

## KAZ Minerals's production results for 1H2019

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Aliya Assilbekova — July 26, 2019

The Company produced 147.6 ktons of copper (+ 6% y/y) for 1H2019. Some decline in production was observed at Bozshakol and in the Eastern region and Bozymchak to 47.1 ktons (-5% y/y) and 26.4 ktons (-10% y/y), respectively. The main annual increase in copper production was at Aktogay, where the figure reached 74.1 ktons (+ 22.5%) due to an increase in the volume of ore processing and extraction levels. Zinc production decreased to 18.4 ktons (-26% y/y) due to a decrease in the processing of zinc-containing ore and mining from low-content rocks. For 1H2019 the Company produced 87.7 koz of gold (-2.3% y/y) and 1,522 koz of silver (-5.2% y/y).

The decrease in copper production at Bozshakol was due to a lower level of content (0.45% in 1H2019 versus 0.49% in 1H2018). Considering the projected increase in the average metal grade in the ore and the resumption of operating activities of plant for the processing of clay ore, the Company plans to increase the processed volumes in 2H2019, which will make it possible to achieve the forecast range of copper production at Bozshakol for 2019 at 105-115 ktons.

Copper production at the Aktogay sulfide factory amounted to 74.1 ktons (+ 22.5% y/y) with an increase in processing volumes (+ 20% y/y) and a higher extraction level (88.8%). However, it is worth to note the decrease in the average metal content in sulfide ore from 0.62% to 0.58%. Considering the planned maintenance in 2H2019, KAZ Minerals plans to produce 130-140 ktons of copper at Aktogay by the end of 2019.

Decrease of copper production in the Eastern region and Bozymchak to 26.4 ktons (-10% y/y) was due to reduced ore processing (-5% y/y) and lower average grade (-7% y/y). After resuming work at the Nikolayevsky factory in 1H2019, the Company expects to produce about 55 ktons of copper and 40-45 ktons of zinc for the year.

KAZ Minerals has confirmed its production forecasts for 2019 on produced metals at levels of 300 ktons of copper, 45 ktons of zinc, 170-185 koz of gold and 3,000 koz of silver.

### Our opinion:

Achieving at Aktogay copper production in the amount of 37 ktons in 2Q2019 and an increase in the technical readiness of factories are key drivers of KAZ Minerals production growth in 1H2019. In addition, the processing of sulfide ore with a higher grade in 2Q2019 (average content of 0.59% in 2Q2019 versus an average content of 0.57% in 1Q2019) and a high recovery rate (88.8%) at Aktogay can allow the Company to achieve the upper boundary of the forecast range at the specified factory for 2019 (130-140 ktons of copper). Until the end of 2019 a higher metal grade in the ore and the operation of clay factory at full design capacity at Bozshakol (105-115 ktons of copper) are expected. Operating results for 1H2019 do not make significant changes in our financial forecasts and estimates of the Company. We maintain our **Buy** recommendation with 12M TP at **760 GBp / share**.

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Research	Department	Telephone	E-mail
Stanislav Chuyev	Head		<a href="mailto:s.chuyev@halykfinance.kz">s.chuyev@halykfinance.kz</a>
Assan Kurmanbekov	Macroeconomics		<a href="mailto:a.kurmanbekov@halykfinance.kz">a.kurmanbekov@halykfinance.kz</a>
Dmitriy Sheikin	Macroeconomics		<a href="mailto:d.sheikin@halykfinance.kz">d.sheikin@halykfinance.kz</a>
Zhansaya Kantayeva	Fixed income		<a href="mailto:zh.kantayeva@halykfinance.kz">zh.kantayeva@halykfinance.kz</a>
Madina Meterkulova	Equity		<a href="mailto:m.meterkulova@halykfinance.kz">m.meterkulova@halykfinance.kz</a>
Vladislav Benberin	Equity		<a href="mailto:v.benberin@halykfinance.kz">v.benberin@halykfinance.kz</a>

Sales	Department	Telephone	E-mail
Mariya Pan	Head		<a href="mailto:m.pan@halykfinance.kz">m.pan@halykfinance.kz</a>
Aizhan Moldakhmetova	Institutional		<a href="mailto:a.moldakhmetova@halykfinance.kz">a.moldakhmetova@halykfinance.kz</a>
Asel Baizhanova	Institutional		<a href="mailto:a.baizhanova@halykfinance.kz">a.baizhanova@halykfinance.kz</a>
Zhanna Nuralina	Retail		<a href="mailto:zh.nuralina@halykfinance.kz">zh.nuralina@halykfinance.kz</a>
Shynar Zhakanova	Retail		<a href="mailto:sh.zhakanova@halykfinance.kz">sh.zhakanova@halykfinance.kz</a>
Aliya Abdumazhitova	Retail		<a href="mailto:a.abdumazhitova@halykfinance.kz">a.abdumazhitova@halykfinance.kz</a>
Alya Mukhametzhanova	Retail		<a href="mailto:a.mukhametzhanova@halykfinance.kz">a.mukhametzhanova@halykfinance.kz</a>

### Halyk Finance

Abay av. 109 «B», 5th fl.  
 Almaty, Kazakhstan, A05A1B4  
 Tel: +7 727 331 59 77  
[www.halykfinance.kz](http://www.halykfinance.kz)

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