

27 August 2020, Nur-Sultan

OPERATING AND FINANCIAL REVIEW SIX MONTHS ENDED 30 JUNE 2020

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

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

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

This review is based on the reviewed condensed interim consolidated financial statements (unaudited) of the Group for the period ended 30 June 2020, in each case without material adjustment, unless otherwise stated. It should be read in conjunction with those statements and the accompanying notes, in addition to the Kazatomprom 2Q20 Operations and Trading Update, and other Company reports. All financial data and discussions thereof are based upon the review of condensed interim consolidated financial statements (unaudited) prepared in accordance with the International Financial Reporting Standards (“IFRS”), unless otherwise indicated.

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

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

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

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1.0 CORPORATE OVERVIEW

Kazatomprom is the world's largest producer of natural uranium, with priority access to one of the world's largest uranium resource bases. According to UxC, LLC ("UxC") data, the Company's 2019 uranium production represented approximately 24% of global primary uranium supply. The Holding, which includes all uranium production from Kazakhstan, represented 42% of global primary uranium supply in 2019.

As the National Atomic Company of the Republic of Kazakhstan, Kazatomprom holds national operator status for the export and import of uranium and its compounds, nuclear power plant fuel, special equipment and technologies, and rare metals, which provides the Company with certain privileges, including the ability to obtain subsoil use licences through direct negotiation with the authoritative body of Government. This effectively grants exclusive access to high-quality and in-situ recovery ("ISR") - conducive deposits of natural uranium, which are abundant in Kazakhstan. In 2019, approximately 78% of the world's uranium that was mined using ISR, came from the Holding's mines in Kazakhstan.

The Holding operates 13 mining assets with 24 uranium deposits/areas ("deposits"), all of which are located in Kazakhstan and mined using the ISR mining method:

- Three uranium producing subsidiaries, wholly-owned by Kazatomprom (100% share ownership), operating on six uranium deposits;
- Ten uranium producing companies, partly owned by Kazatomprom (based on equity shareholding), operating on 18 uranium deposits.

Kazatomprom's core business is the mining and marketing of natural uranium products. However, the Group is also present in other stages of the "front-end" nuclear fuel cycle, including uranium dioxide (UO₂) ceramic powder production, and the production of fuel pellets for fuel assemblies used in nuclear power stations. The Group also has access to uranium enrichment services through its agreements with TVEL Fuel Company of Rosatom. In addition, the construction of a fuel assembly plant is currently underway in Kazakhstan. Construction work including commissioning of equipment has been temporarily suspended due to the COVID-19 pandemic. Based on the updated commissioning schedule, the facility is expected to be operational in the first half of 2021.

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

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

For more detailed information, please see Kazatomprom's *2019 Integrated Annual Report*, available on the corporate website at www.kazatomprom.kz.

1.1 Strategy, vision and mission

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

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

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

The Group's Mission highlights:

- **Sustainability** – the Group is committed to the best HSE practices and the management team is focused on continual improvement.

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

1.2 COVID-19 Update

The COVID-19 pandemic, which spread substantially during the second quarter of 2020, had a significant impact on the economies of every country around the globe. While Kazakhstan and Kazatomprom were no exception, several factors influenced the scope, scale and direction of the impact on the country and on the Company.

To reduce the risk of a COVID-19 outbreak at Kazatomprom's operations and to follow all government restrictions and recommendations, the number of employees on mine sites was reduced for a four-month period, from April through July 2020. With carefully developed plans to ensure compliance with distancing and hygiene requirements during shift changes and day-to-day operations, the Company began to gradually bring staff back to the mine sites at the beginning of August 2020.

As the operations began to mobilise employees, COVID-19 testing took place for all workers returning to site. The ramp-up was carried out following strict health and safety protocols to minimise the risk of a potential outbreak. However, production levels for the second half of the year are expected to be severely impacted by the four-month shutdown.

Thanks in part to the timely pandemic response measures taken by Kazatomprom's management in April, there have been no outbreaks at Kazatomprom's operating sites. However, Kazakhstan as a whole has seen a steady increase in cases across various jurisdictions, which has included several hundred cases among the Company's staff while off-site in their communities, and regrettably, three employee fatalities that were attributed to the virus.

In order to ensure business continuity and minimise the risk of the spread, Kazatomprom took the following measures at the early stages of the coronavirus outbreak:

- an internal cross-functional committee was created to ensure business continuity in the event of a Company outbreak and to prepare for a second wave of the virus. Regular online meetings are held to facilitate operational communication;
- action plans were created along five lines of defence: (i) preventive measures, (ii) reaction in the event of widespread cases in and near the communities where we operate, (iii) reaction to lockdowns and mass quarantines in and near the communities where we operate, (iv) reaction to a mine site outbreak or mass quarantine, (v) mitigation plans in the event of a necessary halt of production and activity due to an outbreak;

The Company will continue to monitor the situation at the operations, as well as all regional COVID-19 developments and governmental directives, ensuring that any further recommended actions to reduce the impact of the pandemic are implemented without delay.

2.0 HEALTH, SAFETY AND ENVIRONMENT

Health, safety and environmental protection, including nuclear and radiation safety, are priorities for the Company. The Company is continuously improving the quality of its HSE programs.

2.1 Occupational health and safety

The Company conducts its production activities in compliance with legal requirements in the field of labour protection and industrial safety. Comprehensive measures to prevent incidents and accidents are carried out on an ongoing basis. The Company conducts systematic work to improve the safety culture across employees and managers at all levels, and to remain in compliance with industrial safety requirements. Occupational health and safety management systems that meet international standards have been implemented and are being constantly monitored and maintained.

The Company has supported the International Social Security Association (ISSA) initiative to improve safety, health and well-being at work, and it is registered as a member of the international Vision Zero program. Membership reflects management's belief that a successful business is built by healthy employees working in safe conditions, and a strong safety culture can reduce the number of work-related accidents, the degree of harm to health, and the number of occupational diseases.

In order to preserve the life and health of employees, the Company has adopted the "Seven Golden Rules" of the Vision Zero program, which apply to all employees of the Company's enterprises and their contractors:

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

Indicator	Six months ended 30 June		Change
	2020	2019	
Industrial accidents ¹	-	-	-
LTIFR (per million man-hours) ²	0.40	0.25	60%
Unsafe conditions, unsafe actions, near-miss reporting	16,602	15,918	4%
Number of accidents ³	6	4	50%
Fatalities	1	-	100%

¹ Defined as uncontrolled explosions, emissions of dangerous substances, or destruction of buildings.

² Lost-Time Injury Frequency Rate (LTIFR) per million hours.

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

The measures taken in the first half of 2020 in the field of industrial safety helped to prevent industrial accidents (absence of uncontrolled explosions, emissions of dangerous substances or destruction of buildings) at the Company's subsidiaries. At the same time, six accidents were registered: six people were injured, one of which resulted in a fatality.

The incidents included: three cases of chemical burns, two cases of falling from a height and one case of falling on a slippery surface. The fatal accident occurred when an employee lost his balance while climbing stairs and fell.

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

As part of the continuing work to improve the system for ensuring industrial safety as well as to implement the 2018 – 2028 development strategy, in 2020, the Company is planning to complete the following activities:

- implementing the practice of immediately stopping work if an unsafe act or condition is observed (STOP cards);
- analysis of the frequency and nature of detected dangerous conditions, dangerous actions, potentially dangerous near-miss situations, and the adequacy of corrective measures taken;
- improving the survey methods used to determine the level of employee and executive conscious compliance with industrial safety requirements;
- increase the industrial safety requirements for contractors;
- automation of production safety reporting processes.

These activities are focused on implementation of preventive measures, risk-based approach to the organization of the production process and increase the safety culture among the Company's employees.

2.2 Environmental protection, nuclear and radiation safety

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

The Company uses reliable environmental monitoring and radiation safety systems at all its uranium mines. No environmental or radiation accidents occurred in the first half of 2020. All activities were completed in compliance with environmental legislation, regulatory requirements and guidance on nuclear and radiation safety.

No exceedances of the established limits for waste generation, emissions, or discharges were registered in the first half of 2020.

3.0 PRESENTATION OF FINANCIAL INFORMATION

3.1 Segments

During the period under review, the Group operated through the following three principal business segments:

- **Uranium segment** includes uranium mining and processing operations from the Group's mines, the Group's purchases of uranium from JVs and associates engaged in uranium production, and external sales and marketing of uranium products. The Uranium segment includes the Group's share in net results of its JVs and associates engaged in uranium production, as well as results of the Company as the head office of the Group. This segment does not include production and sales of UO₂ powder and fuel pellets.
- **"Ulba Metallurgical Plant" JSC ("UMP") segment** includes production and sales of products containing beryllium, tantalum and niobium, hydrofluoric acid and by-products. This segment is also engaged in the processing of uranium raw materials under tolling arrangements, and the production of UO₂ powder and fuel pellets.
- **Other segment** includes revenue and expenses of the Group's subsidiaries that are primarily engaged in providing supporting services to the Uranium segment, such as drilling, transportation, R&D, IT and security services. These businesses are not included within reportable operating segments, as their financial results do not meet the quantitative threshold. This segment is not disclosed in this report due to immateriality.

3.2 Consolidation

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

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

The following table lists the Group's subsidiaries, JVs, JOs and associates, as of 30 June 2020. In all cases, the share percentage shown is equal to the Group's voting rights, with the exception of "Ulba Metallurgical Plant" JSC and "Volkovgeologia" JSC, where the Group has 100% voting rights in each.

Treatment	Name	Share (%)
Uranium Mining and Processing		
Subsidiaries	"Ortalyk" LLP	100.00%
	"Kazatomprom-SaUran" LLP	100.00%
	"RU-6" LLP	100.00%
	"Appak" LLP	65.00%
	"JV "Inkai" LLP	60.00%
	"Baiken-U" LLP ^{(1) (2)}	52.50%
	"JV "Khorassan-U" LLP ⁽¹⁾	50.00%
Joint Ventures	"JV "Budenovskoye" LLP ⁽³⁾	51.00%
	"Semizbai-U" LLP	51.00%
Joint Operations	"JV "Akbastau" JSC	50.00%
	"Karatau" LLP	50.00%
	Energy Asia (BVI) Limited ^{(2) (4)}	50.00%
Associates	"JV "Katco" LLP	49.00%
	"JV "South Mining Chemical Company" LLP	30.00%
	"JV "Zarechnoye" JSC	49.98%
	"Kyzylkum" LLP ^{(1) (2)}	50.00%
	"Zhanakorgan-Transit" LLP ⁽⁵⁾	60.00%
Nuclear Fuel Cycle and Metallurgy		
Subsidiaries	"Ulba Metallurgical Plant" JSC	90.18%
	"ULBA-CHINA Co" Ltd ⁽⁵⁾	100.00%
	"Mashzavod" JSC ⁽⁵⁾	100.00%
	"Ulba FA" LLP ⁽⁵⁾	51.00%
Nuclear Fuel Cycle		
Joint Ventures	"JV "UKR TVS" Closed Joint-Stock Company	33.33%
Investments ⁽⁶⁾	"International Uranium Enrichment Centre" JSC	10.00%
Ancillary Operations		
Subsidiaries	"High Technology Institute" LLP	100.00%
	"KazakAtom TH" AG or "THK"	100.00%
	"KAP-Technology" JSC	100.00%
	"Trading and Transportation Company" LLP	99.99%
	"Volkovgeologia" JSC	90.00%
	"Rusburmash-Kazakhstan" LLP ⁽⁵⁾	49.00%
	"Korgan-KAP" LLP	100.00%
Joint Ventures	"SKZ-U" LLP	49.00%
	"Uranenergo" LLP ⁽⁷⁾	79.17%
Associates	"SSAP" LLP ⁽⁸⁾	9.89%

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

Treatment	Name	Share (%)
Alternative Energy		
Subsidiaries	"Kazakhstan Solar Silicon" LLP ⁽⁹⁾	100.00%
	"MK KazSilicon" LLP ⁽⁹⁾	100.00%
	"Astana Solar" LLP ⁽⁹⁾	100.00%
Ancillary Operations		
Associates	"Caustic" JSC ⁽¹⁰⁾	40.00%

¹ In December 2018, the Company completed the acquisition of 40.05% shares in EAL and a 16.02% stake in the issued capital of JV "Khorasan-U" LLP from Energy Asia Holdings (BVI) Limited. As a result of these transactions, the Company increased its interests in "Baiken-U" LLP from 5% to 52.5% (direct ownership 5%, indirect ownership through Energy Asia (BVI) Limited 47.5%), its interest in JV "Kyzylkum" LLP from 30% to 50% (direct ownership 30%, indirect ownership through Energy Asia (BVI) Limited 20.0%), in JV "Khorasan-U" from 33.98% to 50% (direct ownership).

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

³ "JV "Budenovskoye" LLP carries out exploration work at the Budenovskoye field, which is planned to be completed in 2021 with the preparation of the final Report with the calculation of reserves and the statement of reserves on the state balance sheet.

⁴ In December 2019, PSIL was liquidated and its share in Energy Asia (BVI) Limited in the amount of 9.95% (direct ownership) was transferred to the Company. As a result, the Company's share in Energy Asia (BVI) Limited (direct ownership) increased to 50%.

⁵ These companies are 3rd level entities for the Company through the interests in subsidiaries, JVs and associates presented above these companies in the table. The corresponding interests belongs to the 2nd tier entities, not the Company.

⁶ In 2019 the Group entered into a conditional contract to sell its 50% interest minus 1 (one) share in JSC Uranium Enrichment Center (TsOU) to its partner in this joint venture - TVEL JSC (TVEL). The Group will reserve 1 share of TsOU, which will retain the Group's right to access uranium enrichment services in accordance with the conditions previously agreed with TVEL. As at 31 December 2019 the Group classified the investment in the joint venture TsOU as an asset held for sale. On 17 March 2020, the Group completed this sale. The contract price was Russian rubles 6,253 million or Euro 90 million fixed at an exchange rate as of 31 December 2019. Actual cash consideration received was Euro 90 million (Tenge 43,858 million equivalent). As of 30 June 2020 the Group classified JSC Uranium Enrichment Center (TsOU) with 1 share as other investment.

⁷ "Uranenergo-PUL" LLP is a 3rd-level enterprise of the Company through stakes in "Uranenergo" LLP. In October 2019, the General Meeting of the Participants of "Uranenergo" LLP approved the reorganization of "Uranenergo-PUL" LLP. The "Uranenergo-PUL" LLP is reorganised in 2020 by merging to the parent company "Uranenergo" LLP. "Shieli-Energoservice" LLP and "Taukent-Energoservice" LLP, are a 3rd-level enterprises of the Company through stakes in "Uranenergo" LLP. The companies are reorganised in 2020 by merging to the parent company "Uranenergo" LLP.

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

⁹ In accordance with the privatisation plan of non-core assets as presented in the IPO prospectus of NAC Kazatomprom JSC, a number of non-core assets have been or are to be disposed. This includes entities of the KazPV project: Astana Solar LLP, Kazakhstan Solar Silicon LLP and MK KazSilicon LLP. As previously reported, on 17 May 2019, a conditional sales contract was entered into which provided for the initial sale of 75% of the Company's shareholding in the entities of the KazPV project (further – Agreement). However, the Agreement did not enter into force due to non-compliance by the purchaser with certain conditions. As a result, in the first quarter of 2020, the Company terminated its relations with potential buyers under this contract. As of 30 June 2020, Company remains committed to the sale of the KazPV project entities, as part of the privatisation program of the Republic of Kazakhstan. The assets and liabilities of the entities in the KazPV project are presented as a assets and liabilities held for sale in these condensed interim consolidated financial statements.

¹⁰ The Group intends to sell its entire stake in Caustic JSC by the end of 2020.

4.0 SIGNIFICANT FACTORS AFFECTING THE GROUP'S RESULTS OF OPERATIONS

The significant factors that affected the Group's results of operations during the first half of 2020 and 2019, and which the Company expects to continue to affect the Group's results of operations in the future, include:

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

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

Spot market prices for U₃O₈, which is the main marketable product of the Group, have the most significant effect on the Group's revenue. The majority of the Group's revenue is derived from sales of U₃O₈ under contracts with price formulae containing a reference to spot price. In addition to spot prices, the Group's effective realized price depends upon the proportion of contracts in the portfolio with a fixed price component in a given period. The average realized price for each period can therefore deviate from the prevailing spot market price. More information regarding the impact of spot market prices on average realized price is provided in section 11.1 *Uranium sales price sensitivity analysis*.

The following table provides the average spot price and average realized price per pound of U₃O₈ for the periods indicated:

		Six months ended 30 June		
		2020	2019	Change
Average weekly spot price (per lb U ₃ O ₈) ¹	USD	28.66	26.47	8%
	KZT	11,595	10,039	15%
Average realized price of the Group (per lb U ₃ O ₈)	USD	27.81	26.99	3%
	KZT	11,250	10,239	10%
Average realized price of Kazatomprom (per lb U ₃ O ₈)	USD	27.86	27.43	2%
	KZT	11,271	10,406	8%

¹ Prices per UxC LLC.

For additional details related to specific market developments that influenced the pricing of uranium in the first half of 2020, please see the *Kazatomprom 2Q20 Operations and Trading Update*, available on the corporate website.

4.2 Changes in the Group structure

In the first half of 2020 and 2019 the Group completed several transactions that had a significant impact on reported results.

In the first-half results for 2020:

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

In the first-half results for 2019:

- the Group's ownership interest in Baiken-U LLP, Kyzylkum LLP and JV Khorasan-U LLP increased to 52.5%, 50% and 50%, respectively – before the transaction, those ownership interests were 14.45%, 33.98% and 33.98%, respectively.
- as of 31 December 2018 the Group obtained control over Baiken-U LLP through having majority of the voting rights and representation in the Supervisory Board.
- the Group maintained significant influence over Kyzylkum LLP and JV Khorasan-U LLP as at

31 December 2018 and the Group concluded at that date that no control was obtained over JV Khorasan-U LLP pending participants' approval of changes in the charter of the investee that will enable the Group to exercise the majority of votes.

- in February 2019, the owners of JV Khorasan-U LLP approved changes to the charter documents of that entity, which gave the Group the ability to cast a majority vote at the Supervisory Board. As a result, the Group obtained control over JV Khorasan-U LLP from that date.

The acquisition of Baiken-U LLP as well as the increase in ownership interest in Kyzykum LLP and Khorasan-U LLP were reflected in the consolidated financial statements for the year ended 31 December 2018 at provisional (carrying) values. The valuations by an independent appraiser were finalised in the first half 2019. As a result, the statement of financial position as of 31 December 2018 was restated in condensed interim consolidated financial statements.

As at 30 June 2019, the fair value appraisal for the acquired assets and liabilities of JV "Khorassan-U" LLP was completed and the Group recorded a net gain of KZT 54.6 billion in profit and loss for the six months ended 30 June 2019.

In total, the number of the Group's subsidiaries, JVs, JOs and associates decreased from 42 as at 31 December 2019, to 40 as at 30 June 2020.

- In January 2019, the General Meeting of Participants approved the interim liquidation balance of "ULBA Conversion" LLP. In accordance with the decree of the Ust-Kamenogorsk Department of Registration and Land Cadastre dated August 16, 2019 No. 151, the termination of activity of "ULBA Conversion" LLP was registered.
- In September, 2019, Kazatomprom's Board of Directors approved the liquidation of Power System International Limited (PSIL) and in December 2019, the liquidation of PSIL was completed.

4.3 Impact of Changes in Exchange Rates

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

- Uranium is generally priced in USD, therefore most of the Group's consolidated sales revenue is generated in USD. As of 30 June 2020, 84% of the Group's revenue was denominated in USD (30 June 2019 - 78%);
- The Company purchases uranium and uranium products from its subsidiaries, JVs, JO and associates pursuant to KZT-denominated contracts, with the prices determined by reference to prevailing spot market prices of U₃O₈, which are in USD;
- Most of the Group's borrowings are denominated in USD. As at 30 June 2020, 89% of the Group's borrowings were denominated in USD (at 30 June 2019 and at 31 December 2019: 88%).

A significant portion of the Group's expenses, including its operating, production and capital expenditures, are denominated in KZT. Accordingly, as most of the Group's revenue is denominated in USD, while a significant share of its costs is KZT denominated, the Group generally benefits from appreciation of USD against KZT which subsequently has a positive effect on the Group's financial performance. However, the positive effect of an appreciating USD may be fully or partially offset given that the Group has outstanding USD-denominated liabilities. In addition, the Company purchases uranium and uranium products from its subsidiaries, JVs and associates pursuant to KZT-denominated contracts, with the prices determined by reference to prevailing spot market prices of U₃O₈, which are denominated in USD. Accordingly, a significant appreciation of USD would result in a corresponding increase in the KZT-denominated price of such contracts.

The Group attempts to mitigate the risk of fluctuations in exchange rate, where possible, by matching the currency denomination of its payments with the currency denomination of its cash flows. Through this matching, the Group achieves natural hedging without the use of derivatives. With respect to monetary assets and liabilities denominated in other currencies, the Group attempts to keep the risk of the net position within acceptable limits, by considering the payment currency when planning future expenses.

In the first half of 2020, the KZT/USD exchange rate fluctuated between KZT 375.87 and KZT 448.52. As at 30 June 2020, the closing exchange rate was KZT 403.83. Changes in exchange rates had a material impact on the Group's financial performance in the first half of 2020. The Group's net foreign exchange gain in the first half of 2020 was KZT 5 960 million.

The following table provides semi-annual average and period-end closing KZT/USD exchange rates, as reported by the National Bank of the Republic of Kazakhstan (NBK), as of 30 June 2020 and 2019.

	KZT / USD	Six months ended 30 June		Change
		2020	2019	
Average exchange rate for the period ¹	KZT / USD	404.59	379.31	7%
Closing exchange rate for the period	KZT / USD	403.83	380.53	6%

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

4.4 Taxation and Mineral Extraction Tax (“MET”)

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

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

(KZT million)	Six months ended 30 June		Change
	2020	2019	
Corporate income tax ¹	28,796	15,719	83%
Mineral extraction tax ²	10,453	10,339	1%
Other taxes and off-budgetary payments ³	24,783	26,562	(7%)
Total tax accrued	64,032	52,620	22%

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

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

³ Includes property tax, land tax, transport tax, social tax, off-budgetary payments, VAT and PIT (on PIT Company acts as a tax agent).

Corporate income tax increased by 83% as of 30 June 2020, compared to 30 June 2019, due to the higher tax base resulting from higher uranium spot prices and the weakening of the KZT against the USD, as well as an increase in the proportion of sales of uranium produced by consolidated subsidiaries and JO. When such material is sold, the cost of sales is predominantly represented by the cost of production. Sale of the Uranium Enrichment Centre JSC in the first half of 2020 had one-off effect on the tax base of Corporate income tax (see section 4.2 *Changes in the Group structure*).

4.5 Price and availability of sulfuric acid

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

The Group’s weighted average price of sulfuric acid increased by 4.2% to KZT 22,176 per tonne in the first half of 2020 (from KZT 21,282 per tonne in the first half of 2019). On average in the first half of 2020, the price of sulfuric acid represented about 16% of the Group’s uranium production costs.

4.6 Impact of changes in Ore Reserves estimates

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

4.7 Transactions with Subsidiaries, JVs, JOs and Associates

The Company purchases U₃O₈ from its subsidiaries, JVs and associates, principally at spot price with market-based discounts, which vary by operation. Purchased volumes generally correspond to the Company's interest in the respective selling entities.

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

- the sale of U₃O₈ purchased from operations (JVs and associates), and
- the sale of U₃O₈ produced by the Company and by its consolidated subsidiaries and JOs.

Cost of sales of purchased uranium is equal to the purchase price from JVs and associates, which in most cases is the prevailing spot price with certain applicable discounts. The share of results of JVs and associates represents a significant part of the Group's profits and should be considered accordingly in the assessment of the Group's financial results. In the first half of 2020, U₃O₈ was purchased at a weighted average discount of 4.53% on the prevailing spot price.

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

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

(tU)	Six months ended 30 June		Change
	2020	2019	
U ₃ O ₈ purchased from JVs and associates	608	586	4%
U ₃ O ₈ purchased from JOs and subsidiaries	3,671	3,755	(2%)
Total	4,279	4,341	(1%)

The volume of U₃O₈ purchased from JVs and associates totalled 608 tonnes during the first half of the 2020, compared to 586 tonnes during the first half of 2019, an increase of 4%, due to seasonality and differences in the timing of deliveries for 2019 and 2020.

The Group purchased 3,671 tonnes of uranium from subsidiaries, including production from 100% owned subsidiaries where cost of sales is predominantly represented by the cost of production, during the first half of the 2020, compared to 3,755 tonnes during the first half of 2019, a decrease of 2%, due to seasonality and differences in the timing of deliveries for 2019 and 2020.

In addition to the above volumes the Company purchases volumes from third parties at variable prices through THK.

5.0 KEY PERFORMANCE INDICATORS

5.1 Consolidated Financial metrics

(KZT billion unless noted)	Six months ended 30 June		
	2020	2019	Change
Group's consolidated revenue	153.1	176.6	(13%)
Operating profit	47.5	27.1	75%
Net profit	66.0	104.0	(37%)
Net result from sale of investment in joint venture (one-time effect) ¹	22.1	-	-
Gain from reversal of liability under joint operations (one-time effect) ²	-	17.0	-
Net result from business combinations (one-time effect)	-	54.6	-
Adjusted net profit	43.9	32.3	36%
Earnings per share attributable to owners (basic and diluted), KZT/share	225	358	(37%)
Adjusted EBITDA ³	81.0	73.0	11%
Attributable EBITDA ⁴	84.0	58.5	44%
Operating cash flow	38.2	111.3	(66%)

¹ Net result from sale of investment in joint venture Uranium Enrichment Center JSC

² Gain from reversal of liability under JOs relates to volumes of uranium that were not purchased from JOs in 2018, and which the Group does not plan to acquire in future, hence this liability, initially recorded in 2018, was derecognised in 2019.

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

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

The Group's consolidated revenue was KZT 153.1 billion as at 30 June 2020, a decrease of 13% compared to 30 June 2019, due to lower sales volumes related to the timing of deliveries in the year, partially offset by an increase in the average selling price.

The operating profit as at 30 June 2020 was KZT 47.5 billion, an increase of 75% compared to 30 June 2019. It was mainly due to an increase in the share of uranium sold that was produced by the Company's consolidated subsidiaries and JOs as well as increase in average realized price. For that production, the full mining margin was captured in the consolidated results of the Group including the volume of uranium sold for export, which had a positive impact on profit.

Net profit for the first half of 2020 was KZT 66 billion, a decrease of 37% compared to 30 June 2019. In the first half of 2020 the net result from the sale of the investment in the joint venture Uranium Enrichment Center JSC was KZT 22.1 billion (see section 4.2 Changes in the Group structure). Adjusting for that one-time effect, adjusted net profit for the 2020 half year was KZT 43.9 billion, an increase of 36% compared to 30 June 2019. During the first half of 2019, there was a KZT 17 billion gain from reversal of a liability under JOs, which was initially recorded in 2018. This gain is related to volumes of uranium that were not purchased from JOs in 2018, and which the Group does not plan to purchase in the future. As a result, this liability was reversed in 2019. Also, during first half of 2019 JV "Khorasan-U" LLP was included in the consolidation. The one-time effect of this transaction was KZT 54.6 billion.

Adjusted EBITDA totalled KZT 81 billion as at 30 June 2020, an increase of 11% compared to 30 June 2019, while attributable EBITDA was KZT 84 billion as at 30 June 2020, an increase of 44% compared to 30 June 2019. The changes were mainly driven by increased operating profit, as well as an increase in the share of EBITDA of joint ventures and associates.

Operating cash flows totalled KZT 38.2 billion, a decrease of 66% compared to 30 June 2019, mainly due to changes in working capital due to seasonality and differences in the timing of deliveries for both periods resulting in uneven receipts of trade receivables (see section 8.4.1 Cash Flows from Operating Activities).

5.2 Uranium segment

5.2.1 Uranium segment financial metrics

(KZT billion unless noted)		Six months ended 30 June		Change
		2020	2019	
Average exchange rate for the period	KZT/USD	404.59	379.31	7%
Uranium segment revenue ¹		127.4	145.1	(12%)
Including U ₃ O ₈ sales proceeds (across the Group)		123.4	144.4	(15%)
Share of a revenue from uranium products	%	81%	82%	(1%)

¹ This segment does not include production and sales of UO₂ powder and fuel pellets.

Consolidated U₃O₈ sales were KZT 123.4 billion as at 30 June 2020, a decrease of 15% compared to 30 June 2019, mainly caused by reduced sales volumes due to the seasonality and differences in the timing of deliveries for 2019 and 2020.

5.2.2 Uranium segment production and sales metrics

		Six months ended 30 June		Change
		2020	2019	
Production volume of U ₃ O ₈ (100% basis)	tU	10,434	10,800	(3%)
Production volume of U ₃ O ₈ (attributable basis) ¹	tU	5,790	6,226	(7%)
U ₃ O ₈ sales volume (consolidated)	tU	4,220	5,425	(22%)
Including KAP U ₃ O ₈ sales volume ²	tU	3,749	4,608	(19%)
Group inventory of finished goods (U ₃ O ₈)	tU	11,110	10,374	7%
Including KAP inventory of finished goods (U ₃ O ₈) ³	tU	9,094	8,407	8%
Group average realized price	KZT/kg	29,247	26,620	10%
Group average realized price	USD/lb	27.81	26.99	3%
KAP average realized price ⁴	USD/lb	27.86	27.43	2%
Average weekly spot price	USD/lb	28.66	26.47	8%
Average month-end spot price ⁵	USD/lb	29.46	26.01	13%

¹ Production volumes of U₃O₈ (attributable basis) is not equal to the volumes purchased by Company and THK.

² KAP U₃O₈ sales volume (included in Group): includes only the total external sales of KAP HQ and THK. Intercompany transactions between KAP HQ and THK are not included.

³ KAP inventory of finished goods (included in Group): includes the inventories of KAP HQ and THK.

⁴ KAP average realized price: the weighted average price per pound for the total external sales of KAP and THK. The pricing of intercompany transactions between KAP and THK are not included.

⁵ Source: UxC, TradeTech. Values provided represent the average of the uranium spot prices quoted at month end, and not the average of each weekly quoted spot price, as contract price terms generally refer to a month-end price.

On both a 100% and attributable basis, U₃O₈ production volumes for the first half of 2020 were modestly lower, as a result of the initial impact of decreased wellfield development activity, and lower second quarter staff levels, amid the COVID-19 pandemic. There is typically a four to eight month lag between the wellfield development and production phases of the in-situ recovery mining process and as a result, the safety measures implemented during the first half of 2020 to deal with the pandemic are expected to predominantly impact the second half of the year. The difference in percentage decrease in production on a 100% basis and an attributable basis was associated with different levels of production for different assets and a different ownership proportion for each asset.

Consolidated Group U₃O₈ sales volumes and KAP sales volumes were lower year-over-year due to seasonality and differences in the timing of deliveries for 2019 and 2020, as well as a marketing strategy that prioritises creating long-term market value over volume.

Consolidated Group inventory of finished U₃O₈ goods at 30 June 2020 amounted to 11,110 tonnes, which was 7% higher than at 30 June 2019. At the Company level, inventory of finished U₃O₈ products was 9,094 tonnes, an increase of 8% compared to 30 June 2019. The increase in inventory was mainly related to lower sales volumes during the first half of 2020 compared to the same period of 2019, as well as the timing of swap deals made in the first half of 2020, where the transaction to return material will take place in the second half of 2020. In alignment with the Company's value strategy, Kazatomprom's inventory levels vary based on seasonality and mining and sales volumes.

The Group average realized price in the first half of 2020 was KZT 29,247 per kg (27.81 USD/lb), an increase of 10% compared to 30 June 2019 due to the weakening of the KZT against the USD and an increase in the average spot price for uranium products. The KAP average realized price was also higher and for the same reasons.

The Company's current overall contract portfolio price is closely correlated to current uranium spot prices (see section 11.1 Uranium sales price sensitivity analysis). However, for the first half of 2020, the increase in average realized price was not as significant as the increase in the spot market price for uranium, as some deliveries were based on prices that were fixed prior to the increase in the market price, and some were indexed to March spot prices, when the market price was lower.

5.2.3 Uranium segment production by operation

The information presented in the table below provides the total uranium production level at each asset (100% basis). The impact of the reduction in wellfield development activity due to the Company's actions to protect employees from COVID-19, was not equal across all operations through the first half of 2020 due to the nature of the ISR mining process, and differences in the mine plans and development phase at each operation.

(tU as U ₃ O ₈)	Six months ended 30 June		
	2020	2019	Change
Ortalyk LLP	708	716	(1%)
Kazatomprom-SaUran LLP	660	633	4%
RU-6 LLP	374	471	(21%)
Appak LLP	360	449	(20%)
JV Inkai LLP	1,340	1,480	(9%)
Baiken-U LLP	653	721	(9%)
Semizbay-U LLP	457	443	3%
Karatau LLP	1,353	1,241	9%
JV Akbastau JSC	763	778	(2%)
JV Khorassan-U LLP	704	735	(4%)
JV Zarechnoye JSC	353	391	(10%)
JV Katco LLP	1,554	1,536	1%
JV SMCC LLP	1,155	1,206	(4%)
Total	10,434	10,800	(3%)

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

(KZT billion unless noted)		Six months ended 30 June		
		2020	2019	Change
C1 Cash cost (attributable basis)	USD/lb	9.79	9.86	(1%)
All-in sustaining cash cost (attributable C1 + capital cost)	USD/lb	11.65	13.27	(12%)
Capital expenditures of mining companies (100% basis) ¹		16.1	26.0	(38%)

¹ Excludes liquidation funds and closure costs and includes expansion investments. Note that in section 6.0 Capital Expenditures Review total results includes liquidation funds and closure cost.

C1 Cash cost (attributable) and All-in-sustaining cash costs (attributable C1 + capital cost) decreased by 1% and 12% respectively (USD equivalent) as at 30 June 2020, compared to 30 June 2019. The results were considerably better than expected and are currently below the annual guidance ranges provided for 2020 (USD

10.00 - 11.00 for attributable C1 cash cost, USD 13.00 - 14.00 for attributable all-in sustaining cash costs). The decreases were primarily due to the weakening of the KZT against the USD in 2020 and continued cost optimization efforts.

Capital expenditures of mining companies (100% basis) totalled KZT 16.1 billion, a decrease of 38% compared to 30 June 2019, primarily due to lower wellfield development as a result of a decrease in the number of personnel throughout the second quarter to prevent the spread COVID-19 (see section 6.0 CAPITAL EXPENDITURES REVIEW).

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

General Attributable Cash cost (C1) Categories	Six months ended 30 June	
	2020	2019
Material and supplies	28%	26%
MET	21%	21%
Processing and other services	18%	18%
Wages and salaries	17%	16%
General and administrative expenses	7%	11%
Selling expenses	2%	3%
Others	6%	6%
Total	100%	100%

5.3 UMP Segment

5.3.1 UMP segment uranium product sales

UO ₂ powder and Fuel pellets		Six months ended 30 June		
		2020	2019	Change
Fuel pellets	Sales, tonnes	-	23.73	(100%)
Dioxide from scraps	Sales, tonnes	22.38	22.54	(1%)

There were no sales of fuel pellets in the first half of 2020 as all fuel pellets sales are planned for the second half of the year in accordance with the schedule for the supply of raw materials for processing, and customer demand. The insignificant decrease in sales volumes of dioxide from scraps was due to decreased demand from customers.

5.3.2 UMP segment rare metal product sales

Rare metals products		Six months ended 30 June		
		2020	2019	Change
Beryllium products	KZT/kg	14,168	9,793	45%
	Sales, tonnes	638.43	848.16	(25%)
Tantalum products	KZT/kg	80,060	81,702	(2%)
	Sales, tonnes	72.14	47.05	53%
Niobium products	KZT/kg	22,307	602,450	(96%)
	Sales, tonnes	10.87	0.08	13,488%

Sales of beryllium products decreased by 25% as at 30 June 2020 compared to 30 June 2019, due to a decrease in demand from customers. Sales price increased by 45% in the first half of 2020 mainly related to the weakening of KZT against USD, which was partially offset by lower prices in the non-ferrous metal markets.

Sales volumes for tantalum products were higher as at 30 June 2020 compared to 30 June 2019, due to higher consumer demand for tantalum ingots and chips.

Sales of niobium products as at 30 June 2020 increased compared to the similar period in 2019 due to an increase in the quantity of orders for niobium hydroxide, although the 2019 orders were for more highly refined products of greater value, resulting in a higher selling price in the first half of 2019.

6.0 CAPITAL EXPENDITURES REVIEW

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

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

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

(KZT million)	Owner-ship	30 June 2020				30 June 2019			
		WC ¹	S ^{2,4}	LF/C ³	Total	WC ¹	S ^{2,4}	LF/C ³	Total
Ortalyk LLP	100%	822	65	28	915	940	63	-	1,003
Kazatomprom-SaUran LLP	100%	1,120	85	86	1,291	1,678	39	225	1,942
RU-6 LLP	100%	429	7	-	436	845	172	114	1,131
Appak LLP	65%	390	166	50	606	181	66	8	255
JV Inkai LLP	60%	1,452	930	13	2,395	4,080	578	(2)	4,656
Baiken-U LLP	52.5%	1,703	139	73	1,915	1,529	83	10	1,622
Semizbay-U LLP	51%	427	198	24	649	782	1,423	36	2,241
Karatau LLP	50%	144	91	50	285	1,205	836	-	2,041
JV Akbastau JSC	50%	879	4	73	956	1,040	110	52	1,202
JV Khorassan-U LLP	50%	436	225	-	661	1,003	75	-	1,078
JV Zarechnoye JSC	49.98%	1,033	125	5	1,163	1,771	77	-	1,848
JV Katco LLP	49%	3,805	511	1,114	5,430	4,423	1,032	600	6,055
JV SMCC LLP	30%	911	15	-	926	1,746	175	(160)	1,761
Total of mining assets		13,551	2,561	1,516	17,628	21,223	4,729	883	26,835

¹ Well construction.

² Sustaining.

³ Liquidation fund / closure.

⁴ Includes total expansion investments in amount of KZT 0.7 billion in the first half of 2020 and KZT 1.2 billion in the first half of 2019.

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

(KZT million)	Six months ended 30 June		
	2020	2019	Change
Well construction	13,551	21,223	(36%)
Sustaining ¹	1,850	3,522	(47%)
Total wellfield construction and sustaining costs	15,401	24,745	(38%)

¹ Excludes total expansion investments in amount of KZT 0.7 billion in the first half of 2020 and KZT 1.2 billion in the first half of 2019.

Wellfield construction and sustaining costs for the 13 mining entities as at 30 June 2020 amounted to KZT 15,401 million, which is 38% lower than as at 30 June 2019. The change in well construction and the sustaining costs were mainly due to production reductions associated with a decline in field development activities and a decrease in the number of personnel on site throughout the second quarter amid the COVID-19 pandemic.

The information presented in the table below reflects the wellfield development depreciation (commonly known as PGR), property, plant and equipment, and depreciation and amortisation data for each mining asset as at 30 June 2020.

(KZT million unless noted)	PGR volumes (tU)	PGR at the end of period	Exploration value at the end of period	Historical cost of PPE (excl. wellstock) at the end of period	Carrying amount of PPE (excl. wellstock) at the end of period	D&A (excl. wellstock)
Ortalyk LLP	2,967	9,167	298	18,226	11,378	378
Kazatomprom-SaUran LLP	3,123	8,310	29	15,156	5,544	475
RU-6 LLP	2,731	6,777	-	6,741	4,044	186
Appak LLP	1,577	2,916	2,355	8,753	4,223	221
JV Inkai LLP	4,480	23,032	17,921	98,479	59,638	1,165
Baiken-U LLP	3,079	8,604	6,368	20,121	10,553	529
Semizbay-U LLP	2,346	5,850	36	17,169	8,974	435
Karatau LLP	2,723	6,916	2,914	28,322	15,929	523
JV Akbastau JSC	1,593	4,286	6,522	11,166	7,225	214
JV Khorassan-U LLP*	2,434	5,826	9,280	15,248	9,665	324
JV Katco LLP	4,297	20,888	1,854	51,637	16,900	913
JV Zarechnoye JSC	2,203	7,815	481	8,603	2,404	213
JV SMCC LLP	4,287	9,711	6,188	20,018	10,656	772

* includes the fixed assets of "Kyzylkum" LLP

7.0 FINANCIAL ANALYSIS

The analysis in this section of the report is performed on the basis of six months ended 30 June 2020 compared to six months ended 30 June 2019.

The table below provides financial information related to the consolidated results of the Group for the first half of 2020 and 2019.

(KZT million)	Six months ended 30 June		Change
	2020	2019	
Revenue	153,139	176,555	(13%)
Cost of sales	(89,338)	(129,596)	(31%)
Gross profit	63,801	46,959	36%
Selling expenses	(4,936)	(4,108)	20%
G&A expenses	(11,370)	(15,757)	(28%)
Operating profit	47,495	27,094	75%
Other income/(loss), including:	22,590	71,357	(68%)
Net result from sale of investment in joint venture (one-time effect)	22,063	-	-
Gain from reversal of liability under joint operations (one-time effect)	-	16,998	-
Net result from business combinations (one-time effect)	-	54,649	-
Share in the results of associates	16,422	9,404	75%
Share of JVs' results	2,183	4,599	(53%)
Pre-tax income	88,690	112,454	(21%)
Corporate income tax	(22,731)	(8,498)	167%
Net profit	65,959	103,956	(37%)
Adjusted Net profit (net of one-time effects)	43,896	32,309	36%

Net profit of the Group in both periods was significantly affected by transactions related to changes in the Group structure (see section 4.2 Changes in the Group structure):

At 30 June 2020:

- a net result from sale of investment in joint venture Uranium Enrichment Center JSC of KZT 22,063 million.

At 30 June 2019:

- a gain from the increased interest in JV "Khorassan-U" LLP of KZT 54,649 million;
- also, in the first half of 2019, there was a gain from reversal of liability under JO's of KZT 16,998 million, which was considered a one-time effect.

7.1 Consolidated revenue

The main revenues by source as at 30 June 2020 compared to 30 June 2019, are presented below.

(KZT million)	Six months ended 30 June			Proportion six month ended 30 June	
	2020	2019	Change	2020	2019
Uranium products	127,824	145,710	(12%)	83%	83%
Beryllium products	9,045	8,306	9%	6%	5%
Tantalum products	5,776	3,844	50%	4%	2%
Others	10,494	18,695	(44%)	7%	10%
Total Revenue	153,139	176,555	(13%)	100%	100%

7.2 Cost of sales

The table below illustrates the components of the Group's cost of sales as at 30 June 2020 compared to 30 June 2019:

(KZT million)	Six months ended 30 June			Proportion six month ended 30 June	
	2020	2019	Change	2020	2019
Materials and supplies	33,269	71,801	(54%)	37%	55%
Depreciation and amortisation	17,048	26,113	(35%)	19%	20%
Wages and salaries	13,090	10,407	26%	15%	8%
Processing and other services	11,394	7,226	58%	13%	6%
Taxes other than income tax	8,806	8,845	(0%)	10%	7%
Other	5,731	5,204	10%	6%	4%
Cost of Sales	89,338	129,596	(31%)	100%	100%

Cost of sales totalled KZT 89,338 million as at 30 June 2020, a decrease of 31% compared to 30 June 2019. The decrease was mainly due to a 22% reduction in U₃O₈ sales volumes compared to same period of 2019, as well as an increase in the proportion of sales of uranium produced by consolidated subsidiaries and JO. When such material is sold, the cost of sales is predominantly represented by the cost of production.

The cost of materials and supplies was KZT 33,269 million as at 30 June 2020, a decrease of 54% compared to 30 June 2019 due to decrease in sales volumes, as well as an increase in the share of uranium produced by consolidated subsidiaries and JOs.

Depreciation and amortisation totalled KZT 17,048 million as at 30 June 2020, a decrease of 35% compared to 30 June 2019, mainly due to a change in the estimation of additional depreciation at the fair value of assets, as well as a decrease in the costs of repayment of the PGR (see section 6.0 CAPITAL EXPENDITURES REVIEW).

Wages and salaries totalled KZT 13,090 million as at 30 June 2020, an increase of 26% compared to 30 June 2019, mainly due to an increase in the payroll of production workers effective since the second half of 2019, as well as an increase in share of uranium produced by consolidated subsidiaries and JOs.

The cost of processing and other services totalled KZT 11,394 million as at 30 June 2020, an increase of 58% compared to 30 June 2019, mainly due to an increase in costs associated with an increase work scope with third-party services as well as an increase in share of uranium produced by consolidated subsidiaries and JOs.

The taxes other than income tax as at 30 June 2020 insignificantly decreased compared to first half of 2019 and totalled KZT 8,806 million. Other expenses as at 30 June 2020 increased by 10% compared to first half of 2019 and totalled KZT 5,731 million.

7.3 Selling expenses

(KZT million)	Six months ended 30 June			Proportion six month ended 30 June	
	2020	2019	Change	2020	2019
Shipping, transportation and storing	3,586	2,469	45%	73%	60%
Wages and salaries	472	343	38%	10%	8%
Rent	66	25	164%	1%	1%
Materials	65	97	(33%)	1%	2%
Depreciation and amortisation	32	37	(14%)	1%	1%
Others	715	1,137	(37%)	14%	28%
Selling expenses	4,936	4,108	20%	100%	100%

Selling expenses totalled KZT 4,936 million as at 30 June 2020, an increase of 20% compared to 30 June 2019. The increase was mainly due to changes in the destination points for uranium products.

7.4 General & Administrative expenses (G&A)

(KZT million)	Six months ended 30 June			Proportion six month ended 30 June	
	2020	2019	Change	2020	2019
G&A expenses	11,370	15,757	(28%)	100%	100%
Incl. Depreciation and amortisation	808	788	3%	7%	5%

A decrease in G&A expenses was due to optimisation and cost reduction in connection with the COVID-19 pandemic. Also, in the first half of 2019, a reserve on liabilities for uranium products was recognised in the amount of KZT 3,057 million.

7.5 The share of Associates' and JVs' results

The share of results of JVs and associates as at 30 June 2020 was KZT 18,605 million, an increase of 33% compared to 30 June 2019. The increase was related to an increase in uranium spot prices and weakening of the KZT in 2020, which positively impacted the operating results of the associates and JVs and their resulting contributions to the Group.

7.6 Profit before tax and tax expense

(KZT million)	Six months ended 30 June		Change
	2020	2019	
Profit before tax	88,690	112,454	(21%)
Corporate income tax	22,731	8,498	167%

The Group's profit before tax was KZT 88,690 million as at 30 June 2020, a decrease of 21% compared to same period of 2019. The decrease was mainly attributable to the gains arising from business combination transactions related to changes in the Group structure (see section 4.2 Changes in the Group structure), for which there is no income tax expense effect.

As at 30 June 2020, corporate income tax expense was KZT 22,731 million, an increase of 167% compared to 30 June 2019, mainly due to the increase in operating profit (see section 5.1 Consolidated Financial metrics), and the sale of "Uranium Enrichment Center" JSC, which has a tax impact (see section 4.2 Changes in the Group structure).

The corporate tax rate applicable to the majority of the Group's profits was 20% in 2020 and 2019. Income tax expense is recognised based upon management's estimate of the weighted average effective annual income tax rate. Effective income tax rates were 21% for both six months ended 30 June 2020 and six months ended 30 June 2019. The effective tax rate differs from corporate income tax rate primarily due to certain elements of reported income that are not recognised in tax accounting, such as gains from the business combination.

8.0 LIQUIDITY AND CAPITAL RESOURCES

Kazatomprom's management pays special attention to preserving financial stability in a constantly changing market environment. The Group's financial management policy is aimed at maintaining a strong capital base to support existing operations and business development.

The Group's liquidity requirements primarily relate to funding working capital, capital expenditures, service of debt, and payment of dividends. The Group has historically relied primarily on cash flow from operating activities to fund its working capital and long-term capital requirements, and it expects to continue to do so, though it maintains the option to use external financial resources when required. It is expected that there will be no significant change in the sources of the Group's liquidity in the foreseeable future.

As required, the Company will consider entering into project financing arrangements to fund certain investment projects.

8.1 Cash and available source of financing

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

(KZT million)	As of June 30, 2020	As of December 31, 2019	As of June 30, 2019	Change for six months of 2020
Cash and cash equivalents	65,041	98,560	60,012	(34%)
Current term deposit	1	1	55	-
Total cash	65,042	98,561	60,067	(34%)

The Group's cash and cash equivalents as at 30 June 2020 were KZT 65,041 million decreasing by 34% compared to 31 December 2019. Compared to the first half of 2019 total cash as of 30 June 2020 increased by 8% due to explanations that are presented in the section 8.4 Cash Flows.

8.2 Dividends received and paid

The Company is the parent for the Group, and in addition to revenue from its business operations, it receives dividends from JVs and associates, and from other investments. As at 30 June 2020 and 2019, the Group received dividends of KZT 18,336 million and KZT 9,048 million, respectively, from its JVs and associates, and other investments. The increase in 2020 was primarily due to the Company using its voting power to maximise the dividend flow from subsidiaries, JVs and associates. Dividends received by the Company from investees domiciled in the Republic of Kazakhstan are exempt from dividend tax.

In June 2020, the Company paid dividends in the amount of KZT 99,002 million to its shareholders on the results of 2019 operations an increase of 24% compared to 2019 when dividends in the amount of KZT 80,001 million were paid to shareholders on the results of 2018 operations. The increase is related to better financial results in 2019, with the dividend payment amount being based on the Company's approved dividend policy. Company has now met its IPO commitment for minimum USD 200 million dividend payments in 2019 and 2020.

8.3 Working capital

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

(KZT million)	As of June 30, 2020	As of December 31, 2019	As of June 30, 2019	Change for six months of 2020
Inventory	240,423	217,059	222,485	11%
Receivables	91,594	90,627	47,438	1%
Recoverable VAT	39,285	44,874	24,240	(12%)
Other current assets ¹	18,272	12,257	21,957	49%
CIT prepayment	4,951	12,110	7,892	(59%)
Payables	(34,290)	(58,562)	(76,835)	(41%)
Employee remuneration liabilities	(97)	(136)	(63)	(29%)
Income tax liabilities	(2,792)	(467)	(1,979)	498%
Other taxes and compulsory payments liabilities	(8,500)	(12,717)	(8,298)	(33%)
Other current liabilities	(49,190)	(20,682)	(25,124)	138%
Net working capital	299,656	284,363	211,713	5%

¹ Excludes current term deposits as of June 30, 2020 for KZT 1 million and as of December 31, 2019.

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

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

(KZT million)	As of June 30, 2020	As of December 31, 2019	As of June 30, 2019	Change for six months of 2020
Finished goods and goods for resale	197,021	171,452	175,838	15%
<i>Including uranium products</i>	<i>195,136</i>	<i>170,105</i>	<i>165,382</i>	<i>15%</i>
Work-in-process	20,341	22,317	23,641	(9%)
Raw materials	17,078	19,071	17,882	(10%)
Materials in processing	1,199	1,045	1,434	15%
Fuel	779	787	839	(1%)
Spare parts	617	626	701	(1%)
Other materials	5,929	4,913	5,821	21%
Provision for obsolescence and write-down to net realizable value	(2,541)	(3,152)	(3,671)	(19%)
Total inventories	240,423	217,059	222,485	11%

The Group constantly monitors the uranium market and may pursue a strategy of increasing its inventories due to market conditions. The Group's largest inventory item is finished goods and goods for resale, which primarily consists of U₃O₈. The Group's work-in-process and raw materials decreased by 9% and 10% respectively mainly due to an increase in the share of using own uranium compared to 2019 year-end.

An increase in inventory was mainly related to market conditions. In alignment with the Company's value strategy, Kazatomprom's inventory levels vary based on seasonality and mining and sales volumes, in alignment with changing market conditions.

8.4 Cash Flows

The following cash flow discussion is based on, and should be read in conjunction with, the Financial Statements and related notes. Seasonality and differences in the timing of deliveries for 2019 and 2020 affected both operating and financing activities. For more details please refer Condensed interim consolidated statement of cash flows.

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

(KZT million)	Six months ended 30 June 2020	Twelve months ended 31 December, 2019	Six months ended 30 June 2019
Cash flows from operating activities ¹	38,220	159,529	111,339
Cash flows from/(used in) investing activities	43,878	(28,271)	(16,039)
Cash flows (used in) financing activities	(121,159)	(159,103)	(161,487)
Net increase/(decrease) in cash and cash equivalents	(39,061)	(27,845)	(66,187)

¹ Includes income tax and interest paid.

8.4.1 Cash Flows from Operating Activities

Cash flows generated from operating activities decreased to KZT 38,220 million for the first half of 2020 from KZT 111,339 million for the same period of 2019. This change was primarily related to:

- a KZT 16,346 million decrease in cash receipts from customers during the first half of 2020. This was due to the change in the sales schedule and a decrease in sales volumes compared to the same period in 2019; and
- a KZT 50,145 million increase in payments for accounts payable to suppliers during the first half of 2020 due to the weakening of the KZT against the USD and an increase in the spot price for U₃O₈ purchased from JV and associates.

8.4.2 Cash Flows from Investing Activities

Net cash inflows from investing activities increased to KZT 43,878 million for the first half of 2020 compared to net cash outflows of KZT 16,039 million for the same period of 2019.

Changes in investing cash flows during first half of 2020 were due to:

- a cash consideration received from the sale of the investment in joint venture JSC Uranium Enrichment Center in the amount of KZT 43,858 million.
- a decrease in acquisition of property, plant and equipment, acquisition of mine development assets and acquisition of exploration and evaluation assets in sum for KZT 16,849 million due to a decrease in mining and preparatory work (PGR) associated with a decrease in development activities due to the COVID-19 (see section 6.0 CAPITAL EXPENDITURES REVIEW); and
- an increase due to the dividends received from associates, JV and other investments in the amount of KZT 9,288 million.

8.4.3 Cash Flows from financing activities

Net cash outflows from financing activities were KZT 121,159 million for the first half of 2020 and KZT 161,487 million for the same period of 2019. Decrease in outflow was primarily due to change in the net result in movement of loans in the first half of 2020 for KZT 68,950 million and an increase in dividends paid to shareholders of KZT 19,001 million and non-controlling interest KZT 9,576 million compared to same period of 2019.

9.0 INDEBTEDNESS

The total debt and guarantees of the Group as at 30 June 2020 were KZT 179,065 million (KZT 176,397 million as at 2019 year-end; KZT 158,069 million as at 30 June 2019).

(KZT million)	As of June 30, 2020	As of December 31, 2019	As of June 30, 2019	Change for six months of 2020
Bank loans	73,634	71,847	35,682	2%
Non-bank loans	90,077	89,511	110,119	1%
Guarantees	15,354	15,038	12,268	2%
Total debt and guarantees	179,065	176,396	158,069	2%

The following table breaks down the Group's loans and debt according to maturity:

(KZT million)	As of June 30, 2020	As of December 31, 2019	As of June 30, 2019	Change for six months of 2020
Non-current debt, including	73,331	70,104	11,729	5%
Bank loans	-	-	10,733	
Non-bank loans, including:	73,331	70,104	996	
<i>Bonds issued</i>	72,800	69,300	-	
<i>Lease liabilities</i>	531	804	996	
Current debt, including	90,380	91,254	134,072	(1%)
Bank loans	73,634	71,847	24,949	
Non-bank loans, including:	16,746	19,407	109,123	
<i>Non-bank loans</i>	-	641	16,629	
<i>Promissory note issued</i>	14,102	17,460	17,451	
<i>Lease liabilities</i>	436	590	557	
<i>Bonds issued</i>	2,208	716	74,486	
Total debt	163,711	161,358	145,801	1%

As of 30 June, 2020, the Group has no long-term bank loans. Current bank loans mainly include loan disbursements under credit lines, which will be repaid within 12 months. Corporate credit lines are an additional liquidity source for the Group. Under these lines, short-term bank loans (up to 12 months) are primarily used to temporarily cover cash deficits related to uneven receipts of trade receivables. At 30 June 2020, the Group had total available revolving credit lines of USD 615 million. At the end of the first half of 2020, USD 176 million was drawn with USD 439 million still available.

The amount of non-bank loans as of 30 June, 2020 totalled KZT 90,077 million and includes long-term USD-indexed Company coupon bonds with the nominal amount of KZT 70 billion and maturity in October 2024 issued in September 2019 on the Kazakhstan Stock Exchange (KASE).

Promissory notes owned by JV "Khorasan-U" LLP are with maturity "on demand". As of 30 June 2020, the right to claim under the promissory notes belongs to "Kyzylkum" LLP. In the first half of 2020, notes were partially redeemed.

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

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

According to its loan and guarantee agreements, the Group is required to comply with certain key financial covenants based on the Group's consolidated information, such as debt to equity ratio, and debt to EBITDA ratio. The Group complied with all applicable covenants as at 30 June 2020.

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

(%)	As of June 30, 2020	As of December 31, 2019	As of June 30, 2019
Weighted average interest rate, including:	3.12	3.76	4.04
Fixed interest rate	3.26	3.67	4.15
Floating interest rate	2.38	3.91	4.08

As of June 30, 2020, the weighted average interest rate decreased compared to the beginning of the year and constituted 3.12%. The Group's weighted average interest rate on loans and borrowings in the first half of 2020 was mainly influenced by the decrease in LIBOR rates, which forms the basis for the variable interest rate on the Group's loans.

As of the end of first half of 2020, 70% of the Group's liabilities (total debt on loans and borrowings) were at fixed interest rates and 30% at floating interest rates, respectively (70% fixed and 30% floating as of the end of first half of 2019; 90% and 10% as of year-end 2019).

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

- Baa3 with stable outlook by Moody's Investors Service (confirmed 29 June 2020);
- BBB- with stable outlook by Fitch Ratings (confirmed 26 March 2020).

9.1 Net debt / Adjusted EBITDA

The following table summarises the key ratios used by the Company's management to measure its financial stability.

(KZT million)	As of June 30, 2020	As of December 31, 2019	As of June 30, 2019	Change for six months of 2020
Total debt (excluding guarantees)	163,711	161,358	145,801	1%
Total cash balances (see section 8.1)	(65,042)	(98,561)	(60,067)	(34%)
Net debt	98,669	62,797	85,734	57%
Adjusted EBITDA*	256,738	248,719	165,492	3%
Net debt / Adjusted EBITDA (coefficient)	0.38	0.25	0.52	52%

* For the purposes of Net debt/Adjusted EBITDA (coefficient) calculation Adjusted EBITDA for six months of 2020 and 2019 was calculated as for 12 months (the first half of the reporting period and the second half of the previous period). Adjusted EBITDA is calculated as Profit before tax + Net finance expense + Net FX loss + Depreciation and amortisation + Impairment losses +/- one-off or unusual transactions.

The above indicators are in line with expectations previously communicated by Management to investors.

10.0 OUTSTANDING SHARES

As part of its Comprehensive Privatization Plan for 2016-2020, the Government of the Republic of Kazakhstan allowed up to 25% of the Company's share capital to be offered to local and international investors.

In November 2018, "Sovereign Wealth Fund "Samruk-Kazyna" JSC ("Samruk-Kazyna") offered 14.92% of its shares in Kazatomprom to the public with a dual-listed IPO on the AIX (shares and global depository receipts) and LSE (global depository receipts).

In September 2019, Samruk-Kazyna completed a secondary placement of GDRs on the AIX and LSE, increasing the public free-float by an additional 3.8% of the total share capital of the Company. In June 2020, Samruk-Kazyna completed an additional secondary placement of shares and GDRs on the AIX and LSE, increasing the public free-float by an additional 6.28% of the total share capital of the Company. As of 30 June 2020, 25% of the Company's shares are publicly traded, with 75% being held by Samruk-Kazyna.

(at 30 June, 2020)	Shares and GDRs	%
Samruk-Kazyna	194,517,456	75
Public free-float	64,839,152	25
Total share capital	259,356,608	100

11.0 GUIDANCE FOR 2020

(exchange rate 450 KZT/1USD)	2020
Production volume U ₃ O ₈ (tU) (100% basis) ¹	19,000 – 19,500 ²
Production volume U ₃ O ₈ (tU) (attributable basis) ³	10,500 – 10 800 ²
Group sales volume (tU) (consolidated) ⁴	15,500 – 16,500
Incl. KAP sales volume (incl. in Group) (tU) ⁵	13,500 – 14,500
Revenue - consolidated (KZT billions) ⁶	580 – 600
Revenue from Group U ₃ O ₈ sales, (KZT billions) ⁶	460 – 510
C1 cash cost (attributable basis) (USD/lb)*	\$10.00 – \$11.00
All-in sustaining cash cost (attributable C1 + capital cost) (USD/lb)*	\$13.00 – \$14.00
Total capital expenditures of mining entities (KZT billions) (100% basis) ⁷	65 – 75

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

² The duration and full impact of the COVID-19 pandemic is not yet known. Annual production volumes could therefore vary from our expectations, depending on the actual impact.

³ Production volume (attributable basis): Amounts represent the portion of production of an entity in which the Company has an interest, corresponding only to the size of such interest; it excludes the portion attributable to the JV partners or other third-party shareholders, except for JV "Inkai" LLP, where attributable share is calculated in accordance with the formula described in Kazatomprom's IPO Prospectus. The Company anticipates that the annual share of production in JV "Inkai" LLP in 2020 will be approximately 1,066 tU. Actual drummed production volumes remain subject to converter adjustments and adjustments for in-process material.

⁴ Group sales volume: includes Kazatomprom's sales and those of its consolidated subsidiaries (companies that KAP controls by having (i) the power to direct their relevant activities that significantly affect their returns, (ii) exposure, or rights, to variable returns from its involvement with these entities, and (iii) the ability to use its power over these entities to affect the amount of the Group's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether KAP has power to control another entity)

⁵ KAP sales volume: includes only the total external sales of KAP HQ and THK. Intercompany transactions between KAP HQ and THK are not included.

⁶ Revenue expectations are based on uranium prices taken at a single point in time from third-party sources. The prices used do not reflect any internal estimate from Kazatomprom, and 2020 revenue could be materially impacted by how actual uranium prices and exchange rates vary from the third-party estimates.

⁷ 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.

All 2020 guidance remains unchanged at this time. Revenue, C1 cash cost (attributable basis) and All-in Sustaining cash cost (attributable C1 + capital cost) may vary from the ranges shown, to the extent that the KZT-to-USD exchange rate and uranium spot price differ from the assumptions shown in the footnotes.

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

The Company continues to target an ongoing inventory level of approximately six to seven months of annual attributable production. However, inventory levels are expected to fall below these levels in 2020 and 2021, with no opportunity to catch up production losses in these periods. As such, the Company will continue to monitor market conditions for opportunities to optimise its inventory levels and has purchased some volumes in the spot market at the end of the second quarter.

11.1 Uranium sales price sensitivity analysis

The table below indicates how the Group's U₃O₈ annual average sales price may respond to changes in spot prices (shown in the left column), for a given year (shown across the top row). At present, the table clearly indicates that the Group's U₃O₈ average sales prices are closely correlated with the uranium spot market price.

This sensitivity analysis should be used only as a reference, and actual uranium market spot prices may result in different U₃O₈ annual average sales prices than those shown in the table. The table is based upon several key assumptions, including estimates of future business opportunities, which may change and are subject to risks and uncertainties outside the Group's control. Please review the footnotes under that table and refer to the section 12.1 Forward-looking statements for more information.

Average Annual Spot Price (USD)	2020E	2021E	2022E	2023E	2024E	2025E
20	24	22	22	22	22	22
30	29	31	31	31	31	31
40	34	40	40	41	41	41
50	39	49	49	50	50	50
60	45	58	59	59	59	59
70	50	67	68	68	68	68

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

- Annual inflation at 2% in the US;
- Analysis is as of 30 June 2020 and prepared for 2020–2025 on the basis of minimum attributable annual sales of approximately 13.5 thousand tonnes of uranium in the form of U₃O₈, of which the volumes contracted as of 30 June 2020 will be sold per existing contract terms (i.e. contracts with hybrid pricing mechanisms with a fixed price component (calculated in accordance with an agreed price formula) and / or combination of separate spot, mid-term and long-term prices); Kazatomprom's marketing strategy does not target a specific proportion of fixed and market related contracts in its portfolio in order to remain flexible and react appropriately to market signals;
- For the purpose of the table, uncommitted volumes of U₃O₈ are assumed to be sold under short-term contracts negotiated directly with the customers and based on spot prices.

12.0 RISKS AND FORWARD-LOOKING INFORMATION

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

- major accidents affecting the nuclear industry may result in a dramatic fall in uranium prices;
- nuclear energy competes with several other sources of energy, and sustained lower prices of such other energy sources may result in lower demand for nuclear energy, and consequently, in a reduction in demand for uranium which could impact market prices;
- nuclear energy is subject to public opinion risks that could have a material adverse impact on the demand for nuclear power and increase the regulation of the nuclear power industry;
- the Group's profitability is directly related to the market prices of uranium, which are volatile;
- the Group faces competition and could lose customers to other suppliers of uranium and uranium products;
- the Group is currently dependent on a small number of customers that purchase a significant portion of the Group's uranium, and the loss of a significant customer could have a material impact;
- certain customers and business associates of the Group may be subjected to US and EU sanctions, and such sanctions could have a material impact;
- the US or other uranium importers could impose tariffs or quotas on uranium imports;
- the Group may continue to hold significant U₃O₈ inventories throughout the U₃O₈ pricing cycle if production exceeds sales;
- the Group's uranium extraction and transportation activities are subject to operational risks, hazards and unexpected disruptions, which could delay the production and delivery of the Group's uranium and uranium products, increase the Group's cost of extraction, or result in accidents at the Group's extraction locations;
- the availability and cost of sulfuric acid materially affects the continuity and commercial viability of the Group's operations, as the Group uses substantial amounts of sulfuric acid to extract uranium;
- the Group may face difficulty using railroads or other transportation infrastructure connecting Kazakhstan with neighbouring countries;
- the Group may be unsuccessful in maintaining existing ore reserves or discovering new ore reserves, and the reported quantities or classifications of the Group's uranium ore reserves may be lower than estimated because of inherent uncertainties in the estimation process;
- the Group may be unable to obtain, on commercially acceptable terms or at all, the necessary financing for its operations, strategy implementation, and/or expansion of its business and local infrastructure;
- the Group is subject to various financial risks related to certain financial and other restrictive covenants, fluctuations of interest and currency rates, liquidity constraints or fail to obtain the necessary funding, or defaults of counterparties;
- the Group may be affected by arbitration or litigation proceedings to which it is not a party, or by legal consequences of non-compliance / misinterpretation of legislation;
- the Group's insurance coverage may not be adequate to cover losses arising from potential operational hazards and unforeseen interruptions;
- failures of the Group's IT systems or cyber-attacks could negatively influence the results of operations;
- failure to achieve planned uranium production or products (U₃O₈) output volumes, sales, or production costs of products and services;
- failure to achieve the Group's assets restructuring plan;
- failure to successfully improve corporate governance systems and health, safety, and environmental programs;
- failure to successfully complete construction of a fuel fabrication plant on time and on budget;
- the Group is impacted by the macroeconomic, social and political conditions in Kazakhstan, and the Group may be exposed to risks related to adverse sovereign action by local government, or subject to extensive government regulation and legislation;
- the Group may be affected by labour unrest or increased social tension in Kazakhstan;
- the Group's results of operations are subject to economic, political and legal developments in China, India and South-East Asia;
- unexpected catastrophic events, including acts of vandalism and terrorism;
- the spread of the COVID-19 pandemic on the territory of Kazakhstan may lead to a deterioration in the financial stability of the Group and an increase in social tension;

- the spread of the COVID-19 pandemic could result in additional shutdowns or curtailment of operations, which would have an impact on Company's results and could cause Company to miss Guidance for 2020 stated above. The assumption of mentioned above Guidance is that Company will resume the production and activity from now to year-end.

12.1 Forward-looking statements

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