

**3 February 2020, Nur-Sultan, Kazakhstan**

## **Kazatomprom 4Q19 Operations and Trading Update**

JSC National Atomic Company “Kazatomprom” (“Kazatomprom”, “KAP” or “the Company”) announces the following operations and trading update for the fourth quarter and year ended 31 December, 2019.

This update provides a summary of recent developments in the uranium industry, provisional information related to the Company’s key 2019 operating and trading results, and 2020 production and sales guidance. The information contained in this Operations and Trading Update may be subject to change. It may differ from the final audited results in the 2019 Operating and Financial Review, which is expected to be released on 5 March, 2020.

### **Market Developments**

The supply side was fairly quiet during the fourth quarter of 2019, though the Compagnie minière d’Akouta (COMINAK), an Orano subsidiary, announced that uranium production at its mine in Niger would cease in March 2021 due to the depletion of reserves and high operating costs. COMINAK produced about three million pounds of U<sub>3</sub>O<sub>8</sub> in 2018.

In supply-related policy announcements, the United States (US) House of Representatives approved a bill to prohibit new uranium mines on specific lands around the Grand Canyon in the US. Similarly, the President of Kyrgyzstan closed out the year by signing a law banning activities related to exploration and development of uranium and thorium deposits throughout the country.

Demand side news flow was slightly more active as the year came to an end, with a number of reactors in Russia receiving operating license extensions (Smolensk 3, Kola 2, Novovoronezh 4 and Bilibino 2). Similarly in the US, units 3 and 4 at the Turkey Point nuclear power plant in Florida received approval from the US Nuclear Regulatory Commission to operate until 2053, representing the first US plants approved to operate for up to 80 years.

In new build developments, Rosatom began construction of a VVER-1000 reactor at the Bushehr nuclear power plant, with Iranian authorities indicating completion is expected in 2024. Also from Rosatom, Akademik Lomonosov, the world’s first SMR-based floating nuclear power plant, was connected to the grid and began generating electricity in the remote Chaun-Bilibino network in Pevek, far east Russia.

Around the world, four reactors were officially shut down in the fourth quarter of 2019, including Mühleberg unit 1 in Switzerland, EnBW’s Philippsburg unit 2 in Germany, Vattenfall’s Ringhals unit 2 in Sweden, and Korea Hydro & Nuclear Power’s Wolsong unit 1 in South Korea.

In demand policy news, European Union (EU) leaders agreed to include nuclear energy into the European Green Deal, which is aimed at taking Europe to carbon neutrality by 2050 with European Union economies producing net zero CO<sub>2</sub>-equivalent emissions by that time. While the news that nuclear energy will be considered “green” under the plan was positive, the determination that nuclear projects will not qualify for the related EU financial support, may hinder realization of the plan’s proposed targets.

In November, following renewed activity at Iran’s Fordow uranium enrichment plant, the US government announced the termination of sanction waivers related to Fordow, effective 15 December, 2019. As a result of the termination, TVEL Fuel Company of Rosatom immediately suspended their activities at the plant, pending the resolution of the international issues related to uranium enrichment in Iran. Shortly into the new year, Iran responded by announcing that, although it would continue to cooperate with the International Atomic Energy Agency (IAEA), it would no longer observe the limitations placed on its enrichment program, which were established under the 2015 Iran nuclear deal. US sanction waivers covering Iran’s other nuclear sites, including the Tehran research reactor, the Arak experimental heavy water reactor, and activities at the Bushehr nuclear power plant, were set to lapse on 31 January, 2020, but were extended for an additional 60 days, to the end of

March 2020. The extension defers any resolution to the related uncertainty through to the end of first quarter of 2020.

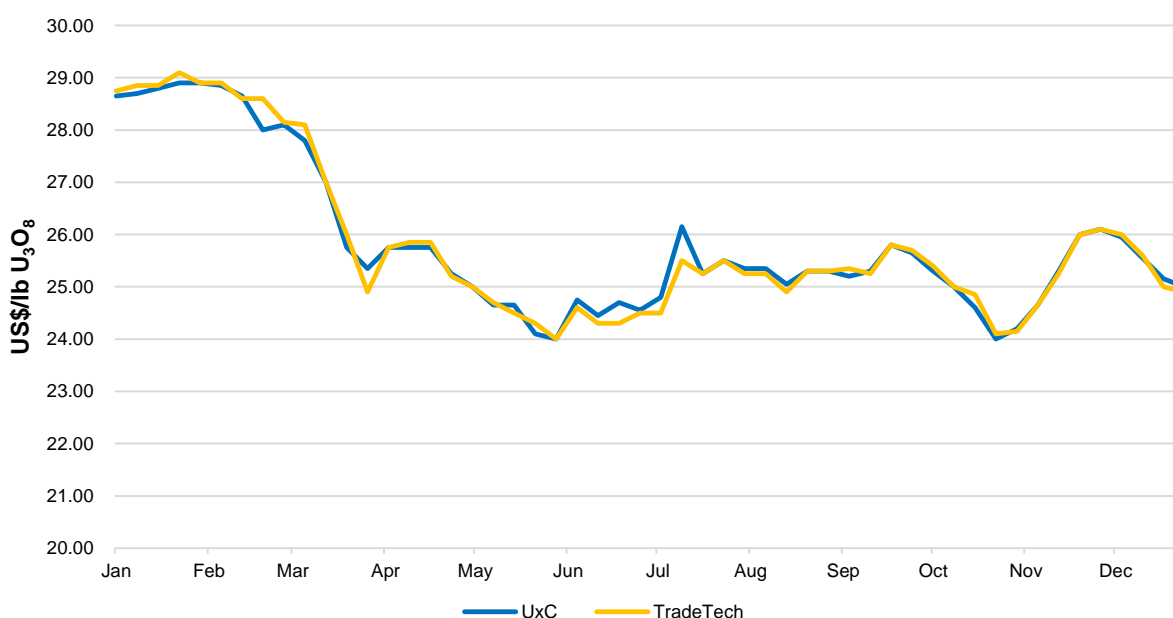
Finally, in December, Kazatomprom completed the last delivery of LEU to the IAEA LEU Bank at the Ulba site in Kazakhstan. The fuel bank was established to provide assurance to IAEA member states, acting as a supply mechanism of last resort in the event of a nuclear fuel supply disruption. Owned by the IAEA and hosted by Kazakhstan, the bank is one of the Agency's most ambitious and challenging projects since it was founded in 1957.

## Spot Market

Activity in the spot market was very limited at the outset of the quarter, with the spot price steadily declining to US\$24.00 in October as a result. The price then rallied to an eight-month high of US\$26.10 in November, tied to a higher volume of end-user purchasing and increased intermediary activity. However, by year-end, utilities stepped back once again and the spot price rolled back to the US\$25.00 level.

According to third-party market data, spot volumes transacted during 2019 were about 30% lower than during 2018. However, it still marked the second-highest annual volume on record, at about 63 million pounds U<sub>3</sub>O<sub>8</sub>, with an average weekly spot price of US\$25.84 per pound (compared to 2018's record 89 million pounds U<sub>3</sub>O<sub>8</sub> with an average weekly spot price of US\$24.64 per pound).

**2019 Weekly Spot Price Dynamics**



## Long-term Market

In the long-term market, third-party data indicated that contracted volumes amounted to nearly 96 million pounds U<sub>3</sub>O<sub>8</sub> through 2019 (compared to about 90 million pounds in 2018). Although term market activity picked up near the end of the fourth quarter, it did not result in any notable change to the long-term price.

## Kazatomprom's Operational Results<sup>1</sup>

(tU as U <sub>3</sub> O <sub>8</sub> unless noted)	Three months ended December 31			Year ended December 31		
	2018	2019	Change	2018	2019	Change
Production volume (100% basis) <sup>2</sup>	5,760	5,926	3%	21,705	22,808	5%
Production volume (attributable basis) <sup>3</sup>	2,923	3,448	18%	11,476	13,291	16%
Group sales volume (consolidated) <sup>4,5</sup>	4,815	8,042	67%	16,647	16,044	(4)%
KAP sales volume (incl. in Group) <sup>5,6</sup>	4,054	7,231	78%	15,287	14,148	(7)%
KAP average realized price (USD/lb U <sub>3</sub> O <sub>8</sub> ) <sup>7*</sup>	27.90	26.08	(7)%	24.37	26.91	10%

Average month-end spot price (USD/lb U <sub>3</sub> O <sub>8</sub> ) <sup>8*</sup>	28.27	25.08	(11)%	24.59	25.64	4%
--	-------	-------	-------	-------	-------	----

<sup>1</sup> All values are preliminary.

<sup>2</sup> Production volume (100% basis): Amounts represent the entirety of production of an entity in which the Company has an interest; it disregards the fact that some portion of that production may be attributable to the Group's JV partners or other third party shareholders. Actual drummed production volumes remain subject to converter adjustments and adjustments for in-process material.

<sup>3</sup> 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 production from JV Inkai, where attributable share is calculated in accordance with the formula described in Kazatomprom's IPO Prospectus. Actual drummed production volumes remain subject to converter adjustments and adjustments for in-process material.

<sup>4</sup> 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).

<sup>5</sup> The Group sales volume and KAP sales volume (incl. in Group) do not include 42.14 tons sold as low enriched UF<sub>6</sub> (~315 tU equivalent) to the IAEA fuel bank in 4Q 2019.

<sup>6</sup> KAP sales volume (incl. in Group): includes only the total external sales of KAP and Trade House KazakAtom AG (THK). Intercompany transactions between KAP and THK are not included.

<sup>7</sup> 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.

<sup>8</sup> 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.

\* Note that the conversion of kgU to pounds U<sub>3</sub>O<sub>8</sub> is 2.5998.

Production on both an attributable and on a 100% basis was slightly higher in the fourth quarter and for the year, compared to the same periods in 2018. The increase was as expected due to higher 2019 production levels under subsoil use contracts. The difference in the percentage increase year-over-year of the 100% and attributable share production levels is related to different production levels at various assets, the mix of ownership interests in each asset, and the impact of changes in the group structure on the consolidation of the results.

Fourth quarter Group and KAP sales volumes were higher in 2019 than in 2018, primarily due to the timing of customer-scheduled deliveries being weighted to the end of the year. Overall, annual Group and KAP sales volumes were slightly lower year-over-year due to a lower level of contracting activity in the market, and a marketing strategy that prioritizes value over volume. Sales volumes can vary substantially each quarter, and quarterly sales volumes vary year to year due to variable timing of customer delivery requests and physical delivery activity.

Average realized price was lower for the quarter, but higher for the year due to an increasing spot price in the fourth quarter of 2018 compared to a decreasing price in the same period of 2019, but a higher overall average market price for material delivered in 2019. The Company's contract portfolio is closely correlated to current uranium spot prices.

All annual operational and sales results presented above are in line with the guidance provided for 2019.

### Kazatomprom's 2020 Production and Sales Guidance

<i>(exchange rate 370 KZT/1 USD for 2019, 390 KZT/1 USD for 2020)</i>	2019	2020
Production volume of U <sub>3</sub> O <sub>8</sub> (100% basis) (tU) <sup>1</sup>	22,750 – 22,800	22,750 – 22,800
Production volume of U <sub>3</sub> O <sub>8</sub> (attributable basis) (tU) <sup>2</sup>	13,000 – 13,500	13,000 – 13,500
Group sales volume (consolidated) (tU) <sup>3</sup>	15,000 – 16,000	15,500 – 16,500
KAP sales volume (incl. in Group) (tU) <sup>4</sup>	13,500 – 14,500	13,500 – 14,500

<sup>1</sup> 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.

<sup>2</sup> 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, where attributable share is calculated in accordance with the formula described in Kazatomprom's IPO Prospectus.

<sup>3</sup> 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).

<sup>4</sup> KAP sales volume: includes only the total external sales of KAP and THK. Intercompany transactions between KAP and THK are not included.

Kazatomprom's production expectations for 2020 remain consistent with its market-centric strategy and the intention to flex down planned production volumes by 20% for 2018 through 2021 (versus planned production levels under Subsoil Use Agreements). With the flex down, under the existing Subsoil Use Agreements, 2020 production is expected to remain flat compared to 2019 at approximately 22,750 tU to 22,800 tU (100% basis), and 13,000 tU to 13,500 tU (attributable basis); without the reduction, production was expected to be approximately 28,500 tU (100% basis) in 2020.

Sales volume guidance in 2020 is also aligned with the Company's market-centric strategy. The Group expects to sell between 15,500 tU and 16,500 tU, which includes KAP sales of between 13,500 tU and 14,500 tU, consistent with sales volumes in 2019. Sales in excess of planned attributable production are expected to be primarily sourced from inventories, from KAP subsidiaries under contracts and agreements with joint venture partners, and from other third parties.

The Company continues to target an ongoing inventory level of approximately six to seven months of annual attributable production (excluding trading volumes held by THK). However, the market is being constantly monitored and, in alignment with its value strategy, Kazatomprom may carry an inventory level outside of the target range at any point in time based on seasonality, and to optimise mining and sales volumes in line with changing market conditions.

Guidance for 2020 related to the Company's financial metrics will be published alongside the financial results in the 2019 Operating and Financial Review, expected to be released on 5 March, 2020.

### **Conference Call Notification - 2019 Operating and Financial Review (5 March, 2020)**

Kazatomprom has scheduled a conference call to discuss the full 2019 operating and financial results, after they are released on Thursday, 5 March 2020. The call will begin at 17:00 (Nur-Sultan) / 11:00 (GMT) / 06:00 (EST). Following management remarks, an interactive English Q&A session will be held with investors (remarks in Russian with a simultaneous Russian translation of the Q&A available on a listen-only line).

Interested parties are invited to join the call using the following dial-in details. If calling from:

- Kazakhstan: +7 (8) 7172 69 67 38
- United Kingdom: +44 (0) 800 408 7373
- United States: +1 877 890 2416
- Russian: +7 (495) 249 16 84

To join the English call (participate in live Q&A), enter conference room number 967065, with PIN 9084 when prompted. To receive a reminder at the time of the call, participants may now pre-register for the English call at:

<https://www.speakservecloud.com/register-for-call/1e586533-5fe7-43f2-8cc4-6a1545e58dd7>

To join the call in Russian (listen-only Q&A), enter conference room number 932369, with PIN 6563. To receive a reminder at the time of the call, participants may now pre-register for the Russian call at:

<https://www.speakservecloud.com/register-for-call/538595ff-7c1c-4371-a1e4-642cd5b6df1b>

A live webcast of the conference call will be available from a link at [www.kazatomprom.kz](http://www.kazatomprom.kz) on the day of the call. A replay will be made available after the call.

### **Kazatomprom's 2020 AIX Investor Day**

Kazatomprom will host an Investor Day at the Astana International Exchange in Nur-Sultan, Kazakhstan, on 6 March, 2020, beginning at 9:30 am.

The live event and webcast will be hosted in Kazakh and Russian languages only, with a translated English transcript available the following week.

Online registration to attend the live event at the AIX or watch the live webcast can be found on the Company's website at [www.kazatomprom.kz](http://www.kazatomprom.kz), and at the following link: <https://kazatomprom.kz/en/investors/register>

Note that in October 2020, an English language Capital Markets Day is also expected to be hosted at the London Stock Exchange, with details to follow later in 2020.

For further information, please contact:

### **Kazatomprom Investor Relations Inquiries**

Cory Kos, Head of Investor Relations

Tel: +7 (8) 7172 45 81 80  
Email: [ir@kazatomprom.kz](mailto:ir@kazatomprom.kz)

### **Kazatomprom Public Relations and Media Inquiries**

Torgyn Mukayeva, Director of Public Relations and Internal Communication  
Tel: +7 (8) 7172 45 80 63  
Email: [pr@kazatomprom.kz](mailto:pr@kazatomprom.kz)

Powerscourt – London (Giles Read)  
Tel: +44 20 7250 1446  
Email: [Kazatomprom@powerscourt-group.com](mailto:Kazatomprom@powerscourt-group.com)

A copy of this announcement will be made available at [www.kazatomprom.kz](http://www.kazatomprom.kz)

### **About Kazatomprom**

Kazatomprom is the world's largest producer of uranium, with the company's attributable production representing approximately 23% of global primary uranium production in 2018. The Group benefits from the largest reserve base in the industry and operates, through its subsidiaries, JVs and Associates, 26 deposits grouped into 13 mining assets. All of the Company's mining operations are located in Kazakhstan and mined using ISR technology with a focus on maintaining industry-leading health, safety and environment standards.

Kazatomprom securities are listed on the London Stock Exchange and Astana International Exchange. As the national atomic company in the Republic of Kazakhstan, the Group's primary customers are operators of nuclear generation capacity, and the principal export markets for the Group's products are China, South and Eastern Asia, Europe and North America. The Group sells uranium and uranium products under long-term contracts, short-term contracts, as well as in the spot market, directly from its headquarters in Nur-Sultan, Kazakhstan, and through its Switzerland-based trading subsidiary, Trade House KazakAtom AG (THK).

For more information, please see our newly updated website at <http://www.kazatomprom.kz>

### **Forward-looking statements**

All statements other than statements of historical fact included in this communication or document are forward-looking statements. Forward-looking statements give the Company's current expectations and projections relating to its financial condition, results of operations, plans, objectives, future performance and business. These statements may include, without limitation, any statements preceded by, followed by or including words such as "target," "believe," "expect," "aim," "intend," "may," "anticipate," "estimate," "plan," "project," "will," "can have," "likely," "should," "would," "could" and other words and terms of similar meaning or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company's control that could cause the Company's actual results, performance or achievements to be materially different from the expected results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which it will operate in the future. THE INFORMATION WITH RESPECT TO ANY PROJECTIONS PRESENTED HEREIN IS BASED ON A NUMBER OF ASSUMPTIONS ABOUT FUTURE EVENTS AND IS SUBJECT TO SIGNIFICANT ECONOMIC AND COMPETITIVE UNCERTAINTY AND OTHER CONTINGENCIES, NONE OF WHICH CAN BE PREDICTED WITH ANY CERTAINTY AND SOME OF WHICH ARE BEYOND THE CONTROL OF THE COMPANY. THERE CAN BE NO ASSURANCES THAT THE PROJECTIONS WILL BE REALIZED, AND ACTUAL RESULTS MAY BE HIGHER OR LOWER THAN THOSE INDICATED. NONE OF THE COMPANY NOR ITS SHAREHOLDERS, DIRECTORS, OFFICERS, EMPLOYEES, ADVISORS OR AFFILIATES, OR ANY REPRESENTATIVES OR AFFILIATES OF THE FOREGOING, ASSUMES RESPONSIBILITY FOR THE ACCURACY OF THE PROJECTIONS PRESENTED HEREIN. The information contained in this communication or document, including but not limited to forward-looking statements, applies only as of the date hereof and is not intended to give any assurances as to future results. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to such information, including any financial data or forward-looking statements, and will not publicly release any revisions it may make to the Information that may result from any change in the Company's expectations, any change in events, conditions or circumstances on which these forward-looking statements are based, or other events or circumstances arising after the date hereof.