

26 August 2021, Nur-Sultan

## **OPERATING AND FINANCIAL REVIEW SIX MONTHS ENDED 30 JUNE 2021**

*This Operating and Financial Review is intended to assist with the understanding and assessment of trends and significant changes related to the operations and financial position of NAC Kazatomprom JSC (“the Company”, “Kazatomprom” or “KAP”).*

*In this document, “the Group” refers to the Company and its consolidated subsidiaries, i.e. companies that the Group controls by having (i) the power to direct their relevant activities that significantly affect their returns, (ii) exposure, or rights, to variable returns from its involvement with these entities, and (iii) the ability to use its power over these entities to affect the amount of the Group’s returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity.*

*The Group, with its associates and Joint Ventures (“JVs”), are collectively referred to as “the Holding”.*

*This document is based on the reviewed unaudited condensed interim consolidated financial statements of the Group for the six month period ended 30 June 2021 (“Financial Statements”), in each case without material adjustment, unless otherwise stated. It should be read in conjunction with those Financial Statements and the accompanying notes, in addition to the Kazatomprom 2Q21 Operations and Trading Update, and other Company reports. All financial data and discussions thereof are based upon the Financial Statements prepared in accordance with the International Financial Reporting Standards (“IFRS”), unless otherwise indicated.*

*The functional currency of Kazatomprom is the national currency of Kazakhstan, the Kazakhstani Tenge (“KZT”). All references to pounds (“lb”) herein are referring to pounds of uranium oxide ( $U_3O_8$ ). References to dollars are referring to the United States dollar (“USD”).*

*Additional information about the Group and its businesses and operations is available in regularly published documents submitted to the Regulatory News Service of the London Stock Exchange (“LSE”), on the Astana International Exchange (“AIX”) and on Kazatomprom’s corporate website ([www.kazatomprom.kz](http://www.kazatomprom.kz)).*

*This document contains forward-looking information (“FLI”). For more information regarding the risks and assumptions associated with FLI, see the Risks and FLI section at the end of the document.*

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## 1.0 CORPORATE OVERVIEW

Kazatomprom is the world's largest producer of natural uranium, with priority access to one of the world's largest uranium resource bases. According to UxC, LLC ("UxC") data, the Company's 2020 uranium production represented approximately 23% of global primary uranium supply. The Holding, which includes all uranium production from Kazakhstan, represented about 41% of global primary uranium supply in 2020.

As the National Atomic Company of the Republic of Kazakhstan, Kazatomprom holds national operator status for the export and import of uranium and its compounds, nuclear power plant fuel, special equipment and technologies, and rare metals, which provides the Company with certain privileges, including the ability to obtain subsoil use licenses through direct negotiation with the authoritative body of Government. This effectively grants priority access to high-quality, in-situ recovery ("ISR")-conducive deposits of natural uranium, which are abundant in the Republic of Kazakhstan. In 2020, roughly 27,000 tU of the world's annual uranium production was mined using ISR, with approximately 72% of that ISR production coming from the Holding's mines in Kazakhstan.

As of 30 June 2021 the Holding operated 14 mining assets with 26 uranium deposits/areas ("deposits"), all of which are located in Kazakhstan and mined using the ISR mining method:

- Three uranium producing subsidiaries, wholly-owned by Kazatomprom (100% share ownership), operating on seven uranium deposits;
- Eleven uranium producing companies, partly owned by Kazatomprom (based on equity shareholding), operating on 19 uranium deposits.

In 2020, mining at Moinkum #1 (South) and Uvanas deposits of "Kazatomprom-SaUran" LLP were completed. Also, in 2020, JV "Budenovskoye" LLP obtained a mining contract for the Budenovskoye 6 and 7, but as of 30 June 2021, pilot test mining had not started.

Kazatomprom's core business is the mining and marketing of natural uranium products. The Group is also present in other stages of the "front-end" nuclear fuel cycle, including uranium dioxide (UO<sub>2</sub>) ceramic powder production, and the production of fuel pellets for fuel assemblies used in nuclear power stations. The Group also has access to uranium enrichment services through its agreements with TVEL Fuel Company of Rosatom. In addition, in December 2020, construction of a plant for the production of fuel assemblies in Kazakhstan was completed and commissioning of the plant commenced. By the end of 2021, Ulba-FA LLP is expected to complete the qualification processes for the plant and begin producing fuel assemblies for use in nuclear power reactors in the People's Republic of China (PRC) under a long-term contract with China General Nuclear Power Corporation-Uranium Resources.

In addition to uranium operations, the Group includes one subsidiary that is engaged in the processing of selected rare metals, primarily tantalum, niobium and beryllium.

The Group also includes subsidiaries that are primarily engaged in providing supporting services to the uranium segment, such as drilling, transportation, IT and security services.

### 1.1 Strategy, vision and mission

Kazatomprom's Mission is to develop its uranium deposits and their value chain components in order to create long-term value for all of its stakeholders, in accordance with the principles of Sustainable Development. The Vision of the Company is to become the partner of choice for the global nuclear fuel industry. The Company's 2018-2028 Development Strategy is to achieve continued growth and strengthen its position as the leading company in the uranium industry by focusing on:

- Uranium mining as the core business;
- Optimising production, processing and sales volumes based on market conditions;
- Creating value by enhancing the marketing function and expanding sales channels;
- Implementing best-practice business processes;
- Developing a corporate ethics culture that is commensurate with industry leader status.

The Company strives to be the first choice in the provision of uranium and related front-end services, focusing on reliability, technical excellence, outstanding Health, Safety and Environmental ("HSE") performance, and fair dealings with customers.

The Group's Mission highlights:

- **Sustainability** – the Group is committed to the best HSE practices and the management team is focused on continual improvement.
- **Uranium deposits and their value chain components** – the focus of the Group's commercial activities will remain where it has the most significant competitive advantage: uranium mining.
- **Long-term value creation** – The Group focuses on high-margin, cash generating operations with relatively modest requirements for further expansion capital in its uranium segment. In maintaining a conservative debt policy, the Group seeks to return substantial cash flows to its shareholders, whilst preserving a conservative balance sheet structure and comfortable leverage to better position itself to act on market and investment opportunities.

## 2.0 HEALTH, SAFETY AND ENVIRONMENT (HSE)

Health, safety, and environmental protection, including nuclear and radiation safety, are priorities for the Company. The Company is continuously improving the management system of its industrial HSE programs as it strives to a goal of zero injuries.

### 2.1 Occupational health and safety

The Company conducts its production activities in compliance with both Kazakh and international requirements for labour protection and industrial safety, implementing comprehensive measures to prevent incidents and accidents. Health and safety management systems that meet international standards (ISO 45001) have been implemented and the Company carries out systematic work to improve the safety culture among employees and managers at all levels.

In order to preserve the life and health of employees, the Company is guided by the "Seven Golden rules" of the Vision Zero program, which apply to all employees of the Company's enterprises and their contractors, the main goal of which is to achieve the goal of zero injuries:

- Take leadership – demonstrate commitment;
- Identify hazards – control risks;
- Define targets – develop programs;
- Ensure a safe and healthy system – be well-organized;
- Ensure safety and health in machines, equipment and workplaces;
- Improve qualifications – develop competence;
- Invest in people – motivate by participation.

The measures undertaken in first half of 2021 to enhance the focus on safety awareness helped to prevent major industrial accidents (including uncontrolled explosions, emissions of dangerous substances or destruction of buildings) at the Company's enterprises. The table below reflects safety results of the first half of 2020 and 2021:

Indicator	Six months ended 30 June		Change
	2021	2020	
Industrial accidents <sup>1</sup>	-	-	-
LTIFR (per million man-hours) <sup>2</sup>	0.71	0.40	78%
Unsafe conditions, unsafe actions, near-miss reporting	19,023	16,602	15%
Number of accidents <sup>3</sup>	5	6	(17%)
Fatalities	-	1	(100%)

<sup>1</sup> Defined as uncontrolled explosions, emissions of dangerous substances, or destruction of buildings.

<sup>2</sup> Lost-Time Injury Frequency Rate (LTIFR) per million hours.

<sup>3</sup> Defined as impact on the employee of a harmful and (or) dangerous production factor in performance of his work (job) duties or tasks of the employer, which resulted in an industrial accident, sudden deterioration of health, or poisoning of the employee that led to temporary or persistent disability, or death.

The Group maintains a strong focus on improving workplace health and safety. There were no fatal accidents in the first half of 2021, but while the number of accidents decreased compared to 2020, there was an increase in the number of employees that sustained serious injuries, due to two accidents in which multiple employees were injured (three and five people, respectively).

The incidents causing the injuries included: a fall from height, electro thermal burn, mechanical impact of equipment, chemical burn, and road traffic accident.

Following each incident, a thorough investigation was completed, the main causes were identified, preventative measures were developed and procedures were changed to prevent similar incidents in the future. The investigation results were reported to other Group entities to ensure all operations could learn from the event and adjust their processes accordingly.

As part of the continuing work to improve the industrial safety system for the first half of 2021, the Company completed the following:

- the Group has approved an "Occupational Safety Management System" standard, which includes

sections on safety culture, management of risks, contractors, incidents, information and training, and industrial safety processes in all areas (labor protection, industrial safety, nuclear and radiation safety, environmental protection, health protection);

- a survey was conducted on employee satisfaction with the state of industrial safety in the Group;
- monthly meetings were held with the heads of the Group's industrial safety divisions to discuss topical issues in the field of industrial safety;
- training was conducted for the employees of the Group on the topic of "Effective methods of briefing";
- analysis of the frequency and nature of detected hazardous conditions, hazardous actions, potentially hazardous situations, and Near Miss to determine the adequacy of the corrective measures taken;
- comprehensive measures were taken to combat COVID-19 at the Group's enterprises (see COVID-19 update below).

These activities are focused on the implementation of preventative measures, a risk-based approach to the organization of the production process and an increased awareness of the safety procedures (safety culture) among the Company's employees.

### **2.1.1 COVID-19 Update**

The Company continues to strictly monitor the situation related to the COVID-19 pandemic, both in the Holding's production facilities and corporate offices. Meetings of operational headquarters were held and plans for anti-epidemic measures at production sites were updated at all Group Companies to ensure the relevance and effectiveness of all existing protocols. Preventative measures were taken to prevent further spread of the infection for all detected cases of COVID-19 among the employees of the Company and its Group companies.

The measures taken by the Company have to date been successful in maintaining continuity of operations and production capacity. However, as a result of the introduction of a state of emergency in the Republic of Kazakhstan in 2020, exploration activities at production facilities were suspended for a four month period, which led to a shift in the schedule for commissioning of new wellfields.

This situation led to a decrease in the production volume of uranium finished products in the first half of 2021 compared to expected volumes. In addition to these delays in the commissioning of new wellfields, the COVID-19 pandemic has impacted the entire production supply chain, resulting in shortages of certain materials and equipment, including pipe products, which also impacted production in the first half of the year. Despite these difficulties, the Group has maintained its uranium production plan for 2021 and is making every effort to meet guidance, though final production volumes at the end of the year may fall short of the target level.

As of the date of the issuance of this report, the COVID-19 situation is still developing. There has been no significant effect on the Group's revenues and deliveries, and the Group met all of its sales commitments in the reporting period.

With Delta-variant COVID-19 cases rising in July forcing red-zone centres, including Nur-Sultan, Almaty and Shymkent back into government-mandated lockdowns/restrictions in August, the Company continues to rigorously monitor the COVID-19 situation to ensure current protocols remain effective. When a case of COVID-19 is detected, the Company and its subsidiaries implement preventative measures to contain the spread, with the health of the individuals being constantly monitored and assistance provided as necessary.

Vaccination status is being monitored on a daily basis, with the Company's vaccination level far exceeding that of the country (about 27% of Kazakhstan's population has received a first dose as at 23 August 2021). As of 23 August 2021, 87% of employees at the Group's uranium mining entities have first-dose immunization coverage, with more than 74% being fully vaccinated with two doses. Taken as a whole, including the corporate headquarters and all Group entities, over 81% (15,758) of employees have received a first vaccine dose, with over 69% now being fully vaccinated with two doses.

## **2.2 Environmental protection, nuclear and radiation safety**

An internationally recognized benefit of the ISR mining method is its low environment and radiological impact. In contrast to underground and open-pit mining, ISR mining does not generate significant waste rock piles, nor are major tailings dams required. All of the Group's uranium is mined using the ISR method and as a result, its operations inherently have a minimal impact on land, atmosphere and water supply.

The company employs reliable systems for monitoring the environment and radiation safety at all of its uranium mines and production facilities (ISO 14001 compliant). In the first half of 2021 there were no environmental or radiation-related incidents. All activities were completed in compliance with environmental legislation, regulatory requirements and guidance on nuclear and radiation safety.

Radiation exposure and nuclear safety remained stable in the first half of 2021 with no abnormal radiation levels recorded, and no nuclear or radiation accidents. All work was carried out in accordance with the requirements of regulatory legal acts and internal documentation on radiation and nuclear safety.

As mentioned in IPO Prospectus, in September 2018, the Company's Board of Directors approved a set of Environmental and Social Action Plans (ESAP) relating to the Group's mining and non-mining assets designed to address the inconsistencies in the Group's HSE practices. As part of the ESAP Roadmap's implementation, the following activities are currently underway:

- research on the environmental and local social impacts of the Company's production facilities;
- creation of a system for environmental regulation and environmental monitoring of uranium mining enterprises.

## 3.0 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

### 3.1 Industry ESG

Over the past several years, countries around the world have faced an increasing frequency of extraordinary, interconnected challenges. From social unrest in numerous jurisdictions, to COVID-19 and the uncertain timing of a global economic recovery, to the devastating global climate-related events wreaking havoc across every continent, there is growing pressure for governments to take action and enact meaningful changes to address the crises. Alongside the calls for politicians to do more, industry associations and their member companies are also facing growing pressure to enhance traditional HSE monitoring and reporting and the high-level, generic approach to sustainable development, by implementing policies, plans and actions under the more specific principles of environment, social responsibility and governance (ESG). With the Paris Agreement and Net-Zero Emissions targets setting the stage for comparative evaluation, a company's commitment to ESG, along with its authentic efforts to reduce negative impacts and mitigate related future risks, is increasingly becoming a key measure for the assessment of its present and future value.

For nuclear power and the nuclear fuel cycle, the undeniable benefits and opportunity for the industry to help reduce the detrimental impact of fossil fuels have typically been overshadowed by misinformation, controversy and politicization. Confusion related to public and worker safety, effective regulatory oversight, effective waste management, life-cycle carbon emissions intensity, and operational management has resulted in a significant underappreciation of the nuclear fuel cycle's inherent ESG benefits. Unlike carbon-based energy sources, nuclear power plays a critical role in meeting international environmental targets and fulfilling "green" economic policies, with significant, positive social impacts already proven in jurisdictions that have recognized the benefits and deployed its use. Being among the most regulated industries in the world, the nuclear fuel cycle also necessitates unparalleled oversight at the government level, driving strong governance frameworks at the corporate level.

As a result, the nuclear industry and its supply chain are strongly aligned with the ESG principles that are currently being highlighted by stakeholders. Companies, including Kazatomprom, are now moving to do more in publicizing and reiterating the opportunity for nuclear energy to play a role in addressing climate change, managing pollution and waste in the atmosphere, on land and in waterways, and improving and deploying clean technology. There is an urgent need for a paradigm shift: to achieve the necessary targets set forth by the Paris Agreement, the deployment of safe, baseload, carbon-free sources of energy must be accelerated, including broader acceptance of nuclear power as a key part of a greener international strategy.

### 3.2 ESG at Kazatomprom

Sustainable development practices have been prioritized and reported on by the Company for over a decade, well before its privatization and 2018 initial public offering. For many years, Kazatomprom's Integrated Annual Reports (IAR) has summarized the key aspects of its sustainability, corporate social responsibility, health and safety, and corporate governance results, highlighting an increasingly proactive and transparent approach to what now falls under the pillars of ESG. In 2019 the Company began reporting results in alignment with the United Nations' sustainable development goals, improving disclosure for investors interested in ESG factors.

As the world's largest uranium mining company and a nuclear industry leader, Kazatomprom recognizes the impact of its businesses on both local and global social development and works to address some of the key global challenges related to the environment, climate change, clean energy generation, and the social conditions in the regions where it operates. Sustainable development is a fundamental component of the Group's Development Strategy and by extension, ESG-related targets and objectives are therefore integral to the Company's plans, including:

- Reducing the environmental impact of subsidiaries, associates and joint ventures;
- Environmental protection, including effective water and land resources management, ecosystem and biodiversity conservation, and the reduction of emissions;
- Ensuring resources are extracted in a way and at a rate that minimizes subsoil impact;
- Increased oversight of energy and resource management;
- Growth of socio-economic prosperity in the regions where the Company operates; and
- Facilitation of access to affordable, reliable, sustainable and modern energy sources, and enhancement of energy security.



With an increasing focus on “green” priorities, Kazatomprom's ongoing improvement of its sustainable development practices is a dominant factor ensuring the long-term stability and competitiveness of the Company, as well as its ability to create incremental benefits for all stakeholders, resulting in a positive contribution to the development of the country, society in general, and the uranium industry.

Throughout 2021, the Company is taking steps to bolster its ongoing transition to a risk-based approach in sustainability management to meet the demands of transparent ESG reporting, which involves:

- Identifying and assessing risks that have a direct impact on the Group's long-term financial performance and implementing measures for effective management of those risks;
- Enhancing sustainability risk management practices and developing a risk culture to identify new opportunities to improve performance and gain significant competitive advantages;
- Adapting intra-company reporting processes to provide reliable and accurate ESG-related metrics for future disclosure, allowing for improved assessment and evaluation by external parties;
- Advancing the Company's ESG reporting and sustainability processes to meet accepted global standards, allowing recognized third-party providers to apply a corporate ESG rating to Kazatomprom.

## 4.0 PRESENTATION OF FINANCIAL INFORMATION

### 4.1 Segments

During the reviewed periods, the Group operated through three principal business segments:

- **Uranium segment** includes uranium mining and processing operations from the Group's mines, the Group's purchases of uranium from the Group's JVs and associates engaged in uranium production, and external sales and marketing of uranium products. The Uranium segment includes the Group's share in net results of its JVs and associates engaged in uranium production, as well as results of the Company as the head office of the Group. This segment does not include production and sales of UO<sub>2</sub> powder and fuel pellets.
- **"Ulba Metallurgical Plant" JSC ("UMP") segment** includes production and sales of products containing beryllium, tantalum and niobium, hydrofluoric acid and by-products. This segment is also engaged in the processing of uranium raw materials under tolling arrangements, and the production of UO<sub>2</sub> powder, fuel pellets and production of fuel assemblies and their components.
- **Other segment** includes revenue and expenses of the Group's subsidiaries that are primarily engaged in providing supporting services to the Uranium segment, such as drilling, transportation, R&D, IT and security services. These businesses are not included within reportable operating segments, as their financial results do not meet the quantitative threshold. This segment is not disclosed in this report due to immateriality.

### 4.2 Consolidation

In addition to the operations of the Company and its consolidated subsidiaries, the Group has a number of joint operations, joint ventures and associates.

- **Subsidiaries** are entities that the Group controls by having (i) the power to direct their relevant activities that significantly affect their returns, (ii) exposure, or rights, to variable returns from its involvement with these entities, and (iii) the ability to use its power over these entities to affect the amount of the Group's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity.
- **Joint operations** ("JOs") are entities in respect of which the Group has joint control and has rights to their assets and revenues and has obligations relating to their expenses, as well as financial obligations in proportion to the Group's interests. The Group's JOs, being JV "Akbastau" JSC and "Karatau" LLP, are consolidated as JOs from 1 January 2018. The Group's interests in JOs are accounted for on a proportional consolidation basis.
- **Joint ventures** ("JVs") are entities that are under the joint control of the Group acting collectively with other parties, and decisions over the relevant activities of such entity require unanimous consent of all parties sharing control. The Group's interests in JVs are accounted for using the equity method of accounting.
- **Associates** are entities over which the Group has, directly or indirectly, significant influence, but not sole or joint control, which is typical for a shareholding of between 20% and 50% of the voting rights. The Group's investments in associates are accounted for using the equity method of accounting.
- **Equity investments** are entities in which the Group has less than 20% of the voting rights. Equity investments are recognised at fair value as "other investments" in the Company's consolidated IFRS financial statements.

The following table lists the Group's subsidiaries, JVs, JOs and associates, as of 30 June 2021. In all cases, the share percentage shown is equal to the Group's voting rights, with the exception of "Ulba Metallurgical Plant" JSC and "Volkovgeologia" JSC, where the Group has 100% voting rights in each entity.

Treatment	Name	Share (%)
<b>Uranium Mining and Processing</b>		
Subsidiaries	"Ortalyk" LLP <sup>(1)</sup>	100.00%
	"Kazatomprom-SaUran" LLP	100.00%
	"RU-6" LLP	100.00%
	"Appak" LLP	65.00%
	"JV "Inkai" LLP	60.00%
	"Baiken-U" LLP <sup>(2)</sup>	52.50%
Joint Ventures	"JV "Khorassan-U" LLP	50.00%
	"JV "Budenovskoye" LLP	51.00%
Joint Operations	"Semizbai-U" LLP	51.00%
	"JV "Akbastau" JSC	50.00%
	"Karatau" LLP	50.00%
Associates	Energy Asia (BVI) Limited <sup>(2)</sup>	50.00%
	"JV "Katco" LLP	49.00%
	"JV "South Mining Chemical Company" LLP	30.00%
	"JV "Zarechnoye" JSC	49.98%
	"Kyzylkum" LLP <sup>(2)</sup>	50.00%
	"Zhanakorgan-Transit" LLP <sup>(3)</sup>	60.00%
<b>Nuclear Fuel Cycle and Metallurgy</b>		
Subsidiaries	"Ulba Metallurgical Plant" JSC	90.18%
	"ULBA-CHINA Co" Ltd <sup>(3)</sup>	100.00%
	"Mashzavod" JSC <sup>(3)</sup>	100.00%
	"Ulba FA" LLP <sup>(3)</sup>	51.00%
<b>Nuclear Fuel Cycle</b>		
Joint Ventures	"JV "UKR TVS" Closed Joint-Stock Company	33.33%
Investments <sup>(4)</sup>	"International Uranium Enrichment Centre" JSC	10.00%
<b>Ancillary Operations</b>		
Subsidiaries	"High Technology Institute" LLP	100.00%
	"KazakAtom TH" AG or "THK"	100.00%
	"KAP-Technology" JSC	100.00%
	"Trading and Transportation Company" LLP	99.99%
	"Volkovgeologia" JSC	90.00%
	"Rusburmash-Kazakhstan" LLP <sup>(3)</sup>	49.00%
	"Korgan-KAP" LLP <sup>(5)</sup>	100.00%
Joint Ventures	"SKZ-U" LLP	49.00%
	"Uranenergo" LLP	79.17%
Associates	"SSAP" LLP <sup>(6)</sup>	9.89%

The following assets are currently for sale or subject to restructuring:

Treatment	Name	Share (%)
<b>Alternative Energy</b>		
Subsidiaries <sup>(8)</sup>	"Kazakhstan Solar Silicon" LLP <sup>(7)</sup>	100.00%
	"MK KazSilicon" LLP <sup>(7)</sup>	100.00%
	"Astana Solar" LLP <sup>(7)</sup>	100.00%
<b>Ancillary Operations</b>		
Associates	"Caustic" JSC <sup>(9)</sup>	40.00%

<sup>1</sup> Under the terms of several agreements between Kazatomprom and China General Nuclear Power Corporation ("CGNPC"), the parties agreed to construct a fuel assembly plant ("Ulba-FA") at the Ulba Metallurgical Plant. CGNPC provided a guarantee that Ulba-FA's production will be purchased by CGNPC in exchange for Kazatomprom agreeing to sell a 49% interest in the Company's wholly owned subsidiary, Ortalyk LLP, to a subsidiary of CGNPC (the "Transaction"). In April 2021, a Sale and Purchase agreement was signed and the parties agreed to the valuation determined by one of the four major international advisory and professional services firms, whereby a 49% share of the operation was assessed a value of approximately US Dollar 435 million. On 22 July 2021, the sale of the interest in Ortalyk LLP was completed following receipt of all government approvals, satisfaction of all contract pre-conditions is expected to be fulfilled by the end of 2021. Re-registration of the entity has been completed and CGNM UK Limited (a CGNPC subsidiary) is now a participant in Ortalyk LLP. Kazatomprom retains a 51% interest and CGNM UK Limited holds a 49% interest, with each partner purchasing a proportionate share of uranium production from the operation according to its interest. The consideration received was US Dollar 435 million (equivalent to KZT 185,858 million).

<sup>2</sup> The Company holds 50% (direct ownership) in Energy Asia (BVI) Limited. Energy Asia (BVI) Limited holds 40% (direct ownership) in "Kyzylkum" LLP and 95% (direct ownership) in "Baiken-U" LLP.

<sup>3</sup> These companies are 3<sup>rd</sup> level entities for the Company through the interests in subsidiaries, JVs and associates presented above these companies in the table. The corresponding interests belongs to the 2<sup>nd</sup> tier entities, not the Company.

<sup>4</sup> As of 30 June 2021, the Group classifies JSC Uranium Enrichment Center (TsOU) with 1 share as other investment.

<sup>5</sup> "On July 23, 2021, the procedure of re-registration of Korgan-KAP LLP into Qorǵan-Security LLP was carried out.

<sup>6</sup> "On July 8, 2020, the procedure of re-registration of JV SKZ Kazatomprom LLP into SSAP LLP (Stepnogorsk Sulfuric Acid Plant) was carried out."

<sup>7</sup> In accordance with the privatisation plan of non-core assets as presented in the IPO prospectus of NAC Kazatomprom JSC, a number of non-core assets have been or are to be disposed. This includes entities of the KazPV project: Astana Solar LLP, Kazakhstan Solar Silicon LLP and MK KazSilicon LLP. A contract was signed on 10 June 2021 for the sale of the Group's 100% interest in Kazakhstan Solar Silicon LLP. Completion of the sale occurred on 12 July 2021, following receipt by the Group of full payment of KZT 323 million.

A contract was signed on 16 July 2021 for the sale of the Group's 100% interest in Astana Solar LLP. On 14 July 2021 an amount of KZT 87 million was received as a guarantee fee. On 23 August 2021 after receipt of full payment under the contract, an act of acceptance and transfer of a 100% interest in Astana Solar LLP was signed. The actual consideration received was KZT 380 million.

Based on completion of the two transactions above, the Group's remaining investment in the KazPV Project is its 100% interest in MK KazSilicon LLP. At the current date, the State Commission for the Modernization of the Economy of the Republic of Kazakhstan (SCME RK) has determined the sale period of MK KazSilicon LLP to be until the end of 2021.

<sup>8</sup> On April 30, 2021, the liquidation procedure of Kazatomprom-Damu LLP was completed.

<sup>9</sup> The Group intends to sell its entire stake in Caustic JSC by the end of 2021.

## 5.0 SIGNIFICANT FACTORS AFFECTING THE GROUP'S RESULTS OF OPERATIONS

The significant factors that affected the Group's results of operations during the first half of 2021 and 2020, and which the Company expects to continue to affect the Group's results of operations in the future, include:

- the price received for the sale of natural uranium and changes in natural uranium product prices;
- changes in the Group structure;
- the impact of changes in foreign exchange rates;
- taxation, including mineral extraction tax;
- the cost and availability of sulfuric acid;
- pandemic-related costs and availability of critical operating materials & equipment;
- impact of changes in ore reserves estimates; and
- transactions with subsidiaries, JOs, JVs and associates.

### 5.1 Price received for the sale of natural uranium and changes in natural uranium product prices

Spot market prices for U<sub>3</sub>O<sub>8</sub>, which is the main marketable product of the Group, have the most significant effect on the Group's revenue. The majority of the Group's revenue is derived from sales of U<sub>3</sub>O<sub>8</sub> under contracts with price formulae containing a reference to spot price. In addition to spot prices, the Group's effective realized price depends upon the proportion of contracts in the portfolio with a fixed price component in a given period. The average realized price for each period can therefore deviate from the prevailing spot market price. More information regarding the impact of spot market prices on average realized price is provided in Section 11.1 Uranium sales price sensitivity analysis.

The following table provides the average spot price and average realized price per pound of U<sub>3</sub>O<sub>8</sub> for the periods indicated:

		Six months ended 30 June		
		2021	2020	Change
Average weekly spot price (per lb U <sub>3</sub> O <sub>8</sub> ) <sup>1</sup>	USD	29.95	28.66	5%
	KZT	12,704	11,595	10%
Average realized price of the Group (per lb U <sub>3</sub> O <sub>8</sub> )	USD	29.63	27.81	7%
	KZT	12,568	11,250	12%
Average realized price of Kazatomprom (per lb U <sub>3</sub> O <sub>8</sub> )	USD	29.63	27.86	6%
	KZT	12,568	11,271	12%

<sup>1</sup> Prices per TradeTech UxC LLC.

For additional details related to specific market developments that influenced the pricing of uranium in the first half of 2021, please see the *Kazatomprom 2Q2021 Operations and Trading Update*, available on the corporate website.

### 5.2 Changes in the Group structure

No significant changes in group structure have taken effect in the first half of 2021. Changes occurred after the reporting date and as a consequence, they did not affect the financial results for the first half of 2021, as described in the footnotes to the table in Section 4.2 Consolidation. In the first half of 2020, the Group completed a transaction that had a significant impact on reported results as follows:

In the first half of 2020:

- on 17 March 2020, the Group completed the sale of its 50% stake (minus one share) in the Uranium Enrichment Centre JSC to its partner in this joint venture, TVEL JSC (TVEL). The Group kept one share in the Uranium Enrichment Centre JSC, which will retain the right to access uranium enrichment services in accordance with the conditions previously agreed with TVEL. The sale price amounted to Russian rubles 6,253 million or Euro 90 million, fixed at an exchange rate as of 31 December 2019. Actual cash consideration of Euro 90 million (KZT 43,858 million equivalent) was received.

In total, the number of the Group's subsidiaries, JVs, JOs, associates and other equity investments as at 30 June 2021 was 38 (compared to 39 as at 2020 year-end).

### 5.3 Impact of Changes in Foreign Exchange Rates

The Group's exposure to currency fluctuations is associated with sales, purchases and loans in foreign currencies. Significant cash flows of the Group are in USD because:

- uranium is generally priced in USD, therefore most of the Group's consolidated sales revenue is generated in USD (92% in the first half of 2021, 84% during the same period of 2020);
- the Company purchases uranium and uranium products from its JVs and associates pursuant to KZT-denominated contracts, with the prices determined by reference to prevailing spot market prices of U<sub>3</sub>O<sub>8</sub>, which are in USD;
- most of the Group's borrowings are denominated in USD and predominantly include long-term USD-indexed Company coupon bonds (85% as at 30 June 2021, 89% as at 30 June 2020), which is the principal currency of the Group's revenue. For more details see Section 9.0 INDEBTEDNESS.

A significant portion of the Group's expenses, including its operating, production and capital expenditures, are denominated in KZT. Accordingly, as the most of the Group's revenue is denominated in USD, while a significant share of its costs are KZT denominated, the Group generally benefits from appreciation of USD against KZT which subsequently has a positive effect on the Group's financial performance. However, the positive effect of an appreciating USD may be fully or partially offset given that the Group has outstanding USD-denominated liabilities. In addition, the Company purchases uranium and uranium products from its JVs and associates pursuant to KZT-denominated contracts, with the prices determined by reference to prevailing spot market prices of U<sub>3</sub>O<sub>8</sub>, which are denominated in USD. Accordingly, a significant appreciation of USD would result in a corresponding increase in the KZT-denominated price of such contracts.

The Group attempts to mitigate the risk of fluctuations in exchange rate, where possible, by matching the currency denomination of its payments with the currency denomination of its cash flows. Through this matching, the Group achieves natural hedging without the use of derivatives.

In the first half of 2021, the KZT/USD exchange rate fluctuated between KZT 414.77 and KZT 433.55 As at 30 June 2021, the National Bank of the Republic of Kazakhstan (NBK) exchange rate was KZT 427.79. Changes in exchange rates had material impact on the Group's financial performance in the first half of 2021. The Group's net foreign exchange gain in the first half of 2021 amounted KZT 3,037 million.

The following table provides period average and period end closing KZT/USD exchange rates, as reported by the NBK, as of 30 June 2021 and 2020.

		Six months ended 30 June		
		2021	2020	Change
Average exchange rate for the period <sup>1</sup>	KZT / USD	424.18	404.59	5%
Closing exchange rate for the period	KZT / USD	427.79	403.83	6%

<sup>1</sup> The average rates are calculated as the average of the daily exchange rates on each calendar day.

### 5.4 Taxation and Mineral Extraction Tax ("MET")

Kazakhstan's MET is determined by applying a 29% tax charge to the taxable base related to mining production costs (based on a formula - see table and footnote below). Taxable expenditures are made up of all direct expenditures associated with mining operations, including wellfield development depreciation charges and any other depreciation charges allocated to direct mining activities, but exclude processing and general and administrative expenses. The MET is calculated separately for each subsoil use license. The resulting MET paid is therefore directly dependent upon the cost of mining operations.

The following table provides a summary of taxes accrued by the Group for the periods shown:

		Six months ended 30 June		
(KZT million)		2021	2020	Change
Corporate income tax <sup>1</sup>		24,071	28,796	(16%)
Mineral extraction tax <sup>2</sup>		10,669	10,453	2%
Other taxes and payments to budget <sup>3</sup>		21,812	24,783	(12%)
<b>Total tax accrued</b>		<b>56,552</b>	<b>64,032</b>	<b>(12%)</b>

<sup>1</sup> Applicable rate: 20%; calculation: taxable income (based on tax reporting accounts) multiplied by corporate income tax rate.

<sup>2</sup> Applicable rate: 18.5% for uranium cost in pregnant solution; calculation: the tax charge is a cost of mining and is based on a deemed 20% profit margin on certain expenditures, and a MET rate of 18.5%. The tax charge of 29% is determined by the following formula:  $(1 + 20\%) \times 18.5\% \div (1 - (1 + 20\%) \times 18.5\%)$ .

<sup>3</sup> Includes property tax, land tax, transport tax, social tax, other payments to budget, VAT and PIT (on PIT Company acts as a tax agent).

Total tax accrued decreased by 12% in the first half of 2021 compared to same period of 2020, mainly due to a decrease in corporate income tax. The decrease was due to the sale of the Uranium Enrichment Centre JSC in the first half of 2020, which had a one-off effect on the tax base of corporate income tax (see Section 5.2 Changes in the Group structure) in 2020.

### **5.5 Cost and availability of sulfuric acid**

Extraction of uranium using the ISR mining method requires substantial amounts of sulfuric acid. If sulfuric acid is unavailable, it could impact the Group's production schedule, while higher prices for sulfuric acid could adversely impact the Group's profits.

The Group's weighted average cost of sulfuric acid increased slightly to KZT 22,839 per tonne in the first half of 2021 (from KZT 22,176 per tonne in same period of 2020). On average in the first half of 2021, the price of sulfuric acid represented about 13.5% of the Group's uranium production costs.

### **5.6 Pandemic-related costs and availability of critical operating materials & equipment**

The extraction of uranium using the ISR mining method requires the import of certain key operating materials and components. These items are either imported into Kazakhstan directly by the Group, or they are imported by local suppliers from whom the Group procures such materials. Due to global pandemic-related shipping constraints and export restrictions imposed by some countries, the Group has encountered delays and/or limited access to some key materials & equipment, such as certain types of pipes and pumps, specialised equipment and drilling rigs.

In some cases, shipping and availability constraints have resulted in a higher cost to acquire the necessary operating materials, resulting in slightly increased production costs and a negative impact on profitability. In other cases, there has been a near-complete loss of access to certain materials, resulting in an increased risk to production. To date, this risk has been mitigated by sharing inventory across operations to ensure continuous operation. However, if the Group could not procure sufficient critical materials for all of its operations, as well as specialised equipment and drilling rigs, it could impact the planned production schedule. Despite these challenges, the Group is maintaining its 2021 production plan and making every effort to achieve it, though final year-end volumes may fall short if the wellfield development, procurement and supply chain issues, including inflationary pressure as a result of commodity price changes, continue throughout the second-half of the year.

### **5.7 Impact of changes in Ore Reserves estimates**

The Group reviews its JORC-compliant estimates of Ore Reserves and Mineral Resources on an annual basis, including a review of the estimates by a qualified third-party. As a result, certain Ore Reserves and Mineral Resources may be reclassified annually in accordance with applicable standards. Such reclassifications may have an impact on the Group's financial statements. For example, if a reclassification results in a change to the Group's life of mine plans, there may be a corresponding impact on depreciation and amortization expenses, impairment charges, as well as mine closure charges incurred at the end of mine life.

### **5.8 Transactions with subsidiaries, JVs, JOs and associates**

The Company purchases U<sub>3</sub>O<sub>8</sub> from its subsidiaries, JOs, JVs and associates, principally at spot price with market-based discounts, which vary by operation. Purchased volumes generally correspond to the Company's interest in the respective selling entities.

The Group's Uranium segment revenue is primarily composed of two streams:

- the sale of U<sub>3</sub>O<sub>8</sub> purchased from JVs and associates, and
- the sale of U<sub>3</sub>O<sub>8</sub> produced by the Company and by its consolidated subsidiaries and JOs.

Cost of sales of purchased uranium is equal to the purchase price from JVs and associates, which in most cases is the prevailing spot price with certain applicable discounts. The share of results of JVs and associates represents a significant part of the Group's profits and should be considered in the assessment of the Group's financial results. In the first half of 2021, U<sub>3</sub>O<sub>8</sub> was purchased at a weighted average discount of 4.42% on the prevailing spot price.

When uranium produced by the Company, consolidated subsidiaries and JOs, is sold, the cost of sales is predominantly represented by the cost of production. For those sales, the full margin for uranium products including uranium for export is captured in the consolidated results of the Group.

The following table provides the volumes purchased by the Company for the periods indicated.

(tU)	Six months ended 30 June		
	2021	2020	Change
U <sub>3</sub> O <sub>8</sub> purchased from JVs and associates	1,229	608	102%
U <sub>3</sub> O <sub>8</sub> purchased from JOs and subsidiaries	3,158	3,671	(14%)
<b>Total</b>	<b>4,387</b>	<b>4,279</b>	<b>3%</b>

The volume of U<sub>3</sub>O<sub>8</sub> purchased from JVs and associates, JOs and Subsidiaries totalled 4,387 tonnes as at 30 June 2021, compared to 4,279 tonnes as at 30 June 2020, an increase of 3%, mainly due to timing of customer requirements and the resulting differences in the timing of deliveries for the first halves of 2020 and 2021.

In addition to the above volumes, the Company (including its trading subsidiary THK) purchases volumes from third parties at variable prices.



## 6.0 KEY PERFORMANCE INDICATORS ANALYSIS

### 6.1 Consolidated financial metrics

The analysis in this section of the report is performed on the basis of six months ended 30 June 2021 compared to six months ended 30 June 2020. The table below provides financial information related to the consolidated results of the Group for the first half of 2021 and 2020.

(KZT million)	Six months ended 30 June		
	2021	2020	Change
<b>Revenue</b>	<b>235,501</b>	<b>153,139</b>	54%
Cost of sales	(154,045)	(89,338)	72%
<b>Gross profit</b>	<b>81,456</b>	<b>63,801</b>	28%
Selling expenses	(3,642)	(4,936)	(26%)
G&A expenses	(16,499)	(11,370)	45%
<b>Operating profit</b>	<b>61,315</b>	<b>47,495</b>	29%
Other income/(loss), including the following one-time effects:	(830)	22,590	(104%)
Net result from sale of investment in joint venture (one-time effect) <sup>1</sup>	-	22,063	(100%)
Share in the results of Associates	12,056	16,422	(27%)
Share of JVs' results	1,968	2,183	(10%)
<b>Pre-tax income</b>	<b>74,509</b>	<b>88,690</b>	(16%)
Corporate income tax	(16,423)	(22,731)	(28%)
<b>Net profit</b>	<b>58,086</b>	<b>65,959</b>	(12%)
Profit for the period attributable to owners of the Company	47,685	58,426	(18%)
Earnings per share attributable to owners (basic and diluted), KZT/share <sup>2</sup>	184	225	(18%)
<b>Adjusted Net profit (net of one-time effects)</b>	<b>58,086</b>	<b>43,896</b>	32%
Adjusted EBITDA <sup>3</sup>	99,395	81,012	23%
Attributable EBITDA <sup>4</sup>	96,694	84,021	15%

<sup>1</sup> Net result from sale of investment in joint venture Uranium Enrichment Center JSC.

<sup>2</sup> Calculated as: Profit for the period attributable to owners of the Company divided by Total share capital from Section 10.0 OUTSTANDING SHARES, rounded to the nearest KZT.

<sup>3</sup> Adjusted EBITDA is calculated by excluding from EBITDA items not related to the main business and having a one-time effect.

<sup>4</sup> Attributable EBITDA (previously "Adjusted Attributable EBITDA") is calculated as Adjusted EBITDA less the share of the results in the net profit in JVs and associates, plus the share of Adjusted EBITDA of JVs and associates engaged in the uranium segment (except JV "Budenovskoye" LLP's EBITDA due to minor effect it has during each reporting period), less non-controlling share of adjusted EBITDA of "Appak" LLP, JV "Inkai" LLP, "Baiken-U" LLP and JV "Khorasan-U" LLP, less any changes in the unrealized gain in the Group.

### 6.2 Consolidated revenue and other financial metrics

During the first half of 2021 the Group's consolidated revenue was KZT 235,501 million, an increase of 54% compared to the same period of 2020. The increase is mainly due to:

- a significant increase in sales volume in the first half of 2021 in comparison to the same period of 2020 (see Sections 6.3.2 Uranium segment production and sales metrics) mainly related to the timing of customer requirements and the resulting differences in the timing of deliveries for first halves of 2021 and 2020;
- growth in the average realized price associated with an increase in the market spot price for U<sub>3</sub>O<sub>8</sub>; and
- weakening of the KZT against the USD in the first half of 2021.

The main revenues by type during the first half of 2021 compared to same period of 2020, are presented below.

(KZT million)	Six months ended 30 June			Proportion six month ended 30 June	
	2021	2020	Change	2021	2020
Uranium products <sup>1</sup>	205,308	127,824	61%	87%	83%
Beryllium products	11,272	9,045	25%	5%	6%
Tantalum products	6,499	5,776	13%	3%	4%
Others	12,422	10,494	18%	5%	7%
<b>Total Revenue</b>	<b>235,501</b>	<b>153,139</b>	<b>54%</b>	<b>100%</b>	<b>100%</b>

<sup>1</sup> Includes production and sales of UO<sub>2</sub> powder and fuel pellets.

Operating profit in the first half of 2021 was KZT 61,315 million, an increase of 29% compared to same period of 2020. The increase was mainly due to higher revenues in 2021 as previously explained.

Net profit in the first half of 2021 was KZT 58,086 million, a decrease of 12% compared to the same period of 2020. In the first half of 2020, net profit included the gain from the sale of the investment in the joint venture Uranium Enrichment Center JSC of KZT 22,063 million (see Section 5.2 Changes in the Group structure). Adjusted net profit for the first half of 2021 of KZT 58,086 million represented an increase of 32% compared to the same period of 2020 mainly due to the increase in operating profit in 2021 as described above.

Adjusted EBITDA totalled KZT 99,395 million in the first half of 2021, an increase of 23% compared to the same period of 2020, while attributable EBITDA was KZT 96,694 million in the first half of 2021, an increase of 15% compared to the same period of 2020. The changes were mainly driven by higher operating profit.

### 6.3 Uranium segment

#### 6.3.1 Uranium segment financial metrics

(KZT million unless noted)		Six months ended 30 June		
		2021	2020	Change
Average exchange rate for the period	KZT/USD	424.18	404.59	5%
Uranium segment revenue <sup>1</sup>		203,586	127,444	60%
Including U <sub>3</sub> O <sub>8</sub> sales proceeds (across the Group) <sup>2</sup>		202,371	123,412	64%
Share of a revenue from uranium products	%	86%	81%	7%

<sup>1</sup> This segment does not include production and sales of UO<sub>2</sub> powder and fuel pellets. Calculated from Financial Statements Note Segment Information as a sum of external revenue and revenues from other segments for uranium segment.

<sup>2</sup> Calculated from Section 6.3.2 Uranium segment production and sales metrics: U<sub>3</sub>O<sub>8</sub> sales volume (consolidated) multiplied by group average realized price in KZT/kg.

Consolidated U<sub>3</sub>O<sub>8</sub> sales were KZT 202,371 million in the first half of 2021, an increase of 64% compared to the same period of 2020 due to:

- a significant increase in sales volumes related to timing of customer requirements and the resulting differences in the timing of deliveries for the first halves of 2021 and 2020;
- an increase in average realized price associated with an increase in the market spot price for U<sub>3</sub>O<sub>8</sub>;
- weakening of the KZT against the USD in the first half of 2021.

### 6.3.2 Uranium segment production and sales metrics

		Six months ended 30 June		
		2021	2020	Change
Production volume of U <sub>3</sub> O <sub>8</sub> (100% basis)	tU	10,451	10,434	-
Production volume of U <sub>3</sub> O <sub>8</sub> (attributable basis) <sup>1</sup>	tU	5,864	5,790	1%
U <sub>3</sub> O <sub>8</sub> sales volume (consolidated)	tU	6,193	4,220	47%
Including KAP U <sub>3</sub> O <sub>8</sub> sales volume <sup>2, 3</sup>	tU	5,179	3,749	38%
Group inventory of finished goods (U <sub>3</sub> O <sub>8</sub> )	tU	8,864	11,110	(20%)
Including KAP inventory of finished goods (U <sub>3</sub> O <sub>8</sub> ) <sup>4</sup>	tU	6,773	9,094	(26%)
Group average realized price	KZT/kg	32,675	29,247	12%
Group average realized price	USD/lb	29.63	27.81	7%
KAP average realized price <sup>5</sup>	USD/lb	29.63	27.86	6%
Average weekly spot price	USD/lb	29.95	28.66	5%
Average month-end spot price <sup>6</sup>	USD/lb	30.18	29.46	2%

<sup>1</sup> The Production volumes of U<sub>3</sub>O<sub>8</sub> (attributable basis) is not equal to the volumes purchased by Company and THK.

<sup>2</sup> KAP U<sub>3</sub>O<sub>8</sub> sales volume (incl. in Group): includes only the total external sales of KAP HQ and THK. Intercompany transactions between KAP HQ and THK are not included.

<sup>3</sup> Group sales volume and KAP sales volume (incl. in Group) does not include approximately 100 tU equivalent sold as UF<sub>6</sub> in 1Q20.

<sup>4</sup> KAP inventory of finished goods (incl. in Group): includes the inventories of KAP HQ and THK.

<sup>5</sup> KAP average realized price: the weighted average price per pound for the total external sales of KAP and THK. The pricing of intercompany transactions between KAP and THK are not included.

<sup>6</sup> Source: UxC, TradeTech. Values provided represent the average of the uranium spot prices quoted at month end, and not the average of each weekly quoted spot price, as contract price terms generally refer to a month-end price.

In the first half of 2021, U<sub>3</sub>O<sub>8</sub> production on both a 100% and attributable basis, remained comparable to the same period of 2020. For additional details, see Section 6.3.3 Uranium segment production by operation.

Both Consolidated and KAP U<sub>3</sub>O<sub>8</sub> sales volumes were significantly higher year-over-year due to the timing of customer requirements and the resulting differences in the timing of deliveries for the first halves of 2020 and 2021.

Consolidated Group inventory of finished U<sub>3</sub>O<sub>8</sub> products as at 30 June 2021 amounted to 8,864 tonnes, which was 20% lower than at 30 June 2020. At the Company level, inventory of finished U<sub>3</sub>O<sub>8</sub> products was 6,773 tonnes, a decrease of 26% compared to June 2020. The decrease in inventory was mainly related to a higher sales volume in the first half of 2021, and a lower inventory level at the beginning of 2021. The Company continues to target an ongoing inventory level of approximately six to seven months of annual attributable production. However, inventory could fall below these levels in 2021 and 2022, due to COVID-19 related production shortfalls. As such, during the second quarter 2021, several transactions to purchase material in the spot market were carried out and the Company will continue to monitor market conditions for opportunities to optimise its inventory levels.

The Group's average realized price in the first half of 2021 was KZT 32,675 per kg (29.63 USD/lb), an increase of 12% compared to the same period of 2020 due to a higher average spot price for uranium products, and the weakening of the KZT against the USD. The average sales prices at the KAP level were also higher and for the same reasons.

The Company's current overall contract portfolio price is closely correlated to current uranium spot prices (see Section 11.1 Uranium sales price sensitivity analysis). However, in the first half of 2021, the increase in average realized price differed slightly from the increase in the spot market price for uranium, as some deliveries were based upon prices that were fixed prior to the increase in the market price, and some were indexed to spot prices when the market price was lower.

### 6.3.3 Uranium segment production by operation

The information presented in the table below provides the total uranium production level at each asset (100% basis). The impact of delays and/or limited access to some key materials & equipment in 2021 (see Section 5.6 Pandemic-related costs and availability of critical operating materials & equipment) and the reduction in wellfield development activity due to the Company's actions to lower staff levels amid the COVID-19 pandemic in 2020 (see Section 6.3.2 Uranium segment production and sales metrics), was not the same across all operations through 2020-2021 due to the nature of the ISR mining process, and differences in the mine plans and development phase at each operation.

(tU as U <sub>3</sub> O <sub>8</sub> )	Ownership	Six months ended 30 June		
		2021	2020	Change
Ortalyk LLP	100%	766	708	8%
Kazatomprom-SaUran LLP	100%	720	660	9%
RU-6 LLP	100%	431	374	15%
Appak LLP	65%	377	360	5%
JV Inkai LLP*	60%	1,599	1,340	19%
Baiken-U LLP	52.5%	569	653	(13%)
Semizbay-U LLP	51%	415	457	(9%)
Karatau LLP	50%	1,280	1,353	(5%)
JV Akbastau JSC	50%	781	763	2%
JV Khorassan-U LLP	50%	712	704	1%
JV Zarechnoye JSC	49.98%	315	353	(11%)
JV Katco LLP	49%	1,331	1,554	(14%)
JV SMCC LLP	30%	1,157	1,155	-
<b>Total</b>		<b>10,453</b>	<b>10,434</b>	<b>-</b>

\* For JV "Inkai" LLP annual share of production on attributable basis is determined as per Implementation Agreement as disclosed in IPO Prospectus.

## 6.4 UMP Segment

### 6.4.1 UMP segment uranium product sales

UO <sub>2</sub> powder and Fuel pellets		Six months ended 30 June		
		2021	2020	Change
Fuel pellets	Sales, tonnes	34.1	-	100%
Ceramic powder	Sales, tonnes	5.7	-	100%
Dioxide from scraps	Sales, tonnes	15.95	22.38	(29%)

Sales of fuel pellets amounted to 34.1 tonnes in the first half of 2021 (nil in the same period of 2020), higher due to a change in timing of UF<sub>6</sub> received for processing. There were a small number of new contracts for ceramic powder in the first half of 2021. The decrease in sales volumes of dioxide from scrap was due to a change in timing of received materials for processing.

### 6.4.2 UMP segment rare metal product sales

Rare metals products		Six months ended 30 June		
		2021	2020	Change
Beryllium products	Sales, tonnes	617.97	638.43	(3%)
	KZT/kg	18,240	14,168	29%
Tantalum products	Sales, tonnes	78.07	72.14	8%
	KZT/kg	83,253	80,060	4%
Niobium products	Sales, tonnes	1.20	10.87	(89%)
	KZT/kg	50,483	22,307	126%

Sales of beryllium products decreased by 3% in the first half of 2021 compared to the same period of 2020, due to a decrease in the number of orders from customers. Sales price increased by 29% in the first half of 2021 mainly related to the weakening of KZT against USD and product mix that changed to more highly refined products at higher prices.

Sales volumes and prices for tantalum products were higher in the first half of 2021 compared to the same period of 2020, due to higher consumer demand for tantalum ingots and chips.

Sales of niobium products in the first half of 2021 decreased by 89% compared to the same period of 2020 due to a lower quantity of orders for niobium hydroxide, although the 2021 orders were for more highly refined products of higher value, resulting in a higher selling price in the first half of 2021.

## 6.5 Cost of sales

The table below illustrates the components of the Group's cost of sales for the first half of 2021 and the same period of 2020:

(KZT million)	Six months ended 30 June			Proportion six month ended 30 June	
	2021	2020	Change	2021	2020
Materials and supplies	92,658	33,269	179%	60%	37%
Depreciation and amortisation	25,334	17,048	49%	16%	19%
Wages and salaries	13,863	13,090	6%	9%	15%
Taxes other than income tax	8,805	8,806	-	6%	10%
Processing and other services	5,850	11,394	(49%)	4%	13%
Other	7,535	5,731	31%	5%	6%
<b>Cost of Sales</b>	<b>154,045</b>	<b>89,338</b>	<b>72%</b>	<b>100%</b>	<b>100%</b>

Cost of sales totalled KZT 154,045 million in the first half of 2021, an increase of 72% compared to the same period of 2020 mainly due to higher sales volume in the first half of 2021 and an increase in the share of U<sub>3</sub>O<sub>8</sub> purchased from JV and associates and third parties.

The cost of materials and supplies was KZT 92,658 million in the first half of 2021, an increase of 179% compared to the same period of 2020 due to a significant increase in the proportion of sales of uranium purchased from JVs and associates, as well as from third parties. When such uranium is sold, the cost of sales is predominantly represented by the cost of purchased materials and supplies at the prevailing spot price with certain applicable discounts. Also, the purchase price of materials and supplies, including U<sub>3</sub>O<sub>8</sub> increased as a result of the increase in the spot prices and the weakening of the KZT against the US dollar.

Depreciation and amortisation totalled KZT 25,334 million as at 30 June 2021, an increase of 49% compared to 30 June 2020, mainly due to higher sales volume, as well as an increase in the costs of repayment of the PGR (see section 7.0 CAPITAL EXPENDITURES REVIEW).

Wages and salaries totalled KZT 13,863 million in the first half of 2021, an increase of 6% compared to the same period of 2020.

The taxes other than income tax for the first half of 2021 totalled KZT 8,805 million, remaining unchanged compared to the same period of 2020.

The cost of processing and other services was KZT 5,850 million in the first half of 2021, a decrease of 49% compared to the same period of 2020, mainly due to a significant increase in the proportion of sales of uranium purchased from JVs and associates as well as from third parties. When such uranium is sold, the cost of sales is predominantly represented by materials and supplies.

The other categories of costs, including items such as maintenance and repair, transportation and other expenses totalled KZT 7,535 million in the first half of 2021, an overall increase of 31% compared to the same period of 2020.

### 6.5.1 Uranium segment C1 cash cost, all-in sustaining cash cost, and capital expenditures

(KZT million unless noted)		Six months ended 30 June		
		2021	2020	Change
C1 Cash cost (attributable basis)	USD/lb	8.99	9.79	(8%)
All-in sustaining cash cost (attributable C1 + capital cost)	USD/lb	12.58	11.65	8%
Capital expenditures of mining companies (100% basis) <sup>1</sup>		33,444	16,112	108%

<sup>1</sup> Excludes liquidation funds and closure costs and includes expansion investments. Note that in Section 7.0 CAPITAL EXPENDITURES REVIEW total results include liquidation funds and closure cost.

C1 Cash cost (attributable) decreased by 8% and All-in-sustaining cash costs (“AISC”) (attributable C1 + capital cost) increased by 8% in USD equivalent for the first half of 2021, compared to the same period of 2020. The decrease in C1 Cash cost was primarily due to the weakening of the KZT against the USD in the first half of 2021 as well as a decrease in production costs on an attributable basis. AISC increased due to an overall increase in capital expenditures of mining companies. The Company partially shifted wellfield development activities from 2020 to 2021 due to the four-month suspension of wellfield development activity, as a result of the COVID-19 pandemic in 2020, and that shift resulted in a higher level of capital expenditures in the first half of 2021.

Capital expenditures of mining companies (100% basis) in the first half of 2021 totalled KZT 33,444 million, a significant increase compared to the same period of 2020, primarily due to a shift in wellfield development activities as described above, as well as higher purchase prices for materials, supplies, equipment and cost of drilling (see Section 7.0 CAPITAL EXPENDITURES REVIEW).

Kazatomprom’s attributable C1 cash cost can generally be broken down as follows (proportions vary year-to-year, and vary between operations, deposits and regions):

General Attributable Cash cost (C1) Categories	Six months ended 30 June	
	2021	2020
Material and supplies	26%	28%
MET	23%	21%
Processing and other services	21%	18%
Wages and salaries	18%	17%
General and administrative expenses	7%	7%
Selling expenses	2%	2%
Others	3%	6%
<b>Total</b>	<b>100%</b>	<b>100%</b>

### 6.6 Selling expenses

(KZT million)	Six months ended 30 June			Proportion six month ended 30 June	
	2021	2020	Change	2021	2020
Shipping, transportation and storing	2,040	3,586	(43%)	56%	73%
Wages and salaries	550	472	17%	15%	10%
Materials	79	65	22%	2%	1%
Rent	29	66	(56%)	1%	1%
Depreciation and amortisation	33	32	3%	1%	1%
Others	911	715	27%	25%	14%
<b>Selling expenses</b>	<b>3,642</b>	<b>4,936</b>	<b>(26%)</b>	<b>100%</b>	<b>100%</b>

Selling expenses totalled KZT 3,642 million in the first half of 2021, a decrease of 26% compared to the same period of 2020. The decrease was mainly due to differences in the delivery destination points for uranium products.

## 6.7 General & Administrative expenses (G&A)

(KZT million)	Six months ended 30 June			Proportion six month ended 30 June	
	2021	2020	Change	2021	2020
G&A expenses	16,499	11,370	45%	100%	100%
Incl. Depreciation and amortisation	1,184	808	47%	7%	7%

The increase in G&A expenses was partly related to the reserve on liabilities for uranium products for KZT 2,932 million. G&A was also lower during the previous period due to the impact of optimisation and cost reduction in connection with the COVID-19 pandemic in the first half of 2020.

## 6.8 The share of associates' and JVs' results

The share of results of associates and JVs in the first half of 2021 was KZT 14,024 million, a decrease of 25% compared to the same period of 2020. The decrease was related to a decrease in uranium sales volumes in the relevant entities mainly related to the timing of customer requirements and the resulting differences in the timing of deliveries for first halves of 2021 and 2020.

## 6.9 Profit before tax and tax expense

(KZT million)	Six months ended 30 June		
	2021	2020	Change
Profit before tax	74,509	88,690	(16%)
Corporate income tax	16,423	22,731	(28%)

The Group's profit before tax was KZT 74,509 million in the first half of 2021, a decrease of 16% compared to the same period of 2020, mainly due to the impact of the sale of "Uranium Enrichment Center" JSC in the first half of 2020 for KZT 22,063 million, (see Section 6.1 Consolidated financial metrics), partially offset by the significant increase in cost of sales (see Section 6.5 Cost of sales) affected by an increase in sales volume and the proportion of uranium purchased from JVs and associates and from third parties.

In the first half of 2021, corporate income tax expense was KZT 16,423 million, a decrease of 28% compared to the same period of 2020, mainly due to the gain on sale of "Uranium Enrichment Center" JSC, which had a tax impact in the first half of 2020.

The corporate tax rate applicable to the Group's profits was 20% in both the first halves of 2021 and 2020. Income tax expense is recognised based upon management's estimate of the weighted average effective annual income tax rate. Effective income tax rates were 21% for the first half of 2021 and for the same period of 2020. The effective tax rate insignificantly differs from the corporate income tax rate.

## 7.0 CAPITAL EXPENDITURES REVIEW

Most capital expenditures of the Group are incurred by subsidiaries, JO's, JVs and associates engaged in the mining of natural uranium. Such expenditures are comprised of the following key components:

- uranium well construction costs;
- expansion costs, which typically include expansion of processing facilities, extension of services and transport routes to new wellfield areas, implementation of new production systems and processes;
- sustaining capital, largely reflecting recurring, infrastructure, maintenance and equipment replacement related costs, which typically cease three years prior to the end of production at the asset; and
- liquidation fund contributions and mine closure costs (not included in the calculation of AISC).

The following table provides the capital expenditures for the Group's subsidiaries, JOs, JVs and associates engaged in uranium mining for the periods indicated. Capital expenditure amounts shown were derived from stand-alone management information of certain entities within the Group on an unconsolidated basis, and they are therefore not comparable with or reconciled to the amounts of additions to property, plant and equipment as presented in the Financial Statements. Investors are strongly cautioned to not place undue reliance on capital expenditure information, as it represents unaudited, unconsolidated financial information on an accounting basis that is not in compliance with IFRS.

(KZT million)	Owner-ship	30 June 2021				30 June 2020			
		WC <sup>1</sup>	S <sup>2, 4</sup>	LF/C <sup>3</sup>	Total	WC <sup>1</sup>	S <sup>2, 4</sup>	LF/C <sup>3</sup>	Total
Ortalyk LLP	100%	1,555	159	50	1,764	822	65	28	915
Kazatomprom-SaUran LLP	100%	2,424	71	324	2,819	1,120	85	86	1,291
RU-6 LLP	100%	1,103	13	131	1,247	429	7	-	436
Appak LLP	65%	2,799	60	63	2,922	390	166	50	606
JV Inkai LLP	60%	2,034	1,299	4	3,337	1,452	930	13	2,395
Baiken-U LLP	52.5%	1,235	296	32	1,563	1,703	139	73	1,915
Semizbay-U LLP	51%	1,358	457	70	1,885	427	198	24	649
JV Budenovskoye LLP	51%	933	273	12	1,218	-	-	-	-
Karatau LLP	50%	702	2114	17	2,833	144	91	50	285
JV Akbastau JSC	50%	892	31	146	1,069	879	4	73	956
JV Khorassan-U LLP	50%	1,862	198	23	2,083	436	225	-	661
JV Zarechnoye JSC	49.98%	1,753	185	2	1,940	1,033	125	5	1,163
JV Katco LLP	49%	5,957	1,796	1,276	9,029	3,805	511	1,114	5,430
JV SMCC LLP	30%	1,463	422	49	1,934	911	15	-	926
<b>Total of mining assets</b>		<b>26,070</b>	<b>7,374</b>	<b>2,199</b>	<b>35,643</b>	<b>13,551</b>	<b>2,561</b>	<b>1,516</b>	<b>17,628</b>

<sup>1</sup> Well construction.

<sup>2</sup> Sustaining.

<sup>3</sup> Liquidation fund / closure. In 2020 JV Katco LLP has changed the methodology of calculation and increased its LF/C.

<sup>4</sup> Includes total expansion investments (JV Inkai LLP & Karatau LLP) in amount of KZT 1 billion in the first half of 2021 and of KZT 0.7 billion in the same period 2020.

In order to achieve the planned levels of production, the Group's mining companies assess the required level of wellfield and mining preparation based on the availability of reserves. These costs relate to the capitalized costs of maintaining the sites, with the main component being wellfield construction.

(KZT million)	Six months ended 30 June		
	2021	2020	Change
Well construction	26,070	13,551	92%
Sustaining <sup>1</sup>	6,374	1,850	245%
<b>Total wellfield construction and sustaining costs</b>	<b>32,444</b>	<b>15,401</b>	<b>111%</b>

<sup>1</sup> Excludes total expansion investments (JV Inkai LLP & JV Katco LLP) of KZT 1 billion in the first half of 2021 and KZT 0.7 billion in the first half of 2020.



Wellfield construction and sustaining costs for the 14 mining entities in the first half of 2021 amounted to KZT 32,444 million, which is significantly higher than in the same period of 2020 due to the decline in wellfield development activities amid the COVID-19 pandemic in 2020. The Company's four-month suspension of certain activities at its operations in 2020 impacted exploration and development activities, which led to a shift in the commissioning schedule for new wellfields. Additionally, there was an impact related to a change in Kazakhstan's tax legislation, whereby the cost of sulphuric acid used in the ISR wellfield acidification process is now capitalised within well construction costs, rather than being expensed directly to the production cost.

The information presented in the table below reflects the wellfield development depreciation (commonly known as PGR), property, plant and equipment, and depreciation and amortization data for each mining asset in the first half of 2021.

<b>(KZT million unless noted)</b>	<b>PGR volumes (tU)</b>	<b>PGR at the end of period</b>	<b>Exploration value at the end of period</b>	<b>Historical cost of PPE (excl. wellstock) at the end of period</b>	<b>Carrying amount of PPE (excl. wellstock) at the end of period</b>	<b>D&amp;A (excl. wellstock)</b>
Ortalyk LLP	2,535	10,123	279	18,982	11,196	501
Kazatomprom-SaUran LLP	4,165	15,027	2,634	20,978	10,617	434
RU-6 LLP	2,719	6,774	-	7,417	4,456	271
Appak LLP	1,476	3,080	6,013	9,819	5,007	199
JV Inkai LLP	4,624	22,171	17,449	100,192	59,333	1,194
Baiken-U LLP	2,727	8,480	5,962	20,437	10,097	480
Semizbay-U LLP	2,416	7,072	36	17,687	8,916	443
JV Budenovskoye LLP	-	-	-	380	354	10
Karatau LLP	2,748	6,956	2,735	28,661	15,163	730
JV Akbastau JSC	1,646	4,272	6,280	11,290	6,982	184
JV Khorassan-U LLP*	3,006	6,173	8,893	15,961	9,717	346
JV Katco LLP	5,103	22,150	2,218	54,561	18,549	603
JV Zarechnoye JSC	2,237	8,368	2,737	8,867	2,350	205
JV SMCC LLP	4,442	10,620	6,012	20,989	10,064	844

\* includes the fixed assets of "Kyzylkum" LLP

## 8.0 LIQUIDITY AND CAPITAL RESOURCES

The Group's liquidity requirements primarily relate to funding working capital, capital expenditures, service of debt, and payment of dividends. The Group has historically relied primarily upon cash flow from operating activities to fund its working capital and long-term capital requirements, and it expects to continue to do so, although it maintains the option to use external financial resources when required. The Company will consider entering into project financing arrangements to fund certain investment projects if deemed necessary.

### 8.1 Cash and cash equivalents

The Group manages its liquidity requirements to ensure the continued availability of cash sufficient to meet its obligations on time, avoid unacceptable losses, and settle its financial obligations without jeopardizing its reputation.

(KZT million)	As at June 30, 2021	As at December 31, 2020	As at June 30, 2020	Change for six months of 2021
Cash and cash equivalents	151,762	113,347	65,041	34%
Current term deposit	-	-	1	-
<b>Total cash</b>	<b>151,762</b>	<b>113,347</b>	<b>65,042</b>	<b>34%</b>

The Group's cash and cash equivalents at 30 June 2021 were KZT 151,762 million, increasing by 34% compared to KZT 113,347 million as of 31 December 2020 and higher in comparison to KZT 65,041 million as of 30 June 2020, mainly due to the accumulation of cash prior to the distribution of the 2020 dividend. Other explanations are presented below in the Section 8.4 Cash Flows.

### 8.2 Dividends received and paid

The Company is the parent for the Group, and in addition to revenue from its business operations, it receives dividends from JVs and associates, and from other investments. In the first half of 2021 and 2020, the Group received dividends of KZT 4,649 million and KZT 18,336 million, respectively, from its JVs and associates, and other investments. The decrease was primarily due to a change in timing of the dividend payment schedule in 2020 and 2021. The Company balances dividend maximisation and sustainable development goals at subsidiaries, JVs and associates. Dividends received by the Company from investees domiciled in the Republic of Kazakhstan are exempt from dividend tax.

In the first half of 2021, the Company accrued a dividend of KZT 150,082 million which was paid to its shareholders in July 2021 based upon the results of 2020 operations. This dividend represented an increase of 52% compared to 2020 when dividends of KZT 99,002 million were paid to shareholders on the results of 2019 operations. The increase was mainly due to higher operating cash flow and the inclusion of receipts from the sale of the Group's interest in "Uranium Enrichment Center" JSC in the Free Cash Flow (FCF) calculation methodology in accordance with the revised dividend policy approved by shareholders at the Annual General Meeting of shareholders in May 2021.

### 8.3 Working capital

The table below provides a breakdown of the Group's working capital.

(KZT million)	As at June 30, 2021	As at December 31, 2020	As at June 30, 2020	Change for six months of 2021
Inventory	225,722	233,389	240,423	(3%)
Receivables	142,234	117,418	91,594	21%
Recoverable VAT	34,733	48,621	39,285	(29%)
Other current assets	19,974	8,159	18,272	145%
CIT prepayment	19,482	9,986	4,951	95%
Payables	(57,968)	(43,948)	(34,290)	32%
Employee remuneration liabilities	(128)	(169)	(97)	(24%)
Income tax liabilities	(1,541)	(927)	(2,792)	66%
Other taxes and compulsory payments liabilities	(8,747)	(8,713)	(8,500)	-
Other current liabilities*	(172,285)	(34,518)	(49,190)	399%
<b>Net working capital</b>	<b>201,476</b>	<b>329,298</b>	<b>299,656</b>	<b>(39%)</b>

\* Includes dividends payable in amount of KZT 150,295 million in the first half of 2021, of which KZT 150,082 million was paid in July 2021 (as at December 31, 2020 dividends payable in amount of KZT 265 million).

The Group's net working capital remained positive during all periods under review.

The following table sets forth the components of the Group's inventories:

(KZT million)	As at June 30, 2021	As at December 31, 2020	As at June 30, 2020	Change for six months of 2021
Finished goods and goods for resale	185,836	185,397	197,021	-
<i>Including uranium products</i>	<i>183,280</i>	<i>183,633</i>	<i>195,136</i>	<i>-</i>
Work-in-process	19,267	22,923	20,341	(16%)
Raw materials	14,577	20,179	17,078	(28%)
Materials in processing	2,668	1,204	1,199	122%
Spare parts	605	682	617	(11%)
Fuel	495	655	779	(24%)
Other materials	5,065	5,104	5,929	(1%)
Provision for obsolescence and write-down to net realizable value	(2,791)	(2,755)	(2,541)	1%
<b>Total inventories</b>	<b>225,722</b>	<b>233,389</b>	<b>240,423</b>	<b>(3%)</b>

The Group constantly monitors the uranium market and may pursue a strategy of increasing its inventories in certain market conditions. The Group's main inventory items are finished goods and goods for resale, which primarily consists of U<sub>3</sub>O<sub>8</sub>. The Group's work-in-process and raw materials decreased by 16% and 28% respectively due to a sale of UMP segment products (see Section 6.4 UMP Segment), which were in work-in-process during 2020 year-end, and the use of raw materials in production throughout the first half of 2021.

A decrease in the inventory balance compared to the first half of 2020 was mainly due to higher consolidated sales volumes in the first half of 2021. In alignment with the Company's value strategy, Kazatomprom's inventory levels vary based upon timing of customer requirements and the resulting differences in the timing of deliveries, and mining and sales volumes, in alignment with changing market conditions.

### 8.4 Cash Flows

The following cash flow discussion is based upon and should be read in conjunction with the Financial Statements and related notes.

The following table provides the Group's consolidated cash flows:

(KZT million)	For the six month period ended 30 June 2021	For the six month period ended 30 June 2020
Cash flows from operating activities <sup>1</sup>	80,833	38,220
Cash flows from/(used in) investing activities	(13,850)	43,878
Cash flows (used in) financing activities	(30,515)	(121,159)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>36,468</b>	<b>(39,061)</b>

<sup>1</sup> Includes income tax and interest paid.

#### **8.4.1 Cash Flows from Operating Activities**

Operating cash flows for the first half of 2021 totalled KZT 80,833 million, an increase of 111% compared to KZT 38,220 million during the same period of 2020 mainly due to:

- a KZT 24,270 million decrease in payments for accounts payable to suppliers during the first half of 2021 due to change in timing of the purchases schedule for 2020-2021;
- other receipts in amount KZT 8,683 million in the first half of 2021, which represent the mutual settlements of the parties with the JO remaining after intra-group elimination. In accordance with IFRS 11, each JO party must recognize its share of the cash flows from the joint operations. Since transactions between the JO and each of the parties do not occur simultaneously, the consolidated cash flows may include amounts paid / received from a second JO participant. In subsequent periods, such amounts will be similarly reflected in other receipts / other payments; and
- a KZT 4,665 million increase in cash receipts from customers during the first half of 2021 compared to the same period of 2020, due to differences in the timing of the sales schedule for 2020-2021 and growth in the average realized price associated with an increase in the market spot price for U<sub>3</sub>O<sub>8</sub>.

#### **8.4.2 Cash Flows from Investing Activities**

Net cash outflows from investing activities were KZT 13,850 million in the first half of 2021 compared to Net cash inflows KZT 43,878 million in the same period of 2020 mainly due to:

- cash consideration received in the first half of 2020 from the sale of the investment in joint venture JSC Uranium Enrichment Center of KZT 43,858 million;
- a KZT 13,687 million decrease in dividends received from JVs, associates, and other investments due to change in timing of the dividends payment schedule for in 2020 - 2021.

#### **8.4.3 Cash Flows from financing activities**

Net cash outflows used in financing activities in the first half of 2021 were KZT 30,515 million compared to KZT 121,159 million in the same period of 2020. The principal factor affecting the comparative financing cash flows was the annual 2019 year dividend of KZT 99,002 million paid to shareholders prior to 30 June 2020 whereas the 2020 annual dividend was paid in July 2021.

## 9.0 INDEBTEDNESS

The total debt and guarantees of the Group as at 30 June 2021 were KZT 109,739 million (KZT 117,962 million as at 2020 year-end; as at 30 June 2020 were KZT 179,065 million).

(KZT million)	As at June 30, 2021	As at December 31, 2020	As at June 30, 2020	Change for six months of 2021
Bank loans	-	6,734	73,634	(100%)
Non-bank loans	90,410	91,838	90,077	(2%)
Guarantees	19,329	19,390	15,354	-
<b>Total debt and guarantees</b>	<b>109,739</b>	<b>117,962</b>	<b>179,065</b>	<b>(7%)</b>

The following table summarises the structure of the Group's indebtedness, excluding guarantees:

(KZT million)	As at June 30, 2021	As at December 31, 2020	As at June 30, 2020	Change for six months of 2021
<b>Non-current</b>	<b>77,154</b>	<b>76,570</b>	<b>73,331</b>	<b>1%</b>
Bank loans	-	-	-	
Non-bank loans, including:	77,154	76,570	73,331	
<i>Bonds issued</i>	77,000	76,300	72,800	
<i>Lease liabilities</i>	154	270	531	
<b>Current</b>	<b>13,256</b>	<b>22,002</b>	<b>90,380</b>	<b>(40%)</b>
Bank loans	-	6,734	73,634	
Non-bank loans, including:	13,256	15,268	16,746	
<i>Non-bank loans</i>	-	-	-	
<i>Promissory note issued</i>	10,509	14,004	14,102	
<i>Lease liabilities</i>	411	476	436	
<i>Bonds issued</i>	2,336	788	2,208	
<b>Total debt</b>	<b>90,410</b>	<b>98,572</b>	<b>163,711</b>	<b>(8%)</b>

As at 30 June, 2021, the Group has no current or long-term bank loans. Available credit lines are a liquidity source for the Group and are primarily used to temporarily cover cash deficits related to uneven receipts of trade receivables. As at 30 June 2021, the total limit on the Group's revolving credit lines was USD 597 million, which as of reporting date were not used.

The amount of non-bank loans as of 30 June, 2021 totalled KZT 90,410 million and predominantly includes long-term USD-indexed Company coupon bonds with a nominal amount of KZT 70 billion and maturity in October 2024, issued in September 2019 on the Kazakhstan Stock Exchange (KASE).

Promissory notes owned by JV "Khorasan-U" LLP are with maturity "on demand". As of 30 June 2021, the right to claim under the promissory notes belongs to "Kyzylykum" LLP.

Guarantees represent off-balance sheet irrevocable obligations of the Group to effect payment in the event that another party cannot meet its obligations.

Other liabilities of the Group are finance leases, other debt and leases.

According to its loan and guarantee agreements, the Group is required to comply with certain financial covenants based upon the Group's consolidated information, such as debt to equity ratio, and debt to EBITDA ratio. The Group complied with all applicable covenants during the period and remained in compliance as at 30 June 2021.

The following table summarises the Group's weighted average interest rate for bank loans:

(%)	As at June 30, 2021	As at December 31, 2020	As at June 30, 2020
Weighted average interest rate, including:	3.51	3.12	3.12
Fixed interest rate	3.51	3.31	3.26
Floating interest rate	-	1.99	2.38

As of 30 June, 2021, the weighted average interest rate increased to 3.51%. The Group's weighted average interest rate on loans and borrowings in the first half of 2021 was mainly influenced by the absence of loans and borrowings with floating interest rates.

As of 30 June 2021, 100% of the Group's liabilities total debt from loans and borrowings were at fixed interest rates (compared to 93% fixed and 7% floating as of year-end 2020; 70% fixed and 30% floating as of the end of first half of 2020, respectively).

The Company has credit ratings assigned and affirmed by international agencies:

- Baa2 with stable outlook by Moody's Investors Service, upgraded from Baa3 with stable outlook (confirmed 12 August 2021);
- BBB- with stable outlook by Fitch Ratings (confirmed 19 March 2021).

### 9.1 Net debt / Adjusted EBITDA

The following table summarises the key ratios used by the Company's management to measure financial stability. Management targets a net debt to adjusted EBITDA of less than 1.0.

(KZT million)	As at June 30, 2021	As at December 31, 2020	As at June 30, 2020	Change for six months of 2021
Total debt (excluding guarantees)	90,410	98,572	163,711	(8%)
Total cash balances (see Section 8.1)	(151,762)	(113,347)	(65,042)	34%
Net debt	(61,352)	(14,775)	98,669	315%
Adjusted EBITDA*	344,117	325,734	256,738	6%
Net debt / Adjusted EBITDA (coefficient)	(0.18)	(0.05)	0.38	260%

\* For the purposes of Net debt/Adjusted EBITDA (coefficient) calculation Adjusted EBITDA for six months of 2021 and 2020 was calculated as for 12 months (the first half of the reporting period and the second half of the previous period). Adjusted EBITDA is calculated as Profit before tax + Net finance expense + Net FX loss + Depreciation and amortisation + Impairment losses +/- one-off or unusual transactions.

## 10.0 OUTSTANDING SHARES

There were no significant changes to the Company's share structure during the first half of the year. As of 30 June 2021, 25% of the Company's outstanding shares were publicly traded, with "Samruk-Kazyna" JSC remaining the majority shareholder at 75%.

(at 30 June 2021)	Shares and GDRs	%
Samruk-Kazyna	194,517,456	75
Public free-float	64,839,152	25
<b>Total share capital</b>	<b>259,356,608</b>	<b>100</b>

## 11.0 ADJUSTED GUIDANCE FOR 2021

(exchange rate 430 KZT/1USD)	2021
Production volume U <sub>3</sub> O <sub>8</sub> (tU) (100% basis) <sup>1</sup>	22,500 – 22,800 <sup>2</sup>
Production volume U <sub>3</sub> O <sub>8</sub> (tU) (attributable basis) <sup>3, 4</sup>	12,100 – 12,400 <sup>2</sup>
Group sales volume (tU) (consolidated) <sup>5</sup>	15,500 – 16,000
Incl. KAP sales volume (incl. in Group) (tU) <sup>6</sup>	13,500 – 14,000
Revenue - consolidated (KZT billions) <sup>7</sup>	620 – 640
Revenue from Group U <sub>3</sub> O <sub>8</sub> sales, (KZT billions) <sup>7</sup>	540 – 560
C1 cash cost (attributable basis) (USD/lb) <sup>4, *</sup>	\$9.00 – \$10.00
All-in sustaining cash cost (attributable C1 + capital cost) (USD/lb) <sup>4, *</sup>	\$13.00 – \$14.00
Total capital expenditures (KZT billions) (100% basis) <sup>8</sup>	90 – 100

<sup>1</sup> Production volume (100% basis): Amounts represent the entirety of production of an entity in which the Company has an interest; it disregards that some portion of production may be attributable to the Group's JV partners or other third-party shareholders.

<sup>2</sup> The duration and full impact of the COVID-19 pandemic is not yet known. Annual production volumes could therefore vary from our expectations.

<sup>3</sup> Production volume (attributable basis): Amounts represent the portion of production of an entity in which the Company has an interest, corresponding only to the size of such interest; it excludes the portion attributable to the JV partners or other third-party shareholders, except for JV "Inkai" LLP, where the annual share of production is determined as per Implementation Agreement as disclosed in IPO Prospectus. Actual drummed production volumes remain subject to converter adjustments and adjustments for in-process material.

<sup>4</sup> Includes the change in attributable share of production & all-in sustaining cash cost related to the sale of a 49% share in "Ortalyk" LLP to CGNM UK Limited (a CGNPC subsidiary).

<sup>5</sup> Group sales volume: includes Kazatomprom's sales and those of its consolidated subsidiaries (according to the definition of the Group provided on page one of this document).

<sup>6</sup> KAP sales volume: includes only the total external sales of KAP HQ and THK. Intercompany transactions between KAP HQ and THK are not included.

<sup>7</sup> Revenue expectations are based on uranium prices taken at a single point in time from third-party sources. The prices used do not reflect any internal estimate from Kazatomprom, and revenue could be materially impacted by how actual uranium prices and exchange rates vary from the third-party estimates.

<sup>8</sup> Total capital expenditures (100% basis): includes only capital expenditures of the mining entities.

\* Note that the conversion of kgU to pounds U<sub>3</sub>O<sub>8</sub> is 2.5998.

All 2021 guidance remains fundamentally unchanged at this time, except for adjustments in the attributable share of U<sub>3</sub>O<sub>8</sub> production and All-in sustaining cash cost (AISC) to account for the sale of a 49% share in "Ortalyk" LLP to CGNM UK Limited (CGNPC subsidiary) in July 2021. Revenue, C1 cash cost (attributable basis) and All-in Sustaining cash cost (attributable C1 + capital cost) may vary from the ranges shown, to the extent that the KZT-to-USD exchange rate and uranium spot price differ from the assumptions shown in the footnotes.

Kazatomprom's efforts to prevent the spread of COVID-19 and protect the health and well-being of employees and local communities has been successful in maintaining continuity of operations and production capacity thusfar in 2021. However, in 2020, the introduction of a state of emergency in the Republic of Kazakhstan and the Company's four-month suspension of certain activities at its operations, impacted exploration and development activities, which led to a shift in the commissioning schedule for new wellfields. As a result of the shift, uranium production volumes through the first-half of 2021 fell short of internal expectations. As previously noted, in addition to the delayed exploration and development work, COVID-19 disrupted the overall production supply chain, resulting in a shortage of certain production materials, such as piping, which also had a negative impact on first-half production results. Despite these challenges, the Group is maintaining its 2021 production plan and making every effort to achieve it, though final year-end volumes may fall short if the wellfield development and supply chain issues continue throughout the second-half of the year.

Note that the Company only intends to update annual guidance in relation to operational factors and internal changes that are within its control. Key assumptions used for external metrics, such as exchange rates and uranium prices, are established using third party sources during the Company's annual budget process; such assumptions will only be updated on an interim basis in exceptional circumstances.



The Company continues to target an ongoing inventory level of approximately six to seven months of annual attributable production. However, inventory could fall below these levels in 2021 and 2022, due to COVID related production shortfall. As such, during the second quarter, several transactions to purchase material in the spot market were carried out, and the Company may buy additional material in the spot market during the second half of the year in order to keep its inventories within the targeted range and to meet sales commitments for the rest of 2021.

### 11.1 Uranium sales price sensitivity analysis

The table below indicates how the Group's U<sub>3</sub>O<sub>8</sub> annual average sales price may respond to changes in spot prices (shown in the left column), for a given year (shown across the top row). At present, the table clearly indicates that the Group's U<sub>3</sub>O<sub>8</sub> average sales prices are closely correlated with the uranium spot market price.

This sensitivity analysis should be used only as a reference, and actual uranium market spot prices may result in different U<sub>3</sub>O<sub>8</sub> annual average sales prices than those shown in the table. The table is based upon several key assumptions, including estimates of future business opportunities, which may change and are subject to risks and uncertainties outside the Group's control. Please review the footnotes under that table and refer to the section 12.1 Forward-looking statements for more information.

Average Annual Spot Price (USD)	2022E	2023E	2024E	2025E	2026E
20	22	22	22	22	21
30	31	31	31	31	30
40	40	40	40	40	40
50	48	49	48	48	50
60	57	57	57	57	59
70	65	66	66	65	69

Values are rounded to the nearest dollar. The sensitivity analysis above is based on the following key assumptions:

- Annual inflation at 2% in the US;

- Analysis is as of 30 June 2021 and prepared for 2022–2026 on the basis of minimum attributable annual sales of approximately 13.5 thousand tonnes of uranium in the form of U<sub>3</sub>O<sub>8</sub>, of which the volumes contracted as of 30 June 2021 will be sold per existing contract terms (i.e. contracts with hybrid pricing mechanisms with a fixed price component (calculated in accordance with an agreed price formula) and / or combination of separate spot, mid-term and long-term prices); Kazatomprom's marketing strategy does not target a specific proportion of fixed and market related contracts in its portfolio in order to remain flexible and react appropriately to market signals;

- For the purpose of the table, uncommitted volumes of U<sub>3</sub>O<sub>8</sub> are assumed to be sold under short-term contracts negotiated directly with the customers and based on spot prices.

## 12.0 RISKS AND FORWARD-LOOKING INFORMATION

The Company is exposed to the following key risks that could have a material adverse effect on the Group and its results:

- major accidents affecting the nuclear industry may result in a dramatic fall in uranium prices;
- nuclear energy competes with several other sources of energy, and sustained lower prices of such alternative energy sources may result in lower demand for nuclear raw materials, a reduction in nuclear energy development programs and the construction of nuclear power plants and consequently, in a reduction in demand for uranium which could impact market prices;
- nuclear energy is subject to public opinion risks that could have a material adverse impact on the demand for nuclear power and increase the regulation of the nuclear power industry;
- the Group's profitability is directly related to the market prices of uranium, which are volatile;
- the Group faces competition and could lose customers to other suppliers of uranium and uranium products;
- the Group is currently dependent on a small number of customers that purchase a significant portion of the Group's uranium, and the loss of a significant customer could have a material impact;
- certain customers and business associates of the Group may be subjected to US and EU sanctions, and such sanctions could have a material impact;
- the US or other uranium importers could impose tariffs or quotas on uranium imports;
- the Group may continue to hold significant U<sub>3</sub>O<sub>8</sub> inventories throughout the U<sub>3</sub>O<sub>8</sub> pricing cycle if production exceeds sales;
- the Group's uranium extraction and transportation activities are subject to operational risks, hazards and unexpected disruptions, which could delay the production and delivery of the Group's uranium and uranium products, increase the Group's cost of extraction, or result in accidents at the Group's extraction locations;
- the availability and cost of sulfuric acid materially affects the continuity and commercial viability of the Group's operations, as the Group uses substantial amounts of sulfuric acid to extract uranium;
- the Group may face difficulty using railroads or other transportation infrastructure connecting Kazakhstan with neighbouring countries;
- the Group may be unsuccessful in maintaining existing ore reserves or discovering new ore reserves, and the reported quantities or classifications of the Group's uranium ore reserves may be lower than estimated because of inherent uncertainties in the estimation process;
- the Group may be unable to obtain, on commercially acceptable terms or at all, the necessary financing for its operations, strategy implementation, and/or expansion of its business and local infrastructure;
- the Group is subject to various financial risks related to certain financial and other restrictive covenants, fluctuations of interest and currency rates, liquidity constraints or fail to obtain the necessary funding, or defaults of counterparties;
- the Group may be affected by arbitration or litigation proceedings to which it is not a party, or by legal consequences of non-compliance / misinterpretation of legislation;
- the Group's insurance coverage may not be adequate to cover losses arising from potential operational hazards and unforeseen interruptions;
- failures of the Group's IT systems or cyber-attacks could negatively influence the results of operations;
- failure to achieve planned uranium production or products (U<sub>3</sub>O<sub>8</sub>) output volumes, sales, or production costs of products and services;
- failure to achieve the Group's assets restructuring plan;
- failure to successfully improve corporate governance systems and health, safety, and environmental programs;
- failure to successfully complete construction of a fuel fabrication plant on time and on budget;
- the Group is impacted by the macroeconomic, social and political conditions in Kazakhstan, and the Group may be exposed to risks related to adverse sovereign action by local government, or subject to extensive government regulation and legislation;
- the Group may be affected by labour unrest or increased social tension in Kazakhstan;
- the Group's results of operations are subject to economic, political and legal developments in China, India and South-East Asia;
- unexpected catastrophic events, including acts of vandalism and terrorism;

- the spread of the COVID-19 pandemic on the territory of Kazakhstan may lead to a deterioration in the financial stability of the Group and an increase in social tension;
- the spread of the COVID-19 pandemic could result in additional shutdowns or curtailment of operations, which would have an impact on Company's results and could cause Company to update and/or miss the Guidance for 2021 stated above.

### **12.1 Forward-looking statements**

This document contains statements that are considered as "forward-looking statements". The terminology used for describing the future, including, inter alia, such words as "believes", "according to preliminary estimates", "expects", "forecasts", "intends", "plans", "suggests", "will" or "should" or, in each case, similar or comparable terminology, or references to discussions, plans, objectives, goals, future events or intentions, is used to denote forward-looking statements. These forward-looking statements include all statements that are not historical facts. These statements include, without limitation, statements regarding intentions, opinions and announcements on the Company's expectations concerning, among other things, the results of operations, financial state, liquidity, prospects, growth, potential acquisitions, strategies and sectors, in which the Company operates. In their nature, forward-looking statements involve risks and uncertainties because they relate to future events and circumstances that may or may not occur. Forward-looking statements do not guarantee future or actual performance. The Company's financial position and liquidity, as well as the development of the country and industries, in which the Company operates, may significantly differ from the options described herein or assumed pursuant to the forward-looking statements contained herein. The company does not plan and does not assume obligations to update any information regarding the industry or any forward-looking statements contained herein, whether as a result of obtaining new information or occurrence of future events or any other circumstances. The Company makes no representations, provides no assurances and publishes no forecasts as to whether the outcomes described in such forward-looking statements will be achieved.