KazAtomProm Conference Call Transcript
27 August 2020

Cory: Good afternoon and welcome to Kazatomprom's conference call to discuss the Company's first-half 2020 Operating and Financial Results. My name is Cory Kos, Director of Investor and Public Relations, thank you for joining us.

All participants are in listen-only mode and this call is being recorded. Our call today will begin with a presentation, followed by an opportunity for investors to ask questions.

Due to the challenges of remote access related to the Covid-19 pandemic, the technical side of today's call is a little different than our previous calls. The remarks and Q&A will be in English only, with a Russian translated transcript posted to the Kazatomprom website in the coming days.

If you joined through the Kazatomprom website or through our company page on the London Stock Exchange website, note that there will be slides displayed during the remarks. These slides are also available for download in English and in Russian as PDFs called "2020 first-half conference call slides". The webcast also now allows participants to ask questions at any time by typing into the Chat box in the top left corner of the screen. Those questions will be asked and addressed following the live Q&A.

Upon completion of the remarks, an operator will provide those who called into the Russian, European or North American numbers, with instructions for joining the live audio question queue. Stakeholders who called into the local Kazakhstan bridge line are in listen-only mode, so if questions arise, we ask that you either type your question into the webcast chat box, or follow up directly with the Kazatomprom Investor relations team following the call.

Note that our press release, full version of the Operating and Financial Review, along with our reviewed, unaudited first half 2020 financial statements, are now available on Kazatomprom's website.

Participating in today's call we have Galymzhan Pirmatov, Chairman and Chief Executive Officer, Meirzhan Yussupov, Chief Financial Officer, and Riaz Rizvi, Chief Commercial Officer.

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

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

I will now turn it over to Galymzhan.

Galymzhan: Thank-you Cory, and good morning, good afternoon and good evening everyone. Thank-you for joining us today to discuss Kazatomprom's 2020 half-year operating and financial results.

On today's call, I will be touching on the current uranium market environment and briefly discussing the key areas of interest from our first half results. However, the most important first half development that is on everyone's mind is undoubtedly the global COVID-19 pandemic, and its impact on Kazatomprom's operations.

First and foremost, our Company's priority throughout these difficult past few months, has been to ensure we are doing everything we can to support our employees and keep them safe and healthy, along with their families and the communities where we all live.

In April, as the virus began to spread in Kazakhstan, we took early action by sending corporate employees to work from home, and reducing the number of staff on site at our operations. Initially planned to be for 3 months, we extended the measures by a month through July, to ensure employees were protected.

At the same time, we began implementing standardized disinfection processes and social distancing at our sites, with minimal shift changes and testing of employees prior to allowing them to work.

We also spent a great deal of time developing business continuity plans to guide how the company would react in a variety of scenarios. These included plans and training for working with local health authorities if outbreaks occurred in the communities near our operations, and for dealing with COVID-19 cases if they were to occur at our operating sites or offices.

With those plans in mind, along with the close monitoring of local restrictions, recommendations, and medical system capacities, we began gradually returning staff to sites at the beginning of August.

As of today, we have resumed both exploration drilling and mine wellfield development work, with staff levels at the operations back to normal levels.

As we previously advised, these measures did not impact the production volumes for the first half 2020 results, which as you can see, were similar to the first half of 2019.

This was as expected, due to the nature of the In-Situ Recovery mining method, which is how all of Kazakhstan's uranium is mined. In the past, we have spoken of the various advantages of ISR mining, including its inherent environmental and safety benefits, but it's worth taking a few minutes to explain how ISR works from a technical perspective.

An ISR mine starts with the drilling of injection and withdrawal wells, in which a low pH solution, referred to as production solution, begins circulating through the underground mining block in a closed loop. The solution dissolves the uranium in the block and carries it to the surface for extraction. The fluid is then pumped back down into the ground to dissolve more uranium.

However, as uranium is produced and less and less uranium is therefore available to dissolve in the ground, the uranium content in the solution falls over time.

In order to maintain a steady rate of production, new mining blocks must be constantly developed to maintain the head grade.

There is a lag between development activity for a new mining block, and uranium production from that block. When we decreased staff on our sites and all drilling work stopped for 4 months, it meant that there will be delay in new planned blocks coming on to replace gradual depletion.

In other words, the planned wellfield drilling that was to take place in April through July, is only now being drilled and tied together, prior to having the production solution being circulated, before the beginning of active mining.

As shown on the slide, the time from initial drilling to first production varies, depending on a number of factors, but the lag is in some cases, up to 8 months.

As a result, the impact of our reduced activities will be seen in the second half production, while the continuation of the impact into 2021 is not yet known.

As per previous guidance – all of which remains unchanged from our recent trading update – we now expect, on a 100% basis, to produce about 19,000 to 19,500 tonnes U. That is down from the original 2020 plan of 22,750 to 22,800 tU, which was already a 20% reduction against 2020 Subsoil Use contract levels. With the additional reduction in 2020 stemming from our actions to protect our people, we expect to be more than 30% lower than the expected levels originally set forth in our Subsoil Use contracts for this year.

Moving on to the market picture, the theme of uncertainty continues to dominate. However, the general sense is that there has been a shift in sentiment – from participants wondering "when" the market will transition to uranium prices that support current and future production, to now talking of "how soon" the transition will take place.

The uranium market saw prices rise following the initial announcements of COVID-related supply impacts, with intermediaries and some producers entering the spot market, creating demand which resulted in prices increasing to $34. This reflected the need for producers, and some of their customers, to replace lost production resulting from COVID-19. The activity set a record for quarterly volume transacted, with about 10,500 tonnes U in the second quarter, nearly 3 times the volume in Q2 2019.

Notably, there has been very little buying activity from end-user utilities who are far more focused on managing their nuclear plants through the pandemic.

The market is only now starting to see some buying interest from utility customers, with many on both the supply and demand side recognizing the supply-side disruptions in the first half of the year, have had a very real impact on the supply-demand picture.

But with the uranium spot price settling back down to about $31 due to inactivity over the summer months, and term price having barely moved at all, the market is still far from what we believe to be a long-term sustainable price.

Following our value-over-volume strategy, we took the decision, announced last week, to continue flexing production down by 20% compared to the original subsoil use contract levels for 2022.

Turning to our business and achievements so far in 2020, as is always the case, we are focused on the year and not the interim period, but we did see some key first-half highlights:

In addition to sticking to our strategy and delivering improved cost metrics, in June, we paid to shareholders our second dividend as a public company. Based on our dividend policy, the payment was for over 99 billion Tenge, which well exceeded our IPO commitment to pay out a minimum of 200 million US dollars equivalent in 2020. Going forward, the dividend will continue to be calculated based on our dividend policy.

In March, we sold all but one share in our Enrichment Center Joint Venture to our Russian partner, TVEL for $90 million Euro. With the one share that we retained, we maintain access to enrichment services according to the original agreement, which is expected to be a benefit to KAP and our customers in the future.

Also of note in June, our majority shareholder, Sovereign Wealth Fund Samruk Kazyna, undertook a secondary offering of shares, increasing Kazatomprom's free float to the full 25% intended under the privatization plan. The transaction was well supported by the investment community, and it adds to the trading liquidity of Kazatomprom shares.

Moving to our operational and financial results, the mixed results in the first half were largely driven by seasonality in our delivery schedule. We know what we expect to sell in a given year, but customers determine the timing for delivery, which typically has a significant impact on interim results.

Through the first half of 2020, consolidated revenue decreased by 13% to 153 billion KZT, and cash from operations was 66% lower than in 2019 at 38 billion KZT. This was primarily related to the timing of customer delivery requests. Kazatomprom's sales volumes were 19% lower than the first half of 2019, but as per our unchanged guidance, and similar to last year, we expect sales to be more heavily weighted to the second half of the year.

Even amid the pandemic, our sales expectations have not changed and we have remained committed to our customer contracts.

Lower half-year deliveries, along with swaps extending into the second half, means that during the first half of 2020, our inventory increased to just over 9,000 tU, up from about 8,500 tU at December 31. Although higher at June 30, between the mine production shortfall and a high proportion of deliveries expected in the second half, that inventory will likely fall below our target levels. We will continue to monitor the market for opportunities to restock as required.

Our first half C1 cash costs decreased slightly, while all-in sustaining costs were 12% lower than last year. In both cases, the weakening of the Kazakhstani Tenge versus the US Dollar played a beneficial role, in addition to KAP's continued cost-optimization efforts. Additionally, in the case of All in sustaining costs – cost reduction was due to the decrease in wellfield development costs throughout the second quarter, amid COVID-19 pandemic.

Despite the lower first-half deliveries, profitability was generally higher, with Operating profit up 75% to 48 billion KZT, adjusted net profit up 36% to 44 billion KZT, and Attributable EBITDA up 44% to 84 billion KZT. This was all primarily because more of the uranium we delivered was sourced from our subsidiaries and joint operations than in 2019, and that uranium brings the full mining margin into the IFRS results.

I won't go further into the financial details other than to reiterate that our guidance is unchanged from the beginning of August, and we remain fully confident that we can deliver on expectations. The uncertainty around the COVID-19 pandemic obviously introduces a certain element of uncertainty and risk to those numbers, but that's really the case for every company and industry around the globe today, and we are no exception. If you have questions related to details from our financial statements, please follow up with the IR team after the call.

In the second half of 2020, you can expect us to consistently work in alignment with our clearly laid out strategy, focusing on: Maintaining our market discipline and lower-than-planned production levels in our core business of uranium mining; Continued work to expand into new markets with new customers; and An unwavering prioritization of ESG and the health and safety of our employees.

So with that, we are happy to take your questions.

Operator: At this time if you would like to ask an audio question please press star one on your touch tone phones, once again that is star one to ask an audio question.

Your first question comes from the line of Philip Chaffee with Energy Intelligence.

Philip: Hi, I just had two topics to ask about. One you talk about some sort of purchasing at the end of the second quarter, could you give us [inaudible 00:00:35] of how much in terms of volumes that was, or even just orders of magnitude? And then also I'm curious what sort of purchasing you might intend in the second half of this year and in 2021. And then separately I was just wondering if you could give a bit more color on the process now that you've started restarting exploration drilling and mine well field development, just how is that going? Have you encountered any difficulties anticipated or otherwise?

Galymzhan: Thank you Phillip. Riaz, do you want to take the inventory and purchasing question first and then I can go into the how we're doing so far with the restocking?

Riaz: Of course.

Galymzhan: Thank you.

Riaz: Absolutely. Purchasing in the second quarter has been fairly modest. I don't think we're going to give out any numbers, but I think market participants have seen us dip into the market opportunistically using our trading arm THK. But they've been fairly insignificant. But as Galymzhan pointed out a minute ago, our inventory levels by the end of the year will be probably something like half of what we would typically target. And as we previously communicated it's going to be very difficult, if not impossible for us to catch up any volumes this year or next year, where we're still down 20% against the subsoil license agreements.

So, we're operating at an inventory level, which is manageable but not comfortable, so I think we will certainly be looking for opportunities to by in the market just to ensure that we have the material available at all the locations we need to deliver against. Thanks for your question.

Philip: Thanks.

Galymzhan: Thank you Riaz. And on the operation, Philip, literally this week is second week of us steadily reaching a full fledged drilling and well field development operation. So, tomorrow we'll be having our first meeting to review how we're doing so far, but so far so good. We'll just have to make sure that the pace is where we expect, but [inaudible 00:03:15] that it's only first two weeks of us steadily going back to full operations. So far the feedback is we haven't encountered any unexpected situations and everything is according to the plan.

Philip: Thank you.

Operator: Your next question comes from the line of Alexander Pierce with BMO.

Alexander: Great, thank you. So, I just wanted to drill down a little bit into costs. Obviously the H1 costs were significantly lower than guidance with a bit of a tailwind from FX, it seems. If we assume in terms of FX and where we are with the exchange rate right now, would you expect costs to still go higher through Q3 and Q4 as we see the impact, obviously, of the lower production rates? And I guess, what I'm getting to is if FX stays where it is, could you expect the cost to be below that guidance range by the end of the year?

Galymzhan: Thank you Alex, as you know the all in costs, obviously result is driven not only by effect, but the effect that we're not doing drilling and building well fields. So second half that will pick up, and you're right that the actual volumes produced will be lower. So, we still maintain the guidelines, but I think it's very early to say if it's going to be outside the lower end of the guidelines. Many things could happen, but so far we feel comfortable that we stick with the guidelines that we kind of confirmed beginning of August, Alex. But we will be very much watching how things develop, a things might happen. You know, if and how the second wave of the COVID may affect things, toward end of year weather may play in a little bit in terms of our ability to continue to construct well fields.

So, but we're quite comfortable to stick by the guidelines we've confirmed in August, in the beginning of August.

Alexander: Okay, thank you. Thanks.

Operator: Your next question comes from the line of Uri [Blasov 00:06:08] with SOV Capital.

Uri: Thank you. Two questions from my side. One is on your guidance for this year on attributable sales, could you please just reconfirm that you're planning to sell, at least 13,500 tons. The reason I'm asking that means they're going to be a huge swing in the sales in the second half. And the second question, your delays in drilling in general investment product, the lack of production, how long do you see that catching up? How long will it take to catch up with your aspirations? Thank you.

Galymzhan: Thank you, Uri. In terms of guidance, yes, confirm. Riaz, do you want to give any details? As we said, we know what we expect to sell for the year. We are actually going to be delivering a lot more second half of the year. We're actually already in the middle of quite sizable deliveries as we speak, so we stick by the guidance. Riaz if you want to add, please. In terms of operations, if I understand correctly you want to understand how this four month delay will affect our plans for future in terms of production?

Uri: Yes.

Galymzhan: Yeah. For second half we will see sizable impact, and for the year as we change our guidance. For 2021, it's yet to be seen, Uri. We do not expect right now any significant impact and we keep our plan to produce in 2021 20% less than license numbers, but again depending on how situation with pandemic develops, and some other technical questions that may arise from weather conditions end of the year, we could see some impact even to the 2021 numbers. But as of today, we still continue to guide that 20% less than the contractual numbers in 2021.

Uri: Thank you.

Galymzhan: Thank you.

Operator: Your next question comes from the line of Anna Antonova with JP Morgan.

Anna: Hello gentlemen, thank you for the presentation. Just two follow up questions from our side, first on COVID. Could you please comment on what are your current staffing levels at production sites versus normal levels, and how would you expect this to progress into year end? That's the first question, and the second question, could you please elaborate more and shed some light into your comments in the press release about seeing the participants are wondering not when, but how soon the market will transition to support future production. So, any color on that would be much appreciated, as well as on your comment that the potential pressure on supply in the second half is starting to gain attention. So, basically just provide more color on this, what are you seeing from your end buyers given that there's still not a lot of long term contracting going over and obviously COVID risks are still lingering, thank you.

Galymzhan: Thank you, Anna. In terms of COVID and staffing levels, just to give you a little bit of background, what we've done late March, early April, was we decided to minimize as much as possible staff levels on our operations on site. Because at the time we didn't have testing capabilities, and social distancing and all these infection measures was only practical steps that we had in our hands. So, what we've done was we minimized number of people, we stopped all non-essential operations and continued with the production. And we prolonged shift timing. So, we knew that employees we had on site they were not infected and we asked them to stay longer. And we only started changing shift when we had capabilities to test our employees before we allowed them to production site.

So, that basically was from April to end of July. Starting August, we gradually brought back staffing levels back to normal, and as of today we're back to normal operating levels in terms of staffing. Every shift change, everyone coming to site goes through a quarantine and testing, and only after confirmed a negative result from test were allowed. Obviously, that doesn't guarantee 100% that some employees may still have one, but so far, in a knock on the wood, we had no cases of outbreak in any of our offices or operations. And in the offices we still continue keep maximum possible number of employees working from distance. In our head offices in Nur-Sultan, starting August 17 we brought back just a little over 20% of our employees on a rotating basis, so that's what's happening.

In terms of market sentiment, Riaz, do you want to start on that?

Riaz: Of course, thank you Anna, for the question. Yeah, I think the industry has long acknowledged that uranium prices were unsustainably low and did not incentivize any new production coming into the market. And at the same time recognizes the fact that new production does need to come into the market, so it's one of those quandaries. And for a while now we've had questions from investors in particular asking about the spot price, the long term price and how the two relate to one another. And our view has been that as long as the spot market is balanced there is, or oversupplied, there is an opportunity for those long term contracting discussions to be postponed by utilities primarily buying into the midterm market, which is three to five years out. And the bulk of that supply coming from traders who buy in the spot market where they find lower prices and plenty of availability and deliver into that midterm market.

So, the discussions around a long term contracts, which would underpin the capital investment necessarily to produce material needed in the second half of the decade have effectively been postponed for a number of years.

Our expectation prior to COVID was that 2020, 2021 would be roughly in line with what we'd seen prior to that, but obviously the dynamics of supply and demand have fundamentally shifted as a result of the disruptions to the supply, without any corresponding impact on demand that we've seen as a result of COVID. So, I think most industry analysts would agree that at least 20 million pounds of supply has been lost this year along, which makes the spot market a lot tighter. And the tightness has obviously been reflected in the appreciation and the spot price that we've seen pre-COVID when prices were lingering around $24 per pound to now where we see the price around $31 per pound, but it has been as high as $34 per pound.

At that price I think most experts would tell you it's still not a price at which there is an incentive to reinvest the CapEx, so these are not long term prices yet. But what they are is a reflection that the market in the short term is much tighter, and therefore to acquire significant volumes in the spot market is far more difficult than it used to be. Which, in turn, makes the midterm market much less offered. In other words there are fewer players who can actually offer three to five years out, all of which accelerates really the need for producers and utilities to meet and have those discussions about the types of contracts that will underpin the rest round of investment. And we're starting to see that already. The spot market has weakened a little bit, because there are very few utilities buying in the spot market, it's not really how utilities operate. They tend to look one to three years out at a very minimum, in terms of material that they need.

But we are starting to see more interest in medium and long term contracts, so the dynamic is definitely shifting and we expect that shift to accelerate further, through the second half of the year. Simply because I think utilities have now gotten the issues around generation and COVID and shift changes under control and well managed, and are starting to turn their attention back to security of supply and the supply chain that they need to keep these base load units running.

Anna: All clear, thank you very much.

Operator: Your next question comes from the line of Oliver Edelman with PLATZ.

Oliver: Hi there. Good afternoon, or good morning. I firstly wanted to ask if you could repeat [inaudible 00:17:49] because I had missed it about where you saw inventory levels or where you expected inventory levels at the end of this year. Say you described it significantly lower. I also wanted to ask if there was any particular region where it might be particularly low and you would be looking to acquire material? Thank you.

Galymzhan: Thank you Oliver. In terms of inventory, our policy is to carry around six months of our attributable production levels for a year. We, as of June 30, our inventory levels are just slightly over 9000 tons, which is higher than we would normally like to carry, but as I said we're originally heavily delivering as we speak. And bearing in mind lower production numbers for the second half of the year, and heavy deliveries in the second half of the year, we would probably, if not buying anything in the market, we would probably finish the year around just a little over 4000 tons of inventory.

Bearing in mind we need inventory in the different geographies, to, as Riaz put it, to feel comfortable we would like to have it higher than what we expect end of the year. That's why we would be looking at replenishing our stocks. It also will be driven by visibility we will start to get in terms of deliveries early in 2021. So, if see January, February deliveries that would require higher levels of inventory, that volume may vary in terms of being higher than otherwise if we see lower number of deliveries in January, February. So, in general if we do nothing we would expect to end the year a little over 4000 tons. That's lower than comfort level we see in terms of being able to deliver to our customers in different jurisdictions and geographies, so that's the reason we would be looking at replenishing our stocks if and when we need to.

Riaz: [crosstalk 00:20:24] Yeah, just to provide a little bit more color on the geographical split. We, our business out of Kazakhstan, direct shipments to some of our larger customers like India and China are fairly bulky. So, usually there are significant volumes delivered in one go, which requires us to keep inventory to meet those obligations in country. So, where we're really going to see very low inventories potentially by the end of the year is at the western convertors, where to elaborate on an earlier question, we had a very clear line of sight in terms of sales for 2020. Already by the end of Q1, which is why we had indicated that we're not expecting to make any sales into the spot market itself. So, in order to meet those sales obligations that we have the fall in inventory levels will be predominately at the western convertors, and obviously that's logical as well if you think that that's where we can much more easily acquire material from the market than in Kazakhstan itself.

Oliver: Thank you.

Operator: You have a follow up question from Philip Chaffee [crosstalk 00:22:00].

Philip: I have a couple of things to follow up on. One is on this thing about inventory levels at western converters, I'm curious how the current bifurcation on this spot price, particularly a much higher price at Cameco, Fort Hope, might impact that strategy and just impact you in general? Separately from that, I wonder about logistics, if you've had any problems particularly with bulk shipments, and particularly to China, logistically over the period? And then finally I wanted to ask about the Alba Fuel Fabrication Plant, you now mentioned that it will, you talk about commissioning in the first half of next year, I think, but what is the situation on the ground? What is the exact capital cost at this point and do anticipate starting to get revenues from that plant next year? Thanks.

Galymzhan: Thank you, Phillip, I will ask Riaz to elaborate on the bifurcation and the allocation, but let me second and third question. In terms of logistics, no we haven't encountered any difficulties. There were at the beginning of the year, when China was in the midst of the Wuhan outbreak, obviously they weren't taking any deliveries, but nothing in terms of difficulties. So, as of now we're shipping and everything's working fine. Same for all our shipments out of Kazakhstan. In terms of fuel fabrication plant, situation on the ground Phillip, is we have all the equipment already inside the plant, everything is installed except one piece of equipment which we purchased from Framatome. The only reason we haven't been able to finish installment is situation with global pandemic. Basically professionals from Framatome from different parts of the world were not able to travel to Kazakhstan to complete the installment commissioning of that equipment.

So, we're waiting for completing installment of and commissioning of all the equipment as soon as situation with the pandemic allows us to do so. Then we will start a long and very detailed process of certification of the plant, and only then we will start having first deliveries. So, as of now we see a one quarter delay. Instead of first deliveries we were expecting to happen end of '21, we now see that first delivery likely to happen end of first quarter 2022. So, we will only start seeing revenues in 2022, assuming everything will go as planned.

In terms of capital expenditures, most is taken care of, it's not very expensive project for us and for our partners, so and we all along entered this project with understanding [inaudible 00:25:35] is from our Chinese partners. And financing is jointly by us and our partners, so it's not going to really impact our financial situation.

So, that's the situation on the ground. I'm planning to be there hopefully Tuesday next week for a day just to visit once again to make sure that we're on top of the thing. In terms of inventory then and locations, Riaz, can you please give a bit more color?

Riaz: Of course, yeah. So, you're absolutely right Philip, that we have seen bifurcation in the market, which I think is fairly understandable when you consider that essentially [Condradine 00:26:31] is not in operation, [Cimarex 00:26:34] is still ramping up, so Cameco is really where our customers who are buying at western converters are asking to receive their materials. So, our decisions around where to ship obviously are driven by those three location's ability to receive material first of all, and also where we see the demand and obviously that's not something that is going to change, and we send the material to where our customers want it and we don't have any real issues or limitations around logistics in that respect.

Philip: Thank you.

Operator: Your next question comes from the line of Boris [Silician 00:27:32], with VTB Capital.

Boris: Hi gentlemen, thanks for the presentation, and actually congratulations with a quite good results despite all the negative factors in fact. We have a few questions ourselves, with specific ones. Firstly, could you please explain why the gap between your realized uranium price versus spot expanded in the second quarter by [inaudible 00:28:00] we have a realized price of roughly just below $29 per pound, versus spot roughly of 33. That's the first question.

Riaz: Okay, sure. [crosstalk 00:28:15]

Galymzhan: Thank you, Boris, yeah Riaz if you could, thank you.

Riaz: Yeah, that's mostly due to the fact that the spot price really ran up right at the back of the end of the first quarter, and so the time when you commit to a sales price and a sales obligation relative to the lag or the time when that material was delivered, means that some of our deliveries in Q2 were effectively priced in Q1, which is why our realized price is essentially catching up with the spot price.

Boris: That's clear. And do expect, what premium or discount do you expect to realize going forward in the second half of this year, for example?

Riaz: Yeah, we don't really give guidance around that. But for the second half of the year we expect that our realized price will be much closer to the spot price than we saw in Q2. Obviously that's [crosstalk 00:29:37], it's going to be a function of how fast and in which direction the spot price moves in the coming months as well.

Boris: Yeah, fair enough. Thanks. Just another question on your capital guidance for 2021, as far as I understand you're already commissioned for slightly lower, well not slightly, but lower production versus the plan, but previously as far as we know, you had the plans to ramp up [inaudible 00:30:10] exactly for this higher production. So, is it fair to assume that your CapEx for 2021 and onwards might be reduced accordingly, that is the question?

Galymzhan: Yes, Boris, you're right. If you remember initial guidance was we were '18, '19, '20, and then '21 to be 20% less than the contract volume. At the time we haven't made a decision, but the assumption was if 2022 we go back to contract volumes, '21 CapEx should have been sizably higher. With the current decision to continue with the same level of production in 2022, yes, 2021 CapEx budget would be similar to 2020 budget as preparing to produce in 2021.

Boris: Thank you. And the last question from us would be on your financial guidance for this year. As far as the key parameters like price and [inaudible 00:31:24] rate are changing so far, and I assume that they are different from your initial assumptions, do you plan at some time in the second half to update your financial guidance for 2020?

Galymzhan: No, Boris, as of today we have no intention to update our guidance for the year. We're quite comfortable, again, depending on how the situation with the pandemic develops in the second half of the year, maybe. But as of today, no, we have no intentions of updating those numbers.

Riaz: [crosstalk 00:32:05] if I can just pick up on that question, Boris, the one point which is useful to keep in mind when you're looking at our guidance is that we have not updated the guidance on the assumption around realized price. For those of you who have been following us you'll know that our price assumption is set typically towards the end of Q3 or beginning of Q4 of the year prior to the year in question. And the guidance then basically is locked in on that price, and that price is essentially obtained from independent third party research reports, so it's not our forecast of the price. And it's not updated. What we have seen is a fairly significant move in uranium spot prices, which as you've mentioned earlier, fairly well correlate to our revenue numbers, and that's something to keep in mind when thinking about running year models and making assumptions about what our captured price will be.

It's unlike the [inaudible 00:33:38] for example, which we did update in our last financial update. Price we don't, that's our policy.

Galymzhan: Yeah, and Boris, so you can model the realized price, but then you also keep in mind what was the updated exchange rate assumption and you know where [inaudible 00:34:01] is today, so it kind of mitigates on another, if ... So, that's one of the reasons why we still stick by with our financial guidance for the year.

Boris: Okay, thanks. Maybe the last question from us is on your dividend outlook for 2020, it looks like your not debt is gradually, is low compared to EBITDA anyway, right. Leverage is quite low or comfortably below what is normal for materials and mining industry or for [inaudible 00:34:42] EBITDA. In this respect, do you see any upside to your minimal 75 payout ratio for dividends for 2020?

Galymzhan: As of today, we will strictly follow the dividend policy, and obviously board may propose to shareholders a different number, but I think it's too early to talk about that.

Boris: All right, fair enough. Thank you so much.

Operator: Your next question comes from the line of Connor Rowley with Credit Suisse.

Connor: Hi there, just one question on contact versus spot pricing again, just to follow up on Riaz. If we see a scenario now, the spot market's tight and we see utilities entering that mid to long term contract market, do you think that naturally just pulls the spot price up to those terms? And in that context, has your thinking around your own portfolio changed at all in terms of being predominantly spot priced today? Has your thinking on that changed at all?

Riaz: Thanks Connor. No, you're absolutely right. The question is always asked in reverse, which is when will the spot price go up and drive up the long term price, when I think what we will probably see is essentially a convergence between the long term price, which essentially will be driving the contracts that underpin future production, and the spot price which maybe supports the mid term purchases, but it seems more likely that the long term price will be a more important factor than the spot price in this decade, whereas if you look at 2010 to 2020 the market was very heavily driven by the spot price, and that's absolutely logical when you consider that in an oversupplied market it makes sense to defer purchases for as long as possible, hoping that the commodity price continues to weaken.

Whereas, in a tight market, as this decade undoubtedly will be, you're more concerned about ensuring that you're going to get the material and therefore there's a desire to sign longer term contracts. Those contracts have to underpin capital expenditure, and in some cases very significant investment, and therefore cannot really be entered into at the sort of price levels that we're seeing today.

I suspect for most mining companies not even at the long term price that we're seeing today. So, as the shift in procurement packing moves from spot to long term I think we will need to see a repricing of that long term price, which in turn should drag up the spot price.

In terms of our strategy, our strategy is still absolutely the same. We're very focused on our analysis of the fundamentals, supply and demand, and we drive both our production decisions as well as our contracting decisions on really the analysis and our expectations of what future prices will do.

So, as I've said before if you ... If prices reaches a certain level, but our expectation is that that's still not a level which is sustainable in the market, there would be no real incentive for us to lock in at those prices. So, rather than a price level perse, I think the question is very much where is future supply demand turning out? And absolutely we will be happy to lock in long term fixed price contracts in the future, if we start to see the price levels that make the industry sustainable and not just our company sustainable, because that would be the right level at which to contract.

Connor: Thank you.

Operator: I would now like to turn the call back to Cory [Cos 00:39:54], Director of Investor Relations for further questions.

Cory: Thank you, operator. We had reserved this final portion of the call for your questions from the webcast, by hitting the conversation bubble in the top left of the webcast window. However, at this time we have no questions entered, so I would like to ask that if any questions do arise following the call or if you happen to re-watch the presentation, please do send them to the Kazatomprom investor inbox at ir@kazatomprom.kz, and the IR team will promptly reply. With that, I would like to hand it back to Galymzhan to close out our call today.

Galymzhan: Thank you Cory. As the market leader, so we'll continuing delivering on our commitments, and creating value for all our stakeholder. So, thank you all for joining us today. Please stay safe and healthy, and have a great day.