

Investor Handout

3M 2019



KAZATOMPROM

NATIONAL ATOMIC COMPANY

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THE INFORMATION WITH RESPECT TO ANY PROJECTIONS PRESENTED HEREIN IS BASED ON A NUMBER OF ASSUMPTIONS ABOUT FUTURE EVENTS AND IS SUBJECT TO SIGNIFICANT ECONOMIC AND COMPETITIVE UNCERTAINTY AND OTHER CONTINGENCIES, NONE OF WHICH CAN BE PREDICTED WITH ANY CERTAINTY AND SOME OF WHICH ARE BEYOND THE CONTROL OF THE COMPANY. THERE CAN BE NO ASSURANCES THAT THE PROJECTIONS WILL BE REALIZED, AND ACTUAL RESULTS MAY BE HIGHER OR LOWER THAN THOSE INDICATED. NONE OF THE COMPANY NOR ITS SHAREHOLDERS, DIRECTORS, OFFICERS, EMPLOYEES, ADVISORS OR AFFILIATES, OR ANY REPRESENTATIVES OR AFFILIATES OF THE FOREGOING, ASSUMES RESPONSIBILITY FOR THE ACCURACY OF THE PROJECTIONS PRESENTED HEREIN.



About Kazakhstan



A PEACEFUL COUNTRY

- › The first country to voluntarily give up **nuclear weapons**
- › The first country in Central Asia in **UN Security Council**



AN ECONOMICALLY STABLE COUNTRY

- › **55th largest economy** according to World Bank 2016 ranking (from 101st in 2000)
- › **Gross foreign investments**
~300 billion USD since 1991
- › **Credit ratings** (2018)
 - Moody's – Baa3 (stable)
 - S&P BBB-/A-3 (stable)
 - Fitch BBB (stable)



A PRO-BUSINESS COUNTRY

- › **28th** according to World Bank 2019 “**Ease of Doing Business**” ranking (from 63rd in 2010)
- › **3rd in terms of Enforcing Contracts** according to World Bank



A FAST DEVELOPING ECONOMY

- › **9th largest country** by territory
- › **18.4 mln** population (as of 01-Jan-2019)
- › **4.1% GDP growth** (2018)
- › **9,331 USD GDP per capita** (2018)
- › **9% average GDP growth rate** (2005-2017)
- › **6% CPI 2018** (7% in 2017)
- › **7.4% decrease in poverty**¹
- › **344.9 average KZT/USD** exchange rate (2018)



AN ABUNDANT NATURAL RESOURCES

- › **~5,000** deposits
- › **99** out of **150** periodic table elements
- › **#1** zinc, tungsten, barite reserves
- › **#2 uranium**, chromite, argentum, lead reserves
- › **#6** gold reserves
- › **#7** coal reserves
- › **#12** oil reserves
- › **#24** gas reserves

¹International poverty line: USD5.5 / day

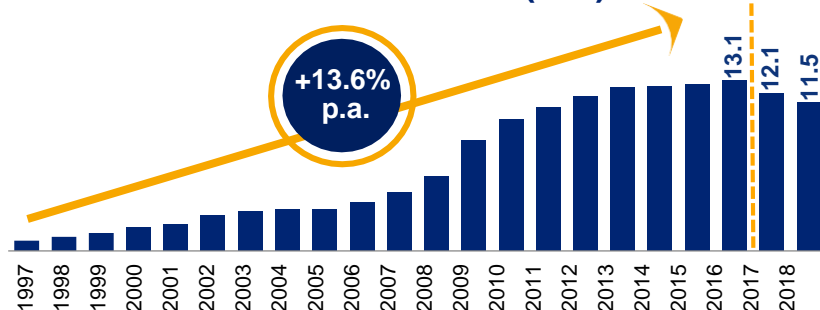


Kazatomprom at a Glance



Largest producer of natural uranium with priority access to one of the world's largest reserve bases

KAP attributable production volume evolution (ktU)¹



13 mining units



5 exploration projects



1st quartile cost of production



10 producing JVs with world-class partners



U₃O₈

23% share of global production in 2018



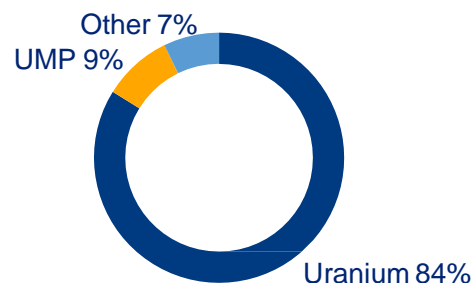
100% reserve base amenable to In-Situ Recovery (“ISR”) mining method



Significant uranium processing and fuel pellets production capabilities at UMP

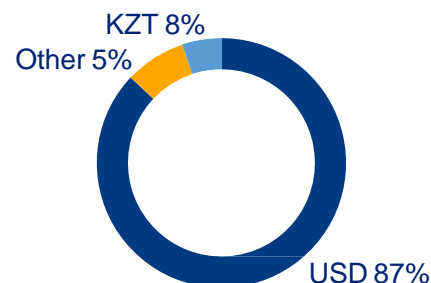
Group revenue by segment ²

(2018 = KZT 437 B)



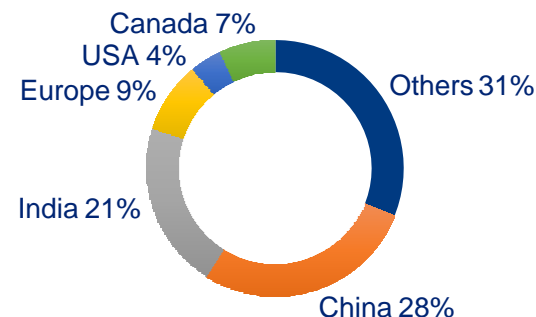
Group revenue by currency ^{3, 4}

(2018 = KZT 437 B)



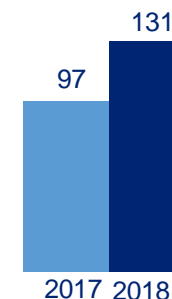
Group uranium sales by region

(2018 = 16,647 tU)



Adjusted EBITDA ⁵

(2018 = KZT 437 B)



Source: Company information, UxC.

¹ Production from subsidiaries, joint ventures, associates, and investments attributable to KAP.

² Following the divestment of MAEK, the primary Energy segment subsidiary operations, the segment is classified as discontinued operations (at 3 July 2018) and the remaining entity, Uranenergo, was reclassified into the “Other” segment.

³ At average USD:KZT exchange rates for the relevant periods, i.e. 326.1 and 344.9 for 2017 and 2018, respectively.

⁴ Based on management figures, “other” primarily includes EUR and RUB.

⁵ Adjusted EBITDA is calculated as Profit before tax + Net finance expense + Net FX loss + Depreciation and amortisation + Impairment losses – Gain on exercise of put option – Results from business acquisitions – Reversal of impairment of assets.



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Investment Thesis Overview



Strong long-term fundamentals, near-term uncertainty



Leading producer, ~23% of primary production, committed to strategy



Largest uranium reserves, priority access to world class resources



Low cost, highly scalable In-Situ Recovery mining technology



Industry-leading operations with solid HSE¹ record



Highest governance standards, commitment to sustainable returns

¹ Health, Safety and the Environment.



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Long-Term Demand Drivers



New nuclear capacity supported by demand for clean energy



CO₂ reduction and clean air policies

- COP 21 agreement to limit increase in global temp to "well below +2°C" above pre-industrial levels

40%²

EU emission reduction target by 2030



Urbanisation driving baseload demand

- China, India, Saudi Arabia committed to nuclear energy
- 1.1 billion people on earth without electricity¹

68%³

Populations in cities by 2050 (55% in 2017)



Rapid growth of electric vehicles

- Additional electricity demand
- Need for new breakthrough technologies

125 million⁴

Electric cars by 2030 (3.1 m in 2017)



Fuel diversity and security of supply

- Expansion to alternative power sources to speed up power supply
- Critical for national security

60%⁴

Increase in energy demand by 2040

¹ Source: As per International Energy Agency (IEA) Energy Access Outlook 2017.

² Source: European commission.

³ Source: United Nations.

⁴ Source: IEA.

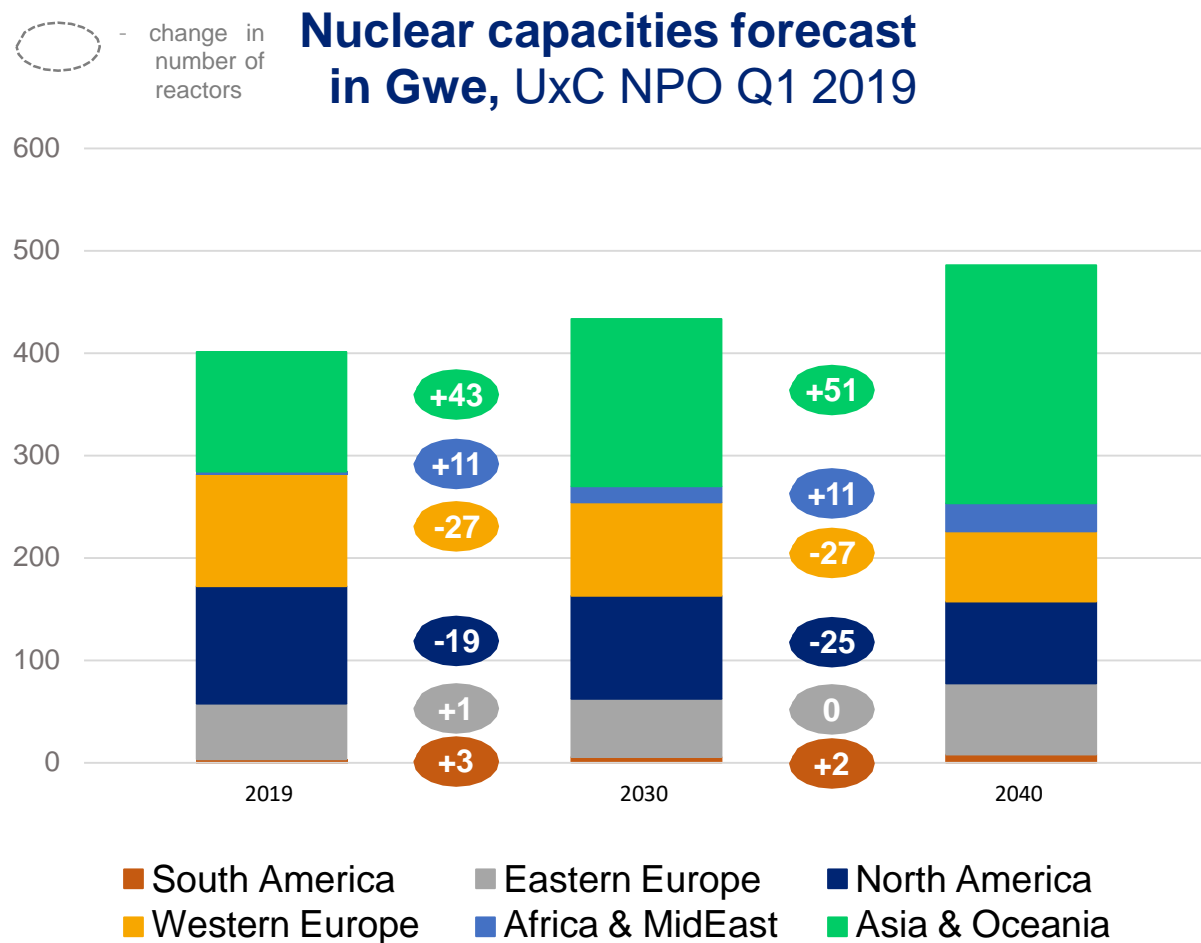


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Strong Long-Term Fundamentals



Nuclear growth translates to uranium demand



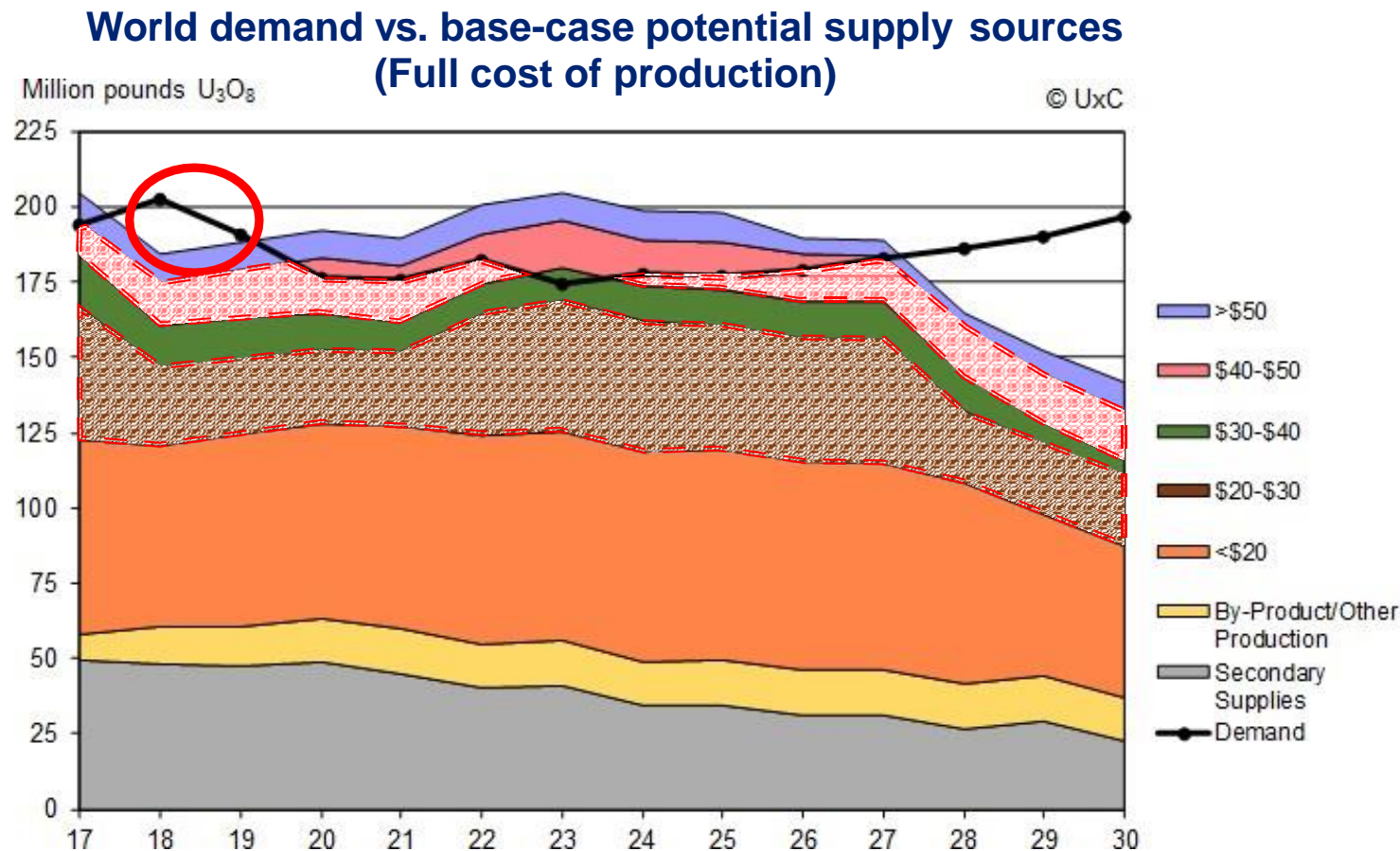
- Nuclear currently about 11% of installed capacity
- Safe, clean and reliable baseload capacity
- Benefits from low operating cost and provides energy fuel diversity
- Strong pipeline of new nuclear projects in Asia, Middle East and Africa more than offsetting expected closures



Supply/Demand Dynamics



UxC showing deficit up to 60 million pounds U_3O_8 ¹ by 2030



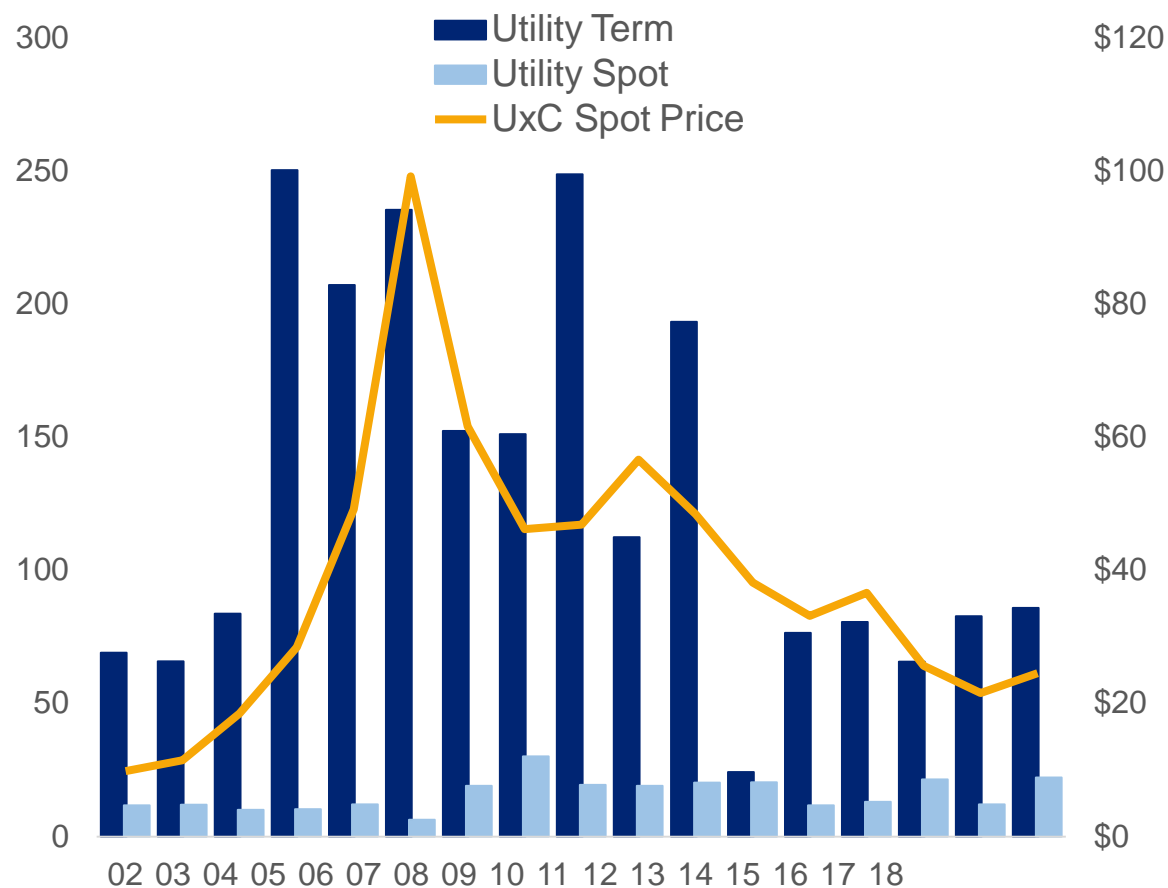
- Production has started to respond to decreased demand, secondary supply declining
- CAPEX fallen off significantly – producers are not investing
- Misleading production stack – not “meeting” demand at \$25/lb
- Concern today – project lead times can be 8-10 years
- Incentive price much higher

Source: UxC.
See limitations around forward-looking information in the disclaimer to this presentation.
¹ Equivalent to ~23ktU.

Historic Utility Demand



Historical Term and Spot trade volumes



- › 2005-2012 saw heavy long-term contracting, expected roll-off early 2020s
- › Market oversupplied for >5 years, not dissimilar from 1990's
- › Demand is not price dependent
- › Utilities expected to return to term market in the near future

Source: UxC.

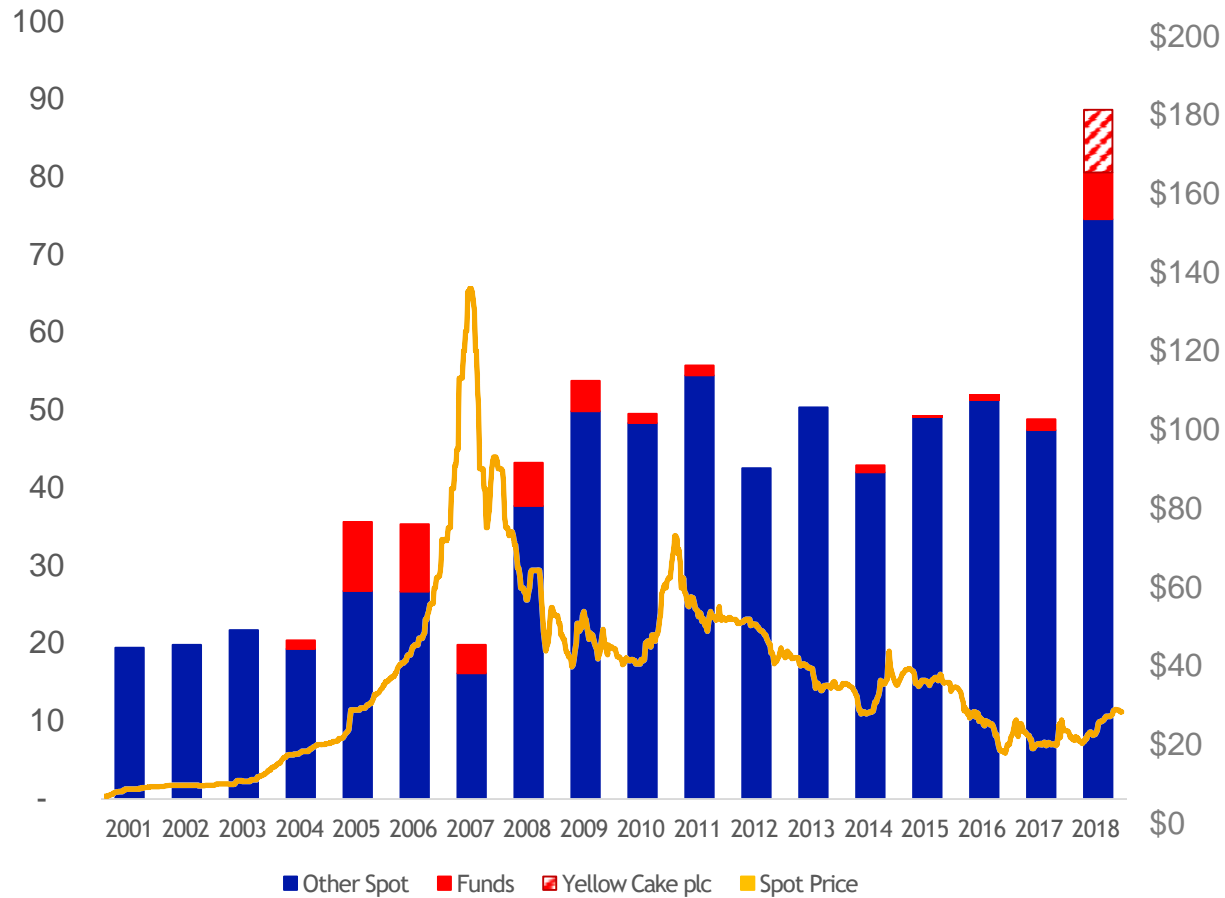


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Emerging Non-Utility Demand



Historical non-utility volumes



- In 2018 spot market volumes hit all-time high (~90M lbs. U_3O_8)
- Interest from financial players emerging

Source: UxC.



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...But Near-Term Uncertainty



Uncertain timing of recovery is influencing demand

- › Section 232 Petition, outcome and impact still to be determined
- › New build delays and potential early closures, recent UEA construction delays
- › Japanese restarts continuing to be slower than industry expected
- › Foreign government policy changes, recent improvement
- › Financial players re-entering the market, creating some pressure

Supply side has begun to react

- › Production cuts becoming significant, 13 mines under C&M since 2011
- › Uranium producer CAPEX down by >2/3 (2013 to 2017)
- › Declining secondary supplies (expected decrease ~32% from 2018 to 2022)
- › Expiration of legacy contracts that have kept uneconomic mines operating
- › Depletion of existing ore deposits over time



Realigning Strategy with the Market



- **VISION:** To be the partner-of-choice for the global nuclear fuel industry
- **MISSION:** To sustainably develop our uranium deposits and their value chain components to create long-term value for all our stakeholders

STRATEGY

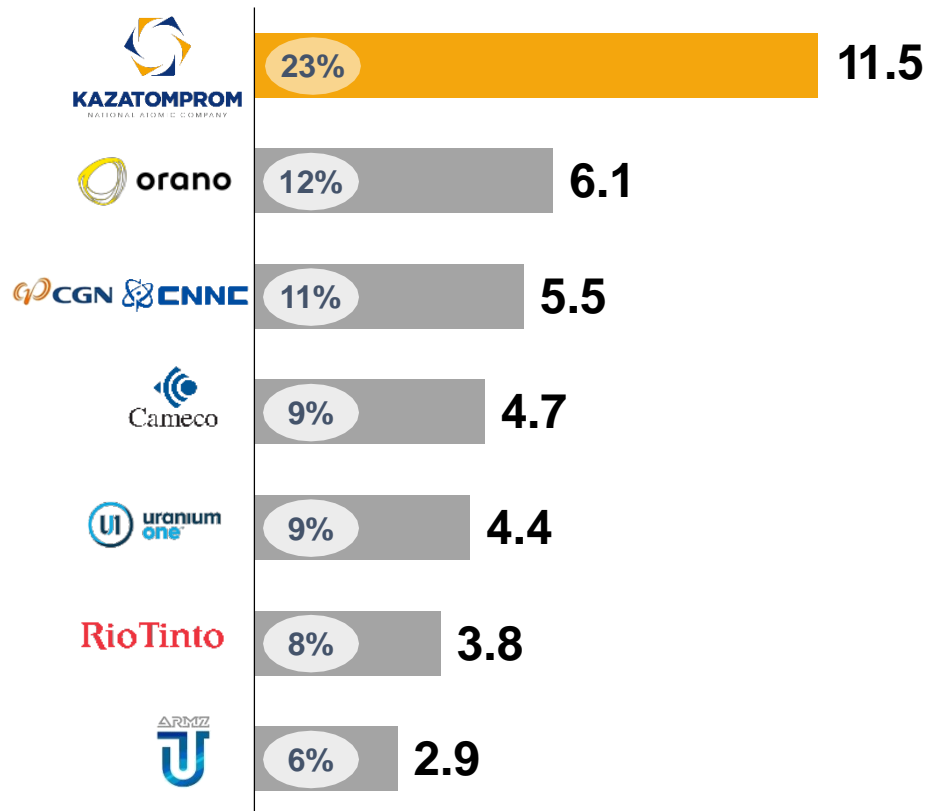
-  **Refocus on core mining business**
-  **Optimize mining, processing & sales volumes based on market conditions**
-  **Create value through enhanced sales & marketing capabilities**
-  **Develop industry leading corporate culture**
-  **Implement best-practice business processes**

#1 Global Uranium Producer



Largest uranium producers

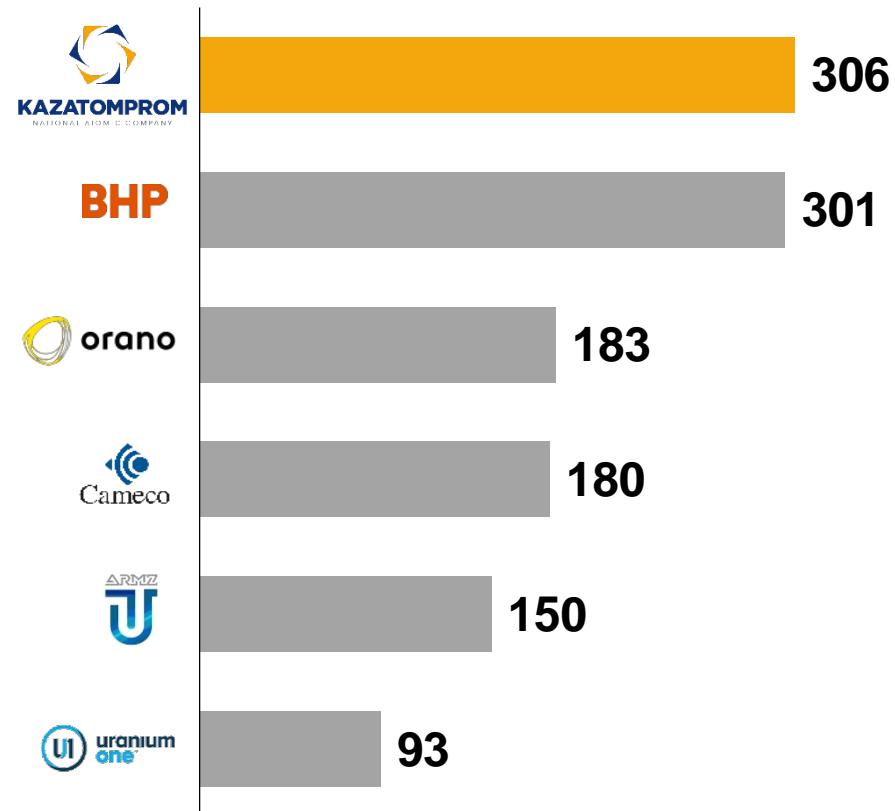
(tU '000, attributable production, 2018)¹



X Denotes market share

Largest uranium reserves

(tU '000, attributable reserves)²



Source: World Nuclear Association, Company information, UxC, SRK report 2018.

¹ As per UxC, except for KAP production. KAP attributable production from subsidiaries, JVs and associates, and investments at KAP ownership percentage. ² As per UxC, except for KAP reserves (SRK Consulting, attributable to KAP, December 2018)



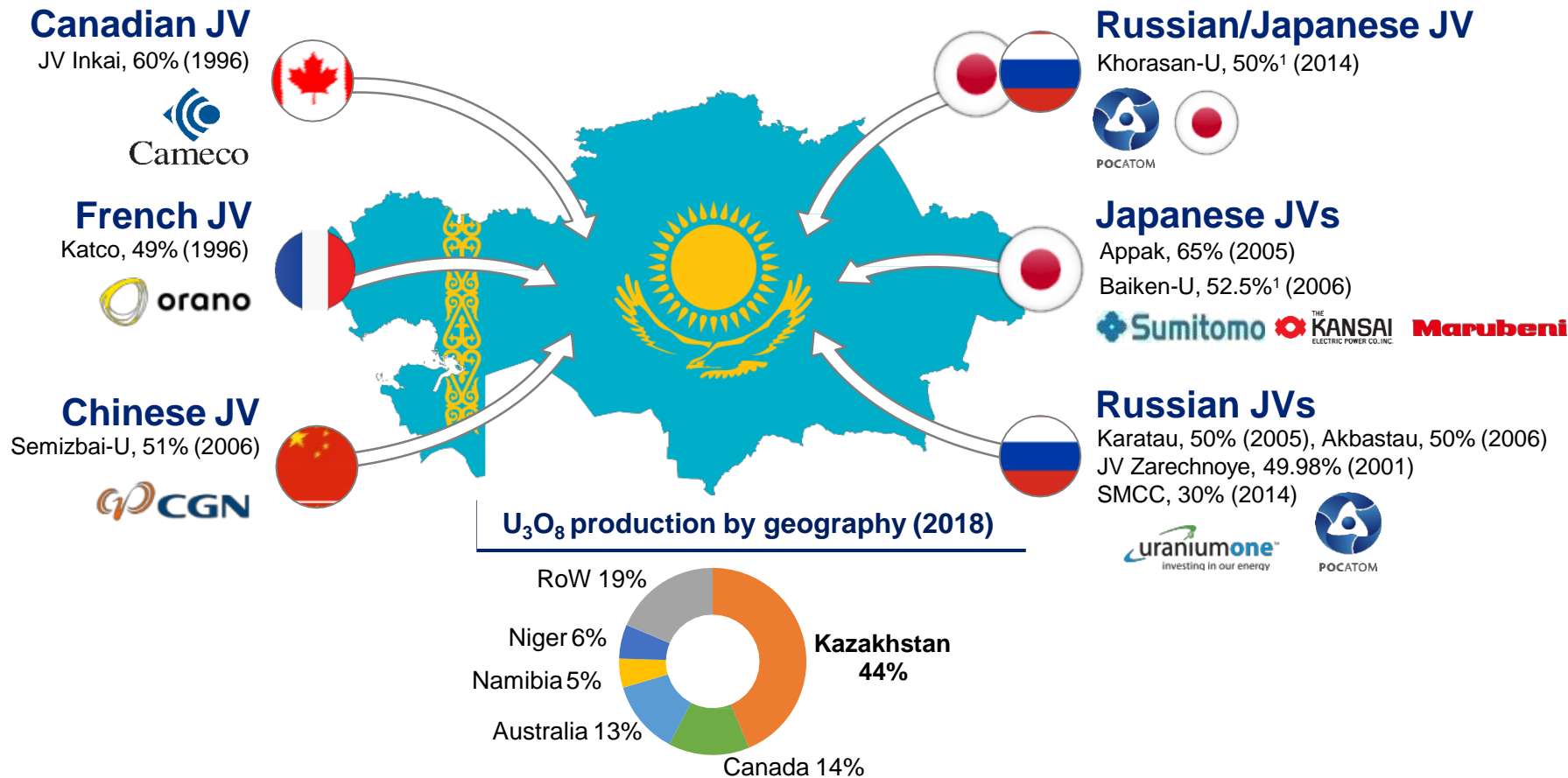
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Kazakhstan – Central to the Industry



10 producing JVs with nuclear industry leaders

Kazakhstan is home to the IAEA uranium fuel bank



Source: UxC, NEA/IAEA. Note: Percentages indicate KAP ownership stake; numbers in brackets represent foundation years. Excluding companies in which KAP owns 100% (SaUran LLP, Ortalyk LLP, RU-6 LLP).

JVs include assets defined as associates and subsidiaries by IFRS standards.

¹KAP increased its stakes in Baiken-U and Khorasan-U to 52.5% and 50%, respectively at the end of 2018.



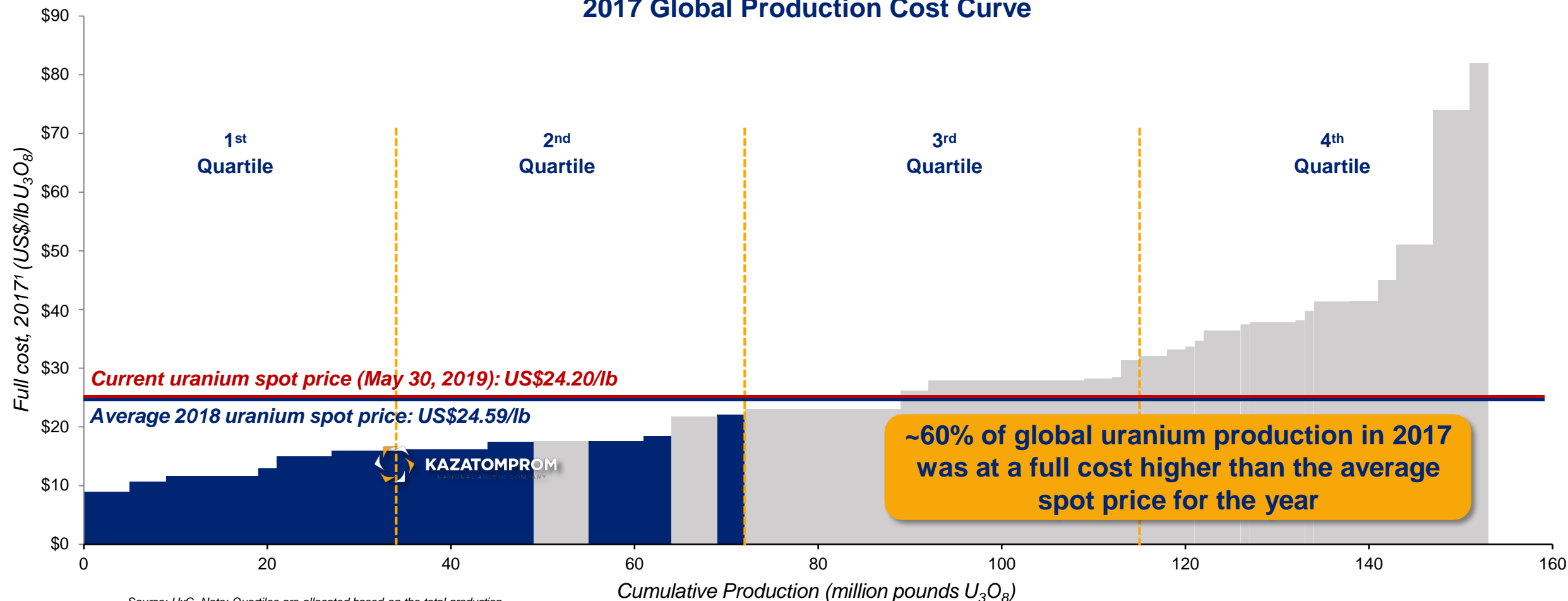
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One of the Lowest Cost Producers



Low cash costs driven by cost-efficient ISR mining method

2017 Global Production Cost Curve



Source: UxC. Note: Quartiles are allocated based on the total production. UxC's Full Cost consists of operating and capital costs across company projects. Operating costs are made up of mining costs, hauling, milling, production/property taxes, environmental costs, and royalty severance tax. Capital costs are made up of acquisition/exploration costs, mine development costs, mill construction costs, environmental/infrastructure costs, and General & Administrative costs.



Strong Focus on HSE Programs



Kazatomprom companies certified ISO-14001, OHSAS-18001

- Strict government regulations, frequent inspections by state authorities
- Regular audits by Kazatomprom HSE department
- Ongoing knowledge exchange with JV partners
- Implementing best-in-class international industry practices

Commitment to continuous improvement

- Vision Zero program: transformational approach to prevention, integrates safety, health and well-being at all levels of work
- Focus on near-miss reporting and accident prevention
- Organizational structure change: HSE department reporting to CEO



High Corporate Governance Standards








Head of committee: Russell Banham
Audit Committee
(3 members - all INEDs)

Head of committee: Jon Dudas
Committee for Nomination & Remuneration
(3 members - all INEDs + invited expert with no voting rights)


Head of committee: Jon Dudas
Committee for Strategic Planning and Investments
(3 members - all INEDs)

Head of committee: Neil Longfellow
Committee on Industrial, Environmental, Radiation Safety, Labor Protection and Sustainable Development
(2 members - all INEDs + invited expert with no voting rights)






Jon Dudas
Independent Director since 2015
Chairman of the Board



Neil Longfellow
Independent Director since 2017



Russell Banham
Independent Director since 2018

Board of Directors: 3 out of 7 Board Members are independent directors



Galymzhan Pirmatov
CEO, Board Member



Almasadam Satkaliyev
Board Member, SK representative



Beybit Karymsakov
Board Member, SK representative



Kanat Kudaibergen
Board Member, SK representative

Commitment to Shareholder Returns



New dividend policy introduced 1 January 2019



- **Minimum 75% of FCF if Net Debt¹ / Adjusted EBITDA² ≤ 1.0x**
- **Min 50% of FCF if 1.0x < Net Debt / Adjusted EBITDA < 1.5x**
- **Shareholders discretion if Net Debt / Adjusted EBITDA ≥ 1.5x**
- **2019 and 2020³ – expected dividend no less than Tenge equivalent of US\$200m**

Cash flows from operating activities

Acquisition of PPE (incl. advances)

Acquisition of mine development assets

Acquisition of intangible assets

Acquisition of expl/eval assets

Dividends from JVs/associates⁴

Free Cash Flow

Dividend payment for 2019 was 308.46 KZT/share

- High-margin, cash generating operations with low expansion capex, and low leverage allow Company to remain FCF positive even in amid low uranium prices
- Commitment to cash returns to shareholders, while preserving conservative capital structure as buffer should
- Target leverage of Net Debt / Adjusted EBITDA < 1.5x

Source: Company information.

¹ As per dividend policy, the Company defines net debt as total debt (consisting of bank loans, guarantees and finance lease liabilities) less cash and cash equivalents and short-term deposits.

² Adjusted EBITDA is calculated as Profit before tax + Net finance expense + Net FX loss + Depreciation and amortisation + Impairment losses - Gain on exercise of put option - Reversal of impairment of assets.

³ Subject to applicable law and commercial considerations. Dividend payments in respect of each of the Company's 2018 and 2019 financial years will be approved in 2019 and 2020.

⁴ The Company strives to use its voting power to maximise its dividend flow from subsidiaries, jointly controlled entities and associates. Dividends received by the Company from investees domiciled in the Republic of Kazakhstan are exempt from dividends tax.



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Operational Background Slides



Kazatomprom's Key Historical Milestones



pre-



1997

- Company established on 14th July
- **#13** in the global uranium extraction industry

1998



2002

- KAP becomes **Top 6** producer of natural uranium in the world
- Production of tantalum launched
- Expands its uranium export geography (USA & Europe), enters Chinese and South Korean markets

2003



2007

- Becomes the second largest beryllium producer (29% of global output) and Top-4 tantalum producer
- First credit ratings assigned

2008



2012

- In 2010, **Kazatomprom becomes the #1 uranium producer globally**
- In May 2010, Kazatomprom raised \$500m by issuing a debut 5-year Eurobond
- KAP commissions a sulphuric acid plant with an annual capacity of 500 thousand tonnes

2013



2015

- KAP maintains leadership position in the global natural uranium market
- KAP got access to uranium enrichment facilities via UEIP and IUEC with annual capacity of 2.5 million and 0.06m SWU1, respectively
- Eurobond fully repaid in 2015
- **Strategic agreement with CGNPC** (China) on commercial terms for the design and construction of a **fuel assembly plant** and the joint development of uranium deposits in Kazakhstan

2016



2018

- In February 2018, the Board of Directors adopted the new strategy focusing on 5 key considerations
- IPO of Kazatomprom in November 2018

2019

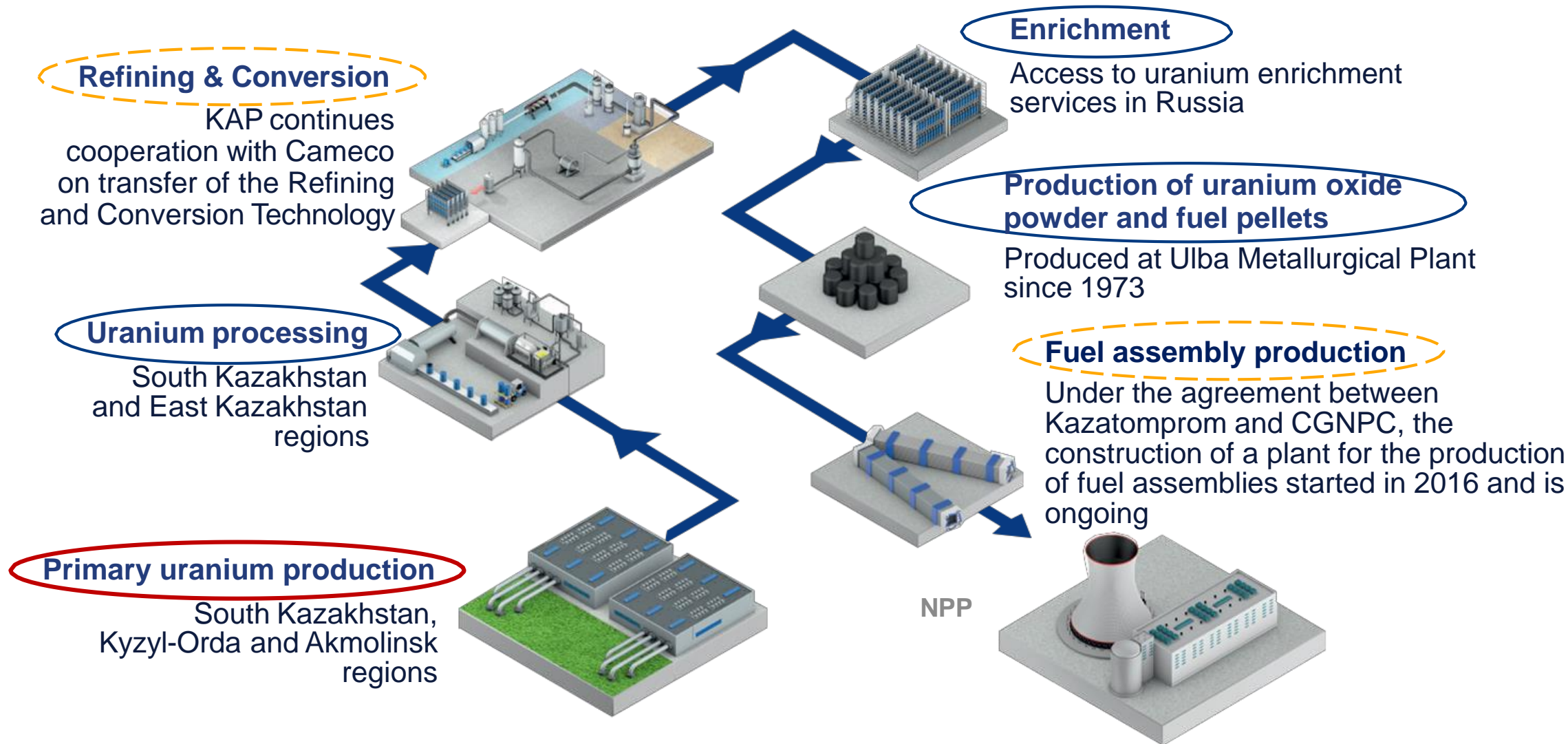


- In 30 May 2019, first AGM of Kazatomprom



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The nuclear fuel cycle



Focus on value in the nuclear fuel cycle



Nuclear Fuel Cycle attractiveness heat map

High market attractiveness
 Medium market attractiveness
 Low market attractiveness

Market attractiveness assessment approach	Mining			Conversion	Enrichment	Fuel Fabrication
	ISR	UG HG	Open Pit			
Market size	High			Low	Medium	Medium
Market growth potential	High			Medium	High	Medium
EBITDA margin	High	High	Low	Low	High	Medium
EVA	High	Medium	Low	Low	Low	Low
Overall market attractiveness	High	Medium	Low	Low	Medium	Low

- Mining is the most commercially attractive stage of the NFC
- ISR is the most attractive method due to its cost-effectiveness and production flexibility
- Given the currently comparably low attractiveness of other stages, KAP maintains focus on the core business of uranium mining
- The Company is to maintain presence in other NFC stages to meet different customer needs

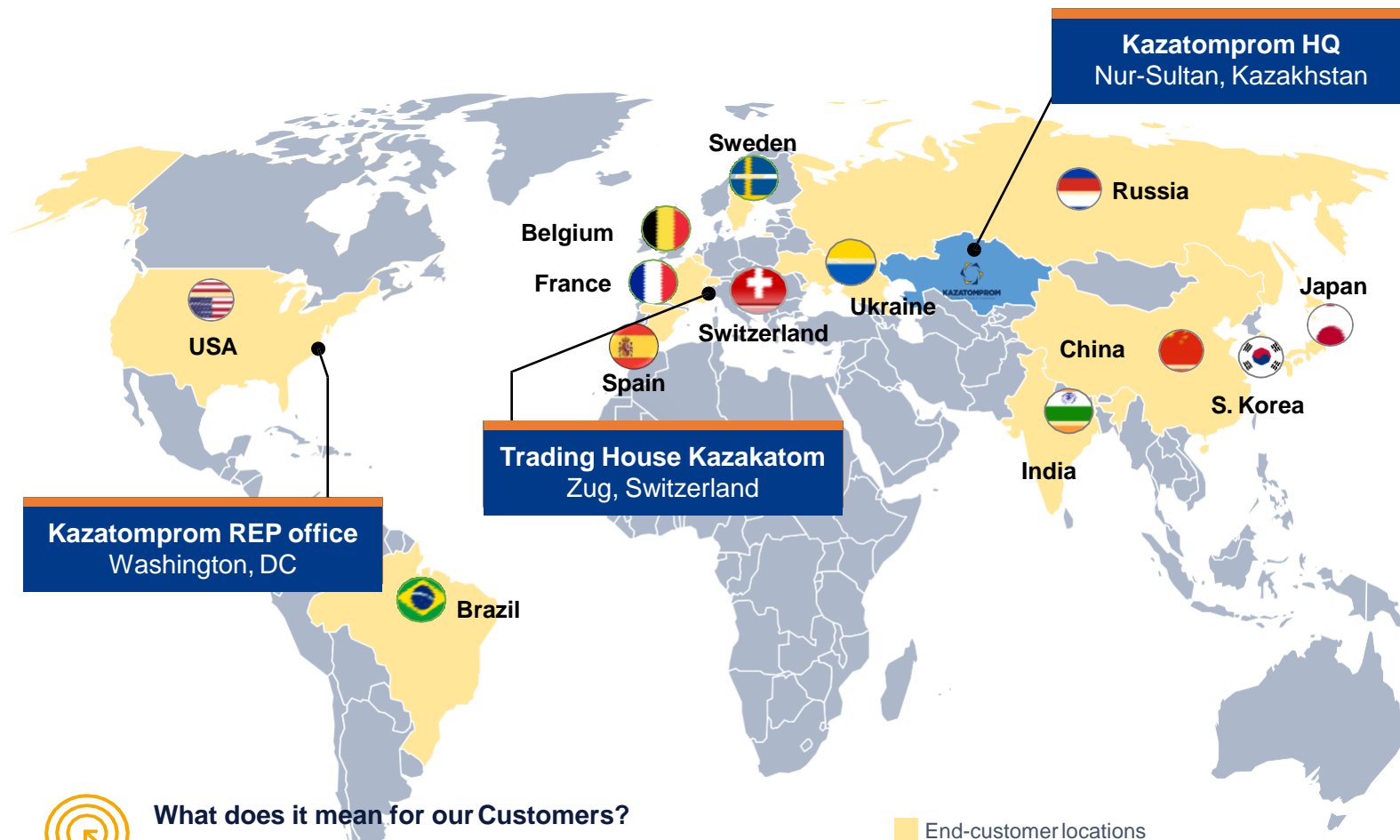
Source: Company market study and market segmentation model.

¹Market attractiveness judgements were based on detailed individual analysis within each of the assessment areas.



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Global presence, strong customer base



What does it mean for our Customers?

- › **Convenience** of reaching out to us (distance and time zones)
- › **Better localized** understanding of the markets

End-customer locations

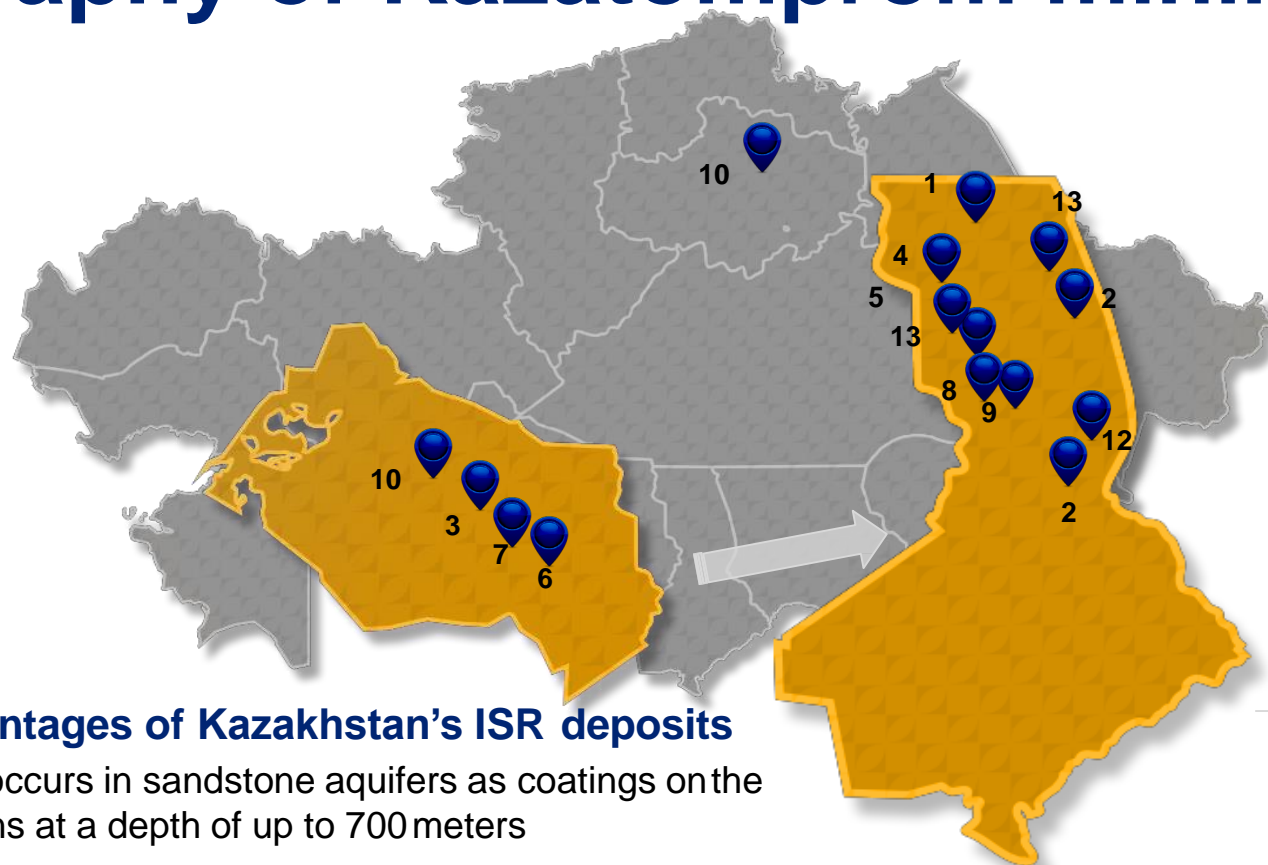
Kazatomprom has enjoyed:

- More than 20-years track record and reputation of delivering long-term reliability to its customers
- Supply contracts with most major nuclear utilities around the world
- Strong partnerships in Kazakhstan and abroad
- A logistical proximity to major growth markets allowing it to grow with the new nuclear entrants of Asia

The establishment of Trading House Kazakatom (THK) is helping Kazatomprom enhance its customer offering:

- THK brings structured contracting allowing new pricing mechanisms, especially for long-term transactions
- This streamlined approach provides faster responses to plain vanilla spot and forward trades
- It has a mandate to increase market liquidity and price transparency
- It is also able to purchase as well as sell on the market

Geography of Kazatomprom mining units

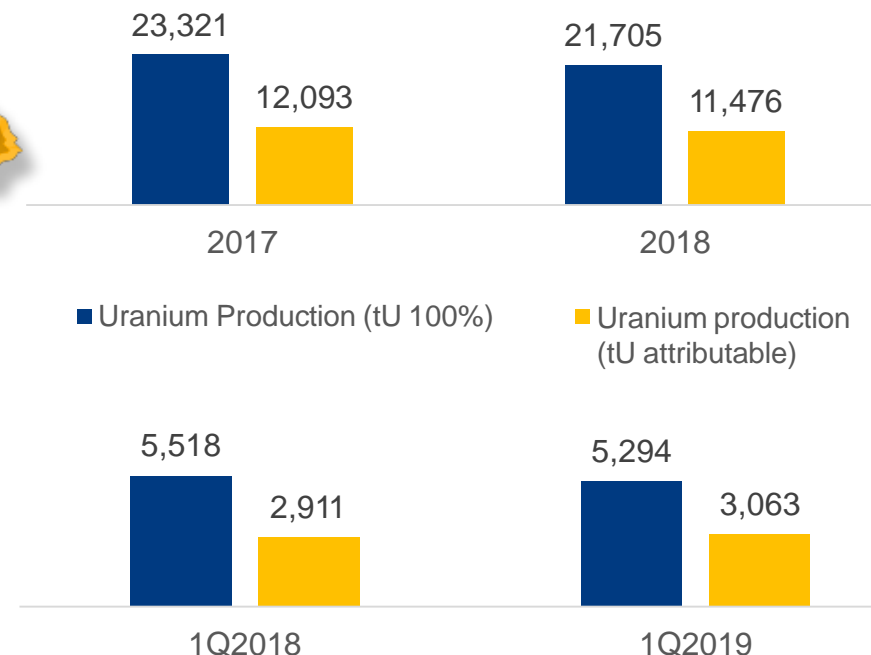


1. Ortalyk
2. KAP-SaUran
3. RU-6
4. Appak
5. Inkai
6. Baiken-U
7. Kharasan-U

8. Akbastau
9. Karatau
10. Semizbai-U
11. Zarechnoe
12. Katko
13. SMCC

Natural advantages of Kazakhstan's ISR deposits

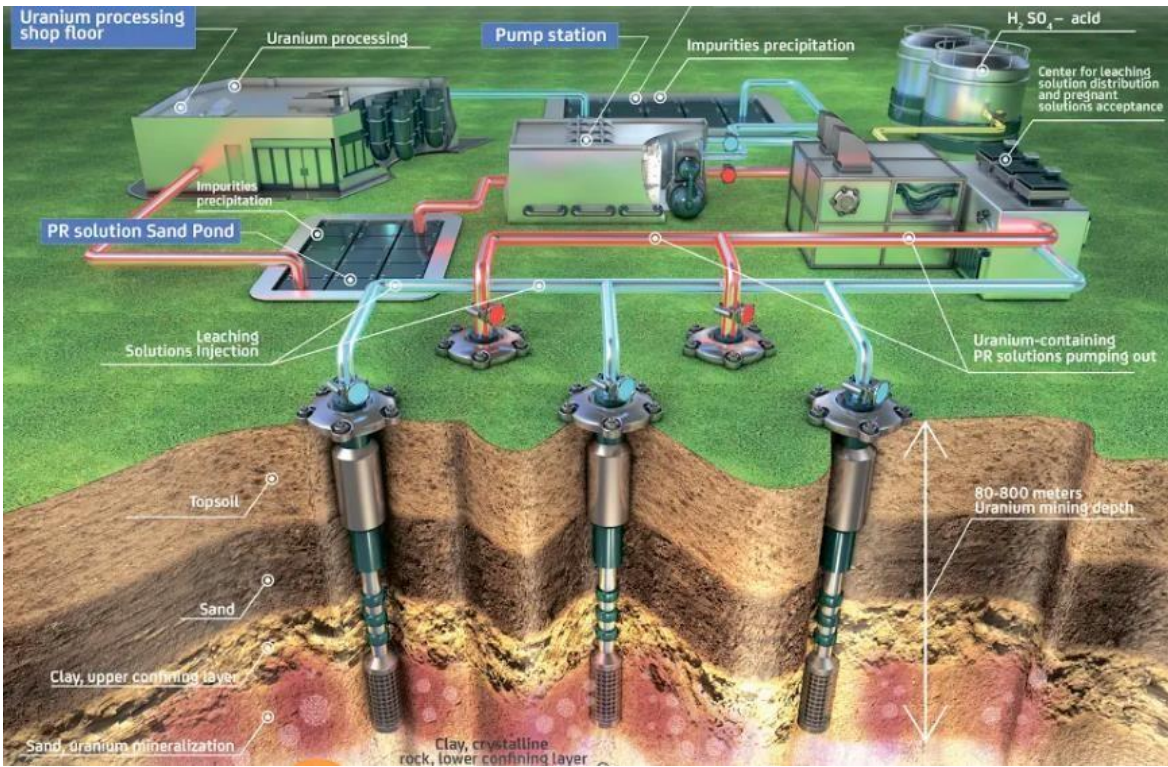
- Uranium occurs in sandstone aquifers as coatings on the sand grains at a depth of up to 700 meters
- The uranium is largely insoluble with the natural groundwater, so acid is circulated through the orebody to dissolve it
- It is then pumped to a processing facility where the uranium is recovered
- The closed loop system allows the recovery solution to be reintroduced in the injection wells
- Limited operational risks: KAP did not suspend its production in the last 40 years








Flow chart and overview of ISR uranium mining



Acidic In situ recovery of uranium in Kazakhstan



Natural uranium production by ISR vs conventional mining

-  Lower cost of build
-  Shorter construction time
-  Lowest quartile operating cost
-  Lower environmental footprint
-  Limited health and safety exposure to personnel

Source: Company management.

Share of ISR mining in total uranium production (2018)



Source: UxC.



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Ulba Metallurgical Plant (UMP)

UMP at a glance

- One of the world's largest facilities for the fuel pellet and rare metals production
- UMP's operational know-how and operational platform essentially provide KAP with an optionality of participating in other parts of the NFC (should the economics be attractive)
- Established in 1949. Became a subsidiary of KAP in 1997
- Location: Ust-Kamenogorsk, East Kazakhstan Region
- Facilities are under IAEA safeguards
- Production facilities include:
 - U_3O_8 , ceramic grade UO_2 and fuel pellet production shops
 - Scrap processing facility
 - Rare metals production facilities

Source: Roskill consulting, Company information.
¹ Roskill consulting

Key features of UMP products

U_3O_8	High purity of nuclear grade products
UO_2 powder	Technical properties may vary depending on customer specifications
Fuel pellets	Regulated microstructure and pellet type. Use of burnable absorbers
Beryllium	One of only three facilities in the world with a fully integrated cycle of beryllium production
Tantalum	The sole facility in the CIS with tantalum production capabilities
Other	Optionality of participating in other parts of the NFC cycle





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Group Financial Highlights



Accounting treatment of key assets



#	Mining Assets	31 December 2017		31 March 2019	
		KAP Interest (%)	Accounting Treatment	KAP Interest (%)	Accounting Treatment
1	Ortalyk	100	Full consolidation	100	Full consolidation
2	SaUran	100	Full consolidation	100	Full consolidation
3	RU-6	100	Full consolidation	100	Full consolidation
4	Appak	65	Full consolidation	65	Full consolidation
5	Inkai	40	Equity accounting	60	Full consolidation
6	Baiken-U	5	Financial investment	52.50	Full consolidation
7	Khorassan-U	33.98	Equity accounting	50	Full consolidation
8	Akbastau	50	Equity accounting	50	Proportionate consolidation
9	Karatau	50	Equity accounting	50	Proportionate consolidation
10	Semizbai-U	51	Equity accounting	51	Equity accounting
11	Zarechnoye	49.98	Equity accounting	49.98	Equity accounting
12	Katco	49	Equity accounting	49	Equity accounting
13	SMCC	30	Equity accounting	30	Equity accounting

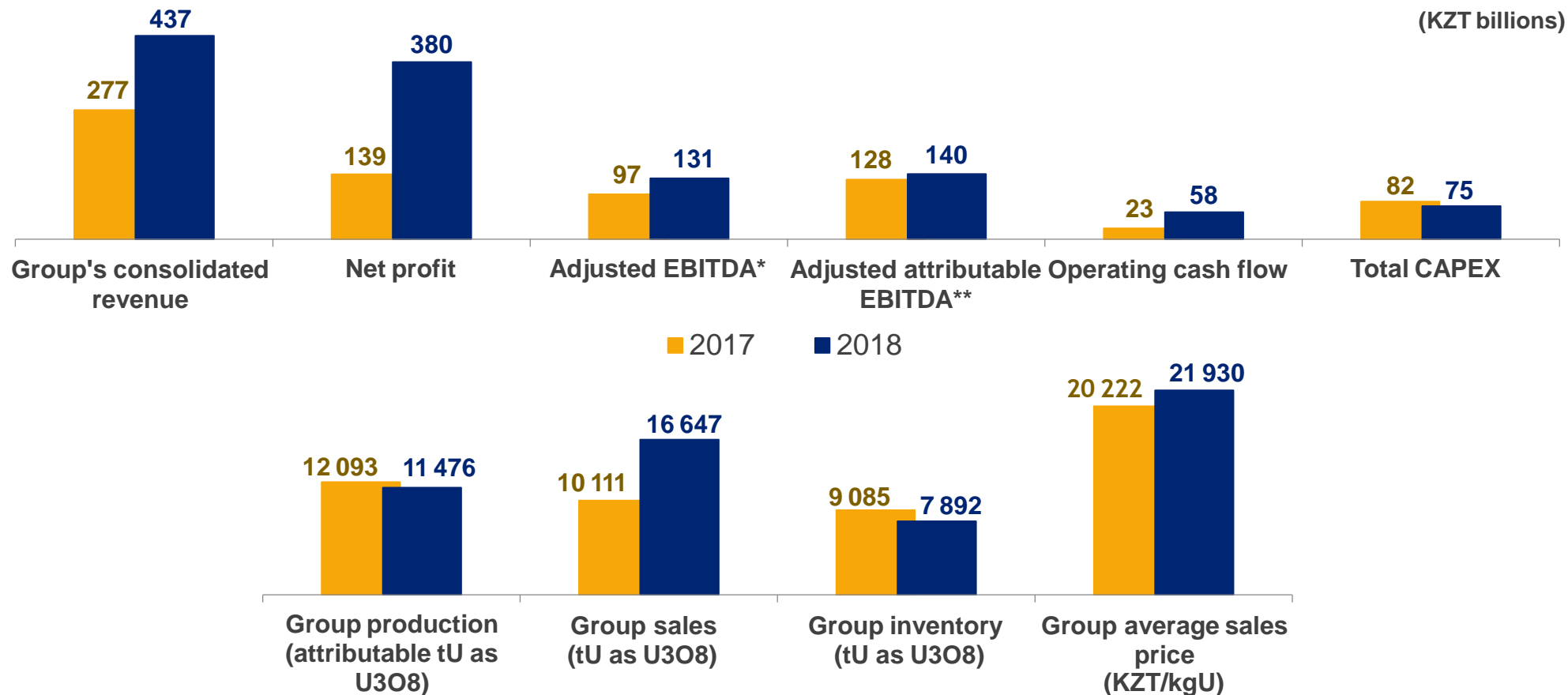
* Changed to full consolidation as of February, 2019



2018 financial highlights



Key Financial Metrics



* Adjusted EBITDA is calculated by excluding from EBITDA all items not related to the main business and having a one-time effect.

** Adjusted Attributable EBITDA is calculated as an 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 in each reporting period of Budenovskoye JV LLP's EBITDA due to minor effect it has during each reporting period) less non-controlling share of adjusted EBITDA of Appak LLP and Inkai JV LLP [less any changes in the unrealized gain in the Group].



KAZATOMPROM
NATIONAL ATOMIC COMPANY

Debt and cash overview

As at 31 March 2019

Gross debt: US\$444m:

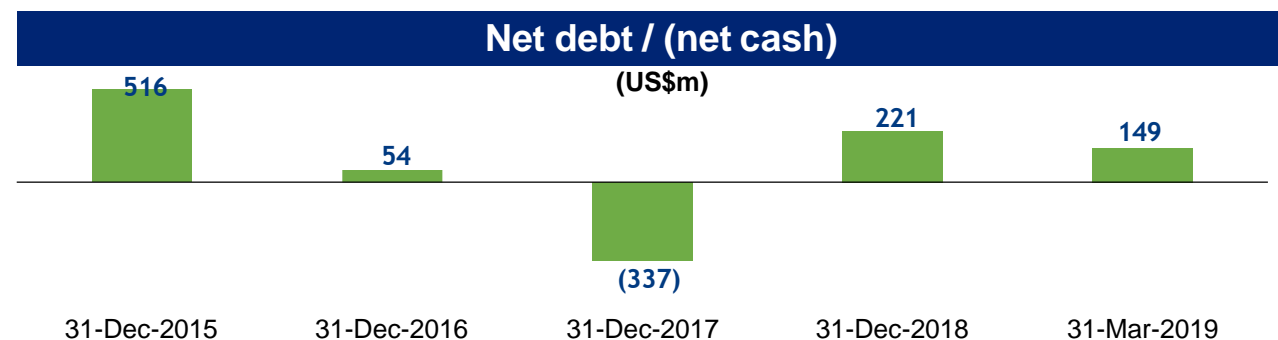
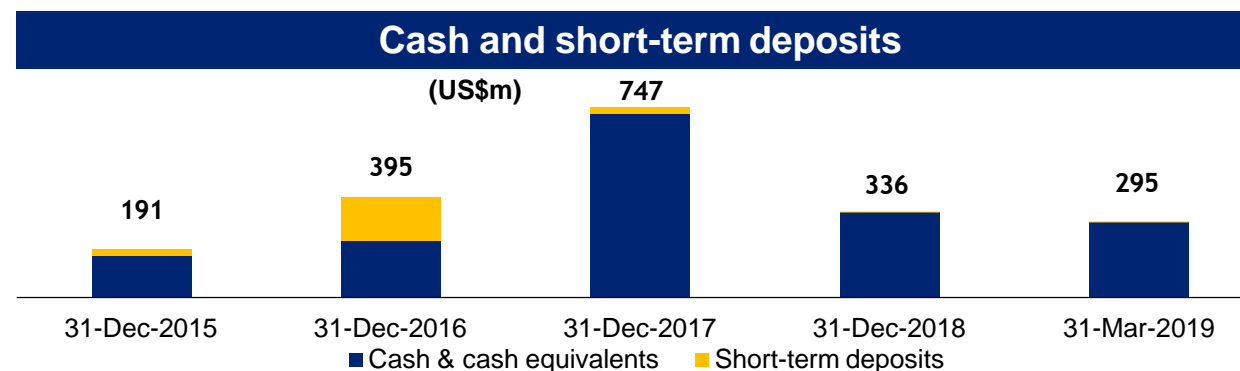
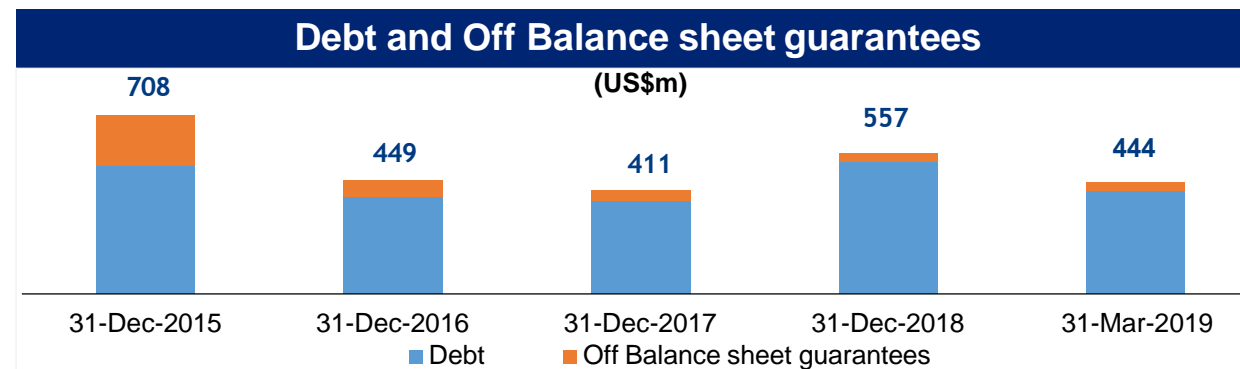
- Debt of US\$412m
- Off Balance sheet guarantees US\$32m provided to JVs and Associates
- Almost 100% of Debt in USD, the currency of the most of the Group's revenue
- 41% of Debt at floating rate, 59% fixed rate

Cash and short-term deposits: US\$295m

- c.US\$200m of dividends payable for the year of 2018
- Dividends payable by own funds

Net debt: US\$149m

- Total available credit facilities of the Group is approximately US\$300m, of which about 96% undrawn



FitchRatings

BBB- (Stable)

Moody's

Baa3 (Stable)

Source: Company information, IFRS financial statements.

Note: Gross debt primarily consists of Loans and Bonds issued, other items include Off Balance sheet guarantees and Finance lease liabilities. Net debt is calculated as Gross Debt – Cash and cash equivalents – Short-term deposits. Balance sheet items are converted into US\$ at relevant spot US\$:KZT exchange rates, i.e. 339.47, 333.29, 332.33, 384.2, 380.04 for 31 December year-end of 2015, 2016, 2017, 2018 and 31 March of 2019 respectively.



Looking ahead



2019 guidance – consistent focus on value strategy

(Assumes KZT/USD = 370)

Key performance indicators		2018 Actual	2019 expectations
Production volume (100% basis) ¹	tU	21,705	22,750 – 22,800
Production volume (attributable basis) ²	tU	11,476	13,000 – 13,500
Group sales volume ³	tU	16,647	15,000 – 16,000
KAP/THK sales volume (incl. in Group) ³	tU	15,287	13,500 – 14,500
Revenue - consolidated ⁴	KZT billions	436.6	485 – 505
Revenue from Group U ₃ O ₈ sales (incl. in consolidated) ⁴	KZT billions	365.1	392 – 408
C1 cash cost (attributable basis)	\$US/lb*	11.56	\$11.00 – \$12.00
All-in sustaining cash cost (attributable C1 + capital)	\$US/lb*	15.08	\$15.00 – \$16.00
Total capital expenditures (100% basis) ⁵	KZT billions	75.4	85 – 95

¹ - Production volume (100% basis): Amounts represent the entirety of production of an entity in which the Company has an interest; it therefore disregards the fact that some portion of that production may be attributable to the Group's joint venture partners or other third party shareholders. Actual drummed production volumes remain subject to converter adjustments and adjustments for in-process material.

² - Production volume (attributable basis): Amounts represent the portion of production of an entity in which the Company has an interest, which corresponds only to the size of such interest; it therefore excludes the remaining portion attributable to the joint venture partners or other third party shareholders. Actual drummed production volumes remain subject to converter adjustments and adjustments for in-process material.

³ - KAP HQ/THK sales volume: includes only the consolidated sales of KAP HQ and Trade House KazakAtom AG (THK). Intercompany transactions between KAP HQ and THK are not included.

⁴ - Revenue expectations are based on uranium prices taken from a third-party source. The spot price projection published by UxC in Q3, 2018, indicating a price of US\$26/lb U₃O₈, was used for 2019 budget purposes. Revenue could therefore be impacted by how the actual weekly uranium price varies from that assumption

⁵ - Total capital expenditures (100% basis): includes only capital expenditures of the mining entities

* Note that the conversion of kgU to pounds U₃O₈ is 2.5998.



The **largest** global uranium producer
with **priority access rights** to Kazakhstan uranium mines – **robust financial profile**, combining **growth and profitability** with one of the **lowest operating costs** in the industry



London
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