**16 March 2021, Nur-Sultan**

# OPERATING AND FINANCIAL REVIEW
# TWELVE MONTHS ENDED 31 DECEMBER 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 consolidated financial statements of the Group the year ended 31 December 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 4Q20 Operations and Trading Update, and other Company reports. All financial data and discussions thereof are based upon audited consolidated financial statements (Financial Statements) 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 2020 uranium production represented approximately 23% of global primary uranium supply. The Holding, which includes all uranium production from Kazakhstan, represented 41% of global primary uranium supply in 2020.

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 licenses through direct negotiation with the authoritative body of Government. This effectively grants priority access to high-quality, in-situ recovery ("ISR")-conducive deposits of natural uranium, which are abundant in the Republic of Kazakhstan. In 2020, 27,000 tU of the world's annual uranium production was mined using ISR, with approximately 72% of that ISR production coming from the Holding's mines in Kazakhstan.

The Holding operates 14 mining assets with 26 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 seven uranium deposits;
- Eleven uranium producing companies, partly owned by Kazatomprom (based on equity shareholding), operating on 19 uranium deposits.

In 2020, operations at Moinkum #1 (South) and Uvanas deposits of "Kazatomprom-SaUran" LLP were completed. Also, in 2020, JV "Budenovskoye" LLP obtained mining contract for sites 6 and 7 of the Budenovskoye mine site, uranium mining there has not started in 2020.

At 31 December 2020, the Group's attributable Proved and Probable Ore Reserves totalled 281.1 thousand tonnes of Uranium Metal Content Equivalent ("UME"). Attributable Measured and Indicated Mineral Resources (inclusive of those Mineral Resources modified to produce the Ore Reserves) totalled 479.2 thousand tonnes of UME. Each category is reported in accordance with the terms and definitions of the Joint Ore Reserves Committee (JORC) Code with more information available in section *8.0 Reserves And Geological Surveys*. A full update letter from the independent consultant on the Mineral Resource and Ore Reserve statements valid as at 31 December 2020 has also been published and is now available on Company's website.

Kazatomprom's core business is the mining and marketing of natural uranium products. The Group is also present in other stages of the "front-end" nuclear fuel cycle, including uranium dioxide ($UO_2$) 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, in December 2020, a plant for the production of fuel assemblies in Kazakhstan was completed and began commissioning. By the end of 2021, Ulba-FA LLP is expected to complete the qualification processes for the plant and begin producing fuel assemblies for use in nuclear power reactors in the People's Republic of China (PRC) under a contract with China General Nuclear Power Corporation-Uranium Resources.

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.

### *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 ethics culture that is commensurate with industry leader status.

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 and investment opportunities.

### *1.2 COVID-19 Update*

The COVID-19 pandemic, which spread substantially during the second quarter of 2020, has had a significant impact on global economies. While Kazakhstan and Kazatomprom were no exception, as a consequence several factors influenced Company’s operations.

In order to ensure business continuity and minimise the risk of virus spreading, Kazatomprom took the following measures at the early stages of the pandemic:

- an internal cross-functional committee was created to ensure business continuity in the event of a Company outbreak and an action plan was developed in case of a second wave. This committee continues to gather for regular online meetings to facilitate operational communication;
- action plans were created along five lines of defence: (i) preventative 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.

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.

To reduce the risk of spreading the virus to the production teams, Company’s undertook serious measures, such as non-contact video thermometry and disinfection tunnels installation at the entrances to all Groups entities, up to 80% of administrative personnel in offices were working remotely, modified rotation procedures were developed, with mandatory PCR COVID-19 testing for workers upon arrival and departure, and implementation of social distancing practices in the workplace.

The measures taken by Kazatomprom made it possible to prevent a significant spread of the infection across the production sites. In October, as the pandemic worsened throughout Kazakhstan, there was a notable increase in COVID-19 infections across the Company. Unfortunately, among the infected employees, there were five COVID-19 deaths reported where contact tracing did not indicate workplace transmission.

As of today, the situation has stabilized, the Company continues to monitor the situation at its 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 management system of its industrial HSE programs as it strives to a goal of zero injuries.

### *2.1 Occupational health and safety*

The Company conducts its production activities in compliance with both Kazakh and international requirements for labour protection and industrial safety, implementing comprehensive measures to prevent incidents and accidents. Health and safety management systems that meet international standards (ISO 45001) have been implemented and the Company carries out systematic work to improve the safety culture among employees and managers at all levels.

In order to preserve the life and health of employees, the Company is guided by the "Seven Golden rules" of the Vision Zero program, which apply to all employees of the Company's enterprises and their contractors, the main goal of which is to achieve the goal of zero injuries:

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

The measures undertaken in 2020 to enhance the focus on safety awareness helped to prevent major industrial accidents (including uncontrolled explosions, emissions of dangerous substances or destruction of buildings) at the Company's enterprises. The table below reflects 2020 HSE results, with eight recorded accidents, that resulted in eight injuries, one of which was fatal.

| Indicator | 2020 | 2019 | Change |
|---|---|---|---|
| Industrial accidents[1] | - | - | - |
| LTIFR (per million man-hours)[2] | 0.25 | 0.24 | 4% |
| Unsafe conditions, unsafe actions, near-miss reporting | 35,529 | 34,546 | 3% |
| Number of accidents[3] | 8 | 8 | - |
| Fatalities | 1 | 1 | - |

[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 accidents included: three cases of chemical burns, two cases of falling from a height, one case of falling on a slippery surface, one case as the result of the impact of moving mechanisms, and a one road accident. The fatal accident occurred when an employee lost balance while climbing stairs and fell down.

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 investigation results were reported to other Group entities 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 and implementing the 2018 – 2028 development strategy, in 2020, the Company completed the following:

- analysis of the frequency and nature of detected hazardous conditions, hazardous actions, potentially hazardous situations, and Near Miss to determine the adequacy of the corrective measures taken;
- improving the survey methods used to gauge the level of conscious observance of industrial safety requirements by employees and managers at all levels;
- the company was certified by TUV International Certification (Germany) for compliance with international standards ISO 45001 (HSE management systems) and ISO 14001 (environmental management systems);

- the Environmental and Social Action Plan (ESAP) Roadmap was being implemented, aimed at improving environmental and social stability in the regions where NAC Kazatomprom JSC operates;
- the practice of stopping unsafe work by workers (STOP cards) was introduced across all operations;
- quarterly reports on health and safety were updated, including sections on contractors;
- comprehensive measures were taken to combat COVID-19 at the Company's enterprises.

Related activities under the 2018-2028 Development Strategy are continuing into 2021 according to the following plans:

- automation of production industrial safety reporting processes;
- development and implementation of a methodology for continuous identification of hazards and risks in the workplace - 5 safety steps;
- implementation of the ESAP roadmap;
- improvement of approaches to a health and safety of workers.

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 recognized benefit of the ISR mining method is its low environment 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 employs reliable systems for monitoring the environment and radiation safety at all of its uranium mines and production facilities (ISO 14001 compliant). In 2020 there were no environmental or radiation-related incidents. All activities were completed in compliance with environmental legislation, regulatory requirements and guidance on nuclear and radiation safety.

Radiation exposure and nuclear safety remained stable in 2020 with no overshoot or radiation accidents. All work was carried out in accordance with the requirements of regulatory legal acts and internal documentation on radiation and nuclear safety.

As part of the implementation within the ESAP Roadmap approved by the Board of Directors of Kazatomprom, the following activities are underway:

- research on the environmental and local social impacts of the Company's production facilities;
- creation of a system for environmental regulation and environmental monitoring of uranium mining enterprises.

## 3.0 MARKETING

### *3.1 The uranium market*

The sale of natural uranium and uranium products is Kazatomprom's primary source of revenue and profit. Market prices for uranium have a significant impact on the Company's financial results and like any commodity, the balance of supply and demand determines the market price for uranium products. The sales prices realized by any primary uranium producer are highly dependent upon the specific types of contracts they deliver into and the structure of their sales portfolio (including terms, price formulae used in each contract, proportion of spot and term contracts).

Kazatomprom expects that in the years to come, nuclear power, as a reliable source of carbon-free, base-load electricity, will maintain and strengthen its position in the broader energy market, resulting in increased demand for uranium. Accordingly, uranium prices should rise from current levels, which represents a significant opportunity for Kazatomprom as a low-cost producer with a high degree of leverage to market prices.

### *3.2 Sales*

There are over 70 utility companies globally, operating 442 nuclear power reactors. As part of the Company's strategic goal to create value by expanding sales channels, its marketing and sales departments are constantly working to grow the Company's customer base, with ongoing negotiations in Europe, North and South America and the Middle East.

In 2020, the Company sold its uranium products, directly and through its Swiss marketing subsidiary "Trade House KazakAtom" AG ("THK"), to 20 customers in 10 countries, including three new customers (2019: 23 customers in 11 countries). Kazatomprom delivers $U_3O_8$ and finished uranium products to various destinations based upon customer requirements:

- **Converters:** The Group transports $U_3O_8$ to licensed conversion facilities owned by companies such as ConverDyn (US), Cameco (Canada) and Comurhex (France), first by rail from the Company's operations in Kazakhstan, generally to the port of St. Petersburg in Russia, then by sea to various ports in the US, Canada and Europe. The material then moves by rail or road to the processing facilities and is transferred to the customer's accounts. In some cases, the Group enters into swap (exchange) agreements at the conversion facility to reduce transportation costs. This can include the exchange of $U_3O_8$ with partners of the Group at the conversion facility.
- **China.** When transporting material to China, the Company delivers its cargo to the Alashankou railway station near the Kazakhstan-China border.
- **Russia.** When shipping to the Russian Federation — recipients include Angarsk Electrolysis and Chemical Combine JSC (AECC), Siberian Chemical Combine JSC (SCC) and Chepetsk Mechanical Plant JSC (Rosatom group) — the Group delivers its cargo by rail from its operations to one of several Russian railway stations, depending on the final destination of the products.
- **India.** The Company generally delivers $U_3O_8$ to destinations in India by rail to the port in St. Petersburg, Russia, then by sea to the port of Mumbai, India. The customer takes title at the port and organizes transportation to the final destination.

The following table provides the geographical distribution of uranium segment sales:

**Consolidated sales of $U_3O_8$ products by region**

(% of $U_3O_8$ sales volume)

| *Region* | 2020 | 2019 | 2018 |
|---|---|---|---|
| Americas | 24% | 17% | 16% |
| Asia | 43% | 53% | 53% |
| Europe | 33% | 30% | 32% |

Source: Internal company data. Percentages have been rounded.

Including geographical distribution of customers for the Company's uranium sales:

**KAP & THK sales of $U_3O_8$ uranium products by region**

(% of $U_3O_8$ sales volume*)

| ***Region*** | **2020** | **2019** | **2018** |
|---|---|---|---|
| Americas | 16% | 10% | 10% |
| Asia | 49% | 59% | 56% |
| Europe | 35% | 31% | 35% |

**KAP $U_3O_8$ sales volume (incl. in Group): includes only the total external sales of KAP HQ and THK. Intercompany transactions between KAP HQ and THK are not included.*

*Source: Internal company data. Percentages have been rounded.*

## 4.0 PRESENTATION OF FINANCIAL INFORMATION

### *4.1 Segments*

During the year, the Group operated through three principal business segments:

- **Uranium segment** includes uranium mining and processing operations from the Group's mines, the Group's purchases of uranium from the Group's 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 $UO_2$ 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 $UO_2$ powder, fuel pellets and production of fuel assemblies and their components.
- **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.

### *4.2 Consolidation*

In addition to the operations of the Company and its consolidated subsidiaries, the Group has 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 31 December 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 entity.

| 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) | 52.50% |
| | "JV "Khorassan-U" LLP | 50.00% |
| Joint Ventures | "JV "Budenovskoye" LLP | 51.00% |
| | "Semizbai-U" LLP | 51.00% |
| Joint Operations | "JV "Akbastau" JSC | 50.00% |
| | "Karatau" LLP | 50.00% |
| | Energy Asia (BVI) Limited (1), (2) | 50.00% |
| Associates | "JV "Katco" LLP | 49.00% |
| | "JV "South Mining Chemical Company" LLP | 30.00% |
| | "JV "Zarechnoye" JSC | 49.98% |
| | "Kyzylkum" LLP (1) | 50.00% |
| | *"Zhanakorgan-Transit" LLP* (3) | 60.00% |
| **Nuclear Fuel Cycle and Metallurgy** | | |
| Subsidiaries | "Ulba Metallurgical Plant" JSC | 90.18% |
| | *"ULBA-CHINA Co" Ltd* (3) | 100.00% |
| | *"Mashzavod" JSC* (3) | 100.00% |
| | *"Ulba FA" LLP* (3) | 51.00% |
| **Nuclear Fuel Cycle** | | |
| Joint Ventures | "JV "UKR TVS" Closed Joint-Stock Company | 33.33% |
| Investments (4) | "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* (3) | 49.00% |
| | "Korgan-KAP" LLP | 100.00% |
| Joint Ventures | "SKZ-U" LLP | 49.00% |
| | "Uranenergo" LLP (5) | 79.17% |
| Associates | "SSAP" LLP (6) | 9.89% |

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

| Treatment | Name | Share (%) |
|---|---|---|
| **Alternative Energy** | | |
| Subsidiaries | "Kazakhstan Solar Silicon" LLP (7) | 100.00% |
| | "MK KazSilicon" LLP (7) | 100.00% |
| | "Astana Solar" LLP (7) | 100.00% |
| **Ancillary Operations** | | |
| Associates | "Caustic" JSC (8) | 40.00% |

[1] 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.
[2] 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%.
[3] 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.

[4] 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 31 December 2020, the Group classified JSC Uranium Enrichment Center (TsOU) with 1 share as other investment.
[5] "Uranenergo-PUL" LLP is a 3rd-level enterprise of the Company through "Uranenergo" LLP share capital. 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 "Uranenergo" LLP share capital. The companies are reorganised in 2020 by merging to the parent company "Uranenergo" LLP.
[6] "On July 8, 2020, the procedure of re-registration of JV SKZ Kazatomprom LLP into SSAP LLP (Stepnogorsk Sulfuric Acid Plant) was carried out.
[7] 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. The Company has received the required regulatory approvals to recommence disposal of the KazPV assets in 2021. The assets and liabilities of the entities in the KazPV project are presented as assets and liabilities held for sale in these audited consolidated financial statements.
[8] The Group intends to sell its entire stake in Caustic JSC by the end of 2021.

## 5.0 SIGNIFICANT FACTORS AFFECTING THE GROUP'S RESULTS OF OPERATIONS

The significant factors that affected the Group's results of operations during 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 cost and availability of sulfuric acid;
- pandemic-related costs and availability of critical operating materials;
- impact of changes in ore reserves estimates; and
- transactions with subsidiaries, JOs, JVs and associates.

### *5.1 Price received for the sale of natural uranium and changes in natural uranium product prices*

Spot market prices for $U_3O_8$, 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 $U_3O_8$ under contracts with price formulae containing a reference to spot price. In addition to spot prices, the Group's effective realized price depends on 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 12.1 Uranium sales price sensitivity analysis.

The following table provides the average spot price and average realized price per pound of $U_3O_8$ for the periods indicated:

| | | 2020 | 2019 | Change |
|---|---|---|---|---|
| Average weekly spot price (per lb $U_3O_8$)[1] | USD | 29.60 | 25.84 | 15% |
| | KZT | 12,236 | 9,892 | 24% |
| Average realized price of the Group (per lb $U_3O_8$) | USD | 29.54 | 26.60 | 11% |
| | KZT | 12,210 | 10,184 | 20% |
| Average realized price of Kazatomprom (per lb $U_3O_8$) | USD | 29.63 | 26.89 | 10% |
| | KZT | 12,247 | 10,294 | 19% |

[1] Prices per UxC LLC.

For additional details related to specific market developments that influenced the pricing of uranium in 2020, please see the *Kazatomprom 4Q2020 Operations and Trading Update*, available on the corporate website.

### *5.2 Changes in the Group structure*

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

In 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 2019:

- 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 on the supervisory board. As a result, the Group obtained control over JV "Khorasan-U" LLP. The Group has been consolidating JV "Khorasan-U" LLP from 1 March 2019.
- In 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.

In total, the number of the Group's subsidiaries, JVs, JOs, associates and other equity investments decreased from 42 as at 31 December 2019, to 39 as at 31 December 2020.

### 5.3 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 (91% in 2020, 88% in 2019);
- the Company purchases uranium and uranium products from its JVs and associates pursuant to KZT-denominated contracts, with the prices determined by reference to prevailing spot market prices of $U_3O_8$, which are in USD;
- most of the Group's borrowings are denominated in USD (85% in 2020, 88% in 2019), which is the principal currency of the Group's revenue.

A significant portion of the Group's expenses, including its operating, production and capital expenditures, are denominated in KZT. Accordingly, as the 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 JVs and associates pursuant to KZT-denominated contracts, with the prices determined by reference to prevailing spot market prices of $U_3O_8$, 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.

In 2020, the KZT/USD exchange rate fluctuated between KZT 375.87 and KZT 448.52. At the end of 2020, the National Bank of the Republic of Kazakhstan (NBK) exchange rate was KZT 420.71. Changes in exchange rates had material impact on the Group's financial performance in 2020. The Group's net foreign exchange gain in 2020 amounted KZT 3,759 million.

The following table provides annual average and year-end closing KZT/USD exchange rates, as reported by the NBK, as of 31 December 2020 and 2019.

| | | 2020 | 2019 | Change |
|---|---|---|---|---|
| Average exchange rate for the period[1] | KZT / USD | 413.36 | 382.87 | 8% |
| Closing exchange rate for the period | KZT / USD | 420.71 | 381.18 | 10% |

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

### 5.4 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 allocated to direct mining activities, but exclude processing and general and administrative expenses. The MET is calculated separately for each subsoil use license. The resulting MET paid is therefore directly dependent upon the cost of mining operations.

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

| (KZT million) | 2020 | 2019 | Change |
|---|---|---|---|
| Corporate income tax[1] | 65,492 | 43,948 | 49% |
| Mineral extraction tax[2] | 20,110 | 22,916 | (12%) |
| Other taxes and payments to budget[3] | 55,490 | 60,335 | (8%) |
| **Total tax accrued** | **141,092** | **127,199** | **11%** |

[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%) × 18.5% ÷ (1 – (1 + 20%) × 18.5%).
[3] Includes property tax, land tax, transport tax, social tax, other payments to budget, VAT and PIT (on PIT Company acts as a tax agent).

Total tax accrued increased by 11% in 2020 compared to 2019, mainly due to an increase in corporate income tax. The increase was 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. The sale of the Uranium Enrichment Centre JSC in the first half of 2020 had a one-off effect on the tax base of corporate income tax (see Section 5.2 Changes in the Group structure). The decrease in MET and other taxes is mainly due to a decrease in mined uranium volumes in 2020 (see Section 6.3.2 Uranium segment production and sales metrics).

### *5.5 Cost 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 cost of sulfuric acid increased slightly to KZT 22,203 per tonne in 2020 (from KZT 21,304 per tonne in 2019). On average in 2020, the price of sulfuric acid represented about 13% of the Group's uranium production costs.

### *5.6 Pandemic-related costs and availability of critical operating materials*

The extraction of uranium using the ISR mining method requires the import of certain key operating materials and components. These items are either imported into Kazakhstan directly by the Group, or they are imported by local suppliers from whom the Group procures such materials. Due to global pandemic-related shipping constraints and export restrictions imposed by some countries, the Group has encountered delays and/or limited access to some key materials, such as certain types of pipes and pumps.

In some cases, shipping and availability constraints have resulted in a higher cost to acquire the necessary operating materials, resulting in slightly increased production costs and a negative impact on profitability. In other cases, there has been a near-complete loss of access to certain materials, resulting in an increased risk to production. To date, this risk has been mitigated by sharing inventory across operations to ensure continuous operation. However, if the Group could not procure sufficient critical materials for all of its operations, it could impact the planned production schedule.

### *5.7 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 qualified 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 amortization expenses, impairment charges, as well as mine closure charges incurred at the end of mine life.

### *5.8 Transactions with Subsidiaries, JVs, JOs and Associates*

The Company purchases U3O8 from its subsidiaries, JOs, 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 $U_3O_8$ purchased from operations (JVs and associates), and
- the sale of $U_3O_8$ 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 in the assessment of the Group's financial results. In 2020, $U_3O_8$ was purchased at a weighted average discount of 4.07% 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) | 2020 | 2019 | Change |
|---|---|---|---|
| $U_3O_8$ purchased from JVs and associates | 2,676 | 3,050 | (12%) |
| $U_3O_8$ purchased from JOs and subsidiaries | 8,586 | 11,010 | (22%) |
| **Total** | **11,262** | **14,060** | **(20%)** |

The volume of $U_3O_8$ purchased from JVs and associates, JOs and Subsidiaries totalled 11,262 tonnes in the 2020, compared to 14,060 tonnes in 2019, a decrease of 20%, mainly due to due to lower 2020 $U_3O_8$ production volume on both a 100% and attributable basis (see Section 6.3.2 Uranium segment production and sales metrics).

In addition to the above volumes, the Company (including its trading subsidiary THK) purchases volumes from third parties at variable prices.

## 6.0 KEY PERFORMANCE INDICATORS ANALYSIS

### *6.1 Consolidated financial metrics*

The analysis in this section of the report is performed on the basis of twelve months ended 31 December 2020 compared to twelve months ended 31 December 2019. The table below provides financial information related to the consolidated results of the Group for 2020 and 2019.

| (KZT million) | 2020 | 2019 | Change |
|---|---|---|---|
| **Revenue** | **587,457** | **502,269** | 17% |
| Cost of sales | (319,624) | (307,498) | 4% |
| **Gross profit** | **267,833** | **194,771** | 38% |
| Selling expenses | (14,352) | (10,827) | 33% |
| G&A expenses | (29,582) | (32,024) | (8%) |
| **Operating profit** | **223,899** | **151,920** | 47% |
| Other income/(loss), including the following one-time effects: | 21,159 | 61,924 | (66%) |
| Net result from sale of investment in joint venture (one-time effect)[1] | 22,063 | - | 100% |
| Net result from business combinations (one-time effect)[2] | - | 54,649 | - |
| Gain from reversal of liability under joint operations (one-time effect)[3] | - | 16,995 | - |
| Share in the results of Associates | 39,482 | 23,547 | 68% |
| Share of JVs' results | 604 | 9,864 | (94%) |
| **Pre-tax income** | **285,144** | **247,255** | 15% |
| Corporate income tax | (63,776) | (33,506) | 90% |
| **Net profit** | **221,368** | **213,749** | 4% |
| Profit for the year attributable to owners of the Company | 183,541 | 189,998 | (3%) |
| Earnings per share attributable to owners (basic and diluted), KZT/share[4] | 708 | 733 | (3%) |
| **Adjusted Net profit (net of one-time effects)** | **199,305** | **142,105** | 40% |
| Adjusted EBITDA[5] | 325,734 | 248,719 | 31% |
| Attributable EBITDA[6] | 295,465 | 217,266 | 36% |

[1] Net result from sale of investment in joint venture Uranium Enrichment Center JSC.
[2] In 2019 the Group recorded a net gain in profit and loss to reflect the fair value of inclusion of JV "Khorassan-U" LLP in consolidation.
[3] 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.
[4] Calculated as: Profit for the year attributable to owners of the Company divided by Total share capital from Section 11.0 OUTSTANDING SHARES, rounded to the nearest KZT.
[5] Adjusted EBITDA is calculated by excluding from EBITDA items not related to the main business and having a one-time effect.
[6] Attributable EBITDA (previously "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.

### *6.2 Consolidated revenue and other financial metrics*

The Group's consolidated revenue was KZT 587,457 million in 2020, an increase of 17% compared to 2019, due to an increase in the average realized price associated with an increase in the spot price for $U_3O_8$ and weakening of KZT against USD in 2020. This revenue increase was also supported by a slight increase in sales volume in 2020 in comparison to 2019 (see Sections 6.3.2 Uranium segment production and sales metrics). The main revenues by source in 2020 compared to 2019, are presented below.

| | | | | Proportion | |
|---|---|---|---|---|---|
| (KZT million) | 2020 | 2019 | Change | 2020 | 2019 |
| Uranium products[1] | 529,196 | 438,518 | 21% | 90% | 87% |
| Beryllium products | 21,866 | 19,717 | 11% | 4% | 4% |
| Tantalum products | 12,205 | 9,543 | 28% | 2% | 2% |
| Others | 24,190 | 34,491 | (30%) | 4% | 7% |
| **Total Revenue** | **587,457** | **502,269** | **17%** | **100%** | **100%** |

[1] Include production and sales of $UO_2$ powder and fuel pellets.

Operating profit in 2020 was KZT 223,899 million, an increase of 47% compared to 2019. The increase was mainly due to an increase in average realized price as well as an increase in the share of uranium sold that was produced by the Company's consolidated subsidiaries and JOs. When such material is sold, the cost of sales is predominantly represented by the cost of production and the full mining margin is captured in the consolidated results of the Group.

Net profit in 2020 was KZT 221,368 million, an increase of 4% compared to 2019. In 2020 the net result from the sale of the investment in the joint venture Uranium Enrichment Center JSC was KZT 22,063 million (see Section 5.2 Changes in the Group structure). Adjusting for that one-time effect, adjusted net profit for 2020 was KZT 199,305 million, an increase of 40% compared to 2019 and consistent with the increase in the operating profit in 2020. During the year 2019, there was a KZT 16,995 million gain from the reversal of a liability under JOs, which was initially recorded in 2018. This gain was 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 2019 JV "Khorasan-U" LLP was included in the consolidation. The one-time effect of this transaction was KZT 54,649 million.

Adjusted EBITDA totalled KZT 325,734 million in 2020, an increase of 31% compared to 2019, while attributable EBITDA was KZT 295,465 million in 2020, an increase of 36% compared to 2019. The changes were mainly driven by a higher operating profit, as well as an increase in the EBITDA of JVs and associates.

### 6.3 Uranium segment

#### 6.3.1 Uranium segment financial metrics

| (KZT million unless noted) | | 2020 | 2019 | Change |
|---|---|---|---|---|
| Average exchange rate for the period | KZT/USD | 413.36 | 382.87 | 8% |
| Uranium segment revenue[1] | | 527,936 | 437,160 | 21% |
| Including $U_3O_8$ sales proceeds (across the Group)[2] | | 521,594 | 424,756 | 23% |
| Share of a revenue from uranium products | % | 89% | 85% | 5% |

[1] This segment does not include production and sales of $UO_2$ powder and fuel pellets. Calculated from Financial Statements Note Segment Information as a sum of external revenue and revenues from other segments for uranium segment.

[2] Calculated from Section 6.3.2 Uranium segment production and sales metrics: $U_3O_8$ sales volume (consolidated) multiplied by group average realized price in KZT/kg.

Consolidated $U_3O_8$ sales were KZT 521,594 million in 2020, an increase of 23% compared to 2019, mainly due to an increase in the average sales price in addition to a higher spot price for $U_3O_8$ and weakening of the KZT against the USD in 2020, supported by higher sales volume.

#### 6.3.2 Uranium segment production and sales metrics

| | | 2020 | 2019 | Change |
|---|---|---|---|---|
| Production volume of $U_3O_8$ (100% basis) | tU | 19,477 | 22,808 | (15%) |
| Production volume of $U_3O_8$ (attributable basis)[1] | tU | 10,736 | 13,291 | (19%) |
| $U_3O_8$ sales volume (consolidated) | tU | 16,432 | 16,044 | 2% |
| Including KAP $U_3O_8$ sales volume[2, 3] | tU | 14,126 | 14,148 | (0%) |
| Group inventory of finished goods ($U_3O_8$) | tU | 7,537 | 9,906 | (24%) |
| Including KAP inventory of finished goods ($U_3O_8$)[4] | tU | 6,761 | 8,571 | (21%) |
| Group average realized price | KZT/kg | 31,743 | 26,475 | 20% |
| Group average realized price | USD/lb | 29.54 | 26.60 | 11% |
| KAP average realized price[5] | USD/lb | 29.63 | 26.89 | 10% |
| Average weekly spot price | USD/lb | 29.60 | 25.84 | 15% |
| Average month-end spot price[6] | USD/lb | 29.96 | 25.64 | 17% |

[1] The Production volumes of $U_3O_8$ (attributable basis) is not equal to the volumes purchased by Company and THK.

[2] KAP $U_3O_8$ sales volume (incl. in Group): includes only the total external sales of KAP HQ and THK. Intercompany transactions between KAP HQ and THK are not included.

[3] Group sales volume and KAP sales volume (incl. in Group) does not include approximately 100 tU equivalent sold as $UF_6$ in 1Q20, and does not include approximately 315 tU equivalent sold as low-enriched $UF_6$ to the IAEA fuel bank in 4Q19.

[4] KAP inventory of finished goods (incl. in Group): includes the inventories of KAP HQ and THK.

[5] 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.

[6] 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.

All annual operational and sales results in the uranium segment are in line with the pandemic-adjusted guidance provided for 2020.

On both a 100% and attributable basis, 2020 $U_3O_8$ production volumes were lower than the prior year, as a result of the 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 to deal with the pandemic during the first half of 2020, impacted production volumes in the second half of the year. The difference in percentage decrease in production on a 100% basis (minus 15%) and on an attributable basis (minus 19%) was associated with different levels of production for different assets, and the different ownership proportion for each asset.

Consolidated Group $U_3O_8$ sales volumes were slightly higher year-over-year due to a higher volume sold to consolidated JV partners (“Appak” LLP, “JV “Inkai” LLP, “Baiken-U” LLP and “JV “Khorassan-U” LLP), while KAP sales volumes were similar year-over-year.

Consolidated Group inventory of finished $U_3O_8$ products in 2020 amounted to 7,537 tonnes as at 31 December 2020, which was 24% lower than at 31 December 2019. At the Company level, inventory of finished $U_3O_8$ products was 6,761 tonnes, a decrease of 21% compared to 2019. The decrease in inventory was mainly related to a lower 2020 $U_3O_8$ production volume on both a 100% and attributable basis, while sales level remained consistent year-over-year. 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.

The Group average realized price in KZT in the 2020 was KZT 31,743 per kg (29.54 USD/lb), an increase of 20% compared to 2019 due to an increase in the average spot price for uranium products, and the weakening of the KZT against the USD. The average sales prices at the KAP level were 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 12.1 Uranium sales price sensitivity analysis). However, in 2020, the increase in average realized price differed slightly from 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.

### *6.3.3 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 lower staff levels, amid the COVID-19 pandemic (see Section 6.3.2 Uranium segment production and sales metrics), was not the same across all operations through 2020 due to the nature of the ISR mining process, and differences in the mine plans and development phase at each operation.

| (tU as $U_3O_8$) | Ownership | 2020 | 2019 | Change |
|---|---|---|---|---|
| Ortalyk LLP | 100% | 1,308 | 1,694 | (23%) |
| Kazatomprom-SaUran LLP | 100% | 1,230 | 1,541 | (20%) |
| RU-6 LLP | 100% | 660 | 864 | (24%) |
| Appak LLP | 65% | 633 | 800 | (21%) |
| JV Inkai LLP[1] | 60% | 2,693 | 3,209 | (16%) |
| Baiken-U LLP | 52.5% | 1,181 | 1,560 | (24%) |
| Semizbay-U LLP | 51% | 753 | 960 | (22%) |
| Karatau LLP | 50% | 2,460 | 2,600 | (5%) |
| JV Akbastau JSC | 50% | 1,363 | 1,550 | (12%) |
| JV Khorassan-U LLP | 50% | 1,455 | 1,599 | (9%) |
| JV Zarechnoye JSC | 49.98% | 648 | 778 | (17%) |
| JV Katco LLP | 49% | 2,833 | 3,252 | (13%) |
| JV SMCC LLP | 30% | 2,260 | 2,401 | (6%) |
| **Total** | | **19,477** | **22,808** | **(15%)** |

[1] For JV “Inkai” LLP annual share of production on attributable basis is determined as per Implementation Agreement as disclosed in IPO Prospectus.

### 6.4 UMP Segment

#### 6.4.1 UMP segment uranium product sales

| $UO_2$ powder and Fuel pellets | | 2020 | 2019 | Change |
|---|---|---|---|---|
| Fuel pellets | Sales, tonnes | 60.3 | 86.08 | (30%) |
| Ceramic powder | Sales, tonnes | 0.8 | - | 100% |
| Dioxide from scraps | Sales, tonnes | 56.40 | 56.20 | 0% |

Sales of fuel pellets decreased to 60.3 tonnes in 2020, 30% lower than in 2019 due to a decrease in the amount of $UF_6$ received for processing in accordance with lower customer demand. There were a small number of new contracts for ceramic powder in 2020.

#### 6.4.2 UMP segment rare metal product sales

| Rare metals products | | 2020 | 2019 | Change |
|---|---|---|---|---|
| Beryllium products | Sales, tonnes | 1,375.08 | 1,636.38 | (16%) |
| | KZT/kg | 15,902 | 12,049 | 32% |
| Tantalum products | Sales, tonnes | 143.73 | 119.75 | 20% |
| | KZT/kg | 84,918 | 79,693 | 7% |
| Niobium products | Sales, tonnes | 16.11 | 9.41 | 71% |
| | KZT/kg | 16,846 | 26,148 | (36%) |

Sales of beryllium products decreased by 16% in 2020 compared to 2019, due to a decrease in the number of orders from customers. Sales price increased by 32% in 2020 mainly related to the weakening of KZT against USD and product mix change to highly refined products and higher price in the non-ferrous metal market.

Sales volumes and prices for tantalum products were higher in 2020 compared 2019, due to higher consumer demand for tantalum ingots and chips.

Sales of niobium products in 2020 increased by 71% compared to 2019 due to an increase in the quantity of orders for niobium hydroxide, although the 2020 orders were for less highly refined products of lower value, resulting in a lower selling price in 2020.

### 6.5 Cost of sales

The table below illustrates the components of the Group's cost of sales for 2020 and 2019:

| | | | | Proportion | |
|---|---|---|---|---|---|
| (KZT million) | 2020 | 2019 | Change | 2020 | 2019 |
| Materials and supplies | 167,546 | 147,331 | 14% | 52% | 48% |
| Depreciation and amortisation | 60,002 | 60,044 | (0%) | 19% | 20% |
| Wages and salaries | 31,874 | 29,632 | 8% | 10% | 10% |
| Taxes other than income tax | 23,775 | 27,021 | (12%) | 7% | 9% |
| Processing and other services | 19,738 | 18,566 | 6% | 6% | 6% |
| Other | 16,689 | 24,904 | (33%) | 5% | 8% |
| **Cost of Sales** | **319,624** | **307,498** | **4%** | **100%** | **100%** |

Cost of sales totalled KZT 319,624 million in 2020, an increase of 4% compared to 2019.

The cost of materials and supplies was KZT 167,546 million in 2020, an increase of 14% compared to 2019 due to an increase in purchase price of materials and supplies, including $U_3O_8$ as a result of the increase in the spot prices and the weakening of the KZT against the US dollar as well as slight increase in sales volumes of $U_3O_8$.

Wages and salaries totalled KZT 31,874 million in 2020, an increase of 8% compared to 2019, mainly due to an increase in the payroll of main production personnel, which took effect during the second half of 2019.

The taxes other than income tax as at 31 December 2020 totalled KZT 23,775 million, which is comprised mostly of MET, decreased by 12% compared to 2019 due to a change in Kazakhstan's tax legislation whereby the cost of sulphuric acid used in the ISR wellfield acidification process is now capitalised within well construction, rather than being expensed directly to the production cost, thus decreasing the MET.

The cost of processing and other services was KZT 19,738 million in 2020, an increase of 6% compared to 2019, mainly due to an increase in the cost of ancillary production services as a result of increase in wages and salaries of ancillary production personnel.

The other categories of costs, including items such as maintenance and repair and other expenses totalled KZT 16,689 million in 2020, an overall decrease of 33% compared to 2019 due to due to the Company's actions amid the COVID-19 pandemic (see Section 6.3.2 Uranium segment production and sales metrics).

### *6.5.1 Uranium segment C1 cash cost, all-in sustaining cash cost, and capital expenditures*

| (KZT million unless noted) | | 2020 | 2019 | Change |
|---|---|---|---|---|
| C1 Cash cost (attributable basis) | USD/lb | 8.67 | 9.28 | (7%) |
| All-in sustaining cash cost (attributable C1 + capital cost) | USD/lb | 11.72 | 11.94 | (2%) |
| Capital expenditures of mining companies (100% basis)[1] | | 60,947 | 66,973 | (9%) |

[1] Excludes liquidation funds and closure costs and includes expansion investments. Note that in section 7.0 CAPITAL EXPENDITURES REVIEW total results include liquidation funds and closure cost.

C1 Cash cost (attributable) and All-in-sustaining cash costs (attributable C1 + capital cost) decreased by 7% and 2% respectively in USD equivalent in 2020, compared to 2019. The results were considerably better than expected and below the guidance ranges provided for 2020 (US$10.00 – 11.00 for attributable C1 cash cost, US$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.

Capital expenditures of mining companies (100% basis) totalled KZT 60,947 million, a decrease of 9% compared to 2019, primarily due to the decreased wellfield development activity, which was the result of a decrease in the number personnel throughout the second quarter to prevent the spread of the COVID-19 pandemic (see section 7.0 CAPITAL EXPENDITURES REVIEW).

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

| General Attributable Cash cost (C1) Categories | 2020 | 2019 |
|---|---|---|
| Material and supplies | 24% | 27% |
| MET | 19% | 19% |
| Processing and other services | 18% | 15% |
| Wages and salaries | 17% | 14% |
| General and administrative expenses | 7% | 7% |
| Selling expenses | 3% | 3% |
| Others | 12% | 15% |
| **Total** | **100%** | **100%** |

### *6.6 Selling expenses*

| | | | | Proportion | |
|---|---|---|---|---|---|
| (KZT million) | 2020 | 2019 | Change | 2020 | 2019 |
| Shipping, transportation and storing | 10,351 | 6,790 | 52% | 52% | 48% |
| Wages and salaries | 1,139 | 1,035 | 10% | 10% | 10% |
| Materials | 212 | 255 | (17%) | 19% | 20% |
| Rent | 113 | 70 | 61% | 6% | 6% |
| Depreciation and amortisation | 66 | 70 | (6%) | 7% | 9% |
| Others | 2,471 | 2,607 | (5%) | 5% | 8% |
| **Selling expenses** | **14,352** | **10,827** | **33%** | **100%** | **100%** |

Selling expenses totalled KZT 14,352 million in 2020, an increase of 33% compared to 2019. The increase was mainly due to changes in the delivery destination points for uranium products (see Section 3.2 Sales) and the weakening of the KZT against the USD, as a significant portion of shipping, transportation and storing expenses is denominated in foreign currency.

### 6.7 General & Administrative expenses (G&A)

| (KZT million) | 2020 | 2019 | Change | Proportion 2020 | Proportion 2019 |
|---|---|---|---|---|---|
| G&A expenses | 29,582 | 32,024 | (8%) | 100% | 100% |
| Incl. Depreciation and amortisation | 1,744 | 1,611 | 8% | 6% | 5% |

A decrease of G&A expenses was due to a lower average number of personnel, fewer business trips and other cost reductions in connection with the COVID-19 pandemic.

### 6.8 The share of associates' and JVs' results

The share of results of associates and JVs in 2020 was KZT 40,086 million, an increase of 20% compared to 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.

### 6.9 Profit before tax and tax expense

| (KZT million) | 2020 | 2019 | Change |
|---|---|---|---|
| Profit before tax | 285,144 | 247,255 | 15% |
| Corporate income tax | 63,776 | 33,506 | 90% |

The Group's profit before tax was KZT 285,144 million in 2020, an increase of 15% compared to 2019. The increase 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.

In 2020, corporate income tax expense was KZT 63,776 million, an increase of 90% compared to 2019, mainly due to the increase in operating profit (see section 6.1 Consolidated financial metrics), and the sale of "Uranium Enrichment Center" JSC, which had a tax impact (see section 5.2 Changes in the Group structure).

The corporate tax rate applicable to the Group's profits was 20% in 2020 and 2019. Effective income tax rates were 21% and 18% for 2020 and 2019, respectively. The effective tax rate differs from corporate income tax rate primarily due to certain elements of reported income and expenses that are not recognized in tax accounting, such as net result from sale of investment in joint venture in 2020 and the gain from reversal of liability under joint operations in 2019.

## 7.0 CAPITAL EXPENDITURES REVIEW

Most of 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.

| | | | | | 2020 | | | | 2019 |
|---|---|---|---|---|---|---|---|---|---|
| **(KZT million)** | **Owner-ship** | **WC[1]** | **S[2, 4]** | **LF/C[3]** | **Total** | **WC[1]** | **S[2, 4]** | **LF/C[3]** | **Total** |
| Ortalyk LLP | 100% | 3,451 | 851 | 175 | **4,477** | 2,091 | 194 | 139 | **2,424** |
| Kazatomprom-SaUran LLP | 100% | 5,231 | 925 | 238 | **6,394** | 3,488 | 830 | 444 | **4,762** |
| RU-6 LLP | 100% | 1,902 | 672 | 226 | **2,800** | 2,217 | 804 | 253 | **3,274** |
| Appak LLP | 65% | 2,666 | 833 | 142 | **3,641** | 1,076 | 507 | 48 | **1,631** |
| JV Inkai LLP | 60% | 4,306 | 2,203 | 23 | **6,532** | 8,517 | 2,634 | (1) | **11,150** |
| Baiken-U LLP | 52.5% | 4,634 | 400 | 250 | **5,284** | 4,392 | 998 | 150 | **5,540** |
| Semizbay-U LLP | 51% | 3,108 | 468 | 211 | **3,787** | 2,810 | 946 | 123 | **3,879** |
| JV Budenovskoye LLP | 51% | - | - | 46 | **46** | - | - | - | **-** |
| Karatau LLP | 50% | 1,713 | 890 | 171 | **2,774** | 4,203 | 5,683 | 96 | **9,982** |
| JV Akbastau JSC | 50% | 2,382 | 713 | 106 | **3,201** | 2,249 | 351 | 132 | **2,732** |
| JV Khorassan-U LLP | 50% | 3,698 | 805 | 202 | **4,705** | 2,138 | 422 | 119 | **2,679** |
| JV Zarechnoye JSC | 49.98% | 3,129 | 263 | 17 | **3,409** | 3,858 | 275 | 9 | **4,142** |
| JV Katco LLP | 49% | 8,237 | 3,067 | 13,903 | **25,207** | 8,499 | 2,491 | 632 | **11,622** |
| JV SMCC LLP | 30% | 3,772 | 627 | 251 | **4,650** | 4,456 | 845 | 224 | **5,525** |
| **Total of mining assets** | | **48,229** | **12,717** | **15,961** | **76,907** | **49,994** | **16,980** | **2,368** | **69,342** |

[1] Well construction.
[2] Sustaining.
[3] Liquidation fund / closure. In 2020 JV Katco LLP has changed the methodology of calculation and increased its LF/C.
[4] Includes total expansion investments (JV Inkai LLP, Karatau LLP, JV Katco LLP) in amount of KZT 2.2 billion in 2020 and KZT 7 billion in 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 on the availability of reserves. These costs relate to the capitalized costs of maintaining the sites, with the main component being wellfield construction.

| **(KZT million)** | **2020** | **2019** | **Change** |
|---|---|---|---|
| Well construction | 48,229 | 49,994 | (4%) |
| Sustaining[1] | 10,453 | 10,026 | 4% |
| **Total wellfield construction and sustaining costs** | **58,682** | **60,020** | **(2%)** |

[1] Excludes total expansion investments (JV Inkai LLP, Karatau LLP, JV Katco LLP) of KZT 2.2 billion in 2020 in 2019 and KZT 7 billion in 2020.

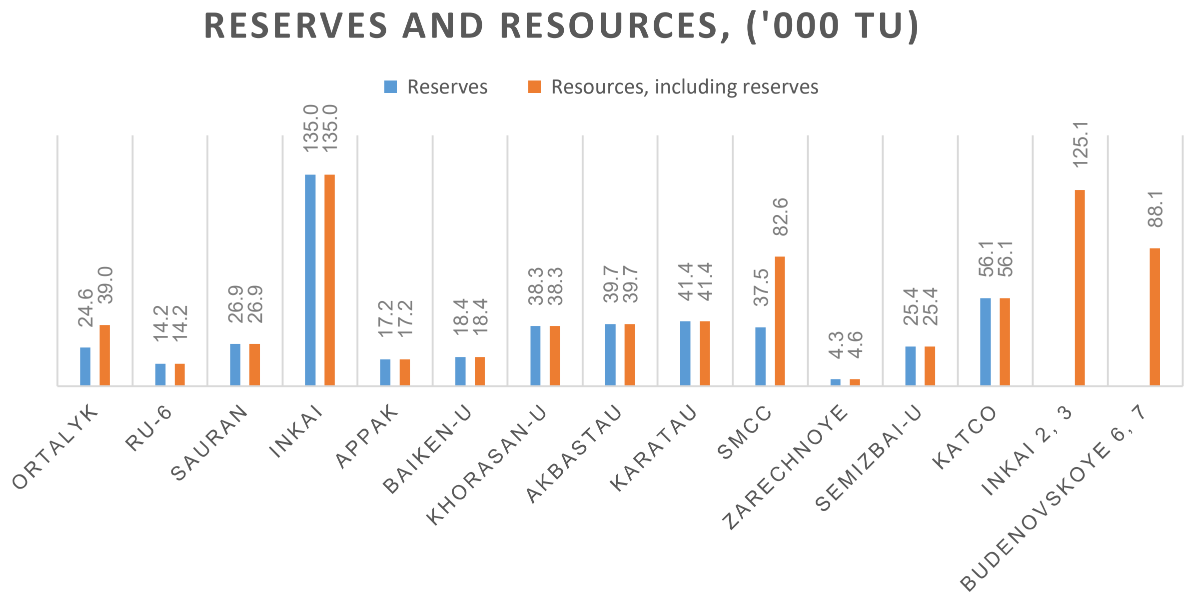
Wellfield construction and sustaining costs for the 14 mining entities in 2020 amounted to KZT 58,682 million, which is 2% lower than in 2019. The results were considerably below the guidance ranges provided for 2020 (KZT 65 – 75 billion), due to a decrease in well construction as a result of production reductions associated with a decline in field development activities amid the COVID-19 pandemic. The decrease was offset by the change in Kazakhstan's tax legislation, whereby the cost of sulphuric acid used in the ISR wellfield acidification process is now capitalised within well construction, rather than being expensed directly to the production cost.

The information presented in the table below reflects the wellfield development depreciation (commonly known as PGR), property, plant and equipment, and depreciation and amortization data for each mining asset in 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 | 2,760 | 10,506 | 289 | 18,906 | 11,617 | 818 |
| Kazatomprom-SaUran LLP | 4,020 | 14,657 | 2,692 | 16,214 | 6,159 | 921 |
| RU-6 LLP | 2,813 | 7,021 | - | 7,240 | 4,423 | 368 |
| Appak LLP | 1,435 | 4,595 | 1,985 | 9,420 | 4,798 | 325 |
| JV Inkai LLP | 4,896 | 22,219 | 17,728 | 99,090 | 59,275 | 2,253 |
| Baiken-U LLP | 3,030 | 9,128 | 6,168 | 20,273 | 10,313 | 1,022 |
| Semizbay-U LLP | 2,578 | 7,331 | 36 | 17,145 | 8,747 | 798 |
| JV Budenovskoye LLP | - | - | - | 53 | 37 | 7 |
| Karatau LLP | 2,621 | 7,181 | 2,827 | 29,041 | 16,179 | 1,027 |
| JV Akbastau JSC | 1,574 | 4,524 | 6,404 | 11,261 | 7,134 | 401 |
| JV Khorassan-U LLP* | 2,235 | 6,299 | 9,097 | 16,102 | 10,195 | 631 |
| JV Katco LLP | 4,540 | 20,544 | 1,975 | 52,624 | 17,172 | 1,708 |
| JV Zarechnoye JSC | 2,323 | 8,328 | 438 | 8,701 | 2,338 | 416 |
| JV SMCC LLP | 4,529 | 10,997 | 6,101 | 20,615 | 10,496 | 1,538 |

* includes the fixed assets of "Kyzylkum" LLP

## 8.0 RESERVES AND GEOLOGICAL SURVEYS




In accordance with the SRK Consulting (UK) Limited letter (dated 15 January 2021), the Mineral reserves of all mining assets at 31 December 2020 (including annual depletion) totalled about 479 thousand tU, (100% basis), with 281.1 thousand tU attributable to the Company. Total mineral resources (including reserves) were estimated at 751.9 thousand tU (100% basis), with 479.2 thousand tU attributable to the Company. In comparison to 2019, total mineral resources increased by about 35.8 thousand tU due to an increase in reserves of 55.4 thousand tU in sites 6 and 7 of the Budenovskoye deposit, partially offset by a decrease of 19.6 thousand tU due to the production related depletion of mineral resources related to mining activities in 2020.

In 2019, "Kazatomprom-SaUran" LLP completed mining of section No. 1 (southern) of the Moinkum deposit, which, as of 31 December, 2018, consisted of only 30 tons of ore reserves. Mining of the Uvanas deposit was also completed. In 2020, the process of liquidating the related subsoil use contracts for these fields has begun.

## 9.0 LIQUIDITY AND CAPITAL RESOURCES

Kazatomprom's management aims to preserve financial stability in a constantly changing market environment. The Group's financial management policy is intended to maintain 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, although 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.

### *9.1 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) | 2020 | 2019 | Change |
|---|---|---|---|
| Cash and cash equivalents | 113,347 | 98,560 | 15% |
| Current term deposit | - | 1 | (100%) |
| **Total cash** | **113,347** | **98,561** | **15%** |

The Group's cash and cash equivalents at 31 December 2020 were KZT 113,347 million, compared to KZT 98,560 million on 31 December 2019, due to explanations that are presented below in the Section 9.4 Cash Flows.

### *9.2 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. In 2020 and 2019, the Group received dividends of KZT 47,886 million and KZT 13,266 million, respectively, from its JVs and associates, and other investments. The increase in 2020 was primarily due to an increase in operating results of JVs and associates, and from other investments as well as 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 2020, the Company paid dividends of KZT 99,002 million to its shareholders on the results of 2019 operations an increase of 24% compared to 2019 when dividends of KZT 80,001 million were paid to shareholders on the results of 2018 operations. The increase was related to improved financial results in 2019, with the dividend payment amount being based upon the Company's approved dividend policy and shareholder approval at the Annual General Meeting of shareholders. The Company has now met its IPO commitment for minimum USD 200 million dividend payments in 2019 and 2020. Going forward, the annual dividend payment will be proposed for shareholder approval by a decision of Kazatomprom's Board of Directors, calculated based on the Company's dividend policy.

### 9.3 Working capital

The table below provides a breakdown of the Group's working capital in 2020 and 2019.

| (KZT million) | 2020 | 2019 | Change |
|---|---|---|---|
| Inventory | 233,389 | 217,059 | 8% |
| Receivables | 117,418 | 90,627 | 30% |
| Recoverable VAT | 48,621 | 44,874 | 8% |
| Other current assets[1] | 8,159 | 12,257 | (33%) |
| CIT prepayment | 9,986 | 12,110 | (18%) |
| Payables | (43,948) | (58,562) | (25%) |
| Employee remuneration liabilities | (169) | (136) | 24% |
| Income tax liabilities | (927) | (467) | 99% |
| Other taxes and compulsory payments liabilities | (8,713) | (12,717) | (31%) |
| Other current liabilities | (34,518) | (20,682) | 67% |
| **Net working capital** | **329,298** | **284,363** | **16%** |

[1] Excludes current term deposits as of December 31, 2019 for KZT 1 million.

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 in 2020 and 2019:

| (KZT million) | 2020 | 2019 | Change |
|---|---|---|---|
| Finished goods and goods for resale | 185,397 | 171,452 | 8% |
| *Including uranium products* | *183,633* | *170,105* | *8%* |
| Work-in-process | 22,923 | 22,317 | 3% |
| Raw materials | 20,179 | 19,071 | 6% |
| Materials in processing | 1,204 | 1,045 | 15% |
| Fuel | 655 | 787 | (17%) |
| Spare parts | 682 | 626 | 9% |
| Other materials | 5,104 | 4,913 | 4% |
| Provision for obsolescence and write-down to net realizable value | (2,755) | (3,152) | (13%) |
| **Total inventories** | **233,389** | **217,059** | **8%** |

The Group constantly monitors the uranium market and may pursue a strategy of increasing its inventories in certain market conditions. The Group's largest inventory item is finished goods and goods for resale, which primarily consists of $U_3O_8$. The Group's work-in-process and raw materials increased by 3% and 6% respectively.

An increase in the inventory balance despite a decrease in inventory volume was mainly related to increase in spot price of $U_3O_8$ and weakening of KZT against USD during 2020 increasing the cost of purchased inventory from JVs and third parties. In alignment with the Company's value strategy, Kazatomprom's inventory levels vary based upon seasonality, and mining and sales volumes, in alignment with changing market conditions.

### 9.4 Cash Flows

The following cash flow discussion is based on, and should be read in conjunction with the Financial Statements and related notes.

The following table provides the Group's consolidated cash flows in 2020 and 2019:

| (KZT million) | 2020 | 2019 |
|---|---|---|
| Cash flows from operating activities[1] | 161,593 | 159,529 |
| Cash flows from/(used in) investing activities | 48,759 | (28,271) |
| Cash flows (used in) financing activities | (201,415) | (159,103) |
| **Net increase/(decrease) in cash and cash equivalents** | **8,937** | **(27,845)** |

[1] Includes income tax and interest paid.

### 9.4.1 *Cash Flows from Operating Activities*

Operating cash flows totalled KZT 161,593 million, an increase of 1% compared to KZT 159,529 million in 2019 mainly due to:

- a KZT 88,429 million increase in cash receipts from customers during 2020 compared to 2019, due to growth in the average realized price associated with an increase in the market spot price for $U_3O_8$ and change in timing of the sales schedule for 2019-2020; and
- a KZT 64,893 million increase in payments for accounts payable to suppliers during the 2020 due to the weakening of the KZT against the USD and an increase in the spot price for $U_3O_8$ purchased from JV and associates.

### 9.4.2 *Cash Flows from Investing Activities*

Net cash inflows from investing activities increased up to KZT 48,759 million in 2020 compared to Net cash outflows KZT 28,271 million in 2019.

Changes in investing cash flows in 2020 were due to:

- cash consideration received from the sale of the investment in joint venture JSC Uranium Enrichment Center 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 14,186 million due to a decrease in mining and preparatory work associated with a decrease in development activities due to COVID-19 (see Section 7.0 CAPITAL EXPENDITURES REVIEW).

### 9.4.3 *Cash Flows from financing activities*

Net cash outflows from financing activities were KZT 201,415 million in 2020 and KZT 159,103 million in 2019. The increase in outflow was primarily due to a change in the net movement of loan balances in 2020 of KZT 16,776 million, an increase in dividends paid to shareholders of KZT 19,001 million, and an increase in non-controlling interest KZT 6,533 million compared to 2019.

## 10.0 INDEBTEDNESS

The total debt and guarantees of the Group as of 31 December 2020 were KZT 117,962 million (KZT 176,397 million in 2019).

| (KZT million) | 2020 | 2019 | Change |
|---|---|---|---|
| Bank loans | 6,734 | 71,847 | (91%) |
| Non-bank loans | 91,838 | 89,511 | 3% |
| Guarantees | 19,390 | 15,038 | 29% |
| **Total debt and guarantees** | **117,962** | **176,396** | **(33%)** |

The following table summarises the Group’s debt for the years ended 31 December 2020 and 2019:

| (KZT million) | 2020 | 2019 | Change |
|---|---|---|---|
| **Non-current** | **76,570** | **70,104** | **9%** |
| Bank loans | - | - | |
| Non-bank loans, including: | 76,570 | 70,104 | |
| *Bonds issued* | 76,300 | 69,300 | |
| *Lease liabilities* | 270 | 804 | |
| **Current** | **22,002** | **91,254** | **(76%)** |
| Bank loans | 6,734 | 71,847 | |
| Non-bank loans, including: | 15,268 | 19,407 | |
| *Non-bank loans* | - | 641 | |
| *Promissory note issued* | 14,004 | 17,460 | |
| *Lease liabilities* | 476 | 590 | |
| *Bonds issued* | 788 | 716 | |
| **Total debt** | **98,572** | **161,358** | **(39%)** |

As of 31 December, 2020, the Group has no long-term bank loans. Current bank loans mainly include amounts payable within 12 months under short-term bank loans. These credit lines are an additional liquidity source for the Group and are primarily used to temporarily cover cash deficits related to uneven receipts of trade receivables. As at 31 December 2020, the total limit on the Group’s revolving credit lines was USD 590 million, of which USD 16 million was drawn (USD 574 million still available).

The amount of non-bank loans as of 31 December, 2020 totalled KZT 91,838 million and predominantly includes long-term USD-indexed Company coupon bonds with a 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 31 December 2020, the right to claim under the promissory notes belongs to “Kyzylkum” LLP. In 2020, the 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 financial covenants based upon the Group's consolidated information, such as debt to equity ratio, and debt to EBITDA ratio. The Group complied with all applicable covenants during the year and as at 31 December 2020.

The following table summarises the Group’s weighted average interest rate for bank loans in 2020 and 2019:

| (%) | 2020 | 2019 |
|---|---|---|
| Weighted average interest rate, including: | 3.12 | 3.76 |
| Fixed interest rate | 3.31 | 3.67 |
| Floating interest rate | 1.99 | 3.91 |

As of 31 December, 2020, the weighted average interest rate decreased compared to the prior year and was 3.12%. The Group's weighted average interest rate on loans and borrowings in 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 2020, 93% of the Group's liabilities total debt from loans and borrowings were at fixed interest rates and 7% at floating interest rates (90% and 10% as of year-end 2019, respectively).

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).

### *10.1 Net debt / Adjusted EBITDA*

The following table summarises the key ratios used by the Company’s management to measure financial stability in 2020 and 2019. Management targets a net debt to adjusted EBITDA of less than 1.0.

| (KZT million) | 2020 | 2019 | Change |
|---|---|---|---|
| Total debt (excluding guarantees) | 98,572 | 161,358 | (39%) |
| Total cash balances (see Section 9.1) | (113,347) | (98,561) | 15% |
| Net debt | (14,775) | 62,797 | (124%) |
| Adjusted EBITDA* | 325,734 | 248,719 | 31% |
| Net debt / Adjusted EBITDA (coefficient) | (0.05) | 0.25 | (120%) |

Adjusted EBITDA is calculated as Profit before tax + Net finance expense + Net FX loss + Depreciation and amortisation + Impairment losses +/- one-off or unusual transactions.

## 11.0 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 depositary receipts) and LSE (global depositary 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 31 December 2020, 25% of the Company's shares are publicly traded, with 75% being held by Samruk-Kazyna.

| (at Dec 31, 2020) | Shares and GDRs | % |
|---|---|---|
| Samruk-Kazyna | 194,517,456 | 75 |
| Public free-float | 64,839,152 | 25 |
| **Total share capital** | **259,356,608** | **100** |

## 12.0 GUIDANCE FOR 2021

| (exchange rate 430 KZT/1USD) | 2021 |
|---|---|
| Production volume $U_3O_8$ (tU) (100% basis)[1] | 22,500 – 22,800[2] |
| Production volume $U_3O_8$ (tU) (attributable basis)[3, 4] | 12,550 – 12,800[2] |
| Group sales volume (tU) (consolidated)[5] | 15,500 – 16,000 |
| Incl. KAP sales volume (incl. in Group) (tU)[6] | 13,500 – 14,000 |
| Revenue - consolidated (KZT billions)[7] | 620 – 640 |
| Revenue from Group $U_3O_8$ sales, (KZT billions)[7] | 540 – 560 |
| C1 cash cost (attributable basis) (USD/lb)[4, *] | $9.00 – $10.00 |
| All-in sustaining cash cost (attributable C1 + capital cost) (USD/lb)[4, *] | $12.00 – $13.00 |
| Total capital expenditures (KZT billions) (100% basis)[8] | 90 – 100 |

[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.
[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 the annual share of production is determined as per Implementation Agreement as disclosed in IPO Prospectus. Actual drummed production volumes remain subject to converter adjustments and adjustments for in-process material.
[4] Excludes the change in attributable share of production, C1 cash cost and all-in sustaining cash cost related to the sale of a 49% share in "Ortalyk" LLP to China General Nuclear (CGN), expected to take place in 2021 (pending approval).
[5] Group sales volume: includes Kazatomprom's sales and those of its consolidated subsidiaries (according to the definition of the Group provided on page one of this document).
[6] KAP sales volume: includes only the total external sales of KAP HQ and THK. Intercompany transactions between KAP HQ and THK are not included.
[7] 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.
[8] Total capital expenditures (100% basis): includes only capital expenditures of the mining entities.
* Note that the conversion of kgU to pounds $U_3O_8$ is 2.5998.

Kazatomprom's production expectations for 2021 remain consistent with its market-centric strategy and the intention to flex down planned production volumes by 20% for 2018 through 2022 (versus planned production levels under Subsoil Use Agreements). Production volume in 2021 is expected to be between 22,500 tU and 22,800 tU on a 100% basis, and between 12,550 tU to 12,800 tU on an attributable basis. Without the reduction production was expected to be approximately 28,000 tU (100% basis) in 2021 according to Subsoil Use Agreements.

Sales volume guidance for 2021 is also aligned with the Company's market-centric strategy. The Group expects to sell between 15,500 tU and 16,000 tU, which includes KAP sales of between 13,500 tU and 14,000 tU, consistent with sales volumes in 2020. Sales in excess of planned attributable production are expected to be sourced from inventories, from KAP subsidiaries under contracts and agreements with joint venture partners, and from other third-party purchases.

Revenue, C1 cash cost (attributable basis) and All-in Sustaining cash cost (attributable C1 + capital cost) may vary from the guidance provided above if the KZT to USD exchange rate differs from the 2021 budget assumption of 430 KZT/1 USD.

The Company continues to target an ongoing inventory level of approximately six to seven months of annual attributable production (roughly 6,500 tU to 7,500 tU, 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.

### 12.1 *Uranium sales price sensitivity analysis*

The table below indicates how the Group's $U_3O_8$ 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 $U_3O_8$ 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 $U_3O_8$ 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 13.1 Forward-looking statements for more information.

| Average Annual Spot Price (USD) | 2021E | 2022E | 2023E | 2024E | 2025E |
|---|---|---|---|---|---|
| 20 | 24 | 22 | 22 | 22 | 22 |
| 30 | 31 | 31 | 31 | 31 | 31 |
| 40 | 38 | 40 | 41 | 41 | 41 |
| 50 | 46 | 49 | 50 | 50 | 50 |
| 60 | 53 | 59 | 59 | 59 | 59 |
| 70 | 60 | 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 31 December 2020 and prepared for 2021–2025 on the basis of minimum attributable annual sales of approximately 13.5 thousand tonnes of uranium in the form of $U_3O_8$, of which the volumes contracted as of 31 December2020 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 $U_3O_8$ are assumed to be sold under short-term contracts negotiated directly with the customers and based on spot prices.

## 13.0 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 alternative energy sources may result in lower demand for nuclear raw materials, a reduction in nuclear energy development programs and the construction of nuclear power plants 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 $U_3O_8$ inventories throughout the $U_3O_8$ 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 ($U_3O_8$) 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 update and/or miss the Guidance for 2021 stated above.

### *13.1 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.