

The Report was approved
by the SK-Pharmaceuticals LLP
Supervisory Board
on 4 of May, 2024
(Protocol No. 5)



SK - PHARMACEUTICALS

AFFORDABLE AND
EFFECTIVE MEDICATION
PROVISION

2023

ANNUAL REPORT

Astana City, 2024



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DEAR READER!

You are holding in your hands the annual report of SK-Pharmaceuticals LLP, which reflects our goals and results of work on the uninterrupted provision of medicines and medical products to the population within the framework of the guaranteed volume of free medical care and in the system of compulsory social health insurance in the conditions of creating affordable and effective healthcare system and proper performance of the role of the Unified Distributor

WISH YOU A PLEASANT READING!

The system of Unified 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-Pharmaceuticals Limited Liability Partnership was determined as The Unified 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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SK - PHARMACEUTICALS

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**

In recent years, Kazakhstan, like many countries around the world, has faced unprecedented challenges. The pandemic, external and internal political events had a direct impact on the state of the country's economy.

At the same time, there is a decrease in purchasing power in the national currency, an increase in inflation and an increase in the consumer price index.

Of course, all these events, to one degree or another, affected the state of the Kazakh pharmaceutical market.

According to the report of the IQVIA International Analytical Company, the cost of the Kazakhstan pharmaceutical market (taking into account retail sales and purchases for guaranteed volume of free medical care, compulsory social medical insurance) for 2023 amounted to 987.3 billion tenge in distributors prices, which is 15.4% higher than in 2022 (854.79 billion tenge).

Thus, it can be stated that the pharmaceutical market is gradually returning to normal consumption of drugs after the shock demand for them, which was observed in the first year of the pandemic.

It should be noted that among all the countries of Central Asia and the CIS, Kazakhstan leads in terms of the volume of drug provision provided through the guaranteed volume of free medical care and the compulsory social health insurance system. Nevertheless, the share of the retail segment in the total market volume is 58% in monetary terms and 82% in physical terms.

Thus, most medicines are sold through pharmacies, that is, purchased by the population at their own expense.



SK - PHARMACEUTICALS

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**

I am pleased to welcome you to the pages of the report of SK-Pharmaceuticals LLP based on the results of 2023.

The purchase of pharmaceutical products within the framework of the guaranteed volume of free medical care from 2009 to 2023 increased almost 14 times.

At the same time, preference when purchasing medicines is given to domestic manufacturers.

One of the tasks set for The Unified distributor is to support domestic developments and the development of a competitive pharmaceutical industry. At the end of 2023, the share of purchases from domestic manufacturers amounted to 31.5% of the total purchase volume of SK-Pharmaceuticals LLP in monetary terms and 62% in the number of purchased items.

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

Thus, The Unified distributor has carried out work to introduce changes and additions to regulations in the field of medicines circulation:

- the evaluation criteria for the application of potential suppliers who intend to create and (or) modernize the production of medicines and medical devices have been revised, where criteria have been added for the presence of export operations, R&D development in collaboration with research institutes, cooperation with universities in the framework of increasing personnel and scientific potential of the pharmaceutical industry;
- the mechanism for concluding long-term contracts with contract manufacturing customers has been improved, taking into account requests from BigPharma;
- measures have been developed to promote an increase in the level of localization of production in Kazakhstan and the creation of an added value chain in the pharmaceutical industry.

On November 17, 2023, the implementation of the first initiatives began - at the site of the Kazakhstan Global Investment Roundtable, The Unified distributor signed the first long-



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Report of SK-PHARMACY LLP based on the results of 2023

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MESSAGE OF THE MANAGEMENT

term contracts with customers for the contract production of original patented medicines with the American transnational company Pfizer Export BV and the Swiss pharmaceutical giant Roche Holding. .

Currently, geopolitics has caused the outflow of a number of clinical trials from the markets of Russia and Ukraine. We adhere to a clear position on the redeployment of some of them to our country, and therefore work is being carried out to reduce regulatory barriers to the development of this area.

And today Kazakhstan is included in the largest clinical trial conducted by the German company Bayer in 16 countries.



MESSAGE OF THE MANAGEMENT

SK-Pharmaceuticals LLP history of the creation

2009

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

2013

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

2018

- Centralization of outpatient drug provision

2019-2023

- New development strategy

2020

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

2021

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

2022

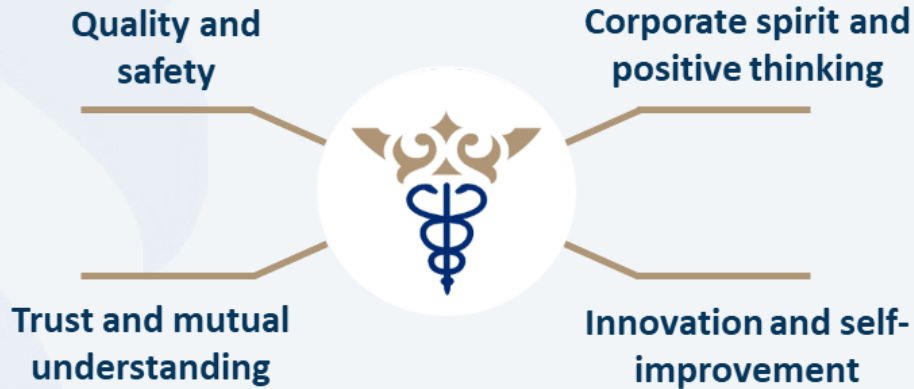
- Centralization of medical equipment procurement
- Development of medical and pharmaceutical clusters



MESSAGE OF THE MANAGEMENT

Mission, vision and strategic initiatives

OUR VALUES



MISSION

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

VISSION

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

STRATEGIC INITIATIVES

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



MESSAGE OF THE MANAGEMENT

SWOT ANALYSIS

INTERNAL



STRENGTHS

- 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



WEAK SIDES

- 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

- 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



THREATS

- 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



Implementation of the Development Strategy of SK-Pharmaceuticals LLP for 2019-2023.

The development strategy of SK-Pharmaceuticals LLP for 2019-2023 (hereinafter referred to as the Development Strategy) was approved by the decision of the Supervisory Board dated May 20, 2019 (Minutes No. 74).

The development strategy contains 3 strategic goals, 8 objectives, 17 key performance indicators and 32 activities (additionally 3 activities in the Roadmap according to the IT development concept).

Development Strategy and Roadmap for the implementation of the Development Strategy of SK-Pharmaceuticals LLP for 2019-2023, approved by the decision of the Supervisory Board of SK-Pharmaceuticals LLP dated July 23, 2019 (Minutes No. 77) (hereinafter referred to as the Roadmap) in accordance with the Development Concept of information systems, approved by the decision of the Board of SK-Pharmaceuticals LLP dated October 19, 2021 (minutes No. 40) were supplemented in accordance with the decision of the Supervisory Board of SK-Pharmaceuticals LLP dated July 29, 2022 (minutes No. 6).

Based on the results of monitoring the Development Strategy, The Unified distributor ensured the implementation of key performance indicators in all areas.

Key Performance Indicator	Plan	Fact
Inventory turnover period, %	no more than 90 days	38.98 days

**MESSAGE OF THE MANAGEMENT**

Key Performance Indicator	Plan	Fact
Share of purchased medicines and medical devices outside the List of The Unified distributor (including retail), %	100	100
Share of savings from centralized procurement of medical equipment, %	1	12
Share of medicines and medical devices purchased by the Organization according to the needs of medical organizations within the framework of the guaranteed volume of free medical care and compulsory social medical insurance, %	95	100
Number of medicines and medical products sold, billion conventional units. (based on the results of 2022)	1,4	1,6
Level of satisfaction of counterparties, % (based on the results of 2022)	88	91
Fulfillment of the delivery schedule to medical organizations within the framework of inpatient and outpatient drug provision, % (based on the results of 2022)	100	103
Personnel turnover, %	10	5
Achievement of financial performance indicators, % (at the end of 2022)	85	127
Share of money fund losses associated with write-offs, % (at the end of 2022)	2	0,6

At the same time, during the period of implementation of the Development Strategy for 2019-2023, The Unified distributor completed the following key activities:

2019:

- ✓ Creation of a Platform for interaction with stakeholders
- ✓ Accreditation according to international QMS standards (ISO 9001, TÜV NORD GROUP)

2020:

- ✓ Expanding the coverage of ALO nosologies by 3 times
- ✓ Purchase of vaccines to combat COVID-19
- ✓ Creation of reserves for the retail network
- ✓ Sk-Pharmaceuticals Reboot Program

2021:

- ✓ Centralization of the purchase of medical equipment
- ✓ Reboot of domestic producers – inclusion of new criteria for long-term contracts
- ✓ Improving logistics and optimizing routes
- ✓ Ensuring transparency of work

2022:

- ✓ Work on automation of procurement procedures
- ✓ Work with BigPharma and implementation of pharmaceutical clusters
- ✓ Work with global medical equipment vendors
- ✓ Completion of pilot labeling project
- ✓ Accreditation according to anticorrosive standard

2023:



MESSAGE OF THE MANAGEMENT

- ✓ Conclusion of long-term contracts for the localization of original drugs
 - ✓ Pfizer and Roche
 - ✓ Start of work on creating a regional pharmaceutical hub
 - ✓ Allocation of land plots for the construction of warehouses
 - ✓ GPO initiative – signing a memorandum with Kyrgyzpharmacy
- At the same time, over the years of implementation of the Development Strategy for 2019-2023. The Unified distributor has encountered a number of systemic problems, the solution of which should become a new challenge in the development of the company:
- - Untimely acceptance by the Fund of consolidated registers for payment and incomplete payment for incorrect prescriptions, regular changes to the maximum prices retroactively entail a shortage of funds.
 - - Work on filling the Unified Classifier of Medicines and Medical Devices has not been completed
 - - In medical organizations there is no integration of MIS and 1C, which makes it impossible to account for the balance of drugs and medical devices
 - - Calculation of the need for drugs and medical devices for medical organizations is not automated
 - - In terms of labeling and traceability of medicines, there is no accounting for the removal from circulation of individual units labeled drugs before the patient in medical organizations
 - - Medicines and medical supplies of the minimum reserve are formed at the expense of The Unified distributor's own funds, and therefore it is not possible to form a minimum reserve due to the occurrence of a cash gap and the lack of free funds in the current account.
 - - Allocation of budget funds for the purchase, refreshment, storage, transportation of drugs and medical supplies of the mobilization reserve, as well as the construction of warehouses.
 - - Bringing the nomenclature of drugs and medical supplies of the mobilization reserve in accordance with the List of The Unified distributor and equipment sheets
 - - The amount of debt, taking into account debts from previous years, as of December 31, 2023, is 16.3 billion tenge. Violations of deadlines for payment of obligations of medical organizations to the Unified Distributor are of a regular nature; against the backdrop of non-payment by medical organizations, the Unified Distributor faces a cash gap from year to year.
 - - Implementation of programs to centralize the purchase of medical equipment: leasing of medical equipment from domestic manufacturers, long-term rental of medical equipment, improvement of service maintenance of medical equipment, creation of an Expert (Technical) Council to improve the equipping of medical organizations with medical equipment and development of a unified policy in the field of provision of medical equipment, and also modernization of the IS system for recording medical equipment.

Development strategies of SK-Pharmaceuticals LLP for 2024 – 2028.

The Unified distributor is developing a new Development Strategy for SK-Pharmaceuticals LLP for 2024 – 2028.

The main prerequisites for the proposed directions of the new Development Strategy of SK-Pharmaceuticals LLP for 2024-2028 are the crisis of the pandemic and post-pandemic periods, the Kantar events, as well as the influence of the geopolitical situation on the system of unified distribution of Medicines and medical devices and the drug supply of the country as a whole.



MESSAGE OF THE MANAGEMENT

Today, the Head of State sets a number of tasks on the development of a trade and transport hub in Kazakhstan with the industrialization of product groups, increasing the share of domestic producers in the market to 50%, intensifying cooperation with global pharmaceutical corporations, the importance of attracting investors, ensuring the transfer of technologies and the latest developments to domestic production enterprises pharmaceutical products and medical equipment.

It is necessary to delve into the problems of equipping with medical equipment, study international experience and propose a transparent, effective mechanism for the purchase of medical equipment.

There is an urgent need to set the vector of the country's technological progress; first of all, it is important to focus on the implementation of artificial intelligence in the field of transport and logistics.

The fundamental principle of the Development Strategy of Sk-Pharmaceuticals LLP for 2024-2028 is patient-centric drug provision.

At the same time, in pursuance of the decree of the Head of State, the Order of the Chairman of the Board of Sk-Pharmaceuticals LLP dated December 28, 2023 No. 01-05/737 approved a working group for the development and development of proposals within the framework of the efficiency program of Sk-Pharmaceuticals LLP.

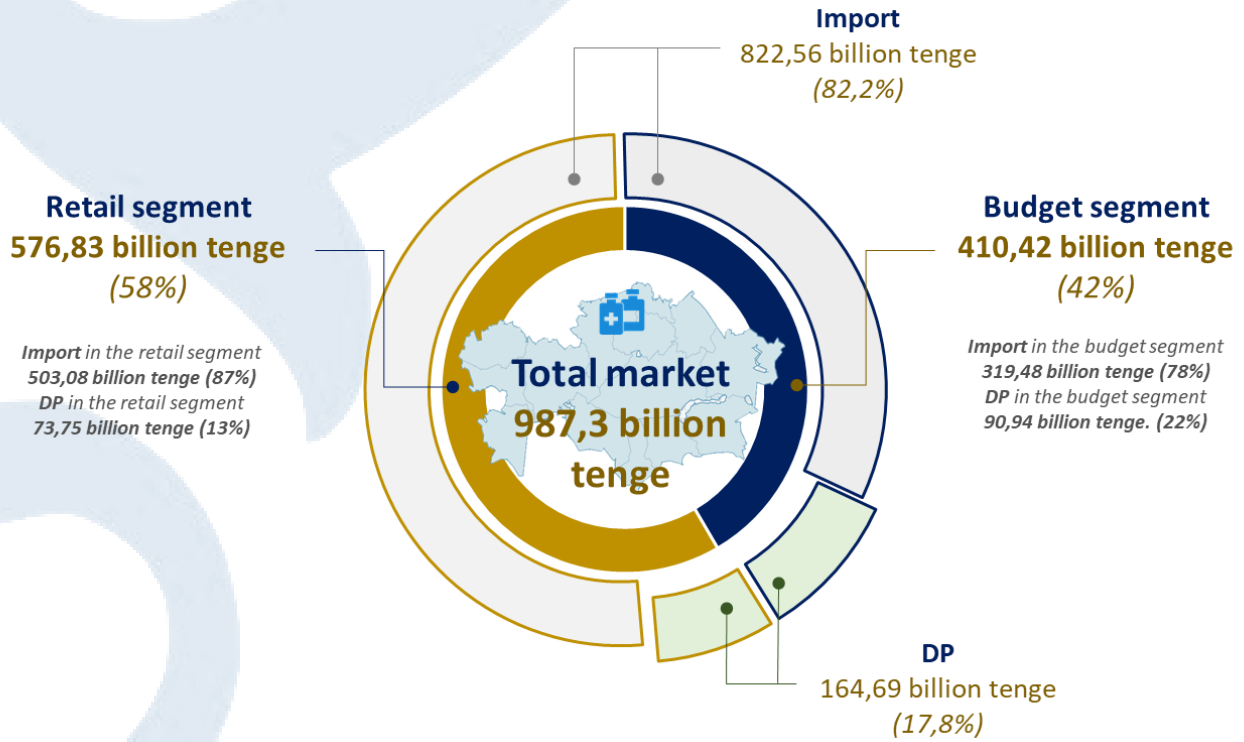
The Unified distributor has developed the SK-Pharmaceuticals efficiency program, which includes 12S areas. The efficiency program is aimed at continuous continuous improvement and improvement of the procurement processes of Medicines and Medical Devices.

ПРОГРАММА ЭФФЕКТИВНОСТИ СК-ФАРМАЦИЯ																	
<p>Указ Президента Республики Казахстан от 4 декабря 2023 года № 404 «О мерах по повышению эффективности работы по привлечению инвестиций в экономику страны»</p>	<table border="1"> <thead> <tr> <th>ПРОГРАММА ЭФФЕКТИВНОСТИ</th> </tr> </thead> <tbody> <tr><td>1. СОВЕРШЕНСТВОВАНИЕ ЗАКУПА ЛС, МИ И МТ</td></tr> <tr><td>2. ОПЕРИРОВАНИЕ МОБИЛИЗАЦИОННЫМ РЕЗЕРВОМ ЛС И МИ</td></tr> <tr><td>3. СОВЕРШЕНСТВОВАНИЕ ПЛАНИРОВАНИЯ ЛС И МИ</td></tr> <tr><td>4. СОВЕРШЕНСТВОВАНИЕ ЛОГИСТИКИ</td></tr> <tr><td>5. ПРИВЛЕЧЕНИЕ ИНОСТРАННЫХ И ОТЕЧЕСТВЕННЫХ ИНВЕСТИЦИЙ (РАБОТА С BIG PHARMA И ВЕНДОРАМИ)</td></tr> <tr><td>6. ГОСУДАРСТВЕННАЯ ПОЛИТИКА ПО ДОЛГОСРОЧНЫМ ДОГОВОРАМ ПОСТАВКИ ЛС И МИ (ПОДДЕРЖКА ОТЛ)</td></tr> <tr><td>7. ОБЕСПЕЧЕНИЕ ФИНАНСОВОЙ УСТОЙЧИВОСТИ</td></tr> <tr><td>8. СОВЕРШЕНСТВОВАНИЕ НПА</td></tr> <tr><td>9. СОВЕРШЕНСТВОВАНИЕ ЦЕНООБРАЗОВАНИЯ НА ЛС И МИ</td></tr> <tr><td>10. ЦЕНООБРАЗОВАНИЕ ГЕНЕРИКОВ/БИОСИМИЛЯРОВ (Международный опыт)</td></tr> <tr><td>11. СОВЕРШЕНСТВОВАНИЕ КАЧЕСТВА И БЕЗОПАСНОСТИ ЛС И МИ</td></tr> <tr><td>12. СОВЕРШЕНСТВОВАНИЕ ОБЕСПЕЧЕНИЯ МЕДИЦИНСКОЙ ТЕХНИКОЙ</td></tr> <tr><td>13. РАЗВИТИЕ ИТ</td></tr> <tr><td>14. ПРОГРАММА РАЗВИТИЯ ФАРМАЦЕВТИЧЕСКОЙ ОТРАСЛИ КАЗАХСТАНА</td></tr> <tr><td>15. ПОТЕНЦИАЛЬНЫЕ ВОЗМОЖНОСТИ И НОВЫЕ НАПРАВЛЕНИЯ РАЗВИТИЯ ОТЕЧЕСТВЕННОЙ ФАРМАЦЕВТИЧЕСКОЙ ПРОМЫШЛЕННОСТИ (российский опыт)</td></tr> </tbody> </table>	ПРОГРАММА ЭФФЕКТИВНОСТИ	1. СОВЕРШЕНСТВОВАНИЕ ЗАКУПА ЛС, МИ И МТ	2. ОПЕРИРОВАНИЕ МОБИЛИЗАЦИОННЫМ РЕЗЕРВОМ ЛС И МИ	3. СОВЕРШЕНСТВОВАНИЕ ПЛАНИРОВАНИЯ ЛС И МИ	4. СОВЕРШЕНСТВОВАНИЕ ЛОГИСТИКИ	5. ПРИВЛЕЧЕНИЕ ИНОСТРАННЫХ И ОТЕЧЕСТВЕННЫХ ИНВЕСТИЦИЙ (РАБОТА С BIG PHARMA И ВЕНДОРАМИ)	6. ГОСУДАРСТВЕННАЯ ПОЛИТИКА ПО ДОЛГОСРОЧНЫМ ДОГОВОРАМ ПОСТАВКИ ЛС И МИ (ПОДДЕРЖКА ОТЛ)	7. ОБЕСПЕЧЕНИЕ ФИНАНСОВОЙ УСТОЙЧИВОСТИ	8. СОВЕРШЕНСТВОВАНИЕ НПА	9. СОВЕРШЕНСТВОВАНИЕ ЦЕНООБРАЗОВАНИЯ НА ЛС И МИ	10. ЦЕНООБРАЗОВАНИЕ ГЕНЕРИКОВ/БИОСИМИЛЯРОВ (Международный опыт)	11. СОВЕРШЕНСТВОВАНИЕ КАЧЕСТВА И БЕЗОПАСНОСТИ ЛС И МИ	12. СОВЕРШЕНСТВОВАНИЕ ОБЕСПЕЧЕНИЯ МЕДИЦИНСКОЙ ТЕХНИКОЙ	13. РАЗВИТИЕ ИТ	14. ПРОГРАММА РАЗВИТИЯ ФАРМАЦЕВТИЧЕСКОЙ ОТРАСЛИ КАЗАХСТАНА	15. ПОТЕНЦИАЛЬНЫЕ ВОЗМОЖНОСТИ И НОВЫЕ НАПРАВЛЕНИЯ РАЗВИТИЯ ОТЕЧЕСТВЕННОЙ ФАРМАЦЕВТИЧЕСКОЙ ПРОМЫШЛЕННОСТИ (российский опыт)
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<p>«Поручаю Правительству разработать новую административную реформу для повышения результативности и ответственности государственных органов. Особое внимание следует уделить повышению эффективности управления в квазигосударственном секторе». К.К.Токаев</p>																	
<p>Во исполнение указа Главы Государства Приказом Председателя Правления ТОО «СК-Фармация» от 28 декабря 2023 года № 01-05/737 утверждена рабочая группа по разработке и выработке предложений в рамках программы эффективности ТОО «СК-Фармация»</p>																	



MESSAGE OF THE MANAGEMENT

Pharmaceutical Market Overview



According to the report of the IQVIA international analytical company, the value of the Kazakhstani pharmaceutical market (including retail sales and procurement procedures for the guaranteed volume of medical care) 2023 amounted to 987.3 billion tenge in distributor prices, which is 15.4% higher than of 2022 (854.79 billion tenge) (*there is growth in the budget segment by 20.1%, retail by 12.46%*), while the growth of sold products in physical terms (number of packages) amounted to only 0.2%, which indicates an increase in the cost of 1 unit of goods. So, the average market price of 1 unit of goods increased by 15.25%, while the growth in the budget segment is 9.1% (stationary market – 8.7%, outpatient drug supply (OPDS) – 5.1%), in the retail segment – 14.4%.

Market segment	2023			2022		
	Amount, in billion tenge	Number of units of goods (million packs)	Price for 1 unit of goods	Amount, in billion tenge	Number of units of goods (million packs)	Price for 1 unit of goods
Budget segment	410,42	127,23	3 225,77	341,88	115,59	2 957,78
Inpatient care	187,51	93,98	1 995,29	159,65	87,00	1 834,94
OPDS	222,92	33,26	6 702,77	182,23	28,58	6 375,73
Retail segment	576,83	586,93	982,80	512,91	597,05	859,08
TOTAL PHARMACEUTICAL MARKET OF RK	987,26	714,16	1 382,40	854,79	712,63	1 199,48



RESULTS OF THE MAIN ACTIVITY

Procurement status of medicines and medical devices



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

Thus, there are 1,800 names of medicines and medical devices on the list of The Unified 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 129 types of medicines and medical devices, medical organizations do not have a need for 2023. Thus, within the framework of inpatient care, medical organizations declared a need for 1583 medicines and medical devices in the amount of 184.9 billion tenge, and within the framework of outpatient drug provision - 638 items in the amount of 232.6 billion tenge.

As of December 31, 2023, **1,571** items of medicines and medical devices have been procured.



RESULTS OF THE MAIN ACTIVITY

The procurement of 1,571 types of medicines and medical devices was carried out in the following ways:

- 1) **two-stage tender** – 616 items;
- 2) **from one source** – 162 items, including:
- 3) **under direct contracts with manufacturers** – 149 items;
- 4) **through international organizations (UNICEF, UNDP, STOP-TB)** – 13 items;
- 5) **special procurement procedure** (additional agreements to LTC) – 758 items;

* - *withdrawn from the procurement due to: the presence of a carry-over balance – 30 items, the purchase of other trade names - 7 items.*

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

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

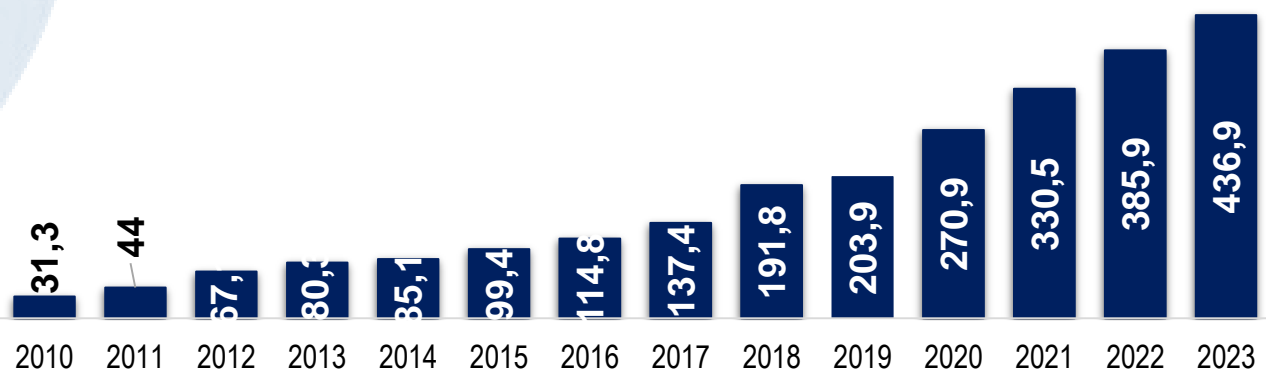
Thus, for 2023, 94% of medicines and medical devices were procured from the declared need for 2023, that is, 1,571 types of medicines and MD in the amount of more than 436,86 billion tenge.

At the same time, on behalf of the Ministry of Health of the Republic of Kazakhstan, 5 types of medicines and medical products were purchased (4 medical devices and a Vaccine against yellow fever), not included in the list of The Unified distributor in the amount of 755.45 thousand tenge.

Out of 1,571 items, 938 medicines and 633 medical devices were procured. Of the 938 procured drugs, 291 items (27.9%) do not have registered analogues in the Republic of Kazakhstan (original drugs).

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

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



RESULTS OF THE MAIN ACTIVITY

As a result of the work of The Unified distributor, over the period from 2009 to the present, medicines and medical devices worth more than 2.5 trillion tenge or \$7.5 billion have been centrally procured.

For 2023, the total share of the ten most popular drugs amounted to 18% of the total volume shipped by SK-Pharmaceuticals LLP to medical organizations in the regions, both inpatient and outpatient levels.

TOP-10 Trade Names of Medicines

No	Trade name	2022, in million tenge	2023, in million tenge	Growth by 2022	The share
1	Keytruda	7 530,25	11 271,01	50%	3%
2	Hexaxim®	10 014,63	10 448,52	4%	2%
3	Prevenar 13®	9 727,03	10 350,96	6%	2%
4	Spinraza™	4 686,72	8 708,90	86%	2%
5	Simponi®	6 357,35	7 461,62	17%	2%
6	Pentaxim	8 013,33	7 181,13	-10%	2%
7	Revilade™	5 389,88	6 709,00	24%	2%
8	Vaccine against measles, mumps and rubella, live attenuated (lyophilized)	1 034,39	6 676,07	545%	2%
9	Victoza®	4 340,26	6 012,89	39%	1%
10	Bevacizumab	4 168,55	5 928,22	42%	1%
TOP 10			80 748,33		18%
Total purchased			436 855,23		

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

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

According to the results of 2023, The Unified distributor of medicines and medical devices was actually procured in the amount of 436,86 billion tenge, while 45% (197.8 billion tenge) is supplied through local distributors, the total share of the ten largest distributors amounted to 39% of total procurement volume of SK-Pharmaceuticals LLP.

TOP-10 major suppliers among distributors

**RESULTS OF THE MAIN ACTIVITY**

No	Supplier	2022, in million tenge	2023, in million tenge	growth by 2022	Share of total procurement
1	Medservice Plus LLP	31 870,91	35 319,08	-12%	8%
2	Ak Niet LLP	25 121,69	29 900,67	-29%	7%
3	STOPHARM LLP	22 736,38	23 200,47	-5%	5%
4	KNYAZ PHARMA LTD LLP	20 651,17	19 178,80	-48%	4%
5	R-Pharm Kazakhstan LLP	11 911,68	14 993,26		3%
6	SWIXX BIOPHARMA LLP		12 435,08	-7%	3%
7	Novo Nordisk Kazakhstan LLP	4 927,17	11 737,62	61%	3%
8	INKAR LLP	11 034,89	8 786,81	-31%	2%
9	Takeda Kazakhstan LLP	5 543,24	7 581,12	-6%	2%
10	OAD-27 LLP	6 484,89	6 681,65	-16%	2%
	TOP 10		169 814,57		39%
	TOTAL PROCUREMENT FROM DISTRIBUTORS		197 839,10		45%
	TOTAL PROCUREMENT		436 855,23		

According to the results of 2023, the share of the ten largest manufacturers amounted to 42% of the total purchase of SK-Pharmaceuticals LLP, where DCP JSC Nobel was the leader, overtaking two Sanofi and Janssen.

TOP-10 major manufacturers

No	Manufacturer	2022, in million tenge	2023, in million tenge	Growth by 2022	Share
1	Nobel	22 066,83	26 420,49	20%	6%
2	Sanofi	25 092,67	24 771,66	-1%	6%
3	Janssen	7 860,74	20 237,05	157%	5%
4	Himfarm	18 676,55	19 699,23	5%	5%
5	KFK	13 617,14	17 774,28	31%	4%
6	Pfizer	15 768,61	17 277,80	10%	4%
7	Baxter	14 697,97	16 654,08	13%	4%
8	Roche	13 102,68	14 875,95	14%	3%
9	Vetter Pharma	14 203,37	14 525,19	2%	3%
10	AstraZeneca	8 576,58	12 472,03	45%	3%
	TOP-10		184 707,77		42%
	TOTAL		436 855,23		

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 88% of the total volume.

TOP-10 countries according to the procurement results

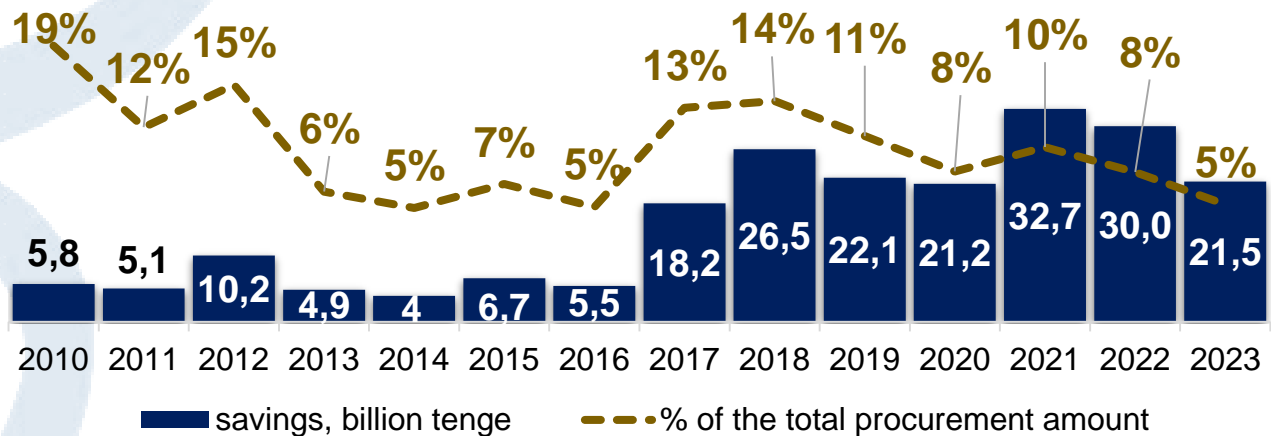


RESULTS OF THE MAIN ACTIVITY

№	Country	2022, in million tenge	2023, in million tenge	Growth by 2022.	Share	Number of hiring M and MD	share of hired M and MD
1	Kazakhstan	131 414,97	137 554,25	5%	31%	969	62%
2	Germany	51 042,16	58 380,73	14%	13%	115	7%
3	Switzerland	29 132,24	28 477,78	-2%	7%	30	2%
4	Italy	20 317,44	27 287,56	34%	6%	30	2%
5	France	25 533,96	25 539,67	0%	6%	42	3%
6	Ireland	20 567,88	24 921,15	21%	6%	17	1%
7	USA	18 408,74	21 130,83	15%	5%	21	1%
8	India	13 147,53	19 827,33	51%	5%	136	9%
9	Austria	9 324,77	10 254,61	10%	2%	18	1%
10	Sweden	6 598,61	9 888,60	50%	2%	7	0%
TOP-10			363 262,50		83%	1 385	88%
TOTAL			436 855,23			1 571	

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

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

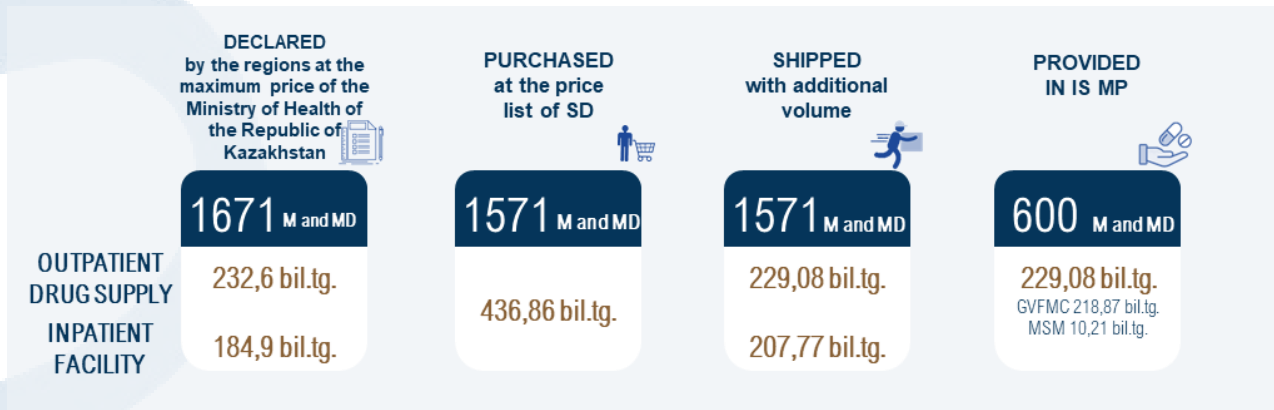


RESULTS OF THE MAIN ACTIVITY

Shipment of medicines and medical devices to medical organizations

Since the beginning of 2023, The Unified 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 December 31, 2023, The Unified distributor shipped medicines and medical devices in the amount of more than 229.08 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 229.08 billion tenge, (*within the framework of the GVPMC – 218.87 billion tenge; and within the framework of the CSHI – 10.21 billion tenge.*)

As of December 31, 2023, The Unified distributor shipped medicines and MD worth more than 207.77 billion tenge within the hospital.



Outpatient drug provision within the framework of the activities of The Unified distributor

Unified 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 Unified 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 GVPMC 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.

RESULTS OF THE MAIN ACTIVITY

Expenses for the treatment of the **TOP-10 nosologies amount to 168.09 billion tenge**, or 73% of the total expenditure on drug provision within the allocated budget funds for outpatient drug provision.

TOP 10 nosologies by the amount of expenses

No	Name	Sign of GVFCM / CSHI	2022, in million tenge	2023, in million tenge	Growth by 2022	Share
1	Diabetes mellitus	GVFCM, CSHI	38 554,56	45 565,55	18%	20%
2	Oncological diseases	GVFCM, CSHI	28 215,03	30 574,59	8%	13%
3	Malignant neoplasms	GVFCM, CSHI	19 850,25	22 482,52	13%	10%
4	Hereditary deficiencies of blood clotting factors	GVFCM	13 893,99	15 956,55	15%	7%
5	Arterial hypertension	GVFCM, CSHI	13 003,44	15 402,08	18%	7%
6	Rheumatoid arthritis	GVFCM, CSHI	8 616,45	9 784,79	14%	4%
7	Spinal muscular atrophy	GVFCM	4 686,72	8 708,90	86%	4%
8	Mucopolysaccharidosis	GVFCM	9 190,57	8 492,60	-8%	4%
9	Mental illness	GVFCM, CSHI	6 371,98	5 951,41	-7%	3%
10	Multiple sclerosis	GVFCM	4 744,37	5 168,52	9%	2%
	TOP 10			168 087,51		73%
	Total			229 077,11		

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 85% of all patients provided with free medicines as part of outpatient drug provision.

TOP 10 nosologies by number of patients*

No	Nosology	Sign of GVFCM / CSHI	Number of patients provided in 2022	Number of patients provided in 2023	Growth by 2022.	Share
1	Arterial hypertension	GVFCM, CSHI	1 423 423	1 247 742	-12%	36%
2	Coronary heart disease (CHD)	GVFCM, CSHI	564 522	494 309	-12%	14%
3	Diabetes mellitus	GVFCM, CSHI	505 642	437 210	-14%	13%
4	Acute respiratory infections of the lower respiratory tract	CSHI	241 856	214 333	-11%	6%
5	Hypothyroidism / Hyperthyroidism / Hypoparathyroidism	GVFCM, CSHI	139 953	123 784	-12%	4%
6	Chronic heart failure	GVFCM, CSHI	101 442	97 803	-4%	3%
7	Bronchial asthma	GVFCM, CSHI	98 480	94 402	-4%	3%
8	Acute respiratory infections of the upper respiratory tract	GVFCM, CSHI	118 354	87 098	-26%	3%
9	Chronic obstructive pulmonary disease	GVFCM, CSHI	80 324	68 510	-15%	2%
10	Epilepsy	GVFCM, CSHI	81 810	67 316	-18%	2%
	TOP 10			2 932 507		85%
	TOTAL			3 438 909		

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

RESULTS OF THE MAIN ACTIVITY

Thus, in 2023, more than 17.1 million prescriptions were issued for 2.44 million patients in the amount of more than 229.08 billion tenge, which indicates that, **on average, about 47,500 prescriptions are issued and dispensed daily recipes.**

In 2023, **more than 3 million 439 thousand of the population** were covered with free medicines, of which 651 thousand were covered within the framework of the implemented compulsory health insurance system.

Support for domestic producers

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

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

Support for domestic producers and entrepreneurial initiatives is one of the main activities of The Unified distributor.

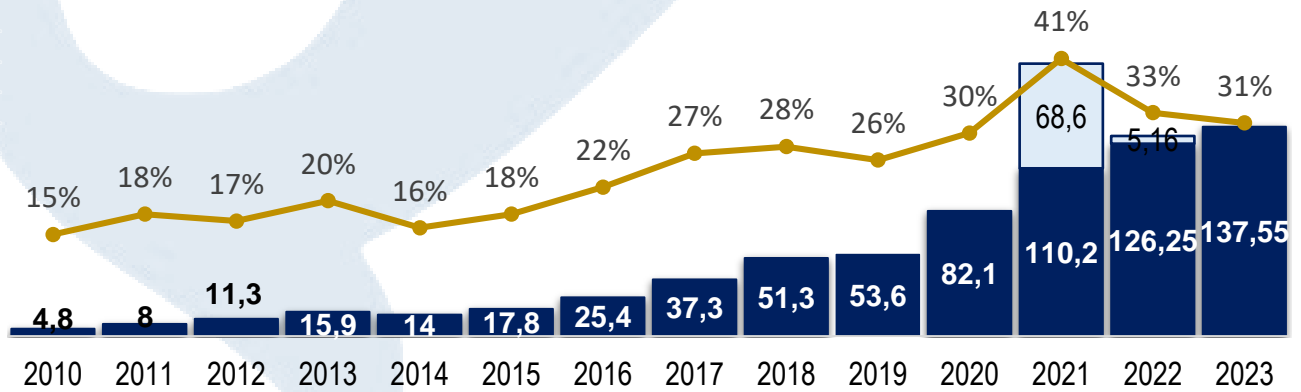
In the period from 2009 to the 2023, there has been a systematic increase in the share of Kazakhstani drugs in the procurement of The Unified distributor. Most of the domestic drugs are procured through the conclusion of long-term contracts with DGP for 10 years.

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 2023, the share of procurement in monetary terms increased by 2 times, amounting to 31% (in the amount of 137.55 billion tenge).

Procurement dynamics of The Unified distributor from DGP for the period 2010 – 2023

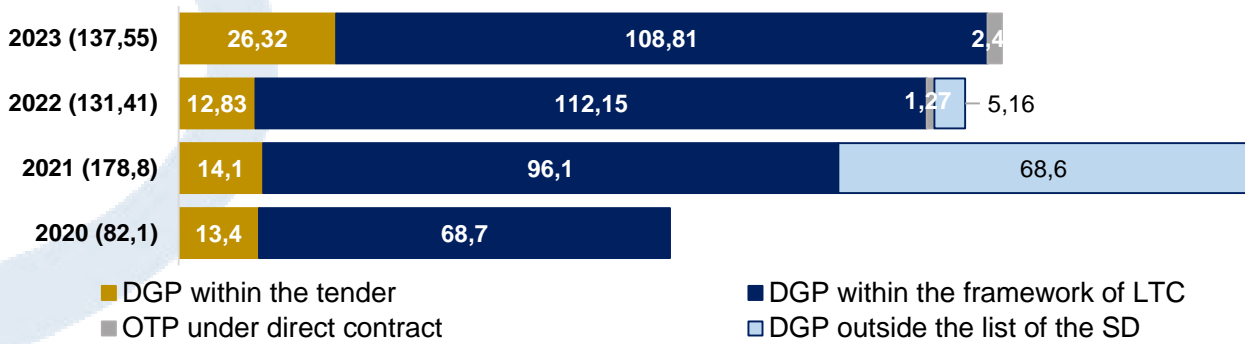


RESULTS OF THE MAIN ACTIVITY



■ in monetary terms, billion tenge □ CVI vaccine is not included in the SD list ● share of the total procurement, %

Procurement dynamics of The Unified distributor from DGP within the framework of LTC for 2020 – 2023

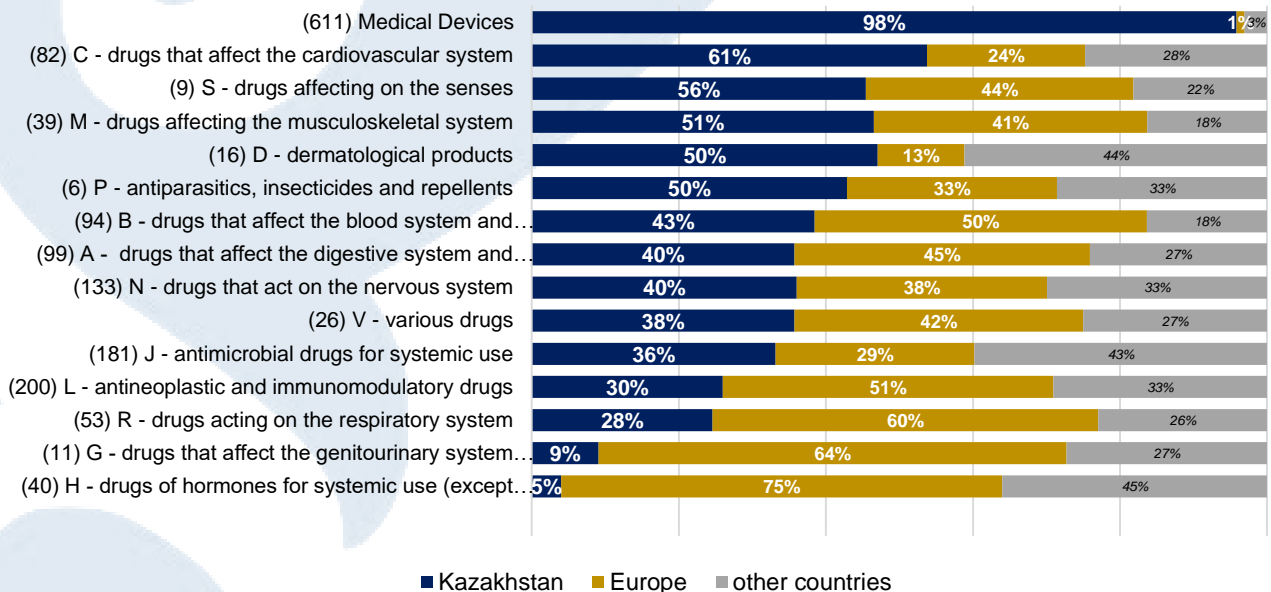


79% (108.81 billion tenge) of the medicines and MD procured in 2023 from DGP, were procured through long-term contracts.

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



RESULTS OF THE MAIN ACTIVITY



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

- Over 50% DGP are covered in 6 groups:
 - **medical devices:** 598 items out of 611 procured according to the list of the SD produced in Kazakhstan
 - **drugs affecting the cardiovascular system:** 50 items out of 82 procured according to the list of the SD produced in Kazakhstan;
 - **drugs affecting on the senses:** 5 items out of 9 procured according to the list of the SD produced in Kazakhstan;
 - **drugs affecting the musculoskeletal system:** 20 item out of 39 procured according to the list of the SD produced in Kazakhstan;
 - **dermatological drugs:** 8 items out of 16 procured according to the list of the SD procured in Kazakhstan;
 - **antiparasitic agents, insecticides and repellents:** 3 items out of 6 produced in Kazakhstan.
- 12 out of 15 DGP groups produce more than 30% of drug names procured under the SD list.

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

To date, there are **95 long-term contracts** concluded with **35 domestic goods producers** for the supply of 640 medicines and 3,768 medical devices.

For the first time since 2020, work has been carried out to terminate Long-term contracts. The Unified distributor terminated 29 long-term contracts, under which production was not established with 23 domestic producers for 416 medicines and 480 medical devices.

RESULTS OF THE MAIN ACTIVITY

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

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

Thus, today the industry faces the following problems:

- more than 85% of the names of medicines and medical devices under long-term contracts are for medical devices;
- only 29 long-term contracts out of 95 long-term contracts were implemented;
- lack of interaction between the scientific community of Kazakhstan and manufacturers;
- low level of research and educational potential in the field of pharmaceuticals, as well as the residual principle of their financing;
- lack of production of substances and original drugs;
- the portfolio of domestic producers is represented by low-profit generic drugs

In this regard, Sk-Pharmaceuticals LLP proposed a number of measures to improve state policy on long-term contracts, namely:

- audit and diagnostics of the current portfolio of long-term contracts: Analysis of all positions occupied under long-term contracts by the NSCHR to determine the coverage of domestic manufacturers' needs for clinical protocols.
- forecast for the development of the pharmaceutical market: Development of a strategy for the development of the pharmaceutical market in Kazakhstan based on 10-year forecasts for the consumption of medicines and medical devices.
- changing approaches to the formation of a nomenclature of medicines and medical devices: Development and approval of a nomenclature of medicines and medical devices for concluding long-term contracts with domestic producers at the level of the National Research Center for Healthcare, taking into account the medium-term forecast of morbidity in the Republic of Kazakhstan and the consumption of medicines and medical products.
- quality and safety of medicines and medical devices produced in Kazakhstan: Activation of the work of the pharmaceutical inspectorate, strengthening the responsibility of domestic producers for the safety of supplied medicines and medical devices, rebooting the "ST-KZ Certificate" tool.
- development of biotechnologies on the territory of Kazakhstan: Formation of state policy for the development of the pharmaceutical industry, aimed at developing the production of high-tech, expensive drugs.

The implementation of the proposed measures will contribute to an increase in the level of localization of production in Kazakhstan, the creation of a value chain in the pharmaceutical industry, will ensure an increase in the quality of domestic products, expansion of their range, taking into account the transfer of technology and the latest developments, and achievement of the target indicator of up to 50% of the share of domestic producers.



RESULTS OF THE MAIN ACTIVITY

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.



Unified 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 Unified 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-Pharmaceuticals Unified 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.



RESULTS OF THE MAIN ACTIVITY



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

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

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

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

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

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

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



RESULTS OF THE MAIN ACTIVITY

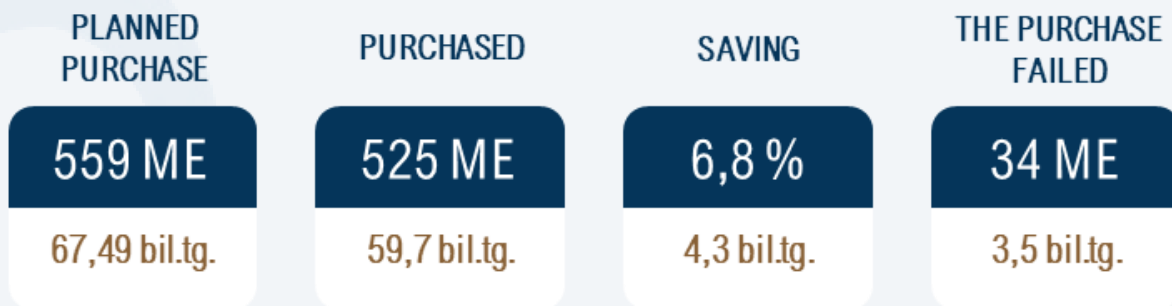
Centralization of the medical equipment procurement at the level of The Unified distributor

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-Pharmaceuticals LLP to centralize the medical equipment procurement on the basis of The Unified distributor.

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

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

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



As part of the centralized purchase of medical equipment on the basis of SK-Pharmaceuticals LLP (according to information from HD, customers) in 2023:

Applications were submitted to the unified pharmaceutical information system (HD, Customers) - for 559 MT units:

1. SCF announced - 27 tenders, 559 units of medical equipment worth 67,494,419,741 tenge.

2. 525 units of medical equipment were purchased: the allocated amount for the purchase of medical equipment was 63,984,510,990 tenge, according to the results of the auction, the purchase amount was 59,653,362,730 tenge, savings amounted to 4,331,148,260 tenge - 6.8% of them as part of negotiations on price reduction – 41,448,802 tenge.

3. The purchase of medical equipment did not take place for 34 units (allocated amount 3,509,908,752 tenge), of which:

- 1 unit of medical equipment was withdrawn from the tender (the supplier provided it free of charge);

- The purchase of 33 units of medical equipment did not take place due to the lack of a competitive environment, late deadlines for submitting customer applications (the risk of non-delivery of medical equipment before the end of the year).

4. 495 units of medical equipment were delivered.

5. 30 units of medical equipment worth 4.6 billion tenge were not delivered.

THE OPERATIONAL RESULTS

Financial performance results

According to operational data, the Partnership's Gross Income for 2023 amounted to 441.16 billion tenge, including:

- income from the sale of drugs and medical devices amounted to 424.08 billion tenge, an increase of 5.76% compared to 2022 (400.97 billion tenge).
- financial income – 5.62 billion tenge, an increase of 2.9 times compared to the previous period (1.96 billion tenge),
- other income – 11.46 billion tenge, an increase compared to the previous period (8.43 billion tenge) amounted to 35.94%.

Increasing financial income by increasing the volume of temporarily free funds placed in deposit accounts and overnight in second-tier banks.

There is also an increase in the total expenses of the Partnership from 400.93 billion tenge in 2022 to 426.86 billion tenge in 2023. Compared to 2022, an increase of 6.47%.

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

- the cost of products sold amounted to 407.96 billion tenge. increase in production costs by 6.32% compared to 2022 – 383.71 billion tenge;
- sales expenses for 2023 amounted to 8.49 billion tenge; the increase in sales expenses amounted to 1.07% compared to 2022 - 8.40 billion tenge;
- general administrative expenses in 2023 amounted to 2.06 billion tenge, an increase of 4.56% compared to 2022 - 1.97 billion tenge;
- other expenses amounted to 8.35 billion tenge, which shows an increase in expenses compared to 2022 - 6.85 billion tenge.

Profit after tax for 2023 amounted to 11.54 billion tenge.

As of December 31, 2023, the amount of receivables from medical organizations was 16.3 billion tenge.

Cash flow management

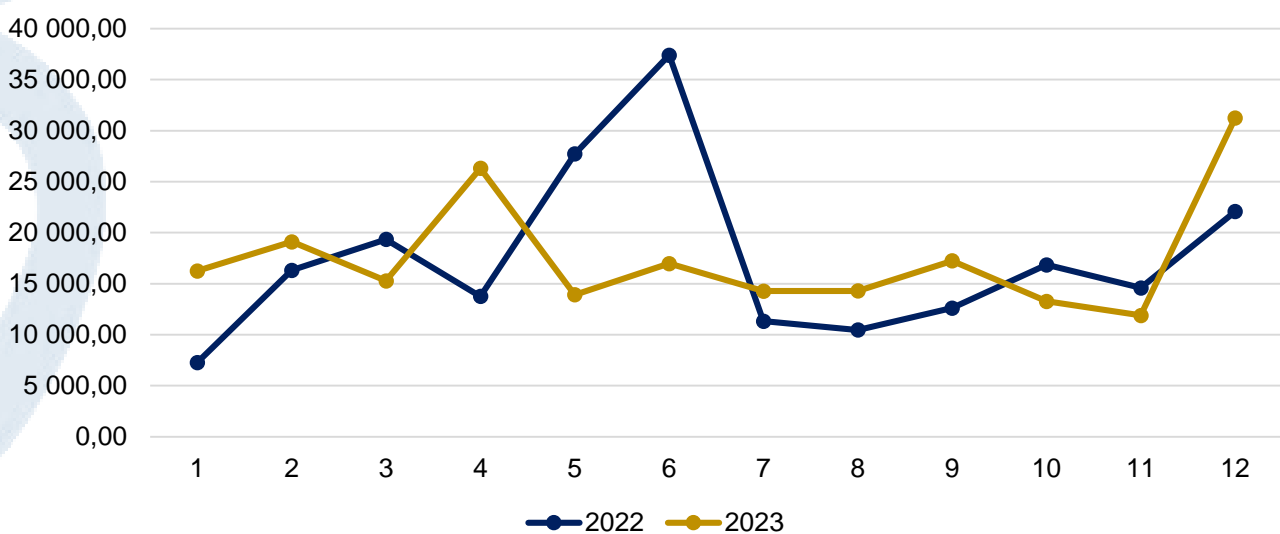
The Partnership manages temporarily free money in accordance with the Decree of the Government of the Republic of Kazakhstan dated September 14, 2004 No. 960 “On some issues of acquisition of financial services by state-owned enterprises on the right of economic management and organizations in which a controlling stake (shares) belongs to the state”, Rules of temporary management free money approved by the Supervisory Board of the Partnership, as well as other internal documents of the Partnership.

According to accounting data, the cash balance as of December 31, 2023 amounted to 47.9 billion tenge, and as of December 31, 2022 it amounted to 20.5 billion tenge. To carry out the analysis, taking into account the unevenness of cash flows, the average cash balance during the year was calculated:

**THE OPERATIONAL RESULTS****Average annual cash balance by periods, in millions of tenge**

Period	2018	2019	2020	2021	2022	2023
1st of January	32 443	12 645	20 116	14 951	13 605	20 510
1st of February	26 852	17 442	26 989	34 043	38 158	45 475
1st of March	27 067	30 676	36 583	40 729	28 088	44 205
1st of April	34 063	24 337	30 355	30 680	30 483	63 245
1st of May	26 592	19 014	48 166	37 547	15 781	66 602
1st of June	26 763	13 122	34 935	21 673	8 096	45 770
1st of July	8 684	15 586	42 430	6 911	1 623	38 302
1st of August	756	10 005	39 992	38 386	160,1	44 758
1st of September	8 755	10 352	33 957	17 266	85,3	34 027
1st of October	19 708	5 575	29 536	18 291	35 305	38 081
1st of November	14 965	11 276	15 880	6 057	19 023	24 367
1st of December	305	10 903	5 075	11 456	14 490	20 315
At the end of the year	12 645	20 116	14 951	13 605	20 510	47 940
Average value	18 431	15 465	29 151	22 430	17 339	41 046

Receipts from hospitals are also uneven throughout the year, this trend has been maintained over the past three years, while accounts receivable from customers as of December 31, 2023 amounted to 16.3 billion tenge (as of December 31, 2022 – 20.6 billion tenge).

Income from hospitals, million tenge

With uneven receipts of funds from the sale of drugs and medical devices, there is a positive trend in income from fees on deposit and current accounts in second-tier banks.

Dynamics of remuneration on accounts in second-tier banks, in million tenge

**THE OPERATIONAL RESULTS**

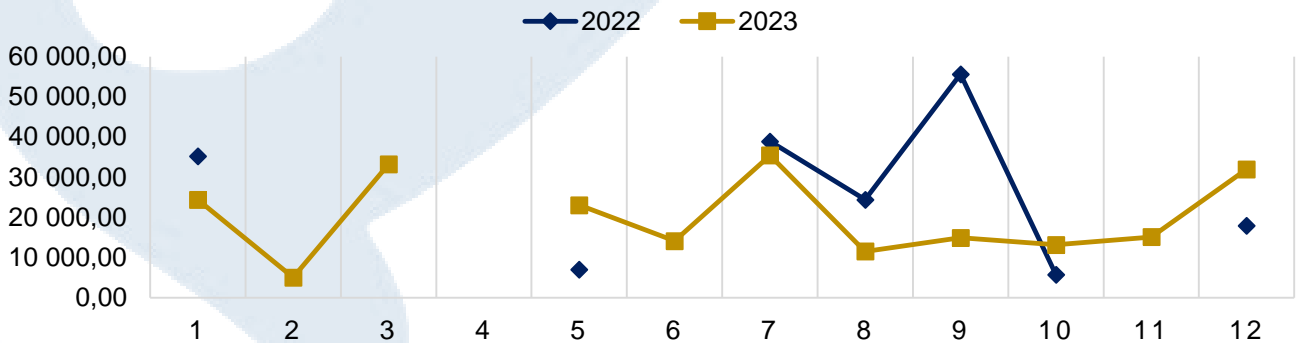
Period	Income in the form of remuneration	Balance on deposit accounts
	KZT	KZT
January	307 956	45 474 742
February	499 908	44 204 875
March	700 686	63 245 135
April	730 919	66 601 906
May	822 842	45 770 446
June	527 633	38 302 494
July	287 011	44 757 935
August	475 033	34 026 613
September	346 887	38 081 057
October	367 929	24 366 875
November	214 183	20 314 654
December	266 475	47 940 699
Total	5 547 463	47 940 699

For the analysis, we also calculated the ratio of the size of positive and negative cash flows, which allows us to assess the organization's ability to ensure the payment of funds only at the expense of the balance and cash inflow that occurred at the beginning of the year in the analyzed period. For 2023, this ratio amounted to 1.09 and increased by 3.8% compared to last year.

The ratio of the amount of cash flows, in thousands of tenge

Period	PCF	NCF	K 1 = PCF/NCF
2019	198 755 627,87	181 367 455,32	1,10
2020	272 177 402,50	272 626 465,77	1,00
2021	462 569 218,45	464 169 236,19	1,00
2022	394 513 048,50	375 646 429,27	1,05
2023	432 250 098,63	394 975 137,93	1,09
Total	1 760 265 395,95	1 688 784 724,48	1,04

At the end of 2023, positive cash flow increased by 37.7 billion tenge or 9.57%. The increase is associated with a change in the volume of temporarily free money, so the NJSC Social Medical Insurance Fund (hereinafter referred to as the SMIF) in 2023 promptly concluded an agreement within the framework of the guaranteed volume of free medical care (05/10/2023) for the full amount of 214.67 billion tenge (the amount of the advance is 64.4 billion tenge), while in 2022 the agreement within the framework of the guaranteed volume of free medical care was concluded in the amount of 95.27 billion tenge and an additional agreement for the amount of the advance of 66.67 billion tenge was concluded only on September 6, 2022 .

**THE OPERATIONAL RESULTS****Receipt from NJSC SMIF, million tenge**

At the end of 2023, there was an increase in financial income by 3,647.0 million tenge or 191.9% compared to 2022 and amounted to 5,547.4 million tenge. The reasons for the significant increase in financial income are the increase in the volume of temporarily free funds placed on deposit accounts in second-tier banks. Also, the increase in financial income is associated with an upward change in the STB interest rate on interest on deposit accounts (from 13 to 15.75%).

Dynamics of remuneration on accounts in second-tier banks, in million tenge

Indicators/Periods	2018	2019	2020	2021	2022	2023
Income from remunerations	1 217	735	2 373	1 752	1 900	5 547
Average annual balance on deposit accounts	18 431	15 463	29 151	22 428	17 650	42 757
Average remuneration rate	6,60%	4,75%	8,14%	7,81%	10,76%	12,97%



SUSTAINABLE DEVELOPMENT POLICY

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

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

Economic sphere



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

Social sphere



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

Environmental sphere



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

SUSTAINABLE DEVELOPMENT POLICY

Stakeholder Engagement

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

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

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

Sk-Pharmaceuticals positions itself as an open, patient-oriented organization, therefore the emphasis in matters of interaction with the public, both in the media and on social networks, is based on the principles of transparency and quick response. Active work is carried out with the population through all available tools.

The press service regularly works to highlight important news stories about the activities of SK-Pharmaceuticals, organize press briefings, interviews, participate in television programs, organize round tables with patient organizations and NGOs.

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

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

In total, in 2023, the call center of The Unified distributor processed 38,486 calls from the population. Of these, there are 41,468 complaints and requests regarding drug supply issues with registration of a client card. The total number of processed calls from patients is less than the number of registered complaints regarding drugs/medicine, since more than 20% of patients registered with the CC are registered at the dispensary for the 2nd and more nosologies, the need, respectively, for drugs/medicines for 2 or more items. 5,543 calls are calls of an informational nature regarding the activities of The Unified distributor within the competence that is not confidential. Of these, 720 were requests for unpurchased drugs and 275 were from eGov.kz users. Of the total number of calls from eGov.kz users (275), 116 patients did not confirm the fact of receiving drugs and medical devices. To carry out further measures regarding non-receipt of drugs/medicinal products, data on patients is sent to NJSC SMIF.

The majority of requests were from patients with diseases:

1. Diabetes mellitus – 9,441;

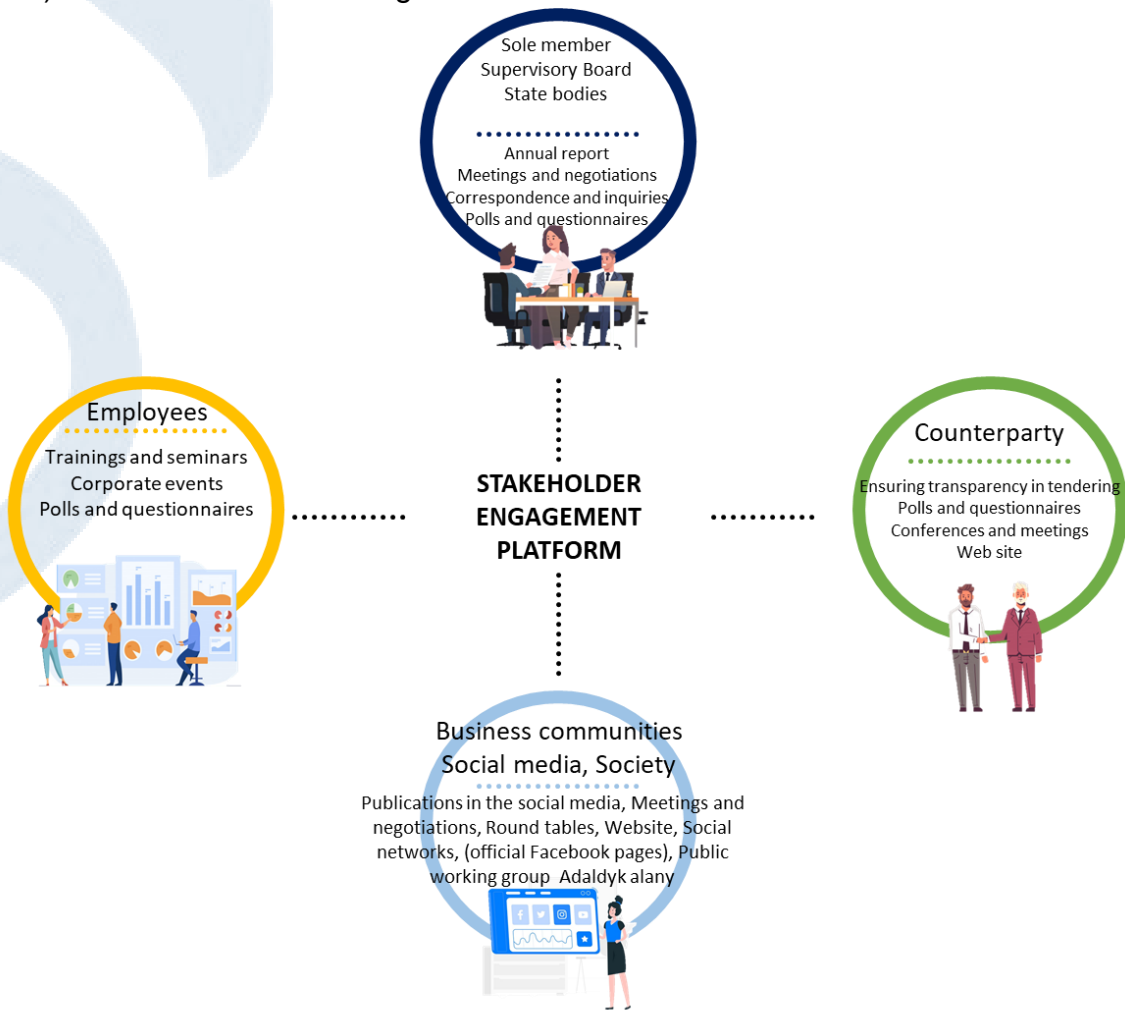


SUSTAINABLE DEVELOPMENT POLICY

2. Arterial hypertension – 6,396;
3. Epilepsy – 3,385;
4. Coronary heart disease – 3,311;
5. Chronic obstructive pulmonary disease – 1,690.

During the reporting period, 9,873 respondents rated the work of CC operators at 4.85 points on a 5-point scale.

The Unified distributor is interested in forming constructive interaction with the public, including through the official website, pages on social networks, contact center (toll-free short number 1439) and the Chairman's Blog.



Active work is carried out on social networks to inform the population about the activities of SK-Pharmaceuticals. Great emphasis in the activities of the Press Service is placed on interaction with the population and patient organizations on social networks, on the blog platform of the official Internet resource SK-Pharmaceuticals, in instant messenger chats, which helps solve the problems of the population in matters of providing medicines, thus reducing social tension in matters of medical care, but also give detailed explanations about the activities and competencies of Sk-Pharmaceuticals.

SUSTAINABLE DEVELOPMENT POLICY

Thus, in 2023, the Press Service organized coverage of 77 news events, distributed relevant press releases published in the media both at the republican and regional levels - about 400 publications.

Participation was organized and materials were prepared for speaking and covering 6 press briefings based on the Central Communications Service. Also, 7 articles were prepared and published on the Partnership's Internet resources, 5 interviews were organized and conducted with the Chairman of the Board and 5 interviews with the head of the Press Service.

Also, as part of interaction with the media, 14 responses to media requests or negative publications and 18 responses to the request of the Ministry of Health of the Republic of Kazakhstan were prepared. Work is underway to respond to requests and complaints regarding drug provision on social networks almost around the clock. Of these, over 200 replies are on the official Facebook account, 70 replies are on the official Instagram account, of which more than 1/3 are published after hours/weekends.

At the same time, when preparing responses, great emphasis is placed on the principle of quick response, both in order to prevent the dissemination of one-sided biased information, and in order to establish close and trusting cooperation with the journalistic community. 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 addition, close cooperation has been established with patient organizations. Thus, requests in messengers from patient organizations (22 chats) and representatives of patient organizations are processed on an ongoing basis. In 2023, over 700 requests from the public were received and answered.

Sk-Pharmaceuticals also took part in meetings with patient organizations organized by the Ministry of Health of the Republic of Kazakhstan.

The press service annually conducts a survey of patient organizations for the annual assessment of interaction with patient organizations in order to monitor the satisfaction of the Partnership's stakeholders based on the results of the financial year. The results of the survey for the annual assessment of interaction with patient organizations are sent to the Strategy Department by memo (No. SZ-1513 dated March 14, 2023).

Along with this, in order to improve interaction with the public, Sk-Pharmaceuticals has created a Public Working Group, where the most pressing issues of drug supply are openly discussed. All issues raised are entered into the "Book of Problematic Issues."

Pursuant to the instructions of the President, SK-Pharma launched the "MadeinPharmaKZ" project to support and popularize domestic manufacturers. Thus, a Memorandum was signed with pharmaceutical and medical associations as part of the launch of the "MadeinPharmaKZ" project.

Also at the SK-Pharmaceuticals site, public hearings were held to discuss the draft markup of The Unified distributor as a subject of special rights to medicines and medical products within the framework of the guaranteed volume of free medical care and the compulsory social health insurance system with the participation of the public and the media.

In October last year, in order to establish an open dialogue between government agencies and big business, the III International Pharmaceutical Forum "GLOBAL PHARM" and



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“MedTech” were held. The press service provided information support for the events and interaction with the media. About 200 delegates from more than 10 countries took part in the events, another 1.2 thousand connected online, participants represented over 60 different companies. Thus, information slides and announcements of current forums were developed and posted on all official resources of the Partnership. The Press Service also prepared and posted 8 press releases on the website and 19 posts on social networks. Over 60 materials about the forums have been published in media at various levels.

To inform the population on the official accounts of SK-Pharmaceuticals, the Press Service developed and published 28 infographics. In total, about 90 posts were published on social networks.

In 2023, the Press Service carried out the following work on the website and social networks of the Partnership:

- New sections “Investors”, “Open Data Portal”, “Regional Representative Offices” have been created;
- The sections “Support for domestic producers of drugs and medical devices”, “Regulatory framework”, “Manual”, “Contacts” have been updated;
- Materials were placed in the sections “News”, “Purchase of medicines and medical devices”, “Reporting”, “Investors”, “Anti-corruption”, “Tenders for concluding long-term supply contracts”, “Announcement”, “Public working group”.

Sk-Pharmaceuticals is convinced that the active participation of all stakeholders in solving common problems is a fundamental condition for successful further development.

Sk-Pharmaceuticals provides a report on the work done on information activity to the authorized body represented by the Ministry of Health of the Republic of Kazakhstan on a weekly, monthly, quarterly, semi-annual and annual basis.

Also, a plan for information activity of the Ministry of Health of the Republic of Kazakhstan is sent on a weekly, monthly, quarterly, semi-annual and annual basis.

In its work, Sk-Pharmaceuticals intends and continues to adhere to the principle of openness to civil society and the media.

SUSTAINABLE DEVELOPMENT POLICY

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.



SUSTAINABLE DEVELOPMENT POLICY

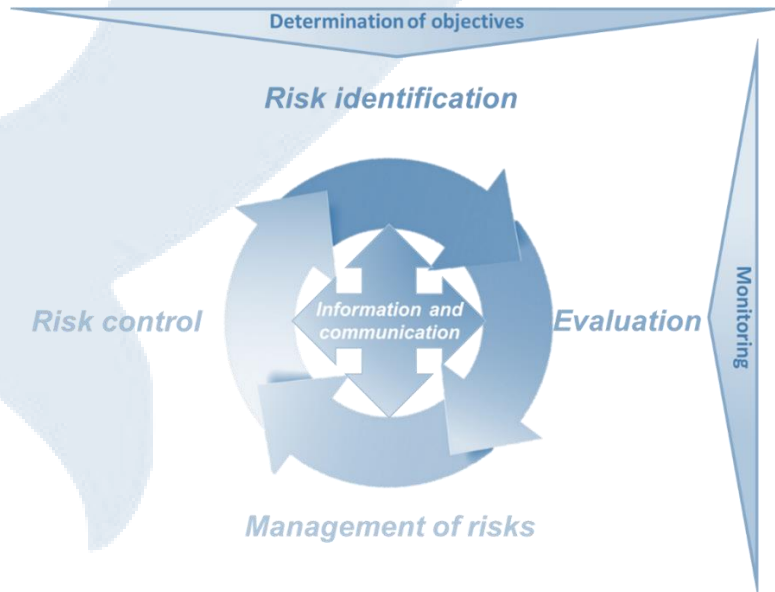


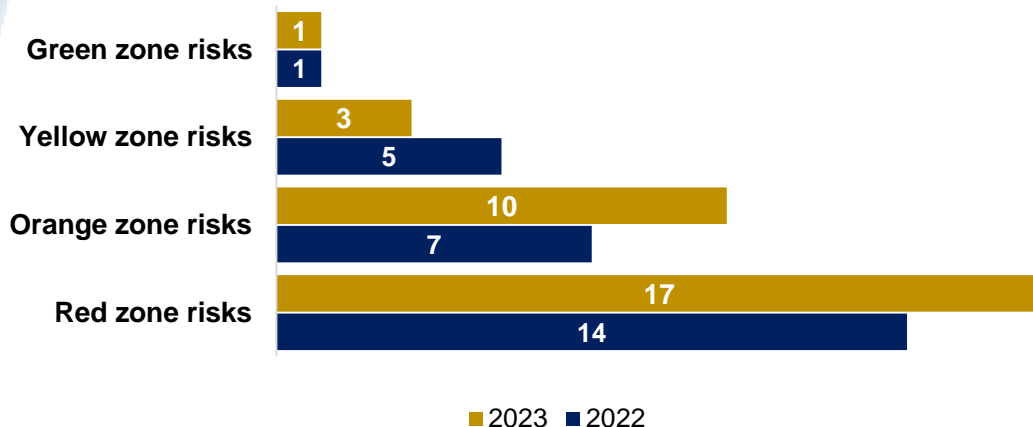
Diagram of the risk management process

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

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

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

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



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

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

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

Internal control

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

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

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

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

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

The internal control system is divided into four stages:

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

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

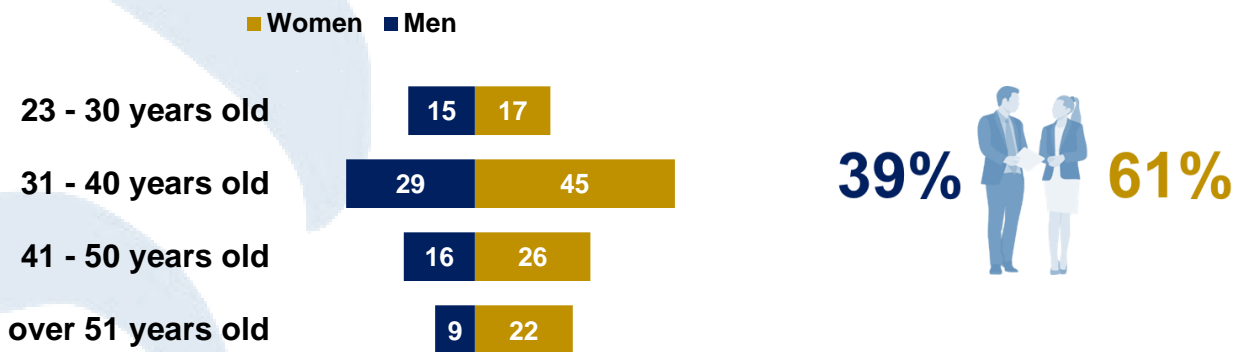


SUSTAINABLE DEVELOPMENT POLICY

Personnel Management

The main resource of The Unified distributor is highly qualified personnel. Human resource development is part of the sustainable development policy.

As of December 31, 2023, the Partnership had 171 employees, the average annual headcount was 179 employees, staffing level was 95.5%. The staff turnover rate for 2023 was 9.49%.

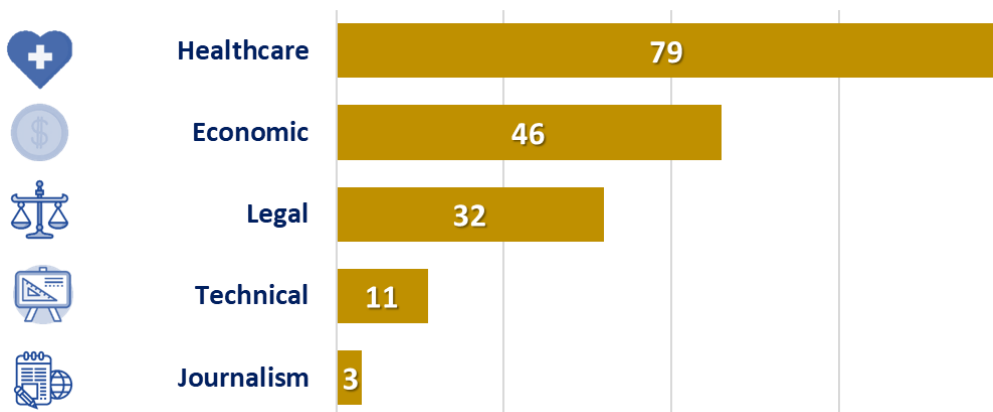


Most of the staff are young people; about 59% of employees are under 40 years of age. 61% of the total number of employees are women.

In fact, as of December 31, 2023, the Partnership employed 171 people. All employees have higher education.

In 2023, 9 employees of the Partnership were promoted to positions based on the principle of meritocracy, of which two employees were promoted to the head of a structural unit and one employee was promoted to the head of the regional representative office.

Employee Education



In 2023, individual and corporate training was conducted for employees of the Partnership on the topics: “English language”, “Kazakh language”, “Time management”, “Improving the efficiency of corporate governance, risk management and internal control”, “Labor disputes. Training of members of the conciliation commission on the application of

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labor legislation of the Republic of Kazakhstan and the ability to negotiate and achieve consensus in labor disputes", "Incoterms and logistics", "Logistics management", "Customs declaration", "Effective tools for promoting content for social networks", "Financial modeling using MS Excel", "Changes and additions to the tax legislation of the Republic of Kazakhstan and IFRS", "Advanced course in MS Excel and the basics of data analysis", "Introduction to PostgreSQL administration", "Java and PostgreSQL, Oracle databases. Development of client-server applications", "New features of Oracle 12c for developers of SQL queries and PL/SQL modules", "Critical thinking, ability to analyze and make decisions", "Negotiation and conflict resolution", "Effective communications", "Risk management" information security ISO 27005", "Certificate "Tax consultant of the Republic of Kazakhstan of the 1st category", "Professional financial manager", "Law and Rules on public procurement, as amended for 2023", "Personnel reserve and talent management", "Development feedback in employee performance management", "HR Management: Personnel Management. Development of people in an organization", "Mobilization preparation and mobilization", "Contract law: transactions and agreements, certain points", "Effective management of litigation: current issues of application of procedural legislation", "Review of tax legislation. A short course on taxation in Kazakhstan", "Administrative procedural code of the Republic of Kazakhstan. Current changes in the Civil Procedure Code of the Republic of Kazakhstan", "Corporate Governance: Legal and Organizational Issues".

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

102 employees were tested. Based on the testing results, the average test result score was determined to be 96.8%.

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

Material:

- key performance indicators were developed and approved for the departments and services of the partnership, upon fulfillment of which bonuses were paid to employees at the end of the quarters, the average key performance indicator was 98.03%;
- employees received bonuses for holidays;
- issuance of material assistance to employees in connection with marriage or the birth of a child.

Intangible::

- Departmental awards were given to:
 - badge "Densaulyk saktau isinin uzdigi" - 3 employee;
 - badge "Densaulyk saktau isine koskan ulesi ushin" - 3 employee;
 - ; diplomas of the Minister of the Republic of Kazakhstan - 4 employees;
 - Gratitude of the Minister of the Republic of Kazakhstan - 4 employees.
- employees are rewarded with internal awards on an ongoing basis, as follows during the reporting period:



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- certificate of honor for achievements in work - 15 employees;
- letters of thanks from the Chairman of the Board - 14 employees.
- as part of the corporate culture, congratulations on the birthday of employees are sent by corporate mail.

SK-Pharmaceuticals LLP Youth Committee

SK-Pharmaceuticals 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

The Unified distributor interacts on an ongoing basis with the Agency of the Republic of Kazakhstan for Anti-Corruption (Anti-Corruption Service).

On March 31, 2023, we took part in the forum on the development of the institution of anti-corruption compliance in Kazakhstan, organized by the Anti-Corruption Agency of the Republic of Kazakhstan (Anti-Corruption Service).

Also took part in the working group of the Anti-Corruption Agency of the Republic of Kazakhstan (Anti-Corruption Service) on the development and approval of the Model Regulations on anti-corruption compliance services in quasi-public sector entities.

Further, on February 2, 2023, a meeting of the Partnership's employees was organized with a representative of the Agency of the Republic of Kazakhstan for Anti-Corruption to clarify the Law of the Republic of Kazakhstan "On amendments and additions to certain legislative acts of the Republic of Kazakhstan on issues of combating corruption and ensuring the safety of persons subject to state protection," approved by the Head states on January 3, 2023.

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

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

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As part of the letter of the Anti-Corruption Service No. 10-1-9/4631-I -08/10172-I dated September 27, 2023, a working group was appointed to conduct an external analysis of corruption risks in the activities of SK-Pharmaceuticals LLP.

By joint order of the Chairman of the Anti-Corruption Agency of the Republic of Kazakhstan (Anti-Corruption Service) (No. 317 dated 10/02/2023) and the Chairman of the Board of SK-Pharmaceuticals LLP (No. 08/506 dated 09/29/2023) in the activities of SK-Pharmaceuticals LLP An external analysis of corruption risks is currently being carried out.

The analysis is carried out jointly with employees of the Agency, the Ministry of Health, interested government bodies (Ministry of Finance of the Republic of Kazakhstan, Ministry of Labor and Social Protection of the Population of Kazakhstan, Ministry of Digital Development, Innovation and Aerospace Industry of Kazakhstan) and representatives of civil society.

On December 5, 2023, at the invitation of the Anti-Corruption Agency of the Republic of Kazakhstan, I took part in the forum “Anti-Corruption Policy of Kazakhstan: Experience and Prospects”, dedicated to the International Anti-Corruption Day and the 20th anniversary of the United Nations Convention against Corruption.

The Forum summed up the implementation of the anti-corruption policy and discussed development prospects. Representatives of the Presidential Administration, international and non-governmental organizations, diplomatic missions, government bodies and the quasi-public sector took part.

In addition, on behalf of the Agency, the Standard Basic Direction “Preventing and Combating Corruption” is being implemented within the framework of the Decree of the Government of the Republic of Kazakhstan dated May 31, 2021 No. 358 “On approval of the Rules for the implementation of project management.”

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

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

Organization of training for the Partnership’s employees (explanation of regulatory documents governing anti-corruption, compliance and other issues).

On February 2, 2023, the senior officer for particularly important cases of the Anti-Corruption Agency of the Republic of Kazakhstan (Anti-Corruption Service), Zhylykshieva Zh. Zh, held a seminar for employees of Sk-Pharmaceuticals LLP to explain the norms of the Law of the Republic of Kazakhstan dated January 3, 2023 “On amendments and additions to some legislative acts of the Republic of Kazakhstan on issues of combating corruption and ensuring the safety of persons subject to state protection,” approved by the Head of State on January 3, 2023.

Thus, innovations in anti-corruption legislation were brought to the attention of employees in terms of:

- 1) Establishment of measures to control unjust enrichment by officials, including the introduction of sanctions when discrepancies are identified in declarations between income and expenses;

SUSTAINABLE DEVELOPMENT POLICY

- 2) Establishment of additional anti-corruption restrictions for officials;
- 3) Ensuring adequate protection of persons reporting facts of corruption, including through guarantees against infringement of their labor rights and confidentiality of the information provided;
- 4) Legislative consolidation of the function of the Anti-Corruption Service to coordinate the activities of anti-corruption compliance services in quasi-public sector entities in terms of the exchange of information on anti-corruption, methodological support and the development of a Model Regulation on anti-corruption compliance services.

On June 27, 2023, together with the Security Service, a seminar was organized and held for the Partnership's employees to explain innovations in anti-corruption legislation.

On January 3, 2023, the Head of State signed the Law "On Amendments and Additions to Certain Legislative Acts of the Republic of Kazakhstan on Anti-Corruption and Ensuring the Security of Persons Subject to State Protection." As part of this Law, amendments have been made to the Labor Code and the Anti-Corruption Law, aimed at creating a system for protecting persons who report cases of corruption.

According to Article 24-1 of the Anti-Corruption Law, state-guaranteed measures to protect persons who provide (have provided) assistance in combating corruption include:

- 1) protection of a person providing (has provided) assistance in anti-corruption efforts from violations of rights and legitimate interests in the field of labor relations for three years from the date of receipt by authorized state bodies of a notification about the fact of a corruption offense or from the moment the person provides other assistance in combating corruption;
- 2) ensuring the confidentiality of information about a person's appeal to a senior manager and (or) management of a state body or organization of which he is (was) an employee, and (or) to authorized government bodies in order to assist in combating corruption in the presence of a non-disclosure agreement on the provision of assistance by this person in combating corruption.

At the same time, on January 1, 2023, the second stage of universal declaration began, which included employees of government agencies and their spouses, as well as employees of quasi-public sector entities and their spouses.

In this regard, in the 3rd quarter of 2023, the compliance officer organized the submission of declarations to the state revenue authorities by all employees of SK-Pharmaceuticals LLP.

Also, on July 12, 2023, together with the State Revenue Department of Astana, as part of the second stage of general declaration, a seminar for the Partnership's employees was organized and held to explain the general declaration.

On November 29, 2023, at the site of The Unified distributor, the compliance officer organized a seminar "Formation of public anti-corruption consciousness" with the participation of representatives of the Internal Policy Department of the city of Astana, the Department of the Anti-Corruption Agency of the Republic of Kazakhstan for the city of Astana and company employees.

The speakers of the event were Doctor of Law, Professor, Honored Worker of Kazakhstan Esbergen Alaukhanov, and retired Major General of the Ministry of Internal Affairs

SUSTAINABLE DEVELOPMENT POLICY

Sagatbek Nurakhmetov. The moderator is the speaker of the information and educational pool on corruption prevention Zhomart Abishev.

The agenda included issues of anti-corruption government policy, as well as combating and combating corruption in modern society.

Internal analysis of corruption risks

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

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

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

Testing knowledge of anti-corruption Internal regulatory documents

In the 4th quarter of 2023, employees of Sk-Pharmaceuticals LLP were tested for knowledge of the main provisions of the Internal regulatory documents on anti-corruption issues:

- Code of Business Ethics of Sk-Pharmaceuticals LLP;
- Anti-corruption policy;
- Confidential information policy;
- Regulations on the settlement of corporate conflicts and conflicts of interest in SK-Pharmaceuticals LLP.

Test questions are aimed at developing and confirming a basic understanding of the principles of the Code of Ethics and Compliance; situational questions were also included describing the actions of employees when corruption situations arise.

134 employees of SK-Pharmaceuticals LLP took part in the testing. The tests consisted of 16 questions on knowledge of internal regulatory documents and 8 situational questions.

Thus, 100% positive answers to questions on knowledge of internal regulatory documents were given by 63 employees – 47%.

9.8% of workers (13 people) answered 15 out of 16 questions correctly.

15.6% of workers (21 people) answered 14 out of 16 questions correctly.

18.6% of workers (25 people) answered 13 out of 16 questions correctly.

7.5% of workers (10 people) answered 12 out of 16 questions correctly.

One employee each answered 11 and 7 out of 16 questions.

The results of answers to situational questions showed the following.

96 workers, or 71.6%, answered all 8 situational questions.

34 employees (25.4%) answered 7 out of 8 questions.

4 employees (3%) answered 6 out of 8 questions.

In general, the test results showed a good level of knowledge of the provisions of the GNI on anti-corruption issues by employees of SK-Pharmaceuticals LLP.

At the same time, the most typical mistakes have been collected and in the future, when training employees, the emphasis will be placed on problem areas.

CORPORATE GOVERNANCE REPORT

Basic principles and structure of corporate governance

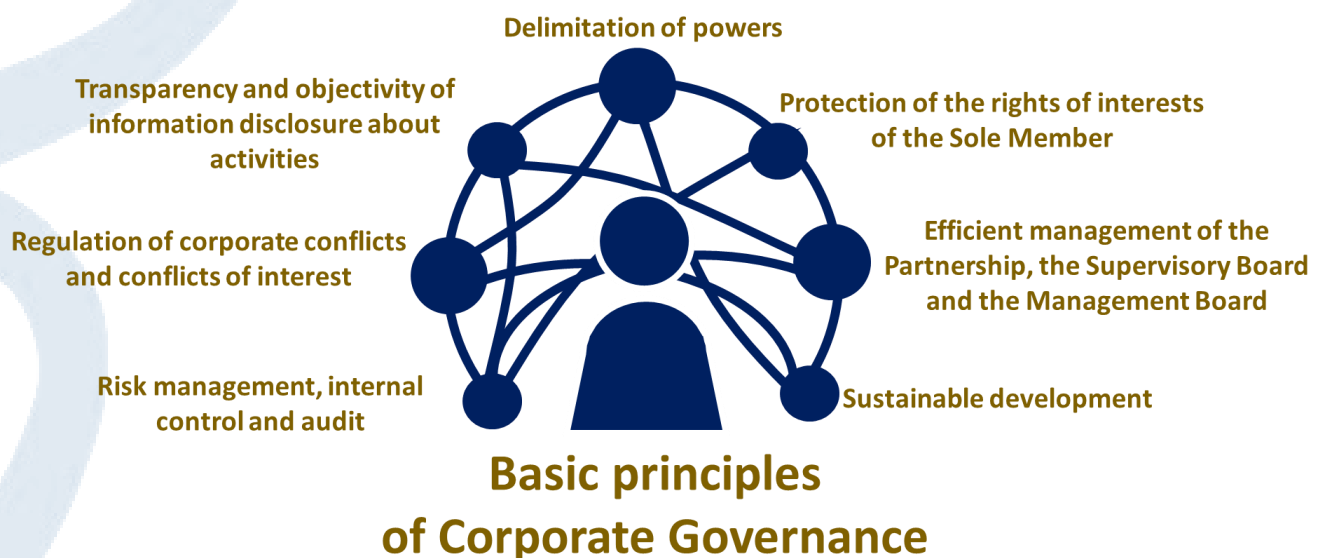
SK-Pharmaceuticals LLP considers corporate governance as a means of increasing the efficiency of the Partnership, ensuring transparency and accountability, and strengthening its reputation.

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.

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The report on compliance with the principles and provisions of the Corporate Governance Code of SK-Pharmaceuticals LLP was approved by the decision of the Supervisory Board of SK-Pharmaceuticals 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-Pharmaceuticals were transferred to the Ministry of Health of the Republic of Kazakhstan.

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

The Supervisory Board

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

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

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

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

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



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

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



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CORPORATE GOVERNANCE REPORT

Composition of the Supervisory Board



**Lavrinenko
Yury Ivanovich**

Chairman of the Supervisory Board

Date of Birth:

11/24/1945

Place of work:

Deputy Chairman of the KAZLOGISTICS Union of Transport Workers of Kazakhstan

Education:

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

Citizenship:

Republic of Kazakhstan



**Dudnik
Vyacheslav Yurievich**

Member of the Supervisory Board

Date of Birth:

04/02/1963

Place of work:

Vice Minister of Health of the Republic of Kazakhstan..

Education:

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

Citizenship:

Republic of Kazakhstan



**Tashenev
Bakytbek Khakimovich**

Member of the Supervisory Board

Date of Birth:

10/19/1977

Place of work:

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

Education:

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

Citizenship:

Republic of Kazakhstan



**Baymagambetov
Dauren Uristemovich**

Member of the Supervisory Board

Date of Birth:

12/28/1976

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

CORPORATE GOVERNANCE REPORT

Criteria for selection of Members of the Supervisory Board

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

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

Results of the work of the Supervisory Board

1. In 2023, Sk-Pharmaceuticals LLP held 11 meetings of the Supervisory Board, including 7 in person and 4 in absentia. The Supervisory Board of Sk-Pharmaceuticals LLP considered issues and made appropriate decisions in the following areas:
2. Reports of the Audit Commission (reports of the Audit Commission reviewed on a quarterly basis);
3. Issues of risk management and internal control (risk management reports reviewed on a quarterly basis; Risk Register; Risk Map; Action Plan for managing critical risks; Risk appetite; Risk and control matrices of the Partnership).
4. Issues of financial, economic, strategic direction (audited annual financial statements and the procedure for distributing net income; report on the implementation of the Development Plan; clarification of the Development Plan; Report on the implementation of the Development Strategy; results of the Partnership's activities for 2022 and for the first half of 2023 ; Maps of key performance indicators of members of the Management Board with actual values for 2022; Development Strategy for 2024-2028, Maps of key performance indicators of Members of the Management Board for 2024).
5. Approval/introduction of changes and additions to internal regulatory documents;
6. Personnel (organizational structure and staffing levels, determination of the official salary of a compliance officer).



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Members of the Supervisory Board	Attendance											% of total number of meetings in 2023
	17.04 №1 (FT)	27.04 №2 (PT)	12.06 №3 (FT)	03.07 №4 (PT)	18.08 №5 (FT)	28.08 №6 (FT)	23.10 №7 (PT)	17.11 №8 (FT)	15.12 №9 (FT)	22.12 №10 (FT)	27.12 №11 (PT)	
Lavrinenko Yuri Ivanovich <i>Elected by order of the Ministry of Health of the Republic of Kazakhstan dated 04.04.2022 No. 232</i>	+	+	+	+	+	+	+	+	+	+	+	100%
Dudnik Vyacheslav Yurievich <i>Elected by order of the Ministry of Health of the Republic of Kazakhstan dated 15.08.2022 No. 706</i>	-	-	+	-	+	-	-	-	-	-	-	18%
Tashenev Bakytbek Khakimovich <i>Elected by order of the Ministry of Health of the Republic of Kazakhstan dated 04.04.2022 No. 232</i>	⊕	+	⊕	+	⊕	⊕	+	⊕	⊕	⊕	+	100%
Baimagambetov Dauren Uristemovich <i>Elected by order of the Ministry of Health of the Republic of Kazakhstan dated 04.04.2022 No. 232</i>	+	+	+	+	+	+	+	+	+	+	+	100%
Taukelev Saida Zhanabilevna <i>Elected by order of the Ministry of Health of the Republic of Kazakhstan dated 04.04.2022 No. 232</i>	+	+	+	+	+	+	+	+	+	+	+	100%

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

Committees of the Supervisory Board

On November 26, 2020, during a meeting of the Supervisory Board of the Partnership, on the initiative of independent members of the Supervisory Board, the Board was instructed to make changes/additions to internal regulatory documents allowing the creation of consultative and advisory committees under the Supervisory Board.

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

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

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

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

Members of the Committees of the Supervisory Board	Attendance		
	Committee for Strategic Planning, Human Resources and remuneration of the Supervisory Board of SK-Pharmaceuticals LLP	Audit Committee of the Supervisory Board of SK-Pharmaceuticals LLP	Risk and Internal Control Committee
Lavrinenko Yuri Ivanovich	10/10	9/9	9/9
Baimagambetov Dauren Uristemovich	10/10	9/9	9/9
Taukelev Saida Zhanabilevna	10/10	9/9	9/9

Remuneration of members of the supervisory board

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

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

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

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

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

Compensation of expenses for members of the Supervisory Board of the Partnership related to travel to meetings of the Supervisory Board of the Partnership held outside the place of permanent residence of a member of the Supervisory Board of the Partnership is carried out in the manner and within the limits of the reimbursement of travel expenses of the Chairman

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of the Management Board of the Partnership. Compensation of expenses to members of the Supervisory Board of the Partnership, who are civil servants, is not made.

About the Board

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

In 2023, 34 meetings of the Management Board were held, at which 137 issues were considered and 362 decisions were made.

34

Meetings held
in the 2023

20

Face-to-face
meetings

14

Meetings in absentia

137

questions were
considered

Composition of the Management Board for 2023

- 1) Iskaliev Erkhat Serikovich - Chairman of the Management Board;
- 2) Gulnara Attinovna Omarova – Managing Director – Member of the Management Board;
- 3) Kansultan Nurzhan Galymzhanuly – Managing Director – member of the Management Board;
- 4) Oteuov Mukan Kanatovich – Managing Director – Member of the Management Board;
- 5) Bakhitzhamal Kurmanova – Managing Director – Member of the Management Board, whose powers were terminated early by Order of the Ministry of Health of the Republic of Kazakhstan dated July 11, 2023 No. 406;
- 6) Kazhibaev Artur Estenovich - Managing Director - Member of the Management Board, by Order of the Ministry of Health of the Republic of Kazakhstan dated September 11, 2023 No. 52, his powers were terminated early;
- 7) Erzhan Mukhtarovich Ospanov - Managing Director - member of the Management Board, by Order of the Ministry of Health of the Republic of Kazakhstan dated February 6, 2023 No. 78, powers were terminated early, A.E. Kazhibaev was elected to the Management Board.



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Composition of the Management Board



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

Date of Birth:
11/27/1967

Date of Appointment:

By order of the Ministry of Health of the Republic of Kazakhstan dated July 11, 2023 No. 406, was elected to the position of Managing Director - Member of the Management Board

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:

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



**Kansultan
Nurzhan Galymzhanuly**
Managing Director - Member of the Management Board

Date of Birth:
06/29/1978

Date of Appointment:

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

Education:

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

Level of authority and responsibility:

Ensuring administrative, economic, legal and procurement activities



**Oteuov
Mukan Kanatovich**
Managing Director - Member of the Management Board

Date of Birth:
05/11/1990

Date of Appointment:

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

Education:

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

Level of authority and responsibility:

Ensuring the organization of financial and economic activities of the Partnership and accounting, as well as in terms of monitoring and support of suppliers, including domestic producers, logistics and storage

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Audit Committee

The annual audit plan of the Audit Commission of Sk-Pharmaceuticals LLP (hereinafter referred to as the Audit Commission) of Sk-Pharmaceuticals LLP (hereinafter referred to as the Partnership) for 2023 (hereinafter referred to as the AAP) was approved by order of the Ministry of Health of the Republic of Kazakhstan on January 24, 2023 No. 48.

There are 8 audit activities planned for 2023:

1. Audit of legal support for the activities of the Partnership and support for the activities of the Board;
2. Audit of monitoring the status of receivables and payables;
3. Assessment of the reliability, completeness, objectivity of the accounting system and the preparation of financial statements of the Partnership on its basis;
4. Assessing the effectiveness of supporting contracts for the purchase of drugs and medical devices under long-term contracts with domestic producers and long-term contracts for the supply of original patented drugs with contract manufacturing customers;
5. Audit of personnel management efficiency;
6. Audit of the organization of claims work for violations of the terms of concluded contracts by suppliers of drugs and medical devices, services for the transportation and storage of drugs and medical devices, by Customers (medical organizations);
7. Assessment of the Risk Management System;
8. Assessment of the internal control system.

Based on the results of internal audits, 63 were identified, for which 64 recommendations were issued.

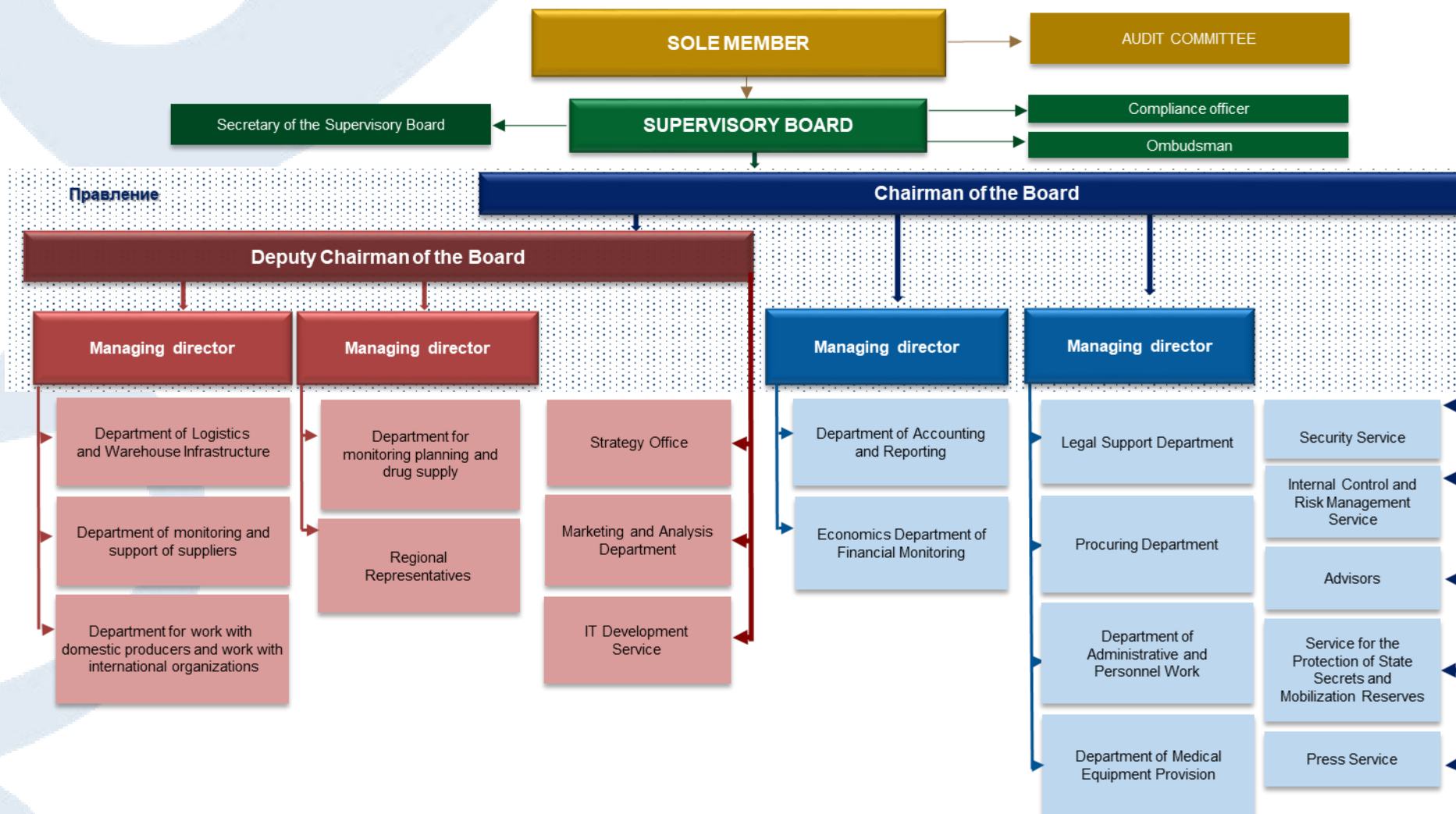
In order to eliminate the shortcomings and inconsistencies identified by the Audit Commission, to prevent them from happening in the future, and to implement the recommendations received based on the results of completed audit assignments, the Partnership has developed and approved corrective action plans, establishing responsible persons and deadlines for implementation.

Currently, 33 recommendations have been implemented; the remaining recommendations have not yet been implemented.



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Organizational structure





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KEY ACHIEVEMENTS IN 2023

Key results 2023



ATTRACTION OF BIGFARM INVESTMENTS

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



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of free medicines**

1439

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