

**Event:** 1H2023 Results Conference Call – Astana

**Date/Time:** Friday, 25 August 2023, 17:00 AST

## Kazatomprom 1H2023 Results Conference Call Transcript

### INTRODUCTION AND WELCOME



Yerlan Magzumov:

Good day ladies and gentlemen, and welcome to Kazatomprom's 2023 first-half results Conference Call. My name is Yerlan Magzumov and I am the Director of IR at Kazatomprom. Thank you for taking the time to join us today.

At this time, all participants are in listen-only mode. Later, we will conduct a question-and-answer session through the phone lines in English, shortly after completion of which a separate question-and-answer session will follow for written questions, and instructions will be provided at that time. The simultaneous translation of the call, including the Q&A will be available for Russian-speaking line. All participants can also submit questions through the webcast page using the Ask a question button.

Our call will begin with a presentation by CEO, Mr. Yerzhan Mukanov, followed by an opportunity for questions. If you joined through the Kazatomprom website or through our company page on the London Stock Exchange website, note that there will be slides displayed during the remarks. These webcast slides are also available for download in English and in Russian as PDFs called "2023 first-half Conference Call Slides".

Note that our press release, full version of the Operating and Financial Review for the first half of 2023, along with our financial statements for the first six months ended 30 June 2023, are now available on Kazatomprom's website.

Participating in today's call we have Yerzhan Mukanov, CEO, Dastan Kosherbayev, Chief Commercial Officer, Ulan Khassanov, Managing Director for Economics and Planning.

This call is open to all stakeholders, with the question and answer portion intended to be an opportunity for members of the investment community to engage with the management team and ask their questions.

Please note, that this conference call may include forward-looking statements. These statements include all matters that are not historical facts. By their nature, forward-looking statements involve risk and uncertainty, and they are not guarantees of future performance. The company does not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved.

I will now turn it over to Mr. Mukanov.

### CEO REMARKS

Yerzhan Mukanov:

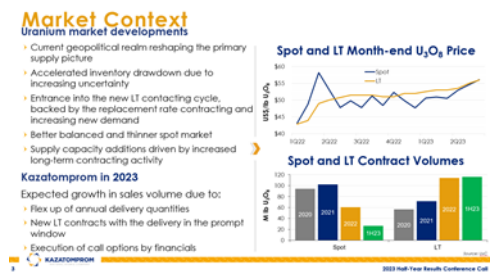
Thank you, Yerlan. I am delighted to welcome and thank everyone for joining our conference call today.

The success of any Company is in the hands of its people, and from our modest beginnings to becoming the world's largest producer and supplier of uranium that will fuel a global transition to carbon-free energy generation, marking 26 years of growth and strategic evolution, is a significant achievement for everyone. Our employees are key to that success and with a new management team and the Board of directors we will continue on the path of excellence.

## Event: 1H2023 Results Conference Call – Astana

Date/Time: Friday, 25 August 2023, 17:00 AST

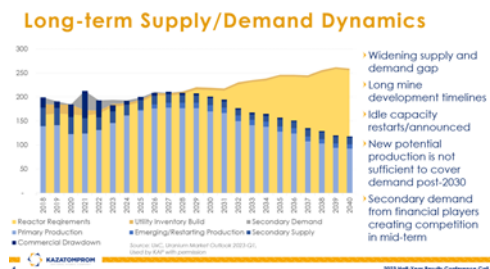
Along with a discussion of Kazatomprom's 2023 first-half results, which were released earlier today, this call also provides an opportunity to update the stakeholders with our view of market developments both long term and during the first half of 2023.



Respectively, I would like to continue with a brief outlook at the uranium market. The contracting activity and the spot and term uranium pricing gained strength during the first half of this year, with market participants shifting their focus to security of supply in light of the recent geopolitical events.

Monthly spot prices were between \$50 and \$56, spot market is now better balanced and thinner than in previous years. The decline in purchases by the financials continues to be a factor in lower overall spot volumes. While financial demand has declined, utility spot purchases picked up slightly over the first half of 2023. The overall fundamentals are shifting to where the U3O8 market is becoming much tighter over the next several years, which leads to much more limited supplies being made available in the spot market. For the first half of 2023, there have been a total of 27.0 million pounds U3O8 in the spot market.

Larger developments today are observed in the long-term market, as according to third party sources the volume of long-term contracting in the first six months of 2023 amounted to more than 116 mln pounds, exceeding the volumes of the entire previous year. This can be perceived as a clear sign that the industry has entered into the new long-term contracting cycle, driven by the recognition of the restocking needs.



Moving on to the long-term Supply-Demand picture, the third-party forecasts indicate that there is an exponentially growing supply gap not covered by the production volumes coming online in the foreseeable future. Projections already indicate that this gap will continue to expand in the coming decades. By 2030, a cumulative supply deficit of 63 million pounds U3O8 is projected, rising sharply to 140 million pounds U3O8 by 2040.



Kazatomprom has consistently stated that it would closely monitor the market situation to determine the need to increase the production volumes back to 100% level in accordance with subsoil use contracts. Given the sustainably

**Event:** 1H2023 Results Conference Call – Astana

**Date/Time:** Friday, 25 August 2023, 17:00 AST

improving supply-demand dynamics, Kazatomprom is looking forward to expand its production in accordance with the market fundamentals and expansion of the contract book.

Consistent with our strategy and accounting for the constantly evolving situation around the mine development and production constraints, we expect our 2024 production volumes to remain below our total Subsoil use contract volumes at the level of minus 10% or approximately 25 thousand tons of uranium. Our production plans for 2025 will be communicated later this quarter.

**Global Presence, Strong Customer Base**



As a leading uranium producer, we aim to expand our worldwide presence, broaden our customer base to meet the increasing global demand and help the world in achieving global sustainable development and decarbonization goals.

Accordingly, we continue to negotiate the supply of our products to customers and partners in Europe, Americas and Asia. Our share of the natural uranium market, within the frame of our deliveries under new and existing contractual obligations to customers around the world increased during the reporting period.

**Uranium sales price sensitivity**



Kazatomprom is continuing to optimize its sales, based on the current market conditions, with a focus on end-user utility contracts with exposure to increased spot and term prices, to maximize the benefits from the strengthening market.

For short-term deliveries to consumers, there is a certain time lag between the date of pricing fixation according to the transfer pricing legislation of Kazakhstan and the spot market price at the time of actual delivery. The high market volatility during these time lags becomes more evident as prices fluctuate both during periods of growth and decline.

**Committed to Delivery Obligations**



Our stakeholders have expressed keen interest in our transportation routes during the reporting period. As was done in the previous periods, we have been using the St. Petersburg route as our primary route, and we do not anticipate any major issues to arise in the foreseeable future. As we have reiterated in nearly every discussion with all stakeholder groups, should our access to that primary corridor become limited for any reason, we have a number of mitigation plans that are ready to deploy. They include: the Trans-Caspian International Transport Route, an alternative route we first used in 2018 that does not enter Russian territory, the ability to negotiate swaps with partners and customers for material

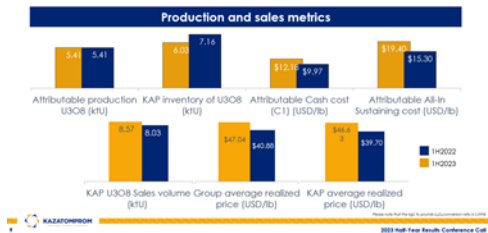
## Event: 1H2023 Results Conference Call – Astana

Date/Time: Friday, 25 August 2023, 17:00 AST

already at western converters, and an existing inventory of uranium at various western conversion facilities that can be book-transferred to customers, should the need arise.

Our customers can rest assured that Kazatomprom will meet its contractual obligations to deliver uranium to a designated location at a designated time.

### 1H2023 Operational Results



Moving into our first half results for 2023.

The Company's production volume was nearly on the same level compared to the same period in 2022 and due to improvements in the schedule for wells commissioning development progress now is on schedule.

As of June 30, our inventory of uranium decreased compared to the inventory level we held in previous year due to the increase in sales volumes. Also, some part of Kazatomprom's uranium goes to the production of fuel assemblies at Ulba-FA LLP. In May 2023, another delivery of fuel assemblies was carried out for our Chinese partners, and by the end of the year we expect several more deliveries of our high value-added products made from the Kazakhstani uranium material.

To manage risk and ensure we had material at the right place and time, we did make some purchases and swaps in the market during this period.

Our first-half C1 cash costs rose, as expected, increasing by 22%, from just under \$10 per pound this time last year, to now just above \$12 per pound. This was mostly due to an increase in the MET tax expenses related to its changes introduced in the beginning of this year, as well as due to higher payroll costs and inflationary pressure. All-in sustaining costs rose as well, by 27%, to just above \$19 due to a 35% increase in capital costs resulting from the shift of some capex spending from 2022 into 2023 as well as a rise in purchase prices for materials, supplies, equipment and cost of drilling.

### 1H2023 Financial Metrics



Moving on to our financial results for the first half of 2023, you can see that they were quite remarkable.

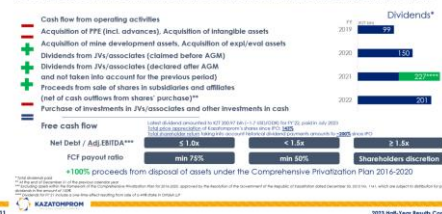
Revenue increased compared to the first six months of previous year by 25% to nearly 620 billion tenge, driving a rise in operating profit by 46%, and a 33% increase in net profit to slightly above 222 billion tenge. There were no one-off transactions during first halves of the current and previous year. These impressive results reflect both the improvement in the uranium market and considerable success of our commercial team in building our sales portfolio.

# Event: 1H2023 Results Conference Call – Astana

Date/Time: Friday, 25 August 2023, 17:00 AST

## Dividend Policy

FCF is a base for dividend distribution, consistent dividends, compelling dividend yield



This year in July we have paid dividends to our shareholders of approximately 201 billion tenge or roughly ~1.7 USD per GDR, equal to one common share, for the results of a previous year. Our dividend and capital allocation policy stays consistent with prior years and with the payout ratio being minimum 75% from our Free cash flow.

## Looking Ahead – 2023 Guidance update

Key performance indicators	2023 updated guidance	2023 initial guidance	2022 actual
Production volume (Gt, 100% basis) <sup>1</sup>	20,500 – 21,500 <sup>2</sup>	20,500 – 21,500 <sup>2</sup>	21,227
Production volume (Gt, attributable basis) <sup>2</sup>	10,400 – 11,200 <sup>2</sup>	10,400 – 11,200 <sup>2</sup>	11,373
Group sales volume (conventional) <sup>3</sup>	17,500 – 18,000 <sup>2</sup>	15,400 – 15,900 <sup>2</sup>	16,356
KAP sales volume (incl. in Group)	14,500 – 15,000 <sup>2</sup>	12,100 – 12,600 <sup>2</sup>	13,372
Revenue – conventional <sup>4</sup>	1,370 – 1,310	1,080 – 1,090	1,001
Revenue from Group (Gt, sales) <sup>5</sup>	1,020 – 1,040	820 – 840	851
CI cash cost (attributable basis) <sup>6</sup>	\$16.5 – \$14.50	\$12.00 – \$13.50	\$10.25
Joint venture cash cost participation (CI + capital) <sup>7</sup>	\$16.5	\$20.00 – \$21.50	\$16.19
Total capital expenditures of mining entities (100% basis) <sup>8</sup>	230 – 230	240 – 250	146.5

Kazatomprom remains confident in our 2023 production plan and it remains unchanged being 20% lower than the nominal subsoil use contracts level. Respectively, Kazatomprom maintains the current level of guidance for annual production in 2023.

Other metrics were revised using the updated spot price and exchange rates estimates, and sales portfolio expansion. The Company expects increased sales volume compared to previous guidance indicators due to additional requests from customers to flex up their annual delivery quantities within the frame of existing contracts, some new long-term contracts with the delivery in a prompt window during 2023. Expansion of contract book affects sales volume and revenue guidance, in the same time cost metrics were also revised mostly due to updated forecast metrics of spot price and exchange rate. The spot price directly affects the mineral extraction tax expense in accordance with the introduced changes effective the beginning of this year. Total capital expenditures of mining entities on a 100% basis were revised due to change of schedule of new investment projects.

We maintain our market-centric strategy, optimizing production & sales volumes based on market conditions and our contract book to deliver our shareholders long-term value.

As always, we are committed to the highest standards of health, safety, environmental stewardship, and corporate governance in all aspects of our business.

Open and constant communication is crucial during this time of ongoing uncertainty and elevated regional geopolitical risks, and we remain committed to business continuity.

Over the Company’s history, Kazatomprom has established itself as a reliable supplier and partner in the industry. Along with our proven track record since IPO for the commitment to building the long-term value for stakeholders through



**Event:** 1H2023 Results Conference Call – Astana

**Date/Time:** Friday, 25 August 2023, 17:00 AST

continued production and sales discipline, we are eager to keep working with new and existing global customers to provide the fuel required to meet the anticipated demand growth and help the world achieve its net-zero objectives.

Thank you for your interest and attention. We will now be happy to answer questions from today's call participants.

## **QUESTIONS AND ANSWERS SESSION**

Operator:

(Instructions)

Our first question comes from Alexander Pearce BMO.

Q: Alexander Pearce – BMO Capital Markets Equity Research VP of Metals and Mining Research.

Great. So just this question is on cash cost. Obviously, you mentioned you achieved, I think, USD 12.20 pound cash cost for H1. But you recently flagged a slight lift to the cash cost guidance for this year. I think it's USD 13 to USD 14.50. I just wonder whether you can you just perhaps talk us through how much of that change is due to FX and how much of it is because of some of the kind of cost inflation headwinds you may be experiencing?

A: Ulan Khassanov – Managing Director, Economics and Planning

In the guidance, the increase of the cash cost and all-in sustaining cost are mostly related with FX changes and changes related with the spot price. As you know, we have informed stakeholders that the mineral extraction tax nowadays is calculated relative to the spot price. That's why, due to the increase in spot price, we can see that it influences the cash cost per pound. That is why we decided to increase our guidance for this year by USD 1 per pound. And we can say that half of that USD 1 per pound accounts for FX changes and the other half accounts for the spot price changes from the beginning of this year.

Q: Nicholas Philippides – retail investor

Currently, there are 14 deposits, out of 56 known ones, are in use. The remaining 42 are on standby. Could you please elaborate on the 42 deposits that are on standby.

A: Yerzhan Mukanov – CEO

Regarding the part of the known deposits that are not in operation yet, I would like to say that not all of them are suitable for ISR operations. Part of them are suitable for underground and part of them for open-pit operations. And as you know, the cost of the underground operations is much higher. So for the moment, we do not consider to start to mine those deposit in the near future.

Q: Ben Finegold – Ocean Wall

What is the current status of a route via Shanghai to the West?

A: Dastan Kosherbayev – CCO

Yes, indeed, such an endeavor is in place. Currently, the negotiations are in progress and should there be any results, we'll update all the stakeholders accordingly. But at the moment, we are not disclosing any commercial terms or the status of the ongoing negotiations between the parties.

Q: Kareem Haji - Dunross

Can you please offer more color on the transport cost, not using the St. Petersburg route? In a recent episode of the Macrovoices podcast, it was alluded that the alternative route via the Trans-Caspian Route (TITR) is 20x more expensive?

A: Yerzhan Mukanov – CEO

**Event:** 1H2023 Results Conference Call – Astana

**Date/Time:** Friday, 25 August 2023, 17:00 AST

That's a good question. Yes, definitely, there are some differences between the prices of the routes, but it should be noted that when using the Trans-Caspian we have to use the chartered vessels instead of liner vessels that are used through the St. Petersburg route. There are certain discrepancies associated with the logistics, but they are insignificant. In general, this route is functioning well and we're using when required. There are no problems.

Q: Renata Abdurakhmanova - CHANGE Global Investment

Congratulations on great results! What percent of sales go to Russia and China? What are possible implications on you in case of sanctions on Russian nuclear exports? Will Trans Caspian route be able to carry 100% of volumes that go through the route via Saint Petersburg?

A: Dastan Kosherbayev - CCO

Should this happen, yes, we believe that Trans Caspian route will be able to transport 100% of our exports to west, as it was established and is functioning under the One Belt - One Road initiative, capacity of which allows for a huge amount of transportation volumes from China. We can't disclose our client-wise sales breakdown, as such information is commercially sensitive. But I can give you a breakdown in terms of the regions. As is seen in our financial statements, about 44% of our sales account for Asia in the first half of 2023.

Q: Anna Antonova - JPMorgan

We see that Netherlands emerged as a material buyer of uranium this year with 8% share of sales revenues - any comments? Is this a temporary event?

A: Dastan Kosherbayev - CCO

No, I don't believe that this is a temporary event. One of our companies helped us to engineer and structure a deal in this fashion - it may happen the next year too. This may happen even a year after - it's just a regular sales business.

Operator:

We currently have no questions on the conference call, sir. We will do, however, repeat the instructions. (Operator Instructions)

A: Yerzhan Mukanov – CEO

Dear participants, thank you for your interest in our Company. Looking forward to meet you on the next call. Have a nice day. Bye.