	7%
2	Nobel	20 860,99	19 790,47	-5%	6%
3	Himfarm	20 961,27	16 901,87	-19%	5%
4	Baxter	10 510,97	14 368,83	37%	4%
5	Pfizer	15 138,20	13 891,12	-8%	4%
6	Silag AG	6 832,47	11 750,39	72%	3%
7	KFK	59 172,95	10 738,73	-82%	3%
8	F. Hoffmann-La Roche	10 250,07	10 664,43	4%	3%
9	Beringer	5 940,86	9 082,41	53%	3%
10	Novo Nordisk	8 322,30	8 843,40	6%	3%
	TOP 10		140 401,14		41%
	Total		344 436,48		

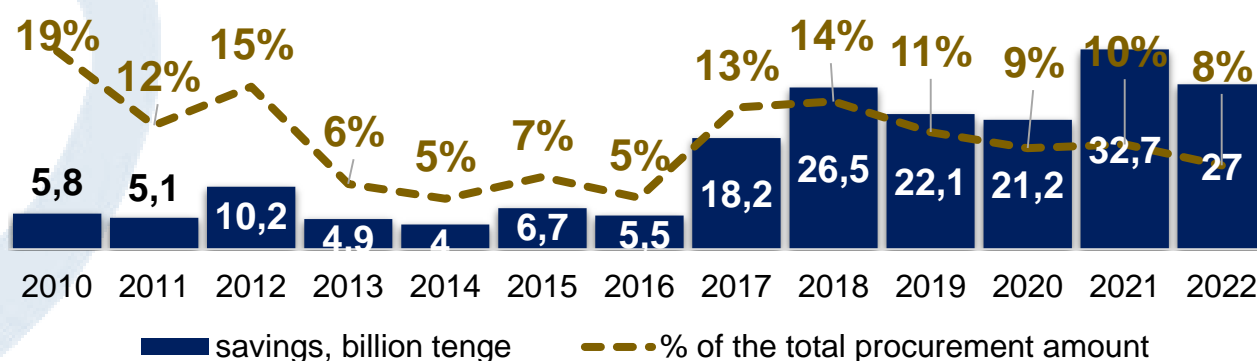
According to the results of the procurement, **the 1st place** in terms of the share in the total volume of procurement fell on **domestic products** and the 2nd place was procured by customers from **German products**. The share of the TOP-10 countries based on the results of the procurement amounted to 84% of the total volume.

TOP-10 countries according to the procurement results

No.	Country	The 1st half of 2021, in million tenge	The 1st half of 2022, in million tenge	Growth by 2021	share
1	 Kazakhstan	150 857,05	114 250,59	-24%	33%
2	 Germany	35 520,47	43 742,33	23%	13%
3	 Switzerland	18 548,79	25 767,07	39%	7%
4	 France	14 590,08	24 324,05	67%	7%
5	 Ireland	14 835,35	18 624,70	26%	5%
6	 USA	12 274,77	16 783,93	37%	5%
7	 India	5 741,26	13 738,15	139%	4%
8	 Italy	14 275,71	12 645,41	-11%	4%
9	 China	9 373,65	10 445,34	11%	3%
10	 Austria	6 348,21	8 735,55	38%	3%
TOP 10			289 057,12		84%
TOTAL			344 436,48		

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 189.9 billion tenge. There is a tendency to increase savings, so compared to 2010, in the first half of 2022, the amount of savings in absolute terms increased by 4.7 times.



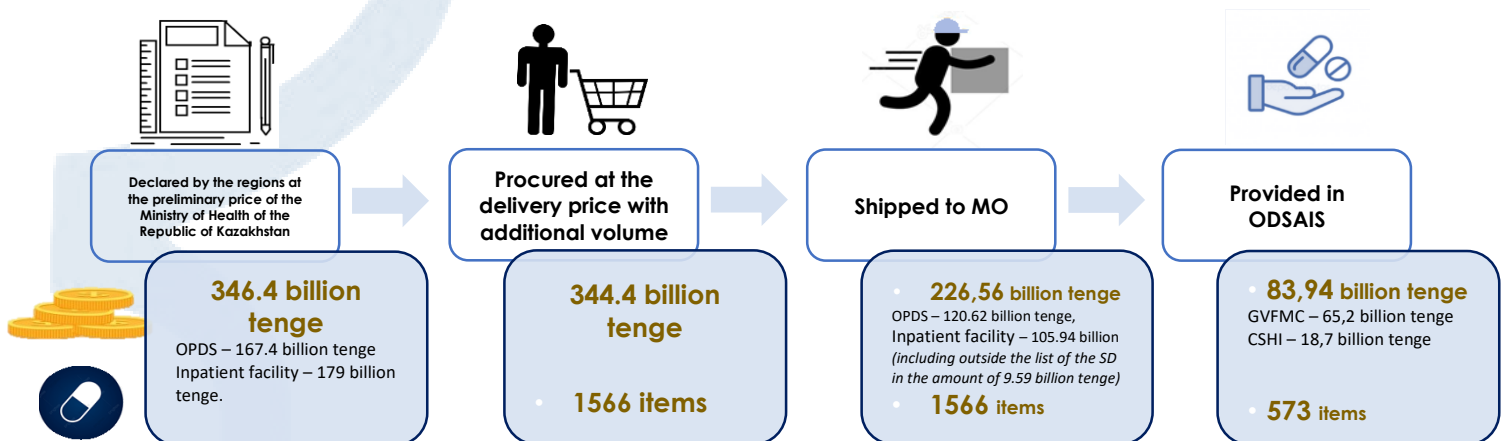
Thus, savings are achieved due to the centralization of procurement and the consolidation of the volume of demand from all regions. Suppliers go for a significant price reduction when the volume for the whole republic is procured centrally. And it is this difference between the allocated budget and the 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 2022, 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, 2022, the Single Distributor shipped medicines and medical devices in the amount of more than 120.62 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 83.94 billion tenge, (*within the framework of the GVFCM - 65.2 billion tenge; and within the framework of the CSHI – 18.7 billion tenge.*)

As of June 30, 2022, the Single Distributor shipped medicines and MD worth more than 105.94 billion tenge within the hospital, at the same time, drugs worth 9.59 billion tenge were shipped outside the list of the SD.



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.

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 63.4 billion tenge**, or 76% 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 GVFMC / CSHI	The 1st half of 2021, in million tenge	The 1st half of 2022, in million tenge	Growth by 2021	share
1	Diabetes mellitus	GVFMC, CSHI	12 955,44	17 007,53	31%	20%
2	Oncological diseases	GVFMC, CSHI	9 787,76	11 709,62	20%	14%
3	Malignant neoplasms of lymphoid, hematopoietic and related tissues, including myelodysplastic syndromes.	GVFMC, CSHI	5 295,18	7 554,08	43%	9%
4	Arterial hypertension	GVFMC, CSHI	5 870,11	6 378,18	9%	8%
5	Hereditary deficiencies of blood clotting factors	GVFMC	4 565,97	6 122,32	34%	7%
6	Mucopolysaccharidosis	GVFMC	3 779,67	4 401,97	16%	5%
7	Rheumatoid arthritis	GVFMC, CSHI	2 705,64	3 547,53	31%	4%
8	Mental illness.	GVFMC, CSHI	2 357,43	2 701,78	15%	3%
9	Multiple sclerosis	GVFMC	1 836,47	2 124,88	16%	3%
10	Duchenne muscular dystrophy	GVFMC	1 420,13	1 883,45	33%	2%
	TOP 10		50 573,80	63 431,32	25%	76%
	Total		67 367,28	83 935,99		

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 86% of all patients provided with free medicines as part of outpatient drug provision.

TOP 10 nosologies by number of patients*

No.	Nosology	Sign of GVFMC / CSHI	Number of patients provided in the first half of 2021	Number of patients provided in the first half of 2022	Growth by 2021	Share
1	Arterial hypertension	GVFMC, CSHI	903 187	1 148 821	27%	39%

2	Coronary heart disease (CHD)	GVFMC, CSHI	328 877	440 200	34%	15%
3	Diabetes mellitus	GVFMC, CSHI	305 611	425 193	39%	14%
4	Acute respiratory infections of the lower respiratory tract	CSHI	123 666	122 921	-1%	4%
5	Hypothyroidism / Hyperthyroidism / Hypoparathyroidism	GVFMC, CSHI	78 649	99 553	27%	3%
6	Chronic heart failure	GVFMC, CSHI	54 850	72 910	33%	2%
7	Bronchial asthma	GVFMC, CSHI	57 078	72 058	26%	2%
8	Chronic obstructive pulmonary disease	GVFMC, CSHI	53 728	60 828	13%	2%
9	Epilepsy	GVFMC, CSHI	49 551	56 142	13%	2%
10	Acute respiratory infections of the upper respiratory tract	CSHI	63 077	48 835	-23%	2%
TOP 10				2 547 461		86%
TOTAL				2 952 458		
* - the number of unique patients was calculated taking into account the type of payment (GVFMC/CSHI), the region of the Republic of Kazakhstan and nosology.						

Thus, in the first half of 2022, more than 7.47 million prescriptions were issued for 2.95 million patients in the amount of more than 83.94 billion tenge, which indicates that, **on average, about 42,000 prescriptions are issued and dispensed daily recipes.**

In the first half of 2022, **more than 2 million 952 thousand of the population** were covered with free medicines, of which 1,149.0 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 375 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 375 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.

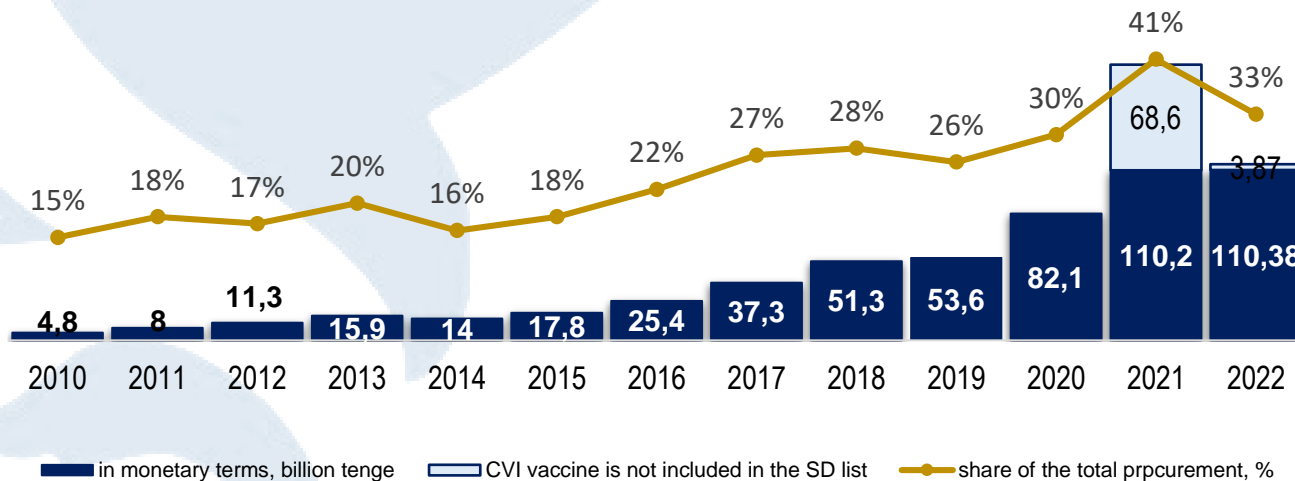
Support for domestic producers and entrepreneurial initiatives is one of the main activities of the Single Distributor.

In the period from 2009 to 2022, 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.

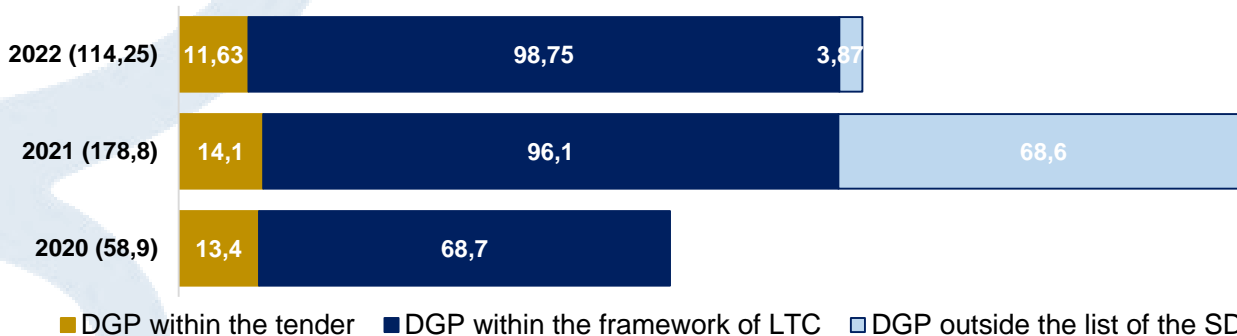
If in 2010 the share of domestic producers in monetary terms amounted to 15% (in the amount of 4.8 billion tenge), then according to the results of the first half of 2022, the share of procurement in monetary terms increased by 2.2 times, amounting to 33% (in the amount of 114 .25 billion tenge).



Procurement dynamics of the Single Distributor from DGP for the period 2010 – the first half of 2022

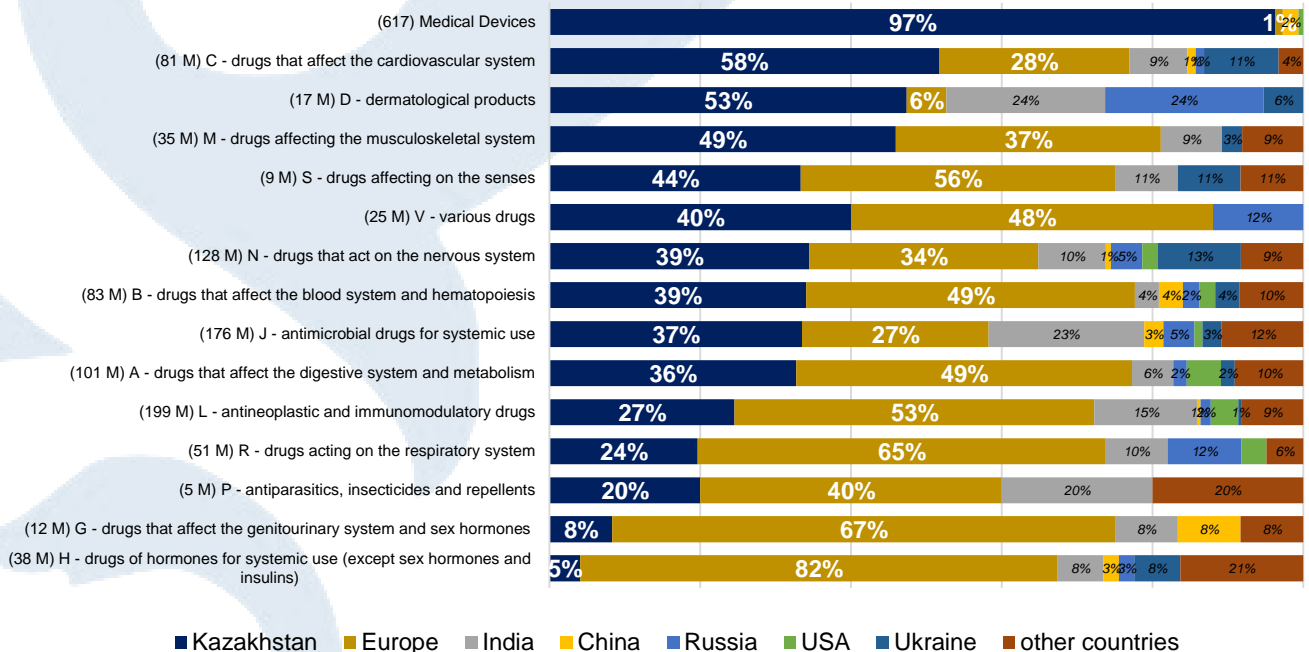


Procurement dynamics of the Single Distributor from DGP within the framework of LTC for 2020 – the first half of 2022



88% (98.8 billion tenge) of the medicines and MD procured in 2022 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 2022 (shipment fact + OPDS provision) showed the following:

- Over 50% DGP are covered in 3 groups:
 - **medical devices:** 597 items out of 617 procured according to the list of the SD produced in Kazakhstan
 - **drugs affecting the cardiovascular system:** 47 items out of 81 procured according to the list of the SD produced in Kazakhstan;
 - **dermatological drugs:** 9 items out of 17 procured according to the list of the SD procured in Kazakhstan.
- 10 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 5 groups with a share of DGP drugs less than 30%.

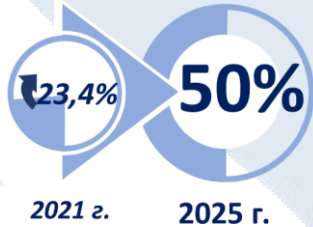
The current situation of pharmaceutical production in the country cannot be considered sufficient: its volumes provide only 24% of the country's need for medicines and medical devices.

At the same time, the Republic of Kazakhstan remains import-dependent both in terms of technologies and components for the production of medicines, and a wide range of pharmaceuticals and substances.

The development of domestic pharmaceutical production is one of the tasks to ensure the national security of the state, its economic and social development. The developed pharmaceutical industry of the state is considered an indicator of the high innovativeness of its

economy. The development of the pharmaceutical industry serves to strengthen national security by reducing the country's dependence on imports, especially in emergency situations.

Share of medicines and MD of DGP in the pharmaceutical market



Considering measures to restore economic and investment activity in Kazakhstan in the context of the coronavirus pandemic, Head of the State Kassym-Jomart Tokayev emphasized the importance of developing the domestic pharmaceutical industry, saying that by 2025 the country expects to increase the share of its own pharmaceutical production in the country to 50%. It should be noted that today the Kazakh pharmaceutical industry, thanks to effective government support

measures, has a huge potential for profitable investments. Thus, state support in the form of concluding SK-Pharmacy LLP with domestic producers of long-term contracts for 10 years made it possible to increase the share of procurement in monetary terms from 15% in 2010 to 41% in 2021

To date, there are **94 long-term contracts** concluded with **34 domestic goods producers** for the supply of 806 medicines and 3,955 medical devices, of which 51 long-term contracts are concluded for drugs and 43 long-term contracts for medical devices.

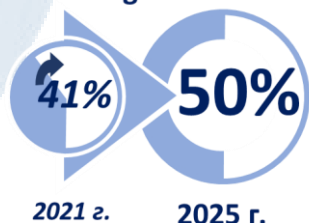
However, **there is a failure to develop investment projects** in terms of the timely delivery of drugs according to the schedule for the implementation of LTC.

Thus, for 2022 317 drugs (39%) out of 806 drugs are supplied **under the LTC**. At the same time, only 352 drugs did not meet the deadline for the implementation of the LTC (**137 drugs are not delivered according to the schedule**).

For medical devices, the percentage of LTC sales is only 11%, that is, 427 medical devices are supplied under the LTC for 2022 out of 3,955 medical devices. At the same time, only 2,913 MD did not meet the deadline for the implementation of the LTC (**615 MD are not delivered according to the schedule**).

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 13 out of 96 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.

A powerful incentive for the development of domestic production is the development of cooperation with the major global pharmaceutical industry from the BIGPHARMA TOP-50, for example, such giants as Pfizer, Bayer, Sanofi, etc.

Today, at various stages of the process, negotiations are underway with 7 BIGPHARMA pharmaceutical companies on 13 investment projects for contract manufacturing (Hoffmann-La Roche (Switzerland), Novo Nordisk (Denmark), AstraZeneca (Great Britain), Sandoz (Switzerland), TAKEDA (Japan) PFIZER, ATABAY Pharmaceuticals and Fine Chemicals).

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.

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.

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.

The following activities were carried out for the Stage I:

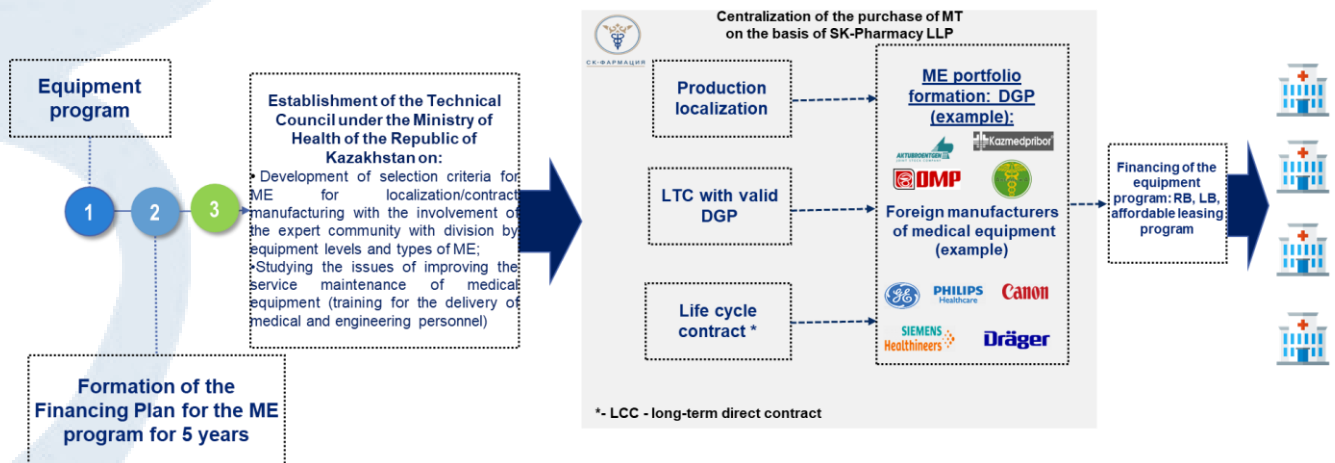
- A module has been developed on the EFIS portal (submission by customers of applications for centralized medical equipment procurement worth over 20,000,000 (twenty) million tenge. Deadline until April 30, 2022 – was completed.
- On March 9, 2022, a Memorandum of Understanding and Cooperation between SK-Pharmacy LLP and Center for Electronic Finance JSC (CEF JSC) was signed, the module for medical equipment procuring of the procurement web portal and its integration with the information system was finalized EFIS. This work was completed on June 10, 2022.

At the Stage II of procurement centralization, a Republican program for medical equipping will be developed.

At the Stage II of procurement centralization, a Republican program for equipping medical equipment will be developed.

At the same time, the equipment program will be formed taking into account:

- 1) equal access of patients in the regions of the Republic of Kazakhstan to high-quality equipment;
- 2) be based on equipment standards;
- 3) take into account the possibility of providing service support for the supplied medical equipment, preparation of premises, medical and technical personnel.



- 1 Development of equipment program for 5 years (*revision of equipment standards and needs analysis*)
- 2 Development of a financing plan (*submission to the regional and republican budget commissions*)
- 3 Establishment of a technical council under the Ministry of Health of the Republic of Kazakhstan (*with the involvement of specialized healthcare organizations subordinate to the Ministry of Health of the Republic of Kazakhstan, specialized associations accredited by the Ministry of Health of the Republic of Kazakhstan*)

In addition, after the preparation of these programs, standard requirements for medical equipment for each nosology will be developed in accordance with the level of equipment, which will ensure the exclusion of excessive specification, excessive and indirect requirements.

The issues of localization/contract manufacturing with major global manufacturers of medical equipment are being actively worked out.



Companies such as Canon, Philips, General Electric and others expressed interest in localizing production.

Thus, the positive effects of the centralized procurement of medical equipment are:

- 1. Budget savings** (*through the consolidation of procurement, unification of the parameters of procured medical equipment between comparable models of the same series*);
- 2. Elimination of conditions conducive to corruption offenses in the procurement of medical equipment** (*due to the real competition between players*);
- 3. Service improvement** (*by including relevant requirements in contracts, including training of technical personnel of medical organizations*);
- 4. Improving the quality of medical services** (*through consistent training of medical personnel during the supply of medical equipment, as well as in the relevant training centers of manufacturers*);
- 5. Opening of new production facilities** (*due to the phased localization of ME production in Kazakhstan*).

Financial performance results

The indicator of the Gross income of the Partnership for the first half of 2022 amounted to 180.4 billion tenge, including:

- income from the sale of medicines and medical devices amounted to 176.4 billion tenge, there is a decrease of 4% compared to the same period in 2021 – 183.9 billion tenge.
- financial income – 1.0 billion tenge, a decrease compared to the previous year (1.1 billion tenge) was 9%.
- other income – 3.1 billion tenge, a decrease of 4.8 times compared to the same period in 2021 – 14.9 billion tenge.

The reasons for the decrease in financial income are a decrease in the volume of temporarily free funds placed on deposit accounts in second-tier banks (STB) and a change in the ratio of national and foreign currency in the composition of the internal rate of return (IRR).

The decrease in other income is due to the inclusion in other income in 2021 of the sale of the Hayat-Vax vaccine (manufactured by Sinopharm) at the expense of the Samruk-Kazyna National Welfare Fund.

With a decrease in income, there is also a decrease in the total expenses of the Partnership from 204.9 billion tenge in 2021 to 176.1 billion tenge in 2022. Compared to 2021, the decrease was 14%.

For the first half of 2022, the amount of the total expenses of the Partnership by purpose of expenses:

- the cost of goods sold amounted to 168.9 billion tenge. Reducing the cost of production by 11% compared to the same period in 2021 – 187.6 billion tenge due to a decrease in the volume of procurement of medicines and medical devices as part of the introduction of CSHI and the spread of coronavirus infection;
- general administrative expenses for the first half of 2022 amounted to 751.0 million tenge, an increase of 42.6% compared to the same period in 2021 – 526.5 million tenge;
- implementation costs for the first half of 2022 amounted to 2.7 billion tenge, a decrease of 16% compared to the same period in 2021 – 3.2 billion tenge;
- other costs of the main activity (transportation, foreign exchange) amounted to 3.7 billion tenge, which shows a decrease in expenses by 3.7 times compared to the same period in 2021 – 13.6 billion tenge, due to inclusion in other costs 2021, the cost of the Hayat-Vax vaccine (manufactured by Sinopharm) at the expense of the Samruk-Kazyna NWF;

As of June 30, 2022, the amount of receivables amounted to 52.6 billion tenge, of which the debt of medical organizations is 22.5 billion tenge, which is 32.2% more than the same period last year. This increase in receivables is associated with non-payment by Social Medical Insurance Fund (SMIF) NP JSC for consolidated registers of data on the cost of pharmaceutical services for the volume of medicines and medical devices for the period January-May 2022.

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.

Dynamics of remuneration on accounts in SRB, million tenge

Indicators/Periods	2015	2016	2017	2018	2019	2020	2021	the 1 st half of 2021	the 1 st half of 2022
Remuneration income	728	4 779	2 439	1 229	793	2 373	1 752	1 120	1 042
Average annual balance of IRR	16 122	33 886	32 612	18 431	11 925	29 142	22 486	26 708	19 405
Average annual remuneration rate	4,52%	14,10%	7,48%	6,67%	6,65%	8,14%	7,80%	4,20%	5,37%

According to preliminary data for the 1st half of 2022, income in the form of remuneration amounted to 1,042.0 million tenge, in the same period last year 1,120.0 million tenge, a decrease of 7%. The reason for the decrease in financial income is the decrease in the volume of temporarily free funds placed on deposit accounts with STB.

Average annual balance of IRR (millions tenge)

Period	The 1 st half of 2021	The 1 st half of 2022
January 1	15 011	13 606
February 1	34 103	38 158
March 1	40 789	28 088
April 1	30 740	30 483
May 1	37 606	15 781
June 1	21 733	8 096
July 1	6 972	1 624
Average value	26 708	19 405
Remuneration income	1 120	1 042

So for the 1st half of 2022, the average balance of the IRR amounted to 19,405 million tenge, in the same period last year 26,708 million tenge, or a decrease of 27.34%.

The decrease in the average annual balance of the IRR is due to the fact that SMIF NP JSC does not accept the consolidated register of pharmaceutical services, payable from January 2022 due to non-compliance of prescriptions with funding categories. By order of the Minister of Health of the Republic of Kazakhstan dated 06.04.2022 No. KR DSM -33, changes were made regarding the transfer from the GVFMC to the CSHI for adults, recipients of pension payments and children with the date of entry into force from January 2022. Currently Republican e-Health Center (REHC) RSE is carrying out automatic transfer of prescriptions to outpatient drug supply accounting information system (ODSAIS).

For the 1st half of 2022, the SMIF received only 30% of the advance payment of the amount of contracts for the GVFCM and CSHI in the amount of 42,227.6 million tenge, or 40.8% less compared to the same period last year (the 1st half of 2021 – 71,410.6 million tenge).

The solvency coefficient makes it possible to assess the ability of an organization to ensure the payment of funds only due to the inflow of funds or due to the balance at the beginning of the year and the inflow of funds in the analyzed period.

Period	PCF	NCF	PC1 = PCF/NCF
2017 год	142 626 822 716,55	131 855 491 278,33	1,08
2018 год	166 787 219 062,99	178 997 616 861,42	0,93
2019 год	197 149 160 066,07	181 370 453 811,16	1,09
2020 год	261 769 122 773,82	260 474 384 829,51	1,00
2021 год	444 027 455 944,84	436 072 142 463,75	1,02
<i>including the 1st half of 2021</i>	<i>191 941 411 495,67</i>	<i>195 193 367 475,88</i>	<i>0,98</i>
The 1st half of 2022	163 940 214 352,17	170 575 578 197,70	0,96

In the first half of 2022, the solvency ratio was 0.96 (the ratio of positive and negative cash flows from the sale of medicines and medical devices), which is below the standard indicator and reflected the inability of the Partnership to make its current payments from cash receipts and the need to cover the resulting deficit from the accumulated at the beginning of the year, the balance of funds for the following reasons: no payment of the SMIF for December 2021, for 5 months of 2022; lack of compensation for humanitarian aid rendered from the reserves of the Government, procurement of an irreducible stock of medicines.

In accordance with Government Decree No. 930 of December 24, 2021, in February 2022, humanitarian assistance was provided to Afghanistan in the amount of 721.2 thousand units of medicines in the amount of 1.8 billion tenge. Also, official humanitarian assistance was provided to Ukraine in accordance with Government Decree No. 115 dated March 10, 2022 in the amount of 294.46 million tenge. The Government's reserve for reimbursement has not yet been received.

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.

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 GVFMC 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 2022, CC of the SD **received 18,282 calls** from the public. Of these, there were **18,030** 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 25% of registered CC patients are registered at the dispensary for 2 and more nosologies.

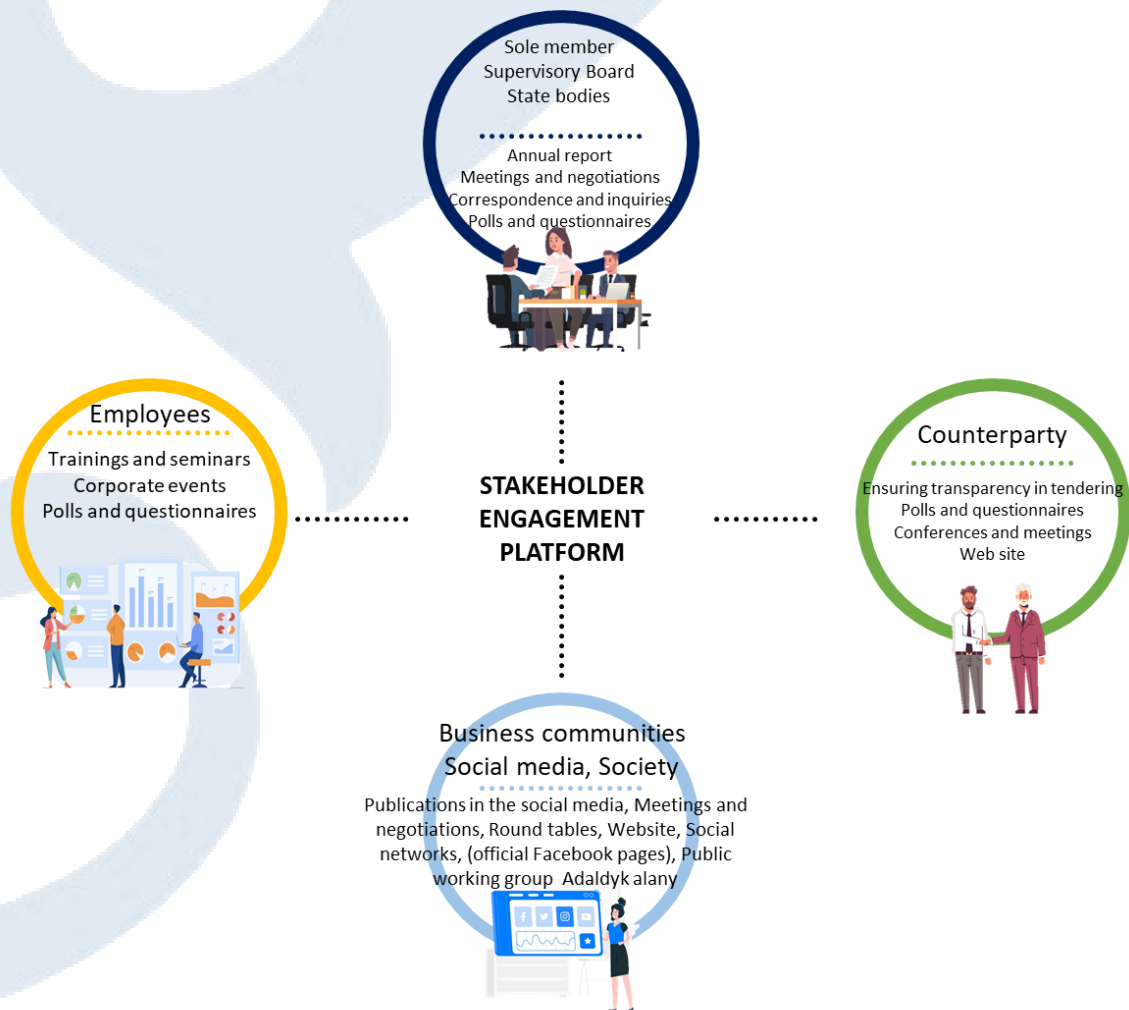
3100 calls are informational calls on the activities of the Single Distributor within the competence that is not confidential, including 793 calls received from eGov.kz users. CC of SD conducts consultations and registration of the population according to prescriptions (issued, provided). Of the total number of calls (793) from eGov.kz users, 625 patients did not confirm the fact of receiving medicines and MD. It should be noted that in the 2nd quarter compared to the 1st quarter of 2022, the number of calls from eGov.kz users significantly decreased: in the 1st quarter there were 647 calls, and in the 2nd quarter – 146 calls, in the 1st quarter they did not confirm the receipt of medicines and MD 529 patients, and in the 2nd quarter – 96.

Most of the calls were from patients with diseases:

1. Diabetes – 4393;
2. Arterial hypertension – 3067;
3. Coronary heart disease – 1233;
4. Epilepsy – 1131;
5. Chronic obstructive pulmonary disease – 917.

During the reporting period, **5,029 respondents** rated the work of CC operators **at 4.78 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.

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.

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, 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.

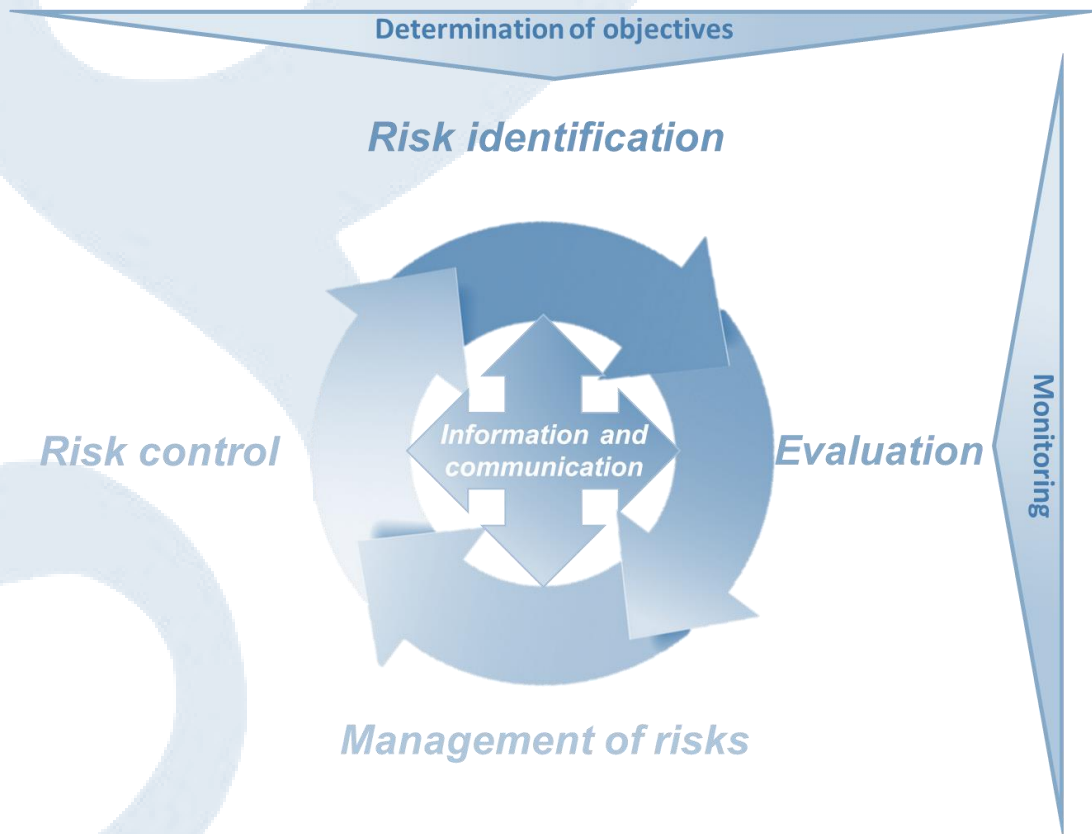


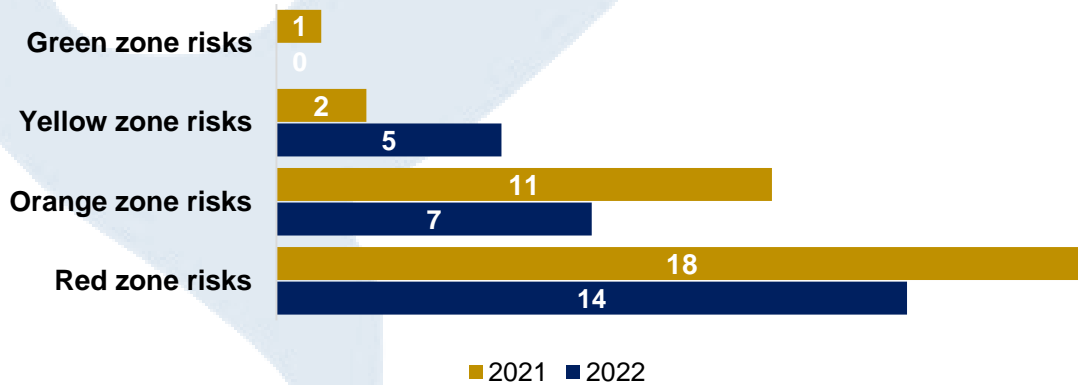
Diagram of the risk management process

(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 2022, the Partnership provides for not only short-term risks. The Risk Register of the Partnership for 2022 consists of 27 risks, Pandemic risks, according to the Decree of the Chief State Sanitary Doctor of the Republic of Kazakhstan dated March 25, 2022 No. 18, are excluded from the Risk Register for 2022, while the 2021 Risk Register provides for 31 risks, of which 4 are Pandemic risks.



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.

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.

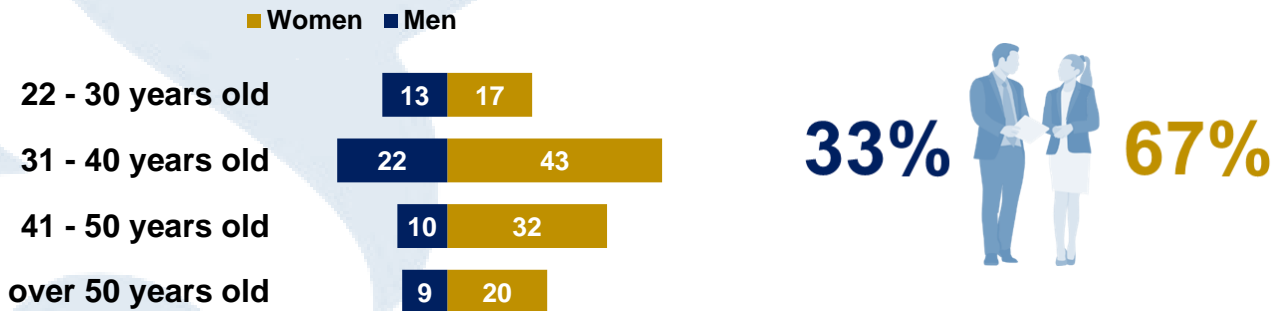
The Partnership's internal control system is an integral part of the corporate governance system and covers all management levels, all internal processes and operations of the Partnership.

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, approved by the Supervisory Board of the Partnership on December 25, 2020 (Protocol No. 92). As part of internal control, a risk matrix was developed, approved on June 30, 2022 (Protocol No. 5), the key goal 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.

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.

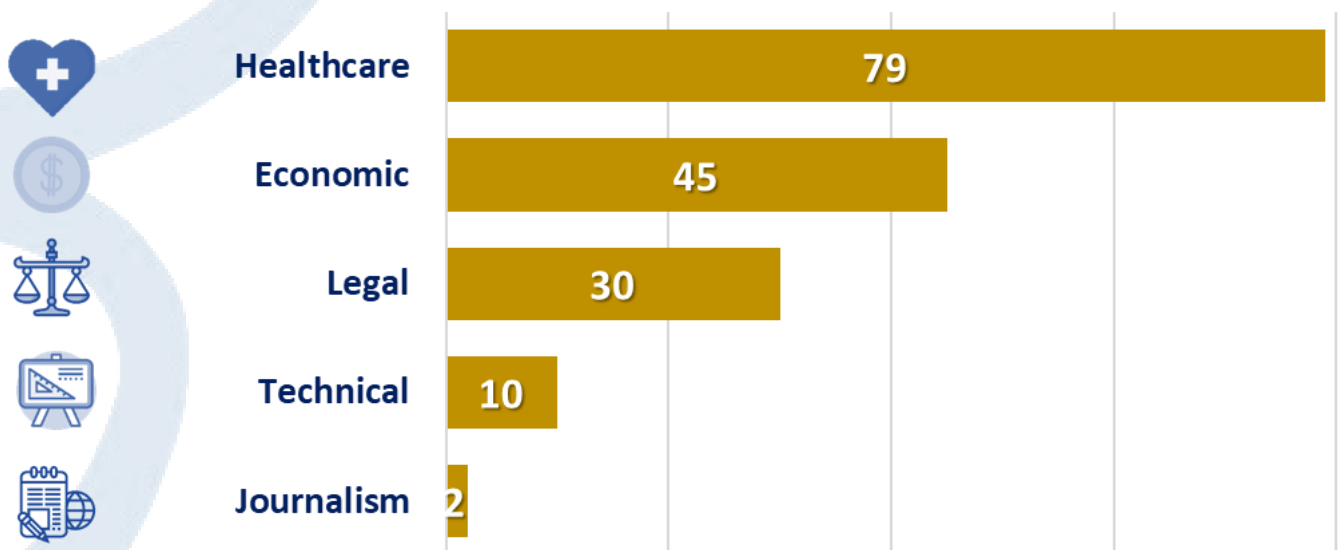
As of June 30, 2022, the Partnership has 194 employees, the average annual headcount was 154.06 employees, staffing is 79.4%. Staff turnover for the first half of 2022 was 7.1%.



Most of the staff are young people, about 57% of employees are under 40 years old. 67% of the total number of employees are women.

In fact, as of June 30, 2022, the Partnership employs 166 people. All employees have higher education.

Employee Education



For the first half of 2022, 11 employees of the Partnership were promoted on the principle of meritocracy, of which two employees were promoted to heads of structural divisions.

For 2022, individual and corporate training is planned for the employees of the Partnership on the topics: "Risk management and the quality of corporate decisions", "Integrating risk management into the company's existing business processes in accordance with ISO 31000:2018 and COSO ERM:2017", "Project management", "Operational management", "Kazakh language", "Anti-corruption compliance", "Application of Power Query in practice", "Basics of Power BI. Report Processing in Power BI Environment", "Java SE 8

Programming/Java SE 8 Programming”, “Oracle Database: Program with PL/SQL/Oracle Database Extended PS/SQL Features”, “New in IFRS: Recent Changes and Practical Aspects”, «Tax audit. Changes and additions to the tax legislation of the Republic of Kazakhstan”, “Accompanying waybills for goods. Electronic invoice. Virtual Warehouse”, “Currency Control”, “Law and Rules on Public Procurement, as amended for 2022”, “Administrative Procedural and Procedural Code of the Republic of Kazakhstan. Review of current changes in the Civil Procedure Code of the Republic of Kazakhstan”, “Corporate Law and Corporate Governance”, “Contract Law”, “Authentication in Windows Server 2016”, “Microsoft Skype for Business 2015/2019 Basic Solutions”.

Training on the topic "English" takes place from January to the end of this year. The rest of the training will take place in the second half of 2022.

In accordance with the Roadmap for the implementation of the Strategy of SK-Pharmacy LLP for 2019-2023, the Assessment of employee testing event 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 for the departments and services of the partnership were developed and approved, according to the results of which bonuses were paid to employees at the end of the quarters, the average key performance indicator was 99.5%;
- employees were rewarded for holidays in honor of Nauryz Meraymy and the professional holiday of the Medical Worker Day;
- financial assistance is provided to employees in connection with marriage or the birth of a child.

Non-material:

- awarded with departmental awards:
 - badges "Densaulyk saktau isinin uzdigi" - 2 employees;
 - diplomas of the Minister of the Republic of Kazakhstan - 4 employees;
 - gratitude of the Minister of the Republic of Kazakhstan - 1 employee.
- on an ongoing basis, employees are rewarded with internal awards, so during the reporting period:
 - certificate of honor for achievements in work - 10 employees;
 - letters of thanks from the Chairman of the Management Board - 8 employees.
- 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 implementation of the recommendations of the Anti-Corruption Agency of the Republic of Kazakhstan based on the results of an external analysis of corruption risks conducted in August 2020, the position of a compliance officer with direct accountability to the Supervisory Board was introduced in the structure of SK-Pharmacy.

As part of anti-corruption measures, the Single Distributor carries out the following work:

1. Implementation of anti-corruption measures in SK-Pharmacy LLP.

First. Financial control measures.

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 abroad.

Second. 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 (Protocol No. 92).

Officials, employees of the Partnership submitted declarations of conflict of interest.

No corporate conflicts or conflicts of interest identified in H1 2022.

Third. Reporting Corruption Offenses.

The Partnership's confidential information policy was approved by the Supervisory Board on April 23, 2021 (Protocol 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.

No messages were received for the 1st half of 2022.

2. Consideration of appeals received through channels of confidential information.

In total, 3 messages were received through confidential information channels through a tab on the official Internet resource of the Partnership, as well as by e-mail senim@sk-pharmacy.kz, to which comprehensive answers were given.

3. Checking counterparties for reliability:

When carrying out the procurement of medicines and medical devices, as well as public procurement, a due diligence check of counterparties was carried out.

No risks identified.

4. Screening candidates for interviews for vacancies.

During the reporting period, 5 interviews were held for 8 positions, a total of 23 candidates were tested. No risks identified.

5. Organization of training for employees of the Partnership (clarification of regulatory documents regulating anti-corruption, compliance and other issues).

On February 21, 2022, a lecture was held with SK-Pharmacy LLP employees in order to form an anti-corruption culture.

On March 11, 2022, the Department of the Anti-Corruption Agency (Anti-Corruption Service) in Nur-Sultan held a meeting to clarify the Concept of the Anti-Corruption Policy of the Republic of Kazakhstan for 2022-2026 with SK-Pharmacy LLP employees.

Basic principles and structure of corporate governance

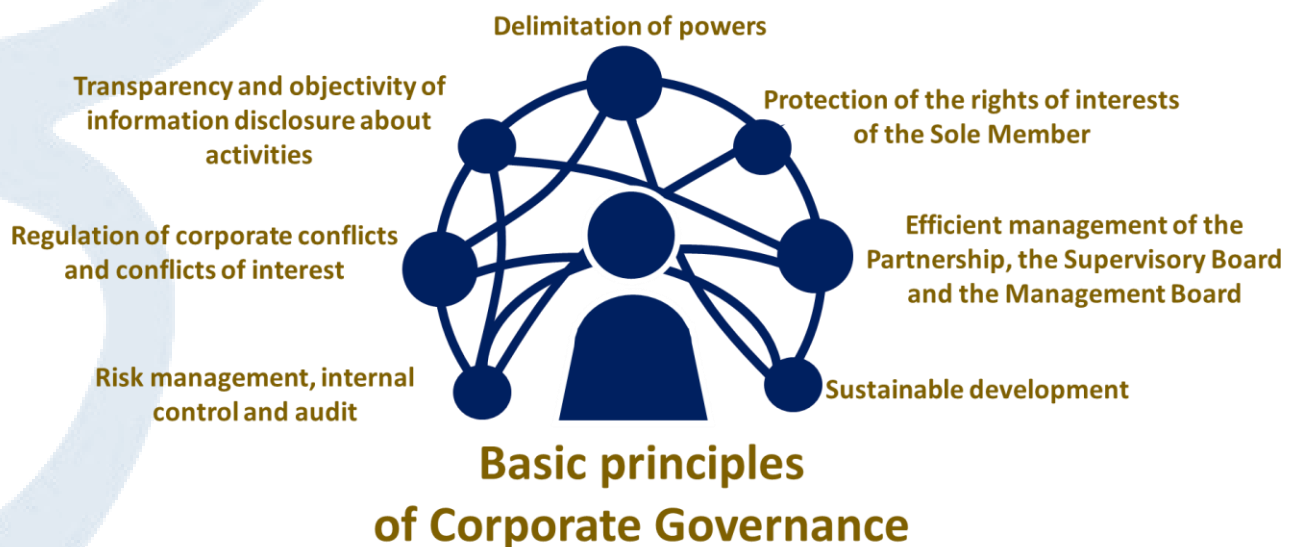
SK-Pharmacy LLP considers corporate governance as a means of increasing the efficiency of the Partnership, ensuring transparency and accountability, and strengthening its reputation.

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.

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 Member, 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 issues of:

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

The composition of the current Supervisory Board was elected by order of the Sole Member on April 4, 2022.

The Supervisory Board of SK-Pharmacy LLP consists of 5 members.

Chairman of the Supervisory Board, independent director:

1. Lavrinenko Yury Ivanovich – Deputy Chairman of the KAZLOGISTICS Union of Transport Workers of Kazakhstan;

Members of the Supervisory Board, civil servants:

2. Shoranov Marat Edigeevich – First Vice Minister of Health of the Republic of Kazakhstan;
3. Tashenev Bakytbek Khakimovich – Chairman of the State Property and Privatization Committee of the Ministry of Finance of the Republic of Kazakhstan;

Members of the Supervisory Board, independent directors:

4. Baymagambetov Dauren Uristemovich – Financial Director and Compliance Director of the iKapitalist Ltd PE (investment and loan crowdfunding platform operating in the AIFC);
5. Taukeleva Saida Zhanabilevna – “Public Control” Coordinator in the Republic of Kazakhstan, Volunteer of the “I am an Almaty citizen” NGO Almaty.

At the same time, independent directors are provided with remuneration

(In May 2019, the sole member approved the amount of remuneration, which is 350,000 (three hundred and fifty thousand) tenge for 1 (one) quarter).



SK - PHARMACEUTICALS

RESULTS OF THE MAIN ACTIVITY

Composition of the Supervisory Board as of June 30, 2022



**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



**Shoranov
Marat Edigeevich**

Member of the Supervisory Board

Date of Birth:

08/24/1975

Place of work:

First Vice Minister of Health of the Republic of Kazakhstan.

Education:

1997 – Kazakh National Medical University with a degree in General Medicine;

2002 – Scientific Center of Urology. Dzharbusynova, Candidate of Medical Sciences;

2011 – Emory University – Rollins School of Public Health (USA), Master of Public Health.

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:

12/28/1976

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

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

By the decision of the Supervisory Board on April 7, 2022, the composition of the Committees was re-elected.

During the reporting period, the Committees of the Supervisory Board carried out work on the preliminary consideration of issues considered at meetings of the Supervisory Board in the first half of 2022, on which relevant recommendations were developed.

3 committees were created by the decision of the Supervisory Board:

1. Audit Committee
2. Risk and Internal Control Committee
3. Strategic Planning, Human Resources and Remuneration Committee

The activities of these Committees are carried out in accordance with the Regulations of the Committees.

Name of the Committee of the Supervisory Board of SK-Pharmacy LLP	Number of meetings	Meeting form	Number of issues considered
Audit Committee	2	face-to-face	4
Risk and Internal Control Committee	4	face-to-face	8
Strategic Planning, Human Resources and Remuneration Committee	3	face-to-face	10

Results of the work of the Supervisory Board

For the first half of 2022, SK-Pharmacy LLP held 5 meetings of the Supervisory Board, including 3 in person and 2 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 for the 4th quarter of 2021, for 2021, 1st quarter of 2022);

2. Issues of the financial, economic, strategic direction (the results of the activities of SK-Pharmacy LLP at the end of 2021; organizational structure and staffing; quantitative composition, election of members to committees and determining their term of office; Report for 2021 on assessing interaction with stakeholders during the self-assessment of SK-Pharmacy LLP; Report for 2021 on sustainable development of SK-Pharmacy LLP; Development plan of SK-Pharmacy LLP for 2022-2026 (updated in the first half of 2022) ; Key performance indicators of members of the Management Board of SK-Pharmacy LLP for 2019 with actual values; Report for 2021 on the implementation of the Development Strategy of SK-Pharmacy LLP for 2019-2023; amendments and additions to the Maps of key performance indicators of members of the Management Board SK-Pharmacy LLP for 2022).

3. Issues of risk management and internal control (risk management reports for the 4th quarter of 2021, 2021, 1st quarter of 2022; Risk register; Risk map; Critical risk management action plan; Risk appetite; Risk and control matrices of the Partnership).

4. Compliance issues (Compliance officer report for 2021, for the 1st quarter of 2022; issue of early termination of powers and election of a compliance officer)

Participation in 5 meetings of the Supervisory Board.

Members of the Supervisory Board	Attendance					% of total number of meetings in 1H 2022
	07.04 №1 (I/A)	22.04 №2 (I/P)	28.04 №3 (I/A)	31.05 №4 (I/P)	30.06 №5 (I/P)	
Burkitbaev Zhandos Konysovich <i>Was elected by order of the Ministry of Health of the Republic of Kazakhstan dated 01.03.2021 No. 114</i> <i>By order of the Ministry of Health of the Republic of Kazakhstan dated 04.04.2022 No. 232, Shoranov M.E. was introduced to the Supervisory Board.</i>	<i>There were no meetings during the period of membership in the Supervisory Board</i>					
Shoranov Marat Edigeevich <i>Was elected by order of the Ministry of Health of the Republic of Kazakhstan dated 04.04.2022 No. 232</i>	+	⊕	-	-	-	40%
Tashenev Bakytbek Khakimovich <i>Was elected by order of the Ministry of Health of the Republic of Kazakhstan dated January 29, 2019 No. 25</i> <i>Was re-elected by order of the Ministry of Health of the Republic of Kazakhstan dated 04.04.2022 No. 232</i>	+	-	+	⊕	⊕	80%
Lavrinenko Yury Ivanovich <i>Was elected by order of the Ministry of Health of the Republic of Kazakhstan dated 02.09.2020 No. 570</i> <i>Was re-elected by order of the Ministry of Health of the Republic of Kazakhstan dated 04.04.2022 No. 232</i>	+	+	+	+	+	100%
Baymagambetov Dauren Uristemirovich <i>Was elected by order of the Ministry of Health of the Republic of Kazakhstan dated 02.09.2020 No. 570</i> <i>Was re-elected by order of the Ministry of Health of the Republic of Kazakhstan dated 04.04.2022 No. 232</i>	+	+	+	+	+	100%
Taukeleva Saida Zhanabilevna <i>Was elected by order of the Ministry of Health of the Republic of Kazakhstan dated 02.09.2020 No. 570</i> <i>Was re-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.

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 2022, 20 meetings of the Management Board were held, at which 53 issues were considered, 127 decisions were made.

20

Meetings held
in the first half
of 2022

10

Face-to-face
meetings

10

Meetings in absentia

53

questions were
considered

Composition of the Management Board



**Iskaliyev
Yerxat
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 29, 21, No. 64.

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



RESULTS OF THE MAIN ACTIVITY

Composition of the Management Board



**Kalmagambetova
Ayzhan Tanatkanovna**

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

Date of Birth:
08/25/1980

Date of Appointment:

Order of the Ministry of Health of the Republic of Kazakhstan dated September 25, 2020 No. 616

Education:

2004 – Almaty Academy of Economics and Statistics with a degree in Accounting and Audit;
2007 – Central Asian University with a degree in Jurisprudence;
2014 - International Academy of Business with a degree in Management;
Doctoral student of the Business School of the University of KazGUU named after M.S. Narikbaeva under the program "DBA" (Doctor of Business Administration).

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 June 28, 2021 No. 377

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 August 17, 2020 No. 512

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



**Ospanov
Yerzhan Mukhtarovich**

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

Date of Birth:
08/10/1982

Date of Appointment:

Order of the Ministry of Health of the Republic of Kazakhstan dated June 28, 2021 No. 377

Education:

2008 – Kazakh National Medical University named after S.D. Asfendiyarov, Management in healthcare and pharmacy specialty;
2018 – University of Turan with a degree in Economics.

Level of authority and responsibility:

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

Audit Committee

The Audit Commission is a body of the Partnership directly subordinated and accountable to the Sole Member, exercising control over financial and economic activities, assessing in the field of internal control and risk management, execution of documents in the field of corporate governance and advising in order to improve the activities of the Partnership.

The main goal of the Audit Commission is to provide the Sole Member, as well as the Chairman of the Supervisory Board, with independent and objective information about the financial and economic activities of the Partnership, designed to ensure the effective management of the Partnership, by introducing a systematic approach to improving the processes of risk management, internal control and corporate governance.

Based on the results of each audit, the Audit Commission develops plans for corrective / preventive measures for further improvement and prevention of violations identified by the Audit Commission in the future.

The Annual Audit Plan of the SK-Pharmacy LLP Audit Commission for 2022 was approved by order of the Ministry of Health of the Republic of Kazakhstan on March 18, 2022 No. 198.

The Annual Audit Plan, approved by the order of the Ministry of Health of the Republic of Kazakhstan, for the first half of 2022 provides for the following audit activities:

- 1) Evaluation of the effectiveness of the activities of the Regional Representative Offices of the Partnership;
- 2) Evaluation of the reliability, completeness, objectivity of the accounting system and the preparation of the financial statements of the Partnership on its basis;
- 3) Evaluation of the effectiveness of the activities of the Department of Logistics and Warehouse Infrastructure.

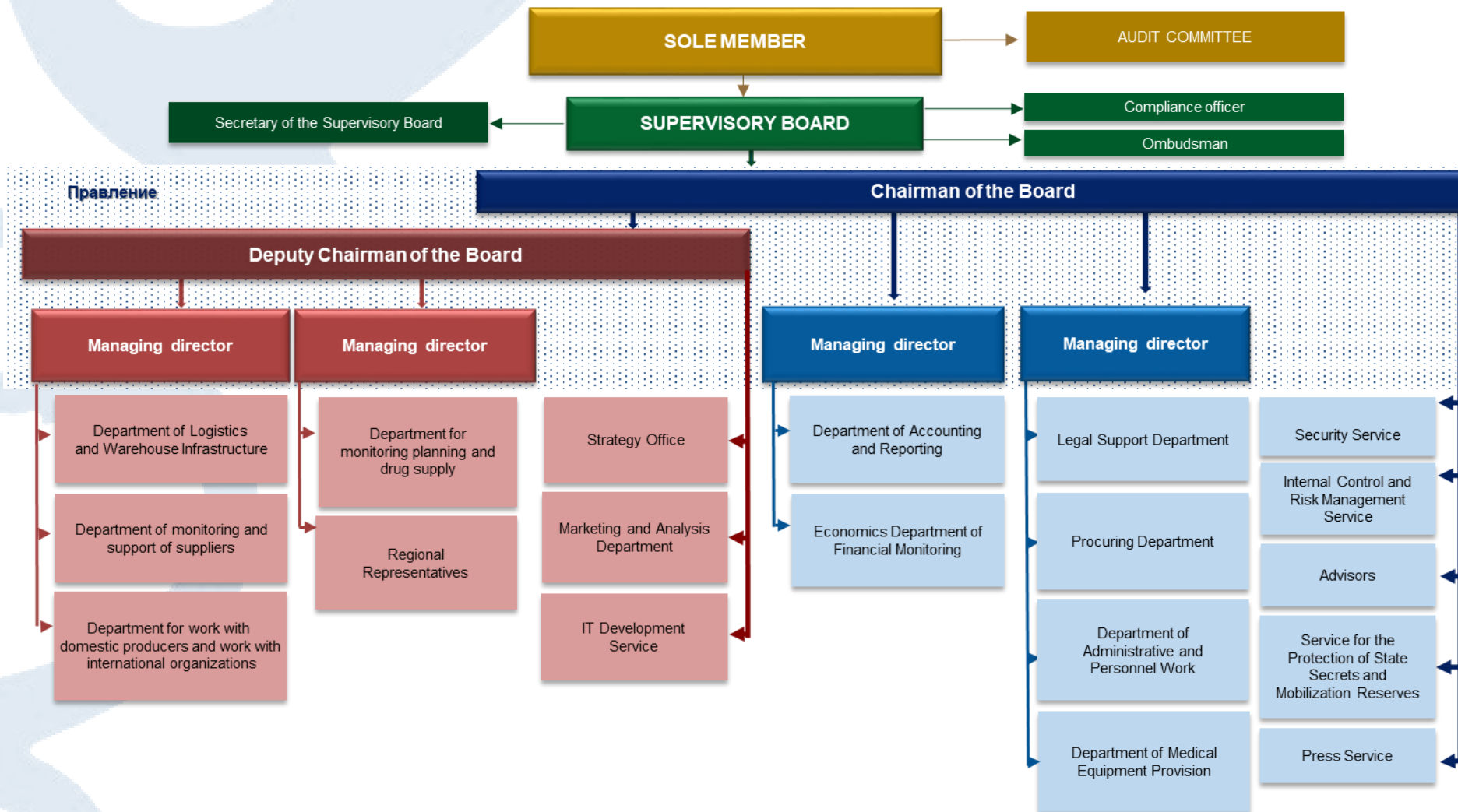
For the first half of 2022, based on the results of the audit, recommendations were made to improve work.

The implementation of the Action Plan to eliminate detections identified as a result of the audit with the deadlines for implementation is 100%.



RESULTS OF THE MAIN ACTIVITY

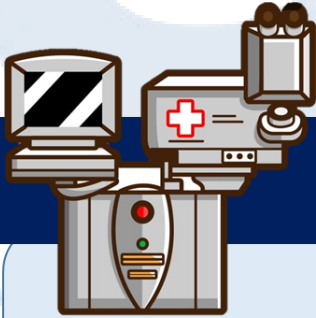
Organizational structure





PLANNING FOR 2022

Key initiatives for 2022



CENTRALIZATION OF THE MEDICAL EQUIPMENT PROCUREMENT

The effect of a centralized medical equipment procurement will be: savings, development of competition, improvement of after-sales service, improvement of the quality of medical services, opening of new industry sites



DEVELOPMENT OF MEDICAL AND PHARMACEUTICAL CLUSTERS

Attraction of domestic research institutes, scientific laboratories of large medical universities by the type of R&D centers, as well as their deployment in free economic and industrial zones



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Contact Information

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of free medicines**

1439

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E-mail: info@sk-pharmacy.kz

Website: www.sk-pharmacy.kz