

**Event:** FY2023 Results Conference Call – Astana

**Date/Time:** Friday, 15 March 2024, 17:00 AST

## Kazatomprom 2023 Results Conference Call Transcript

### INTRODUCTION AND WELCOME



#### **Botagoz Muldagaliyeva:**

Good time of the day, and welcome to Kazatomprom’s Conference Call to discuss the Company’s 2023 Annual Operating and Financial Results. My name is Botagoz. I am leading the Investor Relations team here at Kazatomprom and thank you for taking the time to join us today.

Our conversation will begin with a presentation by CEO, Mr. Meirzhan Yussupov, followed by an opportunity for investors to ask questions.

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 and instructions will be provided at that time. The simultaneous translation of English Q&A will be available for Russian-speaking line. English line participants can also submit questions through the webcast page using the Ask a question button.

If you joined through the Company’s website or through our page on the London Stock Exchange website, note that there will be slides displayed during the remarks. These webcast slides will be also available for download in English and in Russian as PDFs called “2023 Full Year Conference Call Slides” shortly after the call.

Note that our press release, full version of the 2023 Full Year Operating and Financial Review, along with our audited 2023 financial statements for 12 months ended 31 December 2023, are now available on Kazatomprom’s website.

Participating in today’s call, we have Meirzhan Yussupov, Chief Executive Officer; Sultan Temirbayev, Chief Financial Officer; and Dastan Kosherbayev, Chief Commercial Officer.

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.

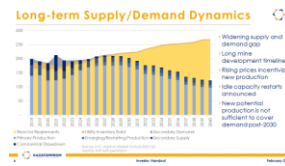


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No matter what reactor design you use, you will need uranium to fuel it. Kazakhstan accounts for 40% of the world's uranium production on an annual basis, providing fuel for the global energy needs. This means that at least every third nuclear reactor in the world runs on Kazakh uranium.

As the world's largest uranium producer, we are ready to continue playing an active role in ensuring the secure and reliable source of uranium for nuclear power plants across the globe.

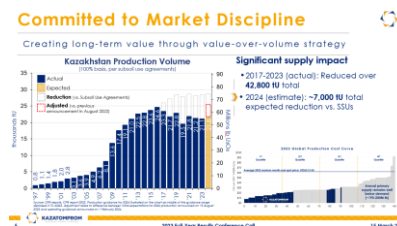


Continuing our discussion, let me proceed with a broader market picture. As you can see on the slide, the third-party forecasts indicate that there is a significantly growing supply gap, not covered by the production volumes coming online in the foreseeable future. In 2030, a supply deficit of 21 million pounds of U<sub>3</sub>O<sub>8</sub> is projected, rising sharply to 147 million pounds of U<sub>3</sub>O<sub>8</sub> by 2040.

This model is prepared by the industry experts and is quite conservative in terms of the role of financial players, who have significantly contributed to the demand side in recent years. More than 50 mln pounds were purchased by some of the financial institutions for the last three years. It didn't only help to absorb available pounds and mobile inventory pockets from the market, but more importantly, it triggered the shift from the utilities' spot market-reliance to a long-term security of supply prioritisation needs.

However, only about 4 out of those 50 million were purchased from spot in 2023. Despite that, we still witnessed a strong increase in uranium prices in 2023, which was supported by the activities of other market players. And in early 2024 we have seen uranium price passing the three-digit threshold, and that move as well, was not because of the financial players, but due to the increased activity from the more conventional market participants.

Although some of the producers made decisions to restart idled capacity and launch new production in mid-2020s, including ourselves, it will not be sufficient to cover uranium requirements post-2030, especially amid current geopolitical uncertainties, inflationary pressures, and supply chain challenges worldwide. In the current pricing environment another Kazatomprom-sized supply source will be needed to cover future market needs.



It is important to highlight another important factor that contributed to the market's structural shift and it refers to the key uranium producers' production and sales discipline. Speaking about ourselves in particular, our commitment to market discipline reflects our strategy, creating long-term value for our shareholders.

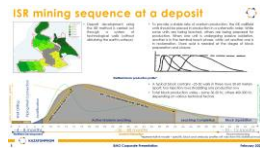
Kazatomprom alone removed about 112 million pounds in actual uranium production from 2017 to 2023.

Otherwise Kazatomprom's unique position occupying the whole first quartile of the global cost curve, we could continue generating profits even under the low pricing environment.

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This year's reduction, however, is not fully attributable to our strategy, but was partially a forced measure in response to the challenges associated with the sulphuric acid availability and construction delays at our newly developed deposits.



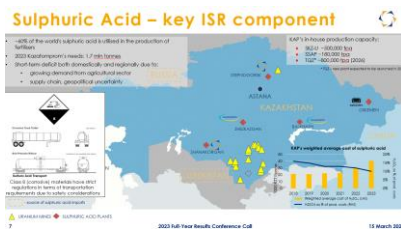
Sulphuric acid is the key component of ISR operations. It is needed both when preparing a new deposit for production, and throughout the entire life of a mine.

On this slide, you can see an illustration of an ISR deposit's development.

To provide a stable rate of uranium production, the ISR wellfield units should be placed in production in a systematic order. While some units are being prepared for production, others are leached, while yet others are in reclamation.

Sulphuric acid is used for both acidification at a block preparation phase and uranium leaching at the production phase. Acidification requires from 20% to 35% of the total volume of sulphuric acid, while leaching consumes the other 65%-80%.

Therefore, relationship between acid consumption per tonne of uranium produced is not linear, as a good portion of acid is consumed prior to actual start of production. This is particularly relevant in periods where there is an anticipated change of production volumes, a period we're in now. This is represented by the lines on the graph, which are provided for illustrative purposes only but they clearly show the general pattern of sulphuric acid consumption.



Kazakhstan's sulphuric acid requirements for the last couple of years outweighed domestic production capacity, while historically the market was excessive.

Generally, about 60% of the world's sulphuric acid is utilised in the production of fertilisers. Consequently, the agricultural sector wields a substantial influence on demand for sulphuric acid.

Since we've had numerous discussions with the investment community in February post our 2023 Trading update, I won't spend time explaining the situation around the sulphuric acid-related challenges again. As of today, the Company has secured the volumes required to meet its 2024 production guidance of about 20% below Subsoil Use Contract levels.

In the medium term, the deficit is expected to alleviate. First, as a result of the potential increase in sulphuric acid supply from local producers (non-ferrous metals mining and smelting operations). Second, the Company intends to enhance its in-house sulphuric acid production capacity. Once the new sulphuric acid plant is online, our in-house sulphuric acid production capacity will reach almost 1.5 million tonnes. For reference, in 2023 Kazatomprom required about 1.7 million tonnes. So the Company views the sulphuric acid-related challenges as having a short-term nature.

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### FY2023 Operational Highlights

• Key operational and sales metrics disclosed on quarterly basis



Despite the challenges, the Company managed to meet all of its 2023 targets.

Production volumes on both a 100% and attributable basis were within the guided ranges remaining flat compared to 2022.

None of these plans could've been achieved without our most important resource: a team of over 20,000 dedicated employees. Kazatomprom ensures that they have the skills, access to training and equipment needed to work safely and HSE remains to be one of our key priorities. The HSE measures taken in 2023 made it possible to prevent significant industrial accidents.

Both Group and KAP sales volumes were 10% higher compared to 2022, primarily due to additional requests from customers to flex up their annual delivery quantities within the frame of existing contracts, as well as some new long-term contracts with the start of deliveries in a prompt window during 2023. Kazatomprom was successful to add new geographies to its customer base in 2023, including UAE's Emirates Nuclear Energy Corporation.

Consolidated Group inventory of finished products amounted to 7.2 thousand tonnes as at 31 December 2023, 23% lower than at 31 December 2022, a year earlier. Attributable to the Company inventory level amounted to 6.1 thousand tonnes of U<sub>3</sub>O<sub>8</sub>, a 21% decrease compared to 2022 year-end volumes. The decrease in inventory at both Group and KAP levels is attributed to increased 2023 sales.

The Group's average realized price for 2023 equalled to 55.09 US dollars per pound, an increase of 27% compared to 2022 due to an increase in the uranium spot price. It is worth mentioning that the year-on-year growth rates for both the Group and KAP's average realized prices were at a similar level as the increases in the spot market prices for uranium in 2023.



Kazatomprom successfully executed its 2023 shipments, experiencing no interruptions, logistical or insurance-related challenges through both northern and Trans-Caspian routes, with the latter one comprising 64% of all uranium shipments to the Western markets. Despite this fact, selling expenses for the 2023 were only about 4% of the C1 cash costs corresponding to roughly fifty cents per pound of U<sub>3</sub>O<sub>8</sub>.

Kazatomprom continues to monitor the list of sanctions on Russia and the potential impact they could have on transportation through Russian territory. To date, there are no restrictions on the Company's activities related to the supply of its products to customers worldwide.

In addition to physical deliveries the Company has alternative options including inventory swaps, loans and book transfers. Therefore, the Company is fully hedged to guarantee it has the material in the required volumes at the preferred location to meet its customer needs.

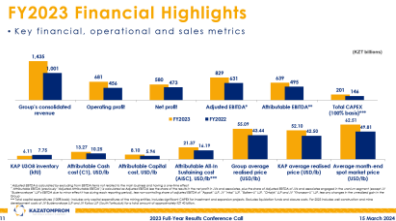
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Here, let me draw your attention to our sensitivity analysis. Our average realized price continues to chase the spot price, and our contract book shows the closest in the market correlation with the spot prices.

This time last year, the analysis was based on \$20 to \$70 price range, but we've now expanded it to 140 dollars after seeing that market analysts and investment banks have improved their view on uranium prices, and significantly increased their price targets.



With that you can see how higher average realized price reflects in our financial results for the year 2023 which were unbeatably strong.

While the average annual uranium price showed a modest year-on-year increase of slightly more than 20%, our 2023 revenue growth was significant amounting to 43% and resulting in 1.4 trillion tenge. Both gross and operating profits also demonstrated an almost 50% year-on-year increase. Adjusted net profit was 25% higher compared to the previous year's results, amounting to about 580 billion tenge. This figure was achieved without any one-time effects. These impressive results reflect the considerable improvement in the uranium market over the past year as well as the Company's strong position of the lowest cost producer and largest seller globally.

As you know, Kazatomprom is also present in other stages of the nuclear fuel cycle, including uranium dioxide (UO<sub>2</sub>) ceramic powder production, fuel pellets and fuel assemblies. In 2023 four batches of fuel assemblies were successfully delivered to a nuclear power plant in China, amounting to just over 130 tonnes of low-enriched uranium equivalent in total.

It is expected that this year Ulba-FA (Fuel Assembly) will increase its production volumes to reach the full production capacity of 200 tonnes per year of low-enriched uranium equivalent.

For the year 2023, C1 Cash cost and All-in-sustaining cash costs (AISC) increased by 29% and 32%, respectively, compared to 2022. The increase in C1 Cash cost was primarily due to an increase in the Mineral Extraction Tax expenses, as well as increase in wages and salaries of the production personnel and inflationary pressure on services, certain materials and reagents.

Expenses related to MET used to be 22% of C1 in 2022 but comprised 28% of C1 cash cost in the reporting year due to changes in calculation methodology effective from 2023.

All-in-sustaining cash costs (AISC) increased due to an overall increase in capital cost on an attributable basis.

Capital expenditures of the mining entities increased by 37% compared to the previous period, primarily due to a shift in wellfield development activities, as well as a rise in purchase prices for materials, supplies, equipment and cost of drilling. Increased spending on well construction and expansion aimed at preparing for the intended production expansion has also contributed to CAPEX growth.



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### Looking Ahead

2024 guidance – consistent focus on value strategy

Key performance indicators	2024 guidance		2023 guidance		2023 actual
	range	midpoint	range	midpoint	
Production volume (tU), (thousand tU)	15,000 – 16,500	15,750	10,800 – 11,800	11,300	11,102
Production volume (tU), (thousand tU), excluding Kazakhstan	8,000 – 10,500	9,250	10,400 – 11,200	11,300	11,100
Group sales volume (thousand tU)	15,000 – 16,500	15,750	10,800 – 11,800	11,300	10,995
KAZ sales volume (thousand tU)	11,000 – 12,500	11,750	14,400 – 16,100	15,250	14,910
Revenue – consolidated	KZT billions	1,470 – 1,800	1,370 – 1,410	1,434	1,434
Revenue from Group (tU), million	KZT billions	1,200 – 1,400	1,120 – 1,140	1,131	1,131
C1 cash cost (thousand tU)	\$/tU	\$14.00 – \$18.00	\$10.00 – \$14.00	12.27	12.27
All-in sustaining cash cost (thousand tU) + AISC	\$/tU	\$20.00 – \$27.00	\$10.00 – \$20.00	21.37	21.37
Total capital expenditures of mining entities (2023 total)	KZT billions	200 – 270	200 – 210	201	201

Contrary to the initial ramp-up expectations, Kazatomprom's 2024 uranium production guidance is expected to be slightly higher than the previous year's production. Adjustments to the previously announced production intentions are due to challenges related to the availability of sulphuric acid and construction delays at the newly developed deposits, as indicated previously.

The Company anticipates that the production volume for the majority of its uranium mining operations will be approximately 20% below the levels stipulated in the Subsoil Use Agreements. Entities engaged in mining operations at newly established deposits face the potential challenge of descending beneath the threshold of minus 20%.

This risk is primarily attributed to delays in the construction of surface facilities and infrastructure. These delays, in turn, are a consequence of the extended timelines required for the development and subsequent approval of project design documentation.

I'd like to once again assure that the Company remains committed to its 2024 existing contractual obligations to all clients.

The Group's sales volumes are expected at a range of 15.5 – 16.5 thousand tonnes of uranium, including Kazatomprom sales of 11.5 – 12.5 thousand tonnes of uranium. I'm sure you've noted that sales guidance for 2024 is lower compared to 2023. It is due to higher sales of enriched uranium products that is produced out of the Company's uranium to Ulba-FA for subsequent production of fuel assemblies and it is aimed at ensuring sufficient level of inventories for the future periods.

As was previously noted, Kazatomprom's 2023 year-end inventories are at the level of 6.1 thousand tonnes. This volume is comparable to about 10% of world's supply and definitely helps us to stay confident in executing our contractual commitments.

Additionally, we usually reserve a portion of our annual production as uncommitted enabling us to capitalise on emerging market opportunities and adapt to fluctuations in the market conditions.

Despite lower sales guidance compared to 2023, we are expecting increase in revenue of about 20% with a forecast ranging at 1.7 – 1.8 trillion tenge which may vary, though, if the tenge to US dollar exchange rate and/or spot price fluctuates significantly during 2024.

Procurement and supply chain issues, including inflationary pressure on production materials and reagents, are expected to continue throughout 2024.

As a result, we expect a 30% increase in C1 cash cost and about 25% increase in AISC for 2024. In addition to the mentioned factors high uranium prices affecting MET are also expected to contribute to a C1 increase.

Speaking about AISC, All-In Sustaining Cost, an increase of this metric is also attributed to the fact that our CAPEX is incurred in advance (usually roughly 12 months) and smooths out when production stabilises. Therefore, you will see CAPEX normalises when the Company starts to produce at a higher rate as was intended in 2024.

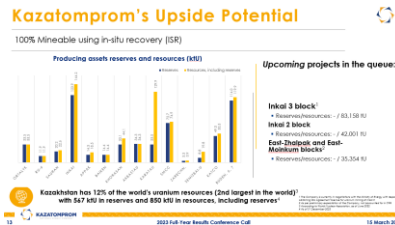
In 2024 the Company expects a 30% increase in its total capital expenditures on 100% basis. The key reasons for this are higher costs for materials, supplies, equipment and drilling services, as well as a larger

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portion of capital expenditures attributable to wellfield development at newly developed deposits. As such, in order to catch up on the construction delays of the mining infrastructure at JVs Budenovskoye, Katco and Ortalyk a total amount of approximately 85 billion tenge is now expected to be spent in 2024.

As for 2025, should there be any adjustments to the 2025 production plans, these are expected to be announced with the Company's half-year financial results in August this year. However, a swift return to a 100% production volume level relative to Subsoil Use Agreements may be at risk.



Also worth noting that the Company's reserve and resource base is the most sustainable across the industry. As at 31 December 2023, in comparison to 2022, total mineral resources increased by about 88.9 thousand tU, mainly due to revaluation of uranium resources at Karatau, Khorasan and Appak deposits.

As a national operator, Kazatomprom has always focused and will continue to put even more efforts to explore new uranium deposits and replenish its resource base.

One of my priorities is to ensure sufficient level of our resource replenishment. Therefore, the Company is planning to launch a large-scale exploration program and to work on assessment in territories, aimed at new discoveries.

### FY2023 Non-Financial Highlights

<b>Management turnover</b>	<ul style="list-style-type: none"><li>Remained high in 2023 at both C-Suite and Board level</li><li>Commitment to strategy, strong results</li></ul>
<b>Value-over-volume strategy for production, market-centric approach to sales</b>	<ul style="list-style-type: none"><li>Extension of production cut against subsoil use agreements</li><li>+42,800 tU removed from global supply to date</li></ul>
<b>ESG</b>	<ul style="list-style-type: none"><li>Carbon Disclosure Project assessment completed, score "B"</li></ul>
<b>Dividend payment amounted to 6.3% div. yield</b>	<ul style="list-style-type: none"><li>Paid FY22 dividend in July 2023 which amounted to KZT 201 bln / US\$473 mln (\$1.74/GDR)</li></ul>
<b>Tax code MEI changes</b>	<ul style="list-style-type: none"><li>Tax base is now derived from the market price of U<sub>3</sub>O<sub>8</sub> vs cost of production, 28% of C1 in FY23</li><li>Effective starting 01 January, 2023</li></ul>

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Beyond the operational and financial results, let me highlight the Company's major corporate developments.

High management turnover remained throughout the year 2023 both within the C-Suite and Board level. This is the fact that I have to admit but I think it is important that the Company stays committed to its strategy and constantly delivers on its expectations.

When I was appointed as a CEO in October 2023, I acknowledged this fact, and I would like to reiterate that ensuring more stability is definitely one of my priorities.

The Company also continues to prioritise ESG principles in its operations and activities. Worth highlighting that we've obtained a B score in our Carbon Disclosure Project assessment in 2023. This is better than the average score for both the region and the industry. Kazatomprom continues to demonstrate a strong ESG record and will continue to work on improving it.

In July, we completed the payment of dividends for the year 2022, which amounted to KZT 201 bln or \$1.7 per share. We will announce our 2023 dividend recommendation in April but with the exceptional 2023 financial results and Net debt to Adjusted EBITDA ratio remaining negative, I am sure the Company's dividend yield can be expected as the highest across the industry.



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Wrapping up my presentation, I'd like to confirm the Company's continuous commitment to the market-centric strategy which is one of the most important milestones on the Company's development path.

Kazatomprom with its best-class assets, sustainable reserve base, diversified sales book and strong contract portfolio is best positioned to capture future market growth opportunities.

The Company appreciates being a part of the energy security agenda. With the continuing geopolitical uncertainty and risks, and continuous talks on the bifurcation of the market, Kazatomprom as an ESG-compliant and low-risk jurisdiction is fully capable of keeping its leadership position as a reliable supplier of natural uranium and is ready to secure utilities' needs in diversifying their supply sources.

With that, I will conclude my presentation. Thank you for your interest and attention. Now we will be happy to answer your questions.



## QUESTIONS AND ANSWERS SESSION

Operator:

(Instructions)

We will now begin the question-and-answer session. (Operator Instructions).

And your first question comes from the line of Alexander Pearce from BMO.

Alexander Pearce:

Great, thank you. So you flagged the KZT 85 billion CAPEX for new projects this year, which includes the Budenovskoye, Katco and Ortalyk, I think. Is it possible for you to provide an update on kind of where they stand in terms of percentage completion of the projects at this point?

Meirzhan Yussupov:

Hello, Alex, thank you for your question. So actually, those projects are at the very beginning of their stage. So I'm not sure I can give you the exact number, but it should be less than 1/4 of their total project value. So that is very early stage, I would say.

Alexander Pearce:

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Okay. And then maybe the second question. Obviously, the new CAPEX guidance range is KZT 250 billion to KZT 270 billion for '24. Does that assume - and I appreciate you haven't given us a 2025 guidance yet - but does that assume that you can get to license capacity in '25? Or is that assuming a lower rate?

Meirzhan Yussupov:

Yeah, this is kind of a tricky question. But as I say, and we here always have been saying this, we'll be coming up with the updated guidance for '25 production within the disclosure of 6 months' results, which will be public in August this year. So technically, at that time, we'll be announcing our guidance for 2025 production. But increased CAPEX amount does not necessarily kind of factor in increase in production. Because as we said, there is also a little bit of construction that is going on and will be taking place. Plus, there is some increase in sulphuric acid price, plus increase in piping. There is also some workforce. So all those factors can be also factored in increase of those, as you said, KZT 250 billion to KZT 270 billion.

Operator:

Your next question comes from the line of Jason Fairclough from Bank of America.

Jason Fairclough:

Thanks everybody for the presentation, I really appreciate it. A couple of quick ones for me, and I'm going to go back to the CAPEX question. There are quite a few questions from investors, and I'd like a little more color as well on how we think about connecting the 100% CAPEX number to the CAPEX number that actually flows through on the financial statement? So I'm just wondering if you could give us a little bit of color on that. That's the first question.

And then second, could you talk a little bit more about, if you like the aspiration, to get up to the full production level of the subsoil licenses. So you were planning on ramping in '24 and '25. That's been pushed back. But do you still have a medium-term aspiration to get back to full production or full licensed production output?

Sultan Temirbayev:

Thank you for your question. This is Sultan. In terms of the second part of your question, I would comment that the current CAPEX for 2024, KZT 250 billion - KZT 270 billion range, it puts us in a position to be able to attain a ramp-up if needed. Obviously, right now, it's hard to say because that will depend on the available volumes of sulphuric acid and the construction timeline for our greenfield projects at Katco, Budenovskoye and Ortalyk.

We plan to review our capabilities near the half year to decide if we need to increase our CAPEX. And again, that will depend on what level we are going to aspire in 2025. In terms of the first part of your question, I think in operation and financial review, we have capital expenditures review, where you will be able to match the CAPEX number of KZT 200 billion that we have spent this year, and you'll be able to have a breakdown on the mining entities of the CAPEX, if that answers your question.

Jason Fairclough:

Yes. It does, thank you. Just a quick follow-up, if I could. The guidance on the CAPEX, the KZT 250 billion, does that include CAPEX for the acid plant? Or is that separate to that number? And if so, could you remind us the CAPEX for the acid plant as it stands today?

Sultan Temirbayev:

No, it does not include the acid plant. We only are at the stage of the feasibility study. It hasn't been fully completed. Now we are at the stage of design. So we don't have a concrete number. And this CAPEX we show of KZT 200 billion is only for mining entities.

Operator:

Your next question comes from the line of Richard Hatch from Berenberg.

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Richard James Hatch:

Thank you very much for the call, much appreciated. Sorry if I've missed this. Can you just clarify when you would hope to bring the acid plant online, please? That's the first one.

Sultan Temirbayev:

Yes. When we first released the news about it, we were aspiring for 2026. But obviously, considering the latest delays, it will probably move to 2027 as of now. Obviously, it's a big construction project. As all big construction projects, it might have delays -- it has risk of delays. But currently, we can say that it's definitely going to move from 2026 to 2027.

Richard James Hatch:

Okay. The view on that would be, therefore, it just ties your hands a little bit more just in terms of being able to ratchet up production. Is that the way we should look at that?

Sultan Temirbayev:

Well, obviously, we're going to look at the market, the available volumes in the market in Kazakhstan and our neighboring countries. Yes, the situation, as it is right now, we have a shortage. Who knows what will be in 2025 or in the later part of 2024. But in terms of securing our own supply, obviously, you can say that it ties our hands a bit.

Richard James Hatch:

Okay. Understood. And then my next question is just you mentioned in the release, and I think you alluded to it in your presentation, that you have the ability to step into the spot market should you need. But I'm looking at your inventory levels and just questioning if you really do need to do that. I appreciate your sales are higher than your production volumes, that you've got inventory levels. Is it fair to say that it's more likely than not, that you do not enter into the spot market? Or would you say you more likely would?

Dastan Kosherbayev:

Yes. Thank you for your question. Dastan here. We would like to keep all our options available but our inventory levels, as you mentioned, they are sufficient, and they enable us to be comfortable and open to any options. But so far, we don't expect to go into the spot market. And hence, we don't need to.

Richard James Hatch:

Understood. And then my last one is just on the market. I just wondered, I mean, the spot price has been quite volatile year-to-date. We've had a huge rally, and then we've had a pretty big pullback down into the sort of mid \$80s per pound levels. Can you just talk a little bit about your view on the market as we go into '24? And it would appear the spot market is quite thin, so that seems to be moving the price around a bit. But perhaps can you just give us a little bit of your view on the price outlook for '24, if at all possible?

Dastan Kosherbayev:

Yes, sure. Well, you've said it yourself, the spot market is very thin. We do agree that there is a structural deficit coming. It's just like the situation is going to unravel at a certain pace, and we're going to observe it. We expect certain fluctuations within the market in the upcoming periods. But like as I've said already, the price is going to go up. The pace we've observed recently perhaps is going to slow down a bit. But in general, the upward trend is going to continue. There is no doubt about that.

Operator:

Your next question comes from the line of Alex Bedwany from Canaccord Genuity.

Alexander Bedwany:

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Thank you, gentlemen. Just following on for my first question from Richard's question regarding inventory. Are you still targeting 6 to 7 months of attributable production to be in that inventory? Or are you happy at this point given that sales are higher than production or likely to be higher than production to run down the inventory, if need be?

Dastan Kosherbayev:

Well, like the figure we have right now is the one we're comfortable with. So we're probably going to sustain this at the mentioned level. But we don't have a firm policy on that.

Alexander Bedwany:

Okay, cool. Now turning to something different. So obviously, the earnings numbers were quite stellar. However, I note that it was somewhere between KZT 200 billion and KZT 250 billion short between EBITDA and operating cash flow - the conversion into cash flow - and it looks like that is reflected in the VAT receivables build and accounts receivable as well. Have you seen that that's unwound already in this year-to-date? And the reason I ask is, is that something that would be taken into account when the Board sets the dividends in April?

Sultan Temirbayev:

Well, in terms of trade accounts receivable, yes, you are right. There is an item in financial statement that explains the reasons for it. I mean we had a reasonable revenue increase. And obviously, as a percentage our trade accounts receivable are going to increase, I will not say linear however. But as a general approach, obviously, it's going to increase.

In terms of it affecting the cash flow, obviously, the revenue from operating activities is going to affect the cash flow. I do not see how accounts receivables are going to affect that.

Alexander Bedwany:

So sorry, just to follow up. Has the VAT receivables and accounts receivables begun to unwind this year? Or is it still quite high?

Sultan Temirbayev:

As you know, we have a dividend policy that we clearly stated in our investor handout, and the formula is clearly stated there. So we are going to distribute according to that formula.

Operator:

(Operator Instructions) Your next question comes from the line of Grace Symes from Energy Intelligence.

Grace Symes:

Thank you for taking my question. I saw on the operating results it says the Group obtained control over JV Budenovskoye LLP from 1st January 2024 as a result of significant changes in charter documents. I was just wondering if you could give any further detail on what exactly that means?

Sultan Temirbayev:

Well, I don't think we'll be able to comment on that. We have a disclosure that, as you've said, this is according to the charter between two partners. And according to the items in that charter, we are going to have a control over JV Budenovskoye starting from the 1st January 2024.

Grace Symes:

Okay. So Kazatomprom did not have control over the JV until 1st January 2024?

Sultan Temirbayev:

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Yes, that's correct. We obtained control starting from 1st January 2024. And we are going to consolidate it starting from the 1st January 2024.

Grace Symes:

Okay, thank you. And just one more question. So I know the U.S. is considering a ban on Russian enriched uranium. My understanding is that Kazatomprom's uranium that goes to the U.S. through St. Petersburg is on the same ships that Russia uses for its enriched uranium. Is there any concern about potential impact on shipping of Kazatomprom's uranium to the U.S. because of that? And is there any plan for Kazatomprom to potentially charter its own ships instead?

Dastan Kosherbayev:

Well, so far, there are no restrictions on any shipments from St. Petersburg. And as you've probably seen from our results, about 63% of our shipments to the West in 2023 were carried out through Trans-Caspian international route through Azerbaijan. So we have all the options in it.

Meirzhan Yussupov:

And also, I can add that 63-64% last year and actually there was a visit made by our president to Baku earlier this week. And I've had a personal meeting with the top officials there, including First Deputy Prime Minister, Mr. Eyyubov. And we have again reconfirmed our willingness to cooperate on this matter.

And actually, if you just compare absolute numbers or volume that is going through middle corridor through the Trans-Caspian route - uranium products is a tiny portion of it. Because in our case at this point, it's not more than 10,000 tonnes of uranium, while other materials that are being shipped through middle corridor, through Azerbaijan, using Trans-Caspian route - they are huge numbers, including grain, oil and other materials.

So even if we, let's say, double our transit volumes through Azerbaijan, that will not dramatically increase share of uranium in that mix of materials that is being transited through Azerbaijan. The total volume of all goods being transited through that route is maybe hundreds of millions of tonnes. And in our case, it's only like a few thousand tonnes. So this is just to give you the colour on the absolute amounts that we are talking about.

Operator:

(Operator Instructions) And your next question comes from the line of Anna Antonova from JP Morgan.

Anna Antonova:

Thank you very much for the presentation. A quick question from our side. What share of deliveries through the Trans-Caspian route can we expect this year compared to below 70% last year? Thank you.

Dastan Kosherbayev:

That will be roughly the same as in 2023. So it would be safe to say like 2/3 of all shipments to the West.

Operator:

We have a further follow-up question from Grace Symes from Energy Intelligence.

Grace Symes:

Sorry, one more question. I know you mentioned starting an exploration program and resource replenishment. I was just wondering if you could provide any detail on what territories or deposits, or areas that you're looking at with that program?

Meirzhan Yussupov:

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Okay. In terms of further exploration - the territories are pretty much in the same area that we are doing now. And actually one of our priorities, starting from this year, will be further geological exploration and adding up some additional volumes or tonnes to KAP's share.

And coming to your question - yes, it's pretty much in the same area, not far from those deposits that we are mining at this moment.

Operator:

And a further follow-up question from Alexander Pearce from BMO.

Alexander Pearce:

So just a follow-up on Budenovskoye. Obviously, you mentioned in the release that you have the offtake for 100% of production, I think, to Russia between '24 and '26. Are you able to provide any detail for us in terms of the volumes or indeed, if there's any kind of minimum threshold for delivery? And if there is, does that mean that you have to provide some of the volumes from your other operations?

Meirzhan Yussupov:

In terms of whether it's 100% or not, well, it depends on how the construction will go on in the first place. And as it might happen sometimes, there might be some delays, and we already pointed out those risks.

Sultan Temirbayev:

In terms of volumes, you can have a look at the CPR profile of the Budenovskoye mine, and that will give you a reflection of what volumes were planned for '24, '25 and '26.

Alexander Pearce:

So just to be clear then, so if the operation isn't ramped up as per the CPR, though, do you have to provide additional volumes to meet the CPR numbers?

Meirzhan Yussupov:

Well, we don't provide detailed information on our negotiations or talks with our partners.

Operator:

(Operator Instructions) We do have a final question from Anna Antonova from JPMorgan.

Anna Antonova:

A quick follow-up question from our side. I think in the press release, you mentioned that you were able to secure sulphuric acid volumes for production for this year. Could you please maybe talk about the mix of those volumes, where they come from? So have you managed to source more locally? Or you managed secure imports from China or from some other countries? Any comments around that would be much appreciated.

Sultan Temirbayev:

Yes, thank you for your question. For 2024, yes, we have mentioned that we were able to contract the volumes needed for the guidance that we gave for 2024. Yes, most of it was procured domestically, but some parts were procured from our neighboring countries. But China is not on the list, because there are difficulties in terms of legal issues and delivering the acid from China. So China is definitely not on the list, its neighboring countries - CIS countries.

Operator:

That concludes the question-and-answer session from the audio line. I will now pass the call back to Mrs. Muldagaliyeva to take written questions from the webcast participants. Please go ahead.



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Botagoz Muldagaliyeva:

Thank you, operator. Yes, we have several questions coming in from our webcast. The first one is coming from Borja Petralanda, a Retail investor. First of all, congratulations on these results. It shows the great margins that Kazatomprom has and how much cash it generates. After you commented it would take at least one Kazatomprom-sized producer to close the gap between supply and demand, it is obvious that the market expects and needs Kazatomprom to return to its subsoil use agreement level. So the question is what range of CAPEX budget do you foresee to reach this subsoil use agreement levels?

Sultan Temirbayev:

Yes. Thank you for your question. I think we've earlier answered that question partly, and the answer is the same. We see that the current CAPEX guidance that we gave for '24, it puts us in a position to be able to attain a ramp-up, if needed. Because you have to remember, we have prepared reserves in 2023 for a planned ramp-up for 2024.

So considering that, we might be able to attain that ramp-up. But obviously, the limiting factor is the available volumes of sulphuric acid and the construction timeline for our greenfield projects at Katco, Budenovskoye, and Ortalyk. And we are going to decide on that near the half year of 2024.

And so I would say that a more accurate guidance we'll be able to give, to answer your question, will be there after we finish the 6 months results of 2024

Botagoz Muldagaliyeva:

Thank you, Mr. Temirbayev. The next question is coming from Jean Praxis from Praxis Management. How much in percentage is the inflation rate you are feeling in your costs currently and we should expect in 2024?

Sultan Temirbayev:

Yes. The official inflation rate of National Bank in 2023 was about 10%. Obviously, it's difficult to say how exactly it affected our cost structure. But the usual suspects are obviously materials and supplies, and you will see that the price of sulphuric acid have increased substantially, even more than the inflation rate. That's obviously because of the shortage in the market currently.

There is pressure on the payroll costs. You can see the increase in our cost of sales. The payroll costs have increased by 25%. And the piping materials, the prices of piping materials in the capital expenditures that we have in our wellfield development costs, they have increased as well. So we are feeling the inflationary pressure, but to what extent, it's difficult to say.

Botagoz Muldagaliyeva:

Thank you, Mr. Temirbayev. So the next question is coming from Will Forbes at KGHL. Given asset issues, why are you not looking to boost your own asset production to be fully self-sufficient going forward?

Sultan Temirbayev:

Yes. As you know, we currently have two assets that produce sulphuric acid, that's SKZ-U and SSAP. They are producing at their maximum capacity level. Obviously, building up new capacity is easy to say, but hard to do.

As you know, we are planning to build our sulphuric acid plant. But even as we said today, it has already moved from 2026 to 2027. So to answer your question, yes, we are looking at expanding our own capacity, but it's quite challenging to do that very quickly.

Botagoz Muldagaliyeva:

Thank you. Well, the next question was coming from the Russian line, so I'll just translate it here. And it corresponds to the previous one. Is there more precise information on when you're expecting your sulphuric acid supplies to normalize?

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Sultan Temirbayev:

As we've already mentioned today, we have already contracted the needed volume of sulphuric acid that we need to get to our 2024 guidance. In terms of 2025, as I've mentioned as well, the current market is quite difficult in terms of predicting what available volumes will be in the near term. So for 2024, we have secured; for 2025, it's difficult to say.

Botagoz Muldagaliyeva:

Thank you, Mr. Temirbayev. The next question is also related to sulphuric acid. The question is from Jean Praxis at Praxis Management. Do your neighbors like Uzbekistan face similar shortages in sulphuric acid supply?

Sultan Temirbayev:

It's difficult to say. I can tell you for sure that we are not importing any volumes from Uzbekistan currently and are not planning in 2024. So what's their domestic production and demand, it's hard to say. But considering that we do not import sulphuric acid from Uzbekistan, maybe, gives you some guidance.

Botagoz Muldagaliyeva:

Yes, thank you. The next question is coming from Charles Cartledge, Fideuram. Some people say that as mines deplete, they require more sulphuric acid per tonne of uranium produced. Is that true? If not, how can it be evidenced using the data?

Sultan Temirbayev:

Yes, there were a lot of speculation in terms of that. And I've seen the analysis of previous years, the volumes of acid that we had being compared to the volumes of production that we have. I can say that this analysis is not correct. Because we have, as we said, in the blocks, the leaching phase and the block preparation phase. And obviously, if we have more blocks for preparation, this will change the amount of required volume of sulphuric acid in one year and it might be different in another year. So it's not a straight line analysis, I would say.

And I think our CEO has mentioned in our presentation specifics related to the wellfield production profile. So a short answer to your question is, no, there is no depletion. It's just that the needed volume of sulphuric acid for this year was not available due to shortage, and that's why we had to revise our guidance in terms of production.

I think if depletion would be an issue, you would see that in our Competent Person's Report that we publish each year.

Botagoz Muldagaliyeva:

Thank you, Mr. Temirbayev. So next question is coming from Piia Moilainen, ARP Global Capital. Can you please tell us what you are seeing from the Chinese buyers, given they have the world's most aggressive nuclear expansion plan? How do you think the percentage of your volumes going to China will evolve?

Dastan Kosherbayev:

Yes. Thank you for your question. Well, as you know, China is building the most number of reactors currently, and they have very aggressive plans for expanding. And we receive a lot of inquiries and requests from them, for us to indicate our offers.

But we try to sustain a balanced approach to our sales portfolio and distribute our sales evenly across all regions, and even though like China is well capable of purchasing everything we produce, it is our own selection or our own choice not to sell everything to China.

Botagoz Muldagaliyeva:

Thank you, Mr. Kosherbayev. The next question is what are utilities saying right now? How are your conversations with them since the start of the year?

Dastan Kosherbayev:

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Yes, we're in constant contact with all the utilities across the world. And naturally, they're all concerned with the security of supply and looking ahead forward into the next decade. But as you well know, like utilities typically keep like 3 to 4 years of inventory stock. So they are in no rush to get contracting.

So basically, we're trying to figure out what's the new normal for the market price, because as you well understand the current spot market is very thin, as already mentioned. It serves as a reference point, but definitely, that's not the actual market price.

Botagoz Muldagaliyeva:

Thank you, Mr. Kosherbayev. The next question is from David Turver. When you first announced 2025 production guidance of 31,000 tonnes, you indicated that the order book justified the production increase. What is the expected delivery volume in 2025? And by how much you will need to increase production and/or inventory in 2024 to give a suitable buffer to meet 2025 order commitments?

Dastan Kosherbayev:

Thank you for your question. At the time when we did that, yes, we said that it would be a good opportunity to increase our sales. But then we stumbled upon the difficulties we've already mentioned - the ones associated with sulphuric acid. Given we are committed to our value over volume strategy, we decided that it's best to revise that.

But as we've said, we are not fully contracted, and we have a lot of flexibility in terms of that. So we don't need to ramp up our production to meet our sales portfolio.

Botagoz Muldagaliyeva:

I think these are all the questions from the webcast. Thank you, everyone. I think there are no further questions in our webcast lines, none in Russian or English. So thank you, everyone, for joining our call today. If you have any additional questions, please feel free to e-mail or contact our IR team. We'll be happy to answer your questions in written. Thank you, everyone, for your time again, and have a good day.