INTEGRATED ANNUAL REPORT 2013

KAZATOMPROM
NATIONAL ATOMIC COMPANY

NAC KAZATOMPROM JSC
INTEGRATED ANNUAL REPORT

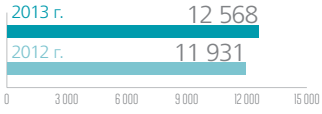
2013

CONTENT

KEY PERFORMANCE INDICATORS

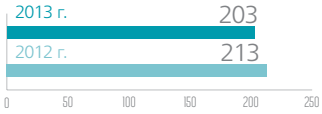
Mining and Production

↑ 5%



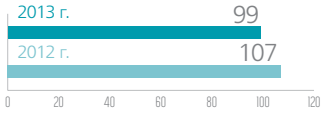
Uranium Production of NAC Kazatomprom JSC by Equity Interest in all Subsidiaries & Affiliates, tons

↓ -5%



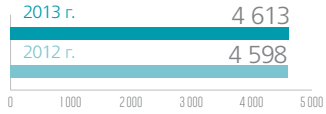
Tantalum Production, tons of Ta

↓ -7%



Beryllium Production, tons of Be

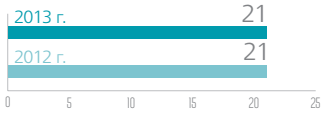
↑ 0%



Electricity Production, mln kWh

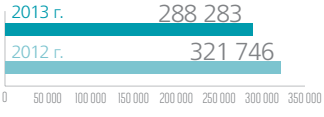
Share of NAC Kazatomprom JSC in the World Natural Uranium Market by the Equity Interest in all Subsidiaries & Affiliates

0%



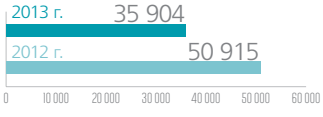
Financial Indicators

↓ -10%



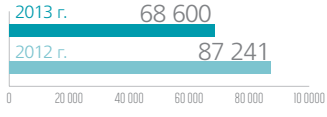
Income, KZT mln

↓ -29%



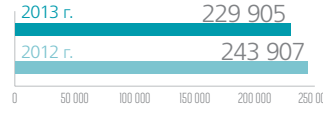
Income Attributable to Shareholders, KZT mln

↓ -21%



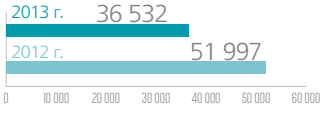
EBITDA, KZT mln

↓ -6%



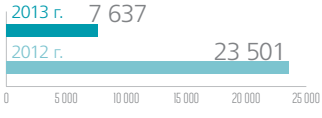
Cost of Sales, KZT mln

↓ -30%



Profit for the year, KZT mln

↓ -68%

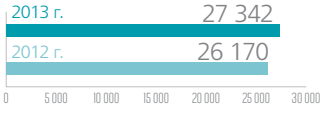


Declared Dividends, KZT mln

Non-Financial Indicators

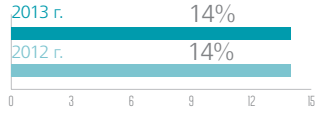
Human Resources

↑ 4,5%



staff number

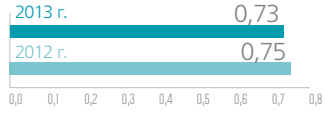
0%



staff turnover

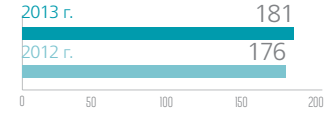
OH&IS

↑ -3%



injury-frequency rate

↑ 3%

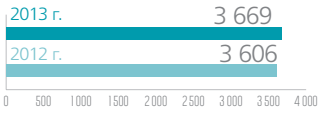


number of staff with annual radiation dose over 5 mSv, persons

Non-Financial Indicators

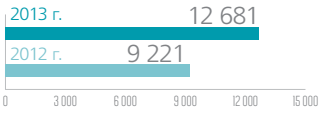
Environmental Protection

↑ 2%



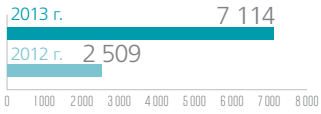
greenhouse gas emission, thous. tons of CO_2 equivalent

↑ 38%



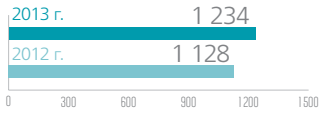
provision of site restortion, KZT mln

↑ 184%



reusable water, thous. m^3

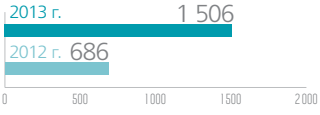
↑ 9%



environmental costs, KZT mln

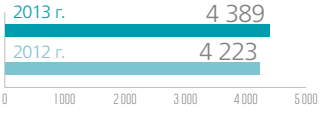
Social

↑ 120%



sponsor and charitable support, KZT mln

↑ 3,8%



social tax and social contributions, KZT mln

KEY EVENTS OF 2013

JANUARY

Experts from NAC Kazatomprom JSC and its subsidiaries & affiliates took part in the fifth Annual Workshop-Meeting on Current Scientific and Technological Issues of Uranium Industry. Energy and resource saving». Together with representatives of foreign companies involved in or planning the cooperation with JSC NAC Kazatomprom, the innovations in nuclear and uranium industries were discussed.

MARCH

Meeting between representatives of NAC Kazatomprom JSC and the Nuclear Power Corporation of India (NPCIL) was held, where the issues of further development of bilateral cooperation in the area of nuclear energy were discussed, in particular, the supply of uranium to India.

MAY

Opening of the representative office of NAC Kazatomprom JSC in the USA. The representative office was opened with the aim to increase the share of sales in the uranium market of the USA, to network and maintain regular direct contacts with all end-users of uranium in the USA, as well as to promote the projects for market entry and sale of the higher value-added nuclear fuel cycle products and to develop cooperation projects with American partners.

JUNE

Tekhsnabexport OJSC and NAC Kazatomprom JSC signed an agreement on book transfer operations with natural uranium, which is one of the important tools within the framework of cooperation between NAC Kazatomprom JSC and foreign energy companies, including power companies in the USA.

SEPTEMBER

Moody's Investors Service rating agency confirmed NAC Kazatomprom JSC's issuer rating at the level of Baa3 and the rating of unsecured priority stock at the level of Baa3. Outlook – 'Stable'.

Centre for Uranium Enrichment JSC (CUE), which is owned on the parity basis by NAC Kazatomprom JSC and TVEL JSC, has acquired a stock of shares (25% + 1 share) of Ural Electrochemical Integrated Plant JSC. CUE's is one of the key directions of Kazakh-Russian cooperation in the nuclear field.

OCTOBER

A meeting with the Board of Directors of Cameco was held in NAC Kazatomprom JSC. The parties discussed uranium mining joint venture JV Inkai LLP, as well as joint projects in the area of nuclear fuel cycle.

NOVEMBER

NAC Kazatomprom JSC and Kazakh-British Technical University JSC concluded Memorandum of Understanding on scientific and technical cooperation in order to implement research and innovative projects in the area of renewable energy, to establish joint working groups, as well as to train and retrain the experts in renewable energy sources.

CUE's project on uranium enrichment launched the implementation stage. The first commercial delivery of products took place in the amount of 300 thous. SWU.

DECEMBER

NAC Kazatomprom JSC completed the acquisition of 40 per cent shares of Caustic JSC, on which platform a series of import substituting productions is planned to be organized, namely: production of sodium hydroxide, hydrogen peroxide and soda.

Within the framework of launching the plant of Kazakhstan Solar Silicon LLP for production of photovoltaic cells (subsidiary of NAC Kazatomprom JSC), launched production of cells – solar energy converters.

MAEC-Kazatomprom LLP launched a new seawater desalination facility with a capacity of 12,000 tons per day.

Events After the Reporting Date

MARCH

Vladimir Shkolnik, Chairman of the Board of NAC Kazatomprom JSC, participated in the III Nuclear Security Summit (NSS) in the official delegation headed by Nursultan Nazarbayev, President of the Republic of Kazakhstan. The main objective of the Summit was to discuss current issues of global nuclear security.

JUNE

On the territory of the solar panels production plant of Astana Solar LLP in Astana, a memorandum of cooperation was concluded between the group companies of the KazPV Kazakhstani project (Astana Solar, Kazakhstan Solar Silicon LLP and KazSilicon LLP), Qatar company of Qatar Solar Energy and American company of Clean Power Innovation, on supply of silicon, solar cells and wafers to the State of Qatar.

The state corporation of Rosatom and NAC Kazatomprom JSC signed a memorandum of understanding and cooperation in the area of non-conventional (alternative) energy (solar and wind) and fabrication of rare and rare-earth metals.

AUGUST

Nurlan Kapparov was appointed a new Chairman of the Board of NAC Kazatomprom JSC, succeeding Vladimir Shkolnik, who headed the company in past five years. This decision was made in connection with the public administration reform in the Republic of Kazakhstan. Vladimir Shkolnik led the Ministry of Energy of Kazakhstan.

1 ABOUT THE REPORT

In the reporting period, the priority for NAC Kazatomprom JSC (hereinafter - NAC Kazatomprom JSC, the Company) is to reflect the Company's performance in the key areas of strategic development. In addition, the Company focuses on the high standards of corporate governance and sustainable development.

The key topics of this report are optimization of cost, international cooperation and development of alternative energy sources.

The Company strives to render information on the results of its activities promptly and fully in order to meet the expectations of all stakeholders. Starting from 2010, NAC Kazatomprom JSC publishes annual reports, where it reflects the information on not only the results of its operations, but sustainable development as well, in particular, on the issues of occupational health and environmental protection, industrial safety and social responsibility.

Following current trends in the area of corporate reporting, since 2011 the Company conducts preparation of integrated reports in line with the leading international standards of corporate reporting, such as Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI). Additionally, from 2011, the Company discloses approach to interaction with stakeholders and product quality management.

The Report contains results of the Company's operations for the period from January 1 to December 31, 2013.

Integrated Report 2013 is prepared in Russian, Kazakh and English and will be available on the corporate website http://www.kazatomprom.kz/#!/reports. Annual reports in English for previous reporting periods are available on the following link: http://www.kazatomprom.kz/#!/reports. Hard copies of the Report may be provided to the stakeholders upon request.

Report Preparation Standards

The Report is prepared in accordance with the recommendations of the International Integrated Reporting Standards (IIRS) dated December 2013. According to these recommendations of the IIRS, the Report is focused on a detailed description of business model using the concept of "six capitals" (financial, industrial, intellectual, human, social and natural), the results of financial and non-financial activities, and the management system, as well as on the creation of value in the short-term, medium and long-term outlook, which makes the Report future-oriented.

Besides, the Report has been prepared in accordance with the requirements of the Sustainability Reporting Guidelines of Global Reporting Initiative (GRI) G3.1 and corresponds to the application level C. Compliance with the GRI Guidelines provides comparability of NAC Kazatomprom JSC's Report with the reports of other international companies in the uranium industry.

List of performance indicators and extent of their disclosure are presented in the GRI indicator table included in the Report.

Report Boundaries and Data Presentation Form

Data on economic performance indicators presented in the Report include information on all subsidiaries and affiliates of the Company. All financial indicators of NAC Kazatomprom JSC are denominated in KZT as provided by the audited consolidated financial reporting under IFRS.

Operational indicators - in particular, production performance indicators are disclosed by equity interest in all subsidiaries and affiliates.

Wherein, the non-financial indicators are disclosed mainly with regard to the enterprises with controlling interest. Thus, the qualitative and quantitative data on social and environmental performance indicators are presented in the Report with regard to the enterprises with controlling interest.

Report Content Definition Process

In an effort to provide the complete and objective reflection of performance, the Company discloses in the Report both achievements and difficulties observed during the reporting period in the Report.

The process of defining the content of the Report has been arranged in accordance with the GRI Guidelines based on the following aspects:

- definition of interests and expectations of the Company's stakeholders (government, employees, shareholders (sole shareholder) and the investment community, business partners, regions of production activities, mass media);
- definition of significant topics and issues that are significant by their impact on development strategy and business activities of the Company;
- reliability and completeness;
- definition of impact of the Company's activities on the economy of the Republic of Kazakhstan, society, environment and the stakeholders.

The Report covers a wide range of topics in line with the priorities of the Company, including the Company's long-term economic growth, industrial safety, occupational health and environmental protection, human capital development and development of regions of operations.

Assurance

Preparation of annual integrated report is important not only for increasing the information transparency of the Company, but it helps to increase the efficiency of internal business processes as well.

This Report has not passed an independent assurance of sustainability indicators. NAC Kazatomprom JSC is aware that an independent assurance of sustainability indicators contributes to the reliability and validity of presented performance of the Company in the eyes of the stakeholders.

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

DAUREN ERDEBAI

DEAR INVESTORS,

PARTNERS AND COLLEAGUES!

I am pleased to present you the third Integrated Annual Report of NAC Kazatomprom JSC, disclosing the Company's key business and sustainability performance indicators. Such approach to disclosure is based on a voluntary adherence of the Company to the international initiative on preparation of integrated corporate reports.

The Company's activities in 2013 were significantly impacted by unstable situation in the natural uranium market caused by reduction of nuclear capacities and refusal of some countries from use of nuclear power engineering after the accident at Japanese NPP in Fukushima, in 2011. Besides, in 2013, the natural uranium market still characterized by excess of supply over demand and by steady tendency of falling rates. Thus, in 2013, the price of natural uranium was about $34,00 per lb U_3O_8, which had repercussions on the income from sales of triuranium octoxide. In such unstable conditions NAC Kazatomprom JSC still remains one of the few profitable uranium mining companies in the world. We retained our leading positions and continued to strengthen our competitive advantages. Thus, the Company's share in the world production amounted to 21.4 per cent in 2013. It is expected that unfavourable market situation for the uranium mining companies and the low prices trends will continue in the period of 2014–2015 and probably up to 2017–2018.

The Company's profit for the year amounted to KZT 36,532 mln, which is by 30 per cent lower than in 2012 and which is primarily caused by decrease in the natural uranium market price.

Most of the Company's income relates to the sale of uranium production – 100 per cent of mined uranium is exported. Our products are ensured by uranium products delivery contracts over the next 10–15 years.

As part of our strategy to build on the basis of NAC Kazatomprom JSC a transnational, diversified in the front-end cycle and nuclear power plant construction, we continued to implement projects for the conversion, uranium enrichment and production of fuel assemblies. A significant event of 2013 is the launch of production under the trademark of the Centre for Uranium Enrichment and the first delivery of 300 thous. SWU*. In 2013, the Company continued to conduct an active geological surveys aimed at increase the uranium resource potential in Kazakhstan, due to which more than 2,300 exploratory wells were drilled.

Adherence to the Company's development strategy and competent management in this difficult period resulted in increased uranium production by 6 per cent compared to the same in 2012.

The Company continues to develop its production, based on rare and rare-earth metals, as well as expand the range of tantalum and beryllium products. Special efforts of the Company are directed towards development of production of devices for generation of heat and electricity using renewable energy sources, which will significantly reduce the negative impact on the environment. At the end of November 2013, solar panel plant of Astana Solar LLP had turned out the products to the amount of KZT 2 bln starting from its launch on 25 December 2012, and in December 2013 Kazakhstan Solar Silicon LLP launched production of photovoltaic cells – solar energy converters.

Principles of sustainability are integrated into our business strategy and reflected in the routine activities of NAC Kazatomprom JSC. The Company is aimed at minimization of the negative impact on the environment, ensuring the high standards of occupational safety, as well as building a constructive dialogue with all the stakeholders.

The Company implements a number of projects intended to support the local people and improve their living conditions. NAC Kazatomprom JSC annualy invests in development of social infrastructure of the regions of operations, and supports education, culture and sports. New production capacities lead to new jobs, thereby boosting employment for the local population.

Despite the difficult situation in the world uranium market, NAC Kazatomprom JSC feels confident about the future. The Company has established all necessary conditions to keep leading positions and steady growth in the short-term and midterm.

Dauren Erdebai
Chairman of the Board of Directors of NAC Kazatomprom JSC

* SWU – separative work units, the necessary expenses to obtain 1 kg of uranium with a given isotopic composition

MESSAGE FROM THE CHAIRMAN OF THE MANAGEMENT BOARD

VLADIMIR SHKOLNIK

DEAR FRIENDS, COLLEAGUES AND PARTNERS!

In 2013NAC Kazatomprom JSC continued to increase production capacities and directed its efforts to the process optimization and the build-up of scientific and technological basis.

Reliable Partner

One of our main competitive advantages is the observance of contractual obligations to our customers: the Company had no breakdown in the supply of products for more than 15 years of its history.

As of the beginning of 2014, NAC Kazatomprom JSC has 17 midterm and long-term natural uranium supply contracts with leading companies in the energy sector of Europe, Central and South-East Asia, North and South America.

The Company continued to increase the uranium production by expanding them by 5 per cent compared with the same in 2012. In 2013, production totalled 12,568 tons or 21.4 per cent of the world production. In 2014, we plan to retain the production at the achieved level.

It became an important event for the Company, that the rating of issuer of NAC Kazatomprom JSC at the level Baa3 and the rating of unsecured priority stock at the level of Baa3, outlook – 'Stable' were confirmed in September 2013 by the Moody's Investors Service rating agency.

International Cooperation

In 2013, the framework of international cooperation of the Company was expanded. Thus, in May, the opening of representative office of NAC Kazatomprom JSC in the USA took place and a new uranium delivery contract was the result of it. In addition, an agreement was concluded with Tekhsnabexport OJSC on material stock account, which defines terms of supply of triuranium octoxide from Kazakhstan to the Russian conversion enterprises and subsequent book transfer operations.

In 2013, contractual sales by NAC Kazatomprom JSC amounted to 10,2 thous. tons of uranium concentrate. The sales of U_3O_8 totalled about 66 per cent of the consolidated income from sales of NAC Kazatomprom JSC, or KZT 190 bln. The company sells uranium products at market prices and with mixed pricing mechanism to smooth out the volatility of prices.

In September, the transaction on purchase of 25% plus 1 share in the authorized capital of UEIP OJSC by the Russian-Kazakh joint company CUE CJSC was completed, and in the end of 2013 the first production-run of 300 thous. SWU was delivered to the consumers. Attainment of projected capacity – 5 mln SWU per year – is planned in 2014.

Implementation of Strategic Objectives

The company continued to implement the strategic goals to keep the leading position in the global uranium market, diversified in the front-end cycle and nuclear power plant construction and related high-tech industries. In addition, NAC Kazatomprom JSC aimed some of its efforts on creation of non-core assets, which will allow the Company to be irrespective to the changes in the world economy. In particular, special attention was paid to the scientific activities. Thus, in 2013, the Company obtained 80 patents for the scientific research results, which is twice more than in 2012.

The sulfuric acid plant launched in 2012 has produced 356.5 thous. tons of sulphuric acid and 16,924 thous. kWh of electricity during 2013.

The Company continued expansion of its non-uranium areas and increasing the production therein. Volume of tantalum production totalled 203 tons, niobium production – 51 tons, and beryllium production – 99 tons.

In 2013, the electric and thermal energy production of MAEC-Kazatomprom LLP for use by population of Mangystau Region and Aktau has reached 4,613 mln kWh and 2,959 thous. GCal respectively, 37,927 thous. m^3 of water was produced, including 10,932 thous. m^3 of drinking water. In December 2013, MAEC-Kazatomprom LLP launched a new distillation facility for seawater desalination with a productivity rate of 12,000 tons per day.

Development of the renewable energy sector is in progress. In 2013, the photovoltaic cells and wafers production was launched in Ust-Kamenogorsk. The enterprise capacity is not less than 60 MW or 16.5 mln photovoltaic cells annually.

In 2013, the photovoltaic module production plant – Astana Solar LLP – produced 35,000 modules for a total amount of more than KZT 2 bln that corresponds to 8 MW of power, of which 62 per cent were contracted by the Kazakhstani companies.

Responsible Business

All of the Company's achievements would be impossible without the professionalism and high qualification of our employees, who are a key asset of the Company. NAC Kazatomprom JSC is active in improvement of working conditions of all employees. The total number of staff in all affiliates and subsidiaries of the Company was 27,342 persons as of the end of 2013. The staff turnover remained at the same level as in 2012 and made 14 per cent.

The Company carries out regular investments in development of the regions of operations and undertakes actions to increase the local content in the Company's procurements. Thus, according to the results of 2013 in the subsidiaries and affiliates of NAC Kazatomprom JSC, the local content in procurement of goods, works and services accounted for 75 per cent.

The Company is aware of the importance of effective sustainable development management, in particular, the issues of occupational safety and environmental protection, as well as provision of industrial safety, which is particularly important due to the specifics of NAC Kazatomprom JSC's activities.

Nineteen enterprises of the Company introduced the health and safety management systems compliant with the OHSAS 18001 international standard, and 17 enterprises – ISO 14001 international environmental management standards. The Company conducts regular audits of its quality management and environmental management systems. All enterprises of NAC Kazatomprom JSC conduct timely certification of production facilities, and they have Industrial Safety Declarations developed and approved. Overall, the Company's labour costs in 2013 totalled KZT 5,016 bln, which is by 20 per cent more than the same in previous year.

The Company's achievements were marked by its inclusion in the top five rated national companies of the Republic of Kazakhstan by the quality of their activity in 2013.

The Company feels confident about the future. The Company's enterprises have developed an action plan on reduction of expenditures in 2014 in order to mitigate the fall of the natural uranium market prices, as well as to optimize the costs of the manufactured products.

Vladimir Shkolnik,
Chairman of the Board of NAC Kazatomprom JSC

ABOUT THE COMPANY

National Atomic Company "Kazatomprom" Joint Stock Company is a national operator for export and import of the uranium and its compounds, nuclear fuel for the nuclear power plants, special equipment and technology, and dual-use materials. The Company's activities reflect the government's strategic priorities to develop nuclear, rare-metal, chemical and energy industries. The Company implements innovative large-scale projects affecting all parts in creation of value-added – extraction, development, production, operation and sales of uranium, rare-earth and rare metals, beryllium, tantalum and niobium products; as well as projects for development of high technologies, power supply and renewable energy in the Republic of Kazakhstan.

Since 2010, NAC Kazatomprom JSC headed the top list of leading uranium mining companies in the world, becoming the largest uranium supplier of the world. A broad resource portfolio, continuous improvement of production processes, and low cost of uranium production allow the Company to retain the leading position in the world uranium market and to increase the profitability from year to year. In 2013, the volumes of extraction in the enterprises of NAC Kazatomprom JSC by equity interest in all subsidiaries and affiliates (hereinafter - S&A) amounted to 12,568 tons of uranium, which is 21.4 per cent of the world production.

The Company operates in the markets of Europe, Central and South-East Asia, as well as North and South America, which are the largest markets nowadays. Key sectors in which services are provided are energy, nuclear and electronic industries, metallurgy, telecommunications, and research. The main consumers of the Company's products are the world's largest companies in the nuclear, rare-earth and rare-metal industries. Today NAC Kazatomprom JSC has a comprehensive enough portfolio of contracts on supply of uranium products and is secured by contracts for the next 10–15 years. In 2013, sales of NAC Kazatomprom JSC under contracts amounted to 10.2 thous. tons of uranium concentrate.

The Company conduct activities through 75 enterprises located in six regions in Kazakhstan: South Kazakhstan, East Kazakhstan, Kyzylorda, Mangistau, Akmola and Almaty regions, as well as outside the country: in Russia, Ukraine, Germany, China, USA and other countries. The Company's headquarter are located in Astana.

NAC Kazatomprom JSC is a member of the largest international organizations, in particular:

- World Nuclear Association;
- Nuclear Society of Kazakhstan;
- World Nuclear Fuel Market;
- Tantalum-Niobium International Study Centre.

During 2013, NAC Kazatomprom JSC continued its activities in accordance with the adopted development strategy, which stipulates the retention of current positions in the world uranium market as a competitive transnational diversified company.

The Company's Organization

NAC Kazatomprom JSC was established under the Decree of the President of the Republic of Kazakhstan No. 3593, dated 14 July 1997, On Establishing the National Atomic Company "Kazatomprom", as a closed joint-stock company with a 100% government shareholding. NAC Kazatomprom JSC is a national operator for export and import of the uranium and its compounds, nuclear fuel for nuclear power plants, special equipment and technology, and dual-use materials. Currently, 100 per cent of the Company's stock is held by Sovereign Wealth Fund "Samruk-Kazyna" JSC (hereinafter – Samruk-Kazyna JSC).

More about the organisation of the Company is presented in Annex on Structure of Assets of NAC Kazatomprom JSC with Specified Equity Interest.

MISSION, VISION, AND VALUES

MISSION

The mission of NAC Kazatomprom JSC is to retain its leading position in the global nuclear energy market as a diversified, competitive and transnational company, in order to maximize the shareholder value, profitability and financial sustainability, with a high rank of corporate governance and maximum transparency in accordance with the best international practices, as well as to contribute to the industrial and innovative development of the economy and increase the strategic importance of the Republic of Kazakhstan in the international scene.

VISION

By 2020, NAC Kazatomprom JSC strives to become:

- Transnational diversified company involved in major segments of the global nuclear power industry, as well as a front-end cycle and nuclear power plant construction to maintain its leading position in the global uranium market;
- A consumer-focused company providing services for the production of nuclear fuel and its components;
- A global leader in innovative in-situ leaching technologies;
- A competitive producer of rare and rare-earth metals and chemicals;
- A pioneer in the Republic of Kazakhstan, introducing alternative and renewable energy technologies as well as entering into foreign alternative and renewable energy markets

VALUES

In its operations, NAC Kazatomprom JSC is guided by values, which reflect the Company's mission, vision, objectives and principles of sustainable development and social responsibility.

Our Management System

An effective corporate governance is a basis for maintaining the confidence of the Sole Shareholder, customers, employees and all other stakeholders. Complying with the requirements of acting legislation of the Republic of Kazakhstan in the area of corporate governance, the Company aims at complying with the best world practices.

Employees

The employees of the Company represent its capital, and the attainment of the Company's common goals depends on their professional competence. Team spirit unites the concerted and coordinated efforts of the Company's employees, who are the key to successful solutions and their implementation. Each employee is a member of a highly effective team, and therefore is responsible for the overall success.

Consumers and Partners

Steadily developing enterprises and companies that actively operate in the global markets are the main consumers and partners of the Company. NAC Kazatomprom JSC appreciates each of its customers and partners. Partnership is based on mutual trust and respect. The Company always fairly and openly states its position to the customers and partners. In its activity, the Company is consistently guided by the principles of ethics and fair business behaviour.

Traditions and Innovations

NAC Kazatomprom JSC not only benefits from the accumulated knowledge, but continually strives to learn new, as well as to create innovative concepts that facilitate the attainment of maximum efficient results. The Company utizises world advanced technologies for the extraction and processing of uranium, rare and rare-earth metals, the production of components to generate power from renewable sources, the construction of social facilities, etc.

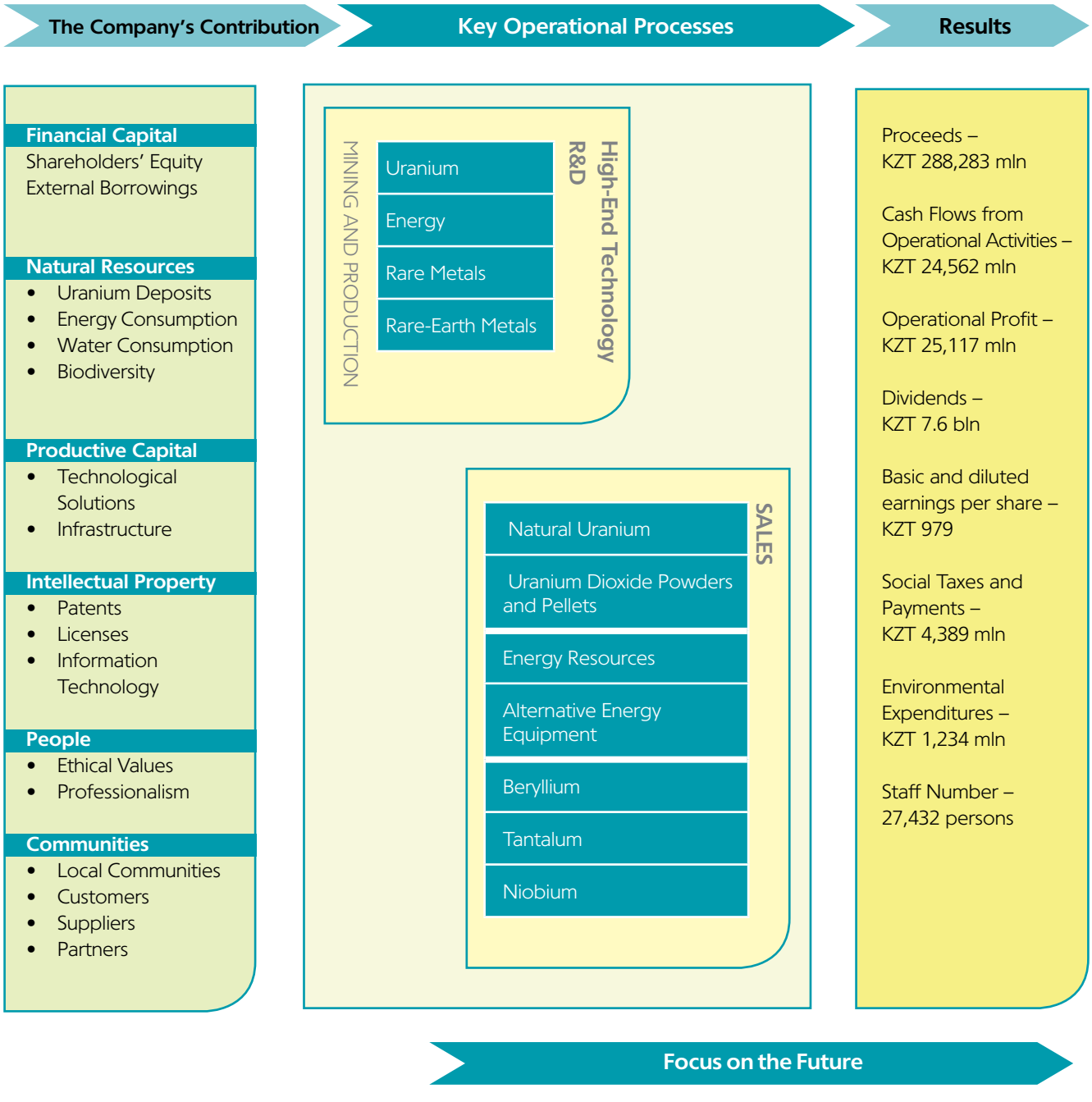
Environmental Sustainability and Safety

The Company constantly strives to minimize the impact of industrial activity on the environment, and to introduce an environmental management system and the best-available technologies.

BUSINESS MODEL

The business model of NAC Kazatomprom JSC is a process aimed at the establishment and maintenance of the Company's value, as well as achievement of its strategic objectives.

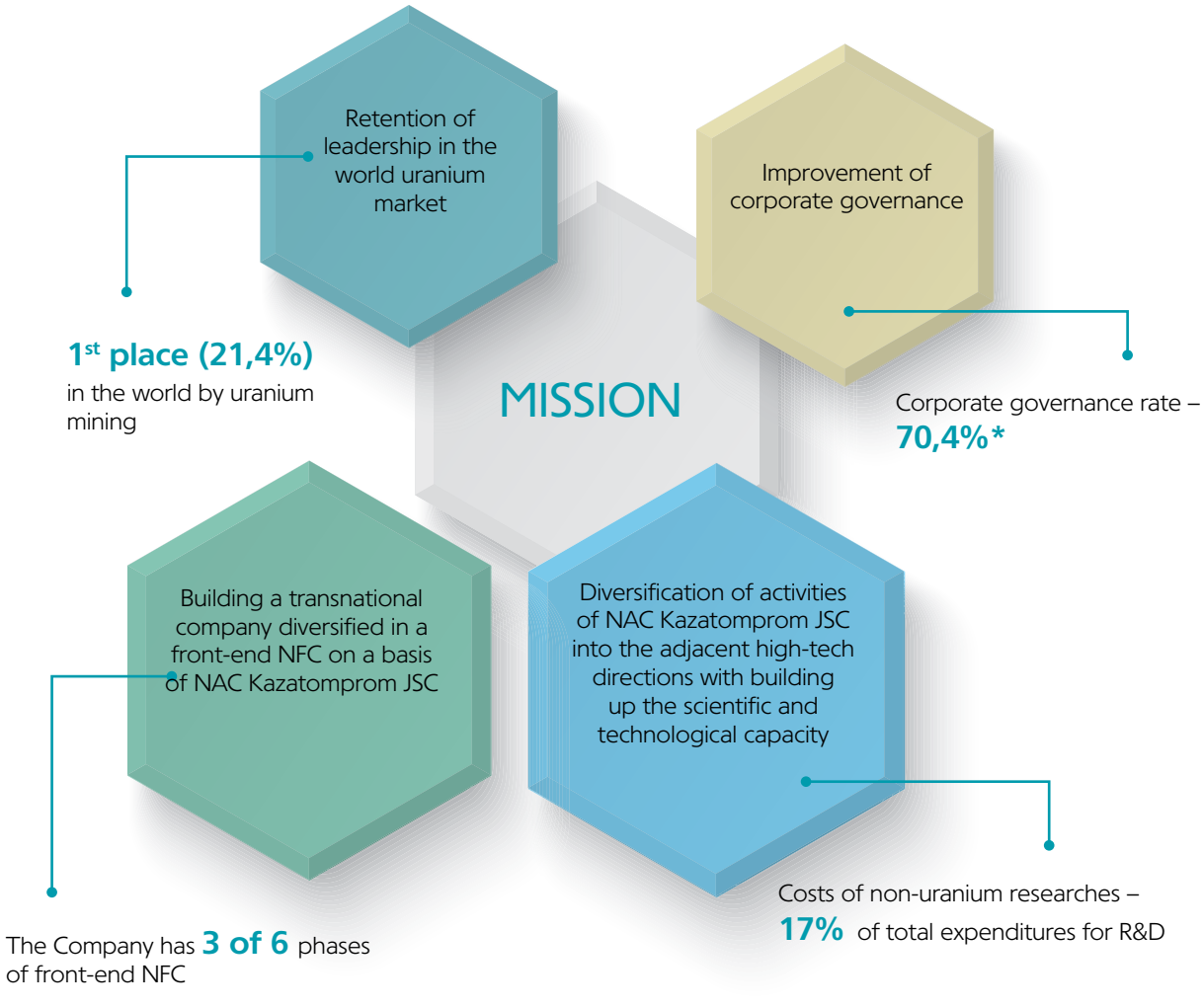
The Company is engaged in implementation of major projects on increasing the extraction of uranium, and rare and rare-earth metals; on production and sale of uranium, beryllium and tantalum products; on developing of high technologies; and on power supply and use of renewable energy sources. These projects relate to all parts of the value-added chain, including mining, development, production, operation and sales.



In 2013, due to the scheduled expansion of production and increase in operational efficiency, and despite the unfavourable market conditions, the Company succeeded not only to retain its leading position, but to increase the volume of uranium production as well.

In 2011, the Company adopted a Development Strategy of NAC Kazatomprom JSC for the period 2011–2020. Development Strategy identifies strategic directions that are focused on the creation of a multinational company, diversified into front-end cycle and nuclear power plant construction and in adjacent areas with the development of high-tech science and technology capacity, establishing the new knowledge-intensive and high-tech industries, as well as at the continuous improvement of corporate governance in concordance with the best international practices.

The main strategic objective of the Company is maximization of profits from each kilogram of uranium mined in Kazakhstan in all subsequent stages of the NFC by providing an efficient and optimal use of mineral uranium resources of Kazakhstan depending on the market conditions.



In accordance with the strategic directions of development, a number of actions was successfully implemented during 2013 contributing to achievement of strategic objectives, as well as the the basis for further sustainable development in these directions was strengthened. In view of the achieved results and the situation on the uranium market, the development strategy was detailed and adjusted, as well as a number of strategic risk management actions was implemented.

Key events of 2013 under the Company's strategic directions and the plans for 2014 are presented in the table below. More details on the main activities and projects are available in Operational Activity and Management sections of this report.

* based on the independent assessment in 2012

STRATEGIC AREAS	OBJECTIVES	KEY EVENTS OF 2013	TARGETS FOR 2014
MAINTAINING THE LEADERSHIP IN THE WORLD URANIUM MARKET			
• maintaining the leading position in the global uranium market • preliminary exploration of uranium • costs optimization, cost reduction, including maintaining the improvement of technological processes • expansion of geography of the sales of uranium	• leading share of the world uranium market is retained – more than 21% • increase of uranium reserves of C1 + C2 category amounted to 60 thous. tons of uranium • development and implementation of an action plan to reduce and optimize the costs • opening of the Representative office of Kazatomprom in the United States	• increasing the uranium reserves by 30 thous. tons of uranium • introduction of the peroxide deposition of uranium in order to improve the uranium concentrate production process and to reduce the cost • participation in the tender for uranium delivery to the governmental agency of Mexico
BUILDING A TRANSNATIONAL COMPANY DIVERSIFIED INTO FRONT-END NUCLEAR FUEL CYCLE			
• become a member of 6 out of 8 cycles of NFC • participation in the foreign assets of NFC: in stages of the uranium mining, conversion, enrichment , production of nuclear fuel and its components, and construction of nuclear power plants • study and implementation of advanced technology solutions in the integrated uranium-extractive plant	• acquisition of shares of the largest enterprise for isotopic enrichment of uranium - UEIP OJSC by Kazakh-Russian joint venture CUE CJSC • concluding an agreement between Kazakhstan and Canada on peaceful use of nuclear energy allowed to continue the implementation of a joint project with Cameco on transfer of uranium conversion technology to Kazakhstan and increase of joint uranium production in Kazakhstan • starting the SMART-Mine project for approbation and introduction of new technologies	• sales of enriched uranium production from CUE CJSC in the amount of 5.0 mln SWU • conclusion of a contract on supply of the fuel pellets to the PRC in 2014–2016, and starting the physical deliveries • conclusion of a Memorandum of understanding between the RK and the PRC in the area of nuclear industry • conclusion of an Agreement with the Chinese company CGNPC on expansion of cooperation in area of nuclear energy
DIVERSIFICATION OF ACTIVITIES OF NAC KAZATOMPROM JSC INTO THE ADJACENT HIGH-TECH DIRECTIONS			
• development of innovations and scientific & technological capacities of the Company • development of high-tech knowledge-intensive industries on a basis of rare and rare-earth metals • implementation of innovative projects in the area of renewable and alternative energy	• signing the Memorandum between the Company and KBTU on scientific and technical cooperation in the area of alternative energy development • completion of commissioning and product testing in JV SARECO LLP under the Kazakhstani-Japanese joint project on high-tech production of rare-earth products • conclusion of a number of agreements with Toshiba Corp. in the area of alternative energy development • launching a photovoltaic wafer production plant - start of commissioning works	• increasing the capacities of JV SARECO LLP for production of rare-earth products, and starting the physical deliveries • development and coordination of feasibility study for the wind power plant construction project in Mangistau Region. • completion of the equipment test and launch of the photovoltaic wafer production plant at Kazakhstan Solar Silicon LLP • implementation of technology for the enhanced quality silicon production at MC KazSilicon LLP
IMPROVEMENT OF CORPORATE GOVERNANCE			
• creating an effective organization consistent with the international principles of corporate governance • establishment of unified information system and managerial reporting system (MRS) • creation of an automated risk management system	• approval of a plan for restructuring of the non-core assets in order to optimize the corporate organization and increase the management efficiency of the Company's S&A • completing the actions for introduction into operation and maintenance phase of MRS at all enterprises of the Company	• continuation of optimization of the corporate organisation by restructuring the assets, including the exclusion of non-core assets • creation of a centralized automated system for accounting and control of financial and material resources • corporate governance assessment by an independent consultant

Within the framework of achievement of the main objective on retention the leading position in the world uranium market by provision of sustainable growth and financial performance, the Company continued explorations in 2013 to increase the uranium resource potential in the territory of the Republic of Kazakhstan. The Company constantly increases the funding of such high-tech areas of production like the alternative and renewable energy, as well as projects the area of rare-earth and rare metal products. Innovation and development of new technologies have become an integral part of the cooperation strategy between NAC Kazatomprom JSC and its foreign partners. Due to the development of these directions of activity, NAC Kazatomprom JSC will be able to provide the most comprehensive range of products and services.

Given the fall of uranium product demand and prices and the unstable situation on the uranium market, one of the important conditions for development are the cost optimization and reduction of production costs, including improvement of technological processes. In order to reduce the cost of production, the Company's enterprises have developed a plan to reduce the costs. Besides, NAC Kazatomprom JSC continued its works on restructuring the non-core assets, under which six objects were transfer into the private ownership, and 16 objects were transferred into the ownership of the local authorities.

The Company pays special attention to the sustainable development issues and strives to provide a high industrial and environmental safety, occupational safety and health of workers, as well as compliance with the highest standards in the area of sustainable development. As a member of the renewable energy development program, the Company actively implements a number of high-tech innovation projects on alternative energy, especially the solar and wind energy.

Within the framework of implementation of the strategic objectives, the Company plans to develop the following activities:

- participation in render of services on conversion of uranium concentrates into uranium hexafluoride;
- participation in render of services on separation of uranium isotopes (enrichment);
- manufacturing and sale of nuclear fuel and its components for the NPP – uranium dioxide fuel assemblies, powders and pellets;
- participation in the construction of NPP;
- production on a basis of rare and rare-earth metals;
- production of components and finished products for power generation from renewable energy sources: solar panels, heat pumps, wind installations;
- development of social sphere.

Implementation of the above listed activities will contribute to successful and sustainable growth of the Company, minimization of strategic risks and strengthening the position on the world stage as regards to the development of projects on nuclear fuel cycle, alternative and renewable energy, rare and rare-earth metal production.

KEY PERFORMANCE INDICATORS AND FORECASTS FOR THE FUTURE

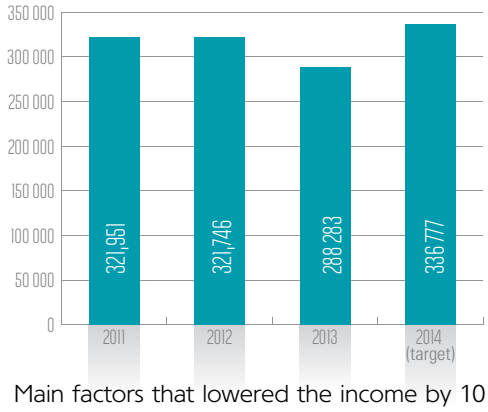
Key performance indicators of the Company allows to assess the impact of operational and financial activity, as well as the success of integration of the sustainable development principles both into the development strategy and daily operations of the Company.

1. Financial Indicators

Achieving positive financial performance and cost reduction are directly connected with the strategic priorities, such as ensuring the competitiveness of the Company, retaining the leading position in the world uranium market and increasing the opportunities for cooperation with foreign partners. The success of the Company increases its financial sustainability and, consequently, the confidence of investors, which is of particular important in connection with the plans of the Samruk-Kazyna JSC to bring the Company to IPO.

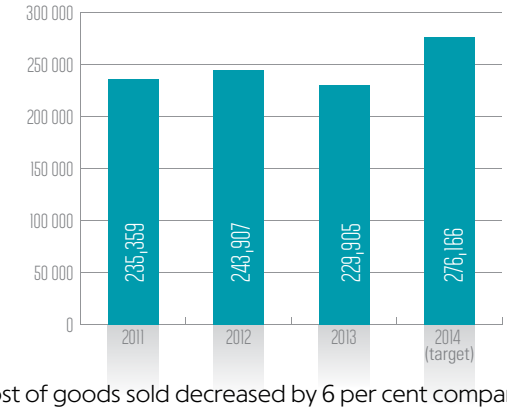
Reduced prices for uranium production in 2013, had a significant impact on the financial performance of the Company.

Income, KZT mln



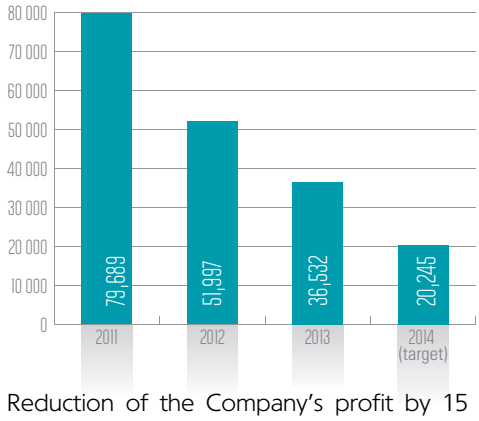
Main factors that lowered the income by 10 per cent in 2013, are the fall of the market prices for uranium production, USD rate growth and the decrease in overall sales of the products. In 2014, it is expected to increase the revenue due to increasing the volume of sales and growth of USD exchange rate.

Cost of Sales, KZT mln



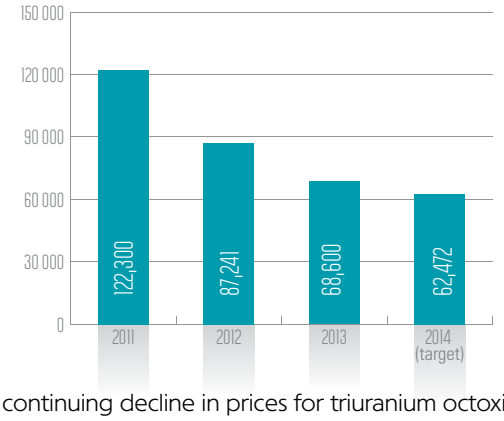
Cost of goods sold decreased by 6 per cent compared with the same in 2012 because of reduction in volume of sales. In 2014, it is expected to increase the cost of goods sold due to the growth in production and increase of the USD exchange rate.

Profit for the year, KZT mln



Reduction of the Company's profit by 15 per cent occurred because of the decrease in volume of sales and the lowered spot prices for triuranium octoxide. In 2014, decrease of profits is expected because of devaluation of KZT compared to USD and accrual of negative exchange differences for the foreign currency loans.

EBITDA, KZT mln



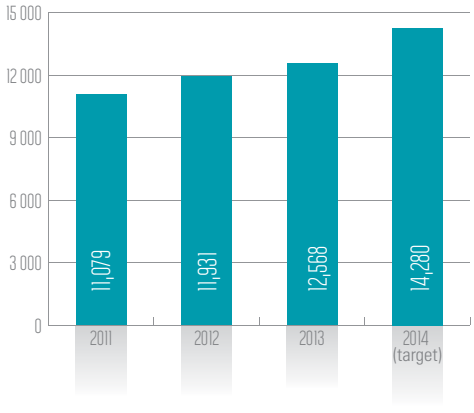
The continuing decline in prices for triuranium octoxide on the world market (about 20 per cent during a year) and the decrease in volumes of sales put a negative impact on the generation of profitability (EBITDA). In 2014, it is expected that EBITDA will decrease because of the lowering prices for triuranium octoxide.

2. Uranium Mining and Production of Uranium Products

Operating performance is an indicator of sustainability of the Company and gives evidence on the activity of NAC Kazatomprom JSC within the framework of such strategic priorities as the diversification of production into the stages of nuclear fuel cycle and into adjacent high-tech industries with the development of scientific and technical potential of the Company.

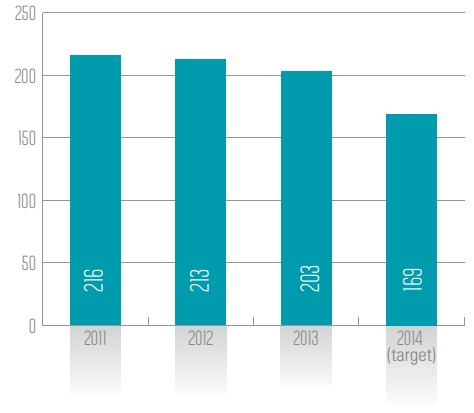
Despite the recession in the world nuclear industry, the Company performed an approved plan for uranium mining in 2013, as well as continued implementation of the projects in the area of rare-earth products, alternative and renewable energy.

Uranium Production of NAC Kazatomprom JSC by Equity Interest in all S&A, tons



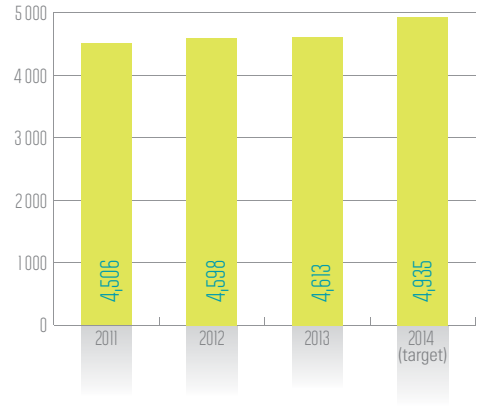
The volume of uranium production had increased by 5 per cent in 2013 compared to 2012. This is a planned growth in accordance with the approved schedules of mining works and the plans on increasing the uranium production under the concluded contracts. In 2014, a substantial growth will be associated with a temporary transfer of subsoil-use contracts from Kyzylkum LLP and JV Betpak-Dala JSC to NAC Kazatomprom JSC.

Tantalum Production, tons of Ta



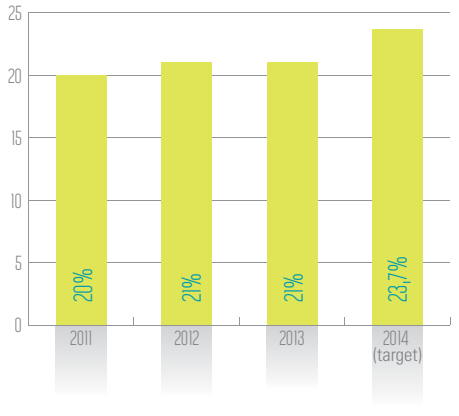
Reduction in manufacture of tantalum products by 5 per cent in 2013 compared to 2012 is given to the fall of the electronics market and the fall of demand in the tantalum market.

Electricity Production, mln kWh



Electricity production volumes increased slightly compared to 2012. It is planned to increase this figure in 2014 due to the implementation of a number of projects in the area power generation, as well as to the growing demand from the industrial enterprises.

Share of NAC Kazatomprom JSC in the World Natural Uranium Market by the Equity Interest in all S&A



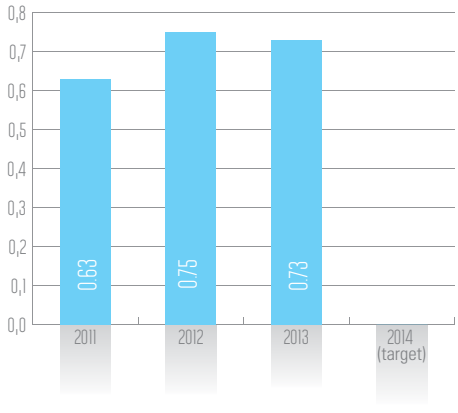
The Company retained its leadership in the world natural uranium market providing 21.4 per cent of world uranium due to the growth of production. The increased share of NAC Kazatomprom JSC in the world uranium market is driven by the increase in the Company's share.

3. Non-Financial Indicators

Integration of sustainable development principles into daily activities stimulates the consistent growth of the Company and impacts on the business success and the confidence of customers and partners. Monitoring the performance of sustainable development and implementation of a package of measures in the economic, social and environmental aspects of the Company's activities are one of the factors that ensure the sustainability of the Company's development strategy.

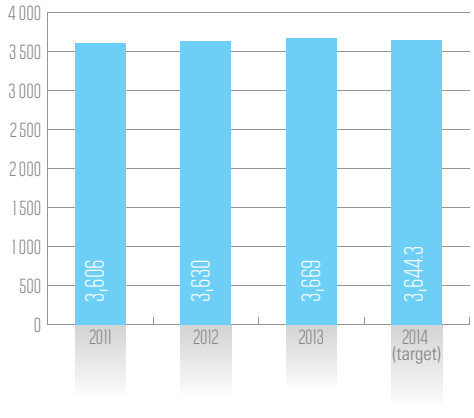
In 2013, the Company continued to work on improvement of indicators in area of sustainable development.

Injury Frequency Rate



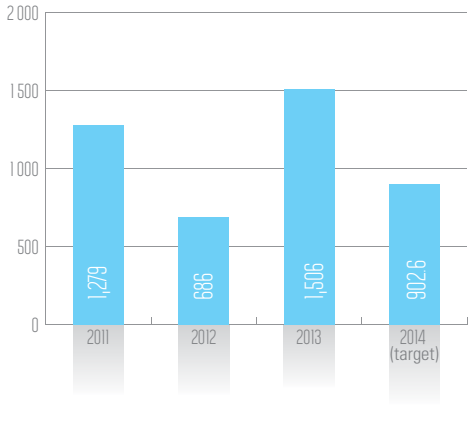
Due to the preventive actions, the injury frequency rate dropped by 0.02 per cent compared to 2012.

Greenhouse Gas Emission, thous. tonnes of CO_2 – equivalents



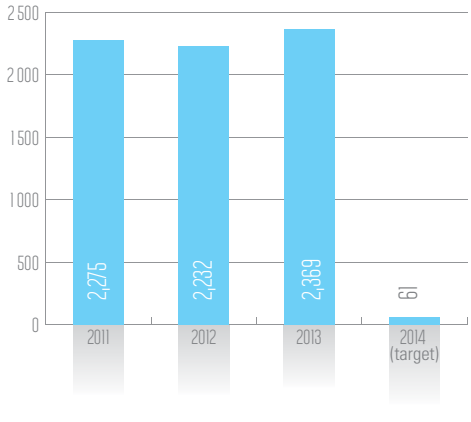
In 2013, the volume of direct greenhouse gas emissions totalled 3,669.2 thous. tonnes of CO_2-equivalent, which is slightly higher than in previous year.

Sponsorship and Charity, KZT mln



The Company continues to implement the projects in the area of sponsorship and charitable support, therefore, the Sponsorship and Charity indicator exceeded the same in 2012 by more than twice.

Investment in Development of Regions of Operations, KZT mln

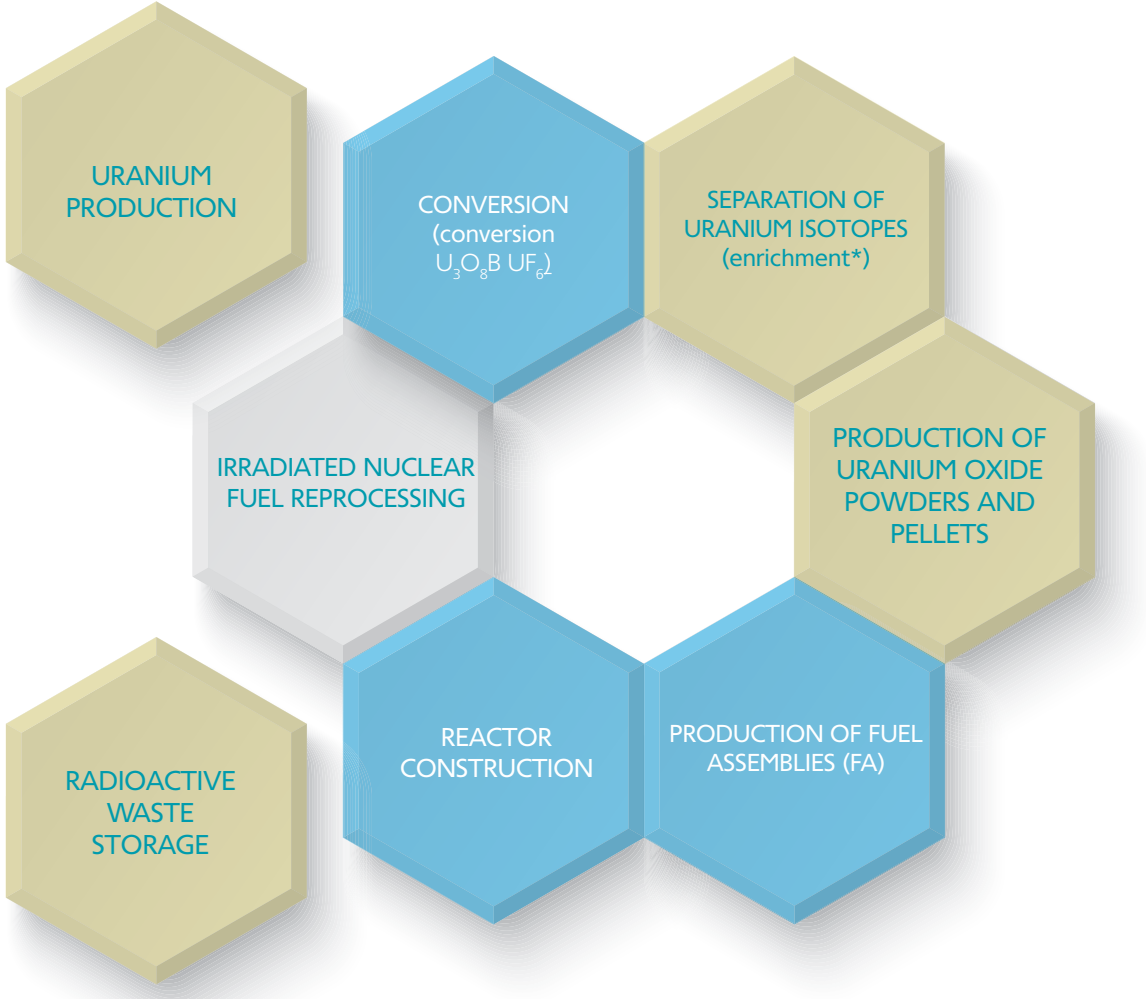


Investment in development of regions of operations increased by 6 per cent, due to implementation of mre than 87 social projects in the regions.

4.1 NUCLEAR DIRECTION

The nuclear fuel is a complex of activities undertaken within a system of enterprises interconnected by a movement of nuclear material from uranium mines through the plants on uranium ore processing, uranium conversion, uranium enrichment and fabricating the fuel for operation of nuclear reactors, with the subsequent movement to the spent-fuel storages, spent-fuel processing plants and the related intermediate storages and repositories for radioactive wastes. In order to implement the strategy to diversify the business, the Company aims to cover almost all parts of the production of the nuclear cycle, eliminating the reprocessing of spent fuel.

NAC Kazatomprom JSC within the nuclear fuel cycle:



* In 2013, the Company expanded its activities by adding another phase of the NFC-uranium enrichment. The first commercial delivery of products took place.

NFC phases available in NAC Kazatomprom JSC

NFC phases that NAC Kazatomprom JSC will receive as a result of the implementation of the strategic programme on build-up of a vertically integrated company

Production, that are not planned to establish.

Uranium Production

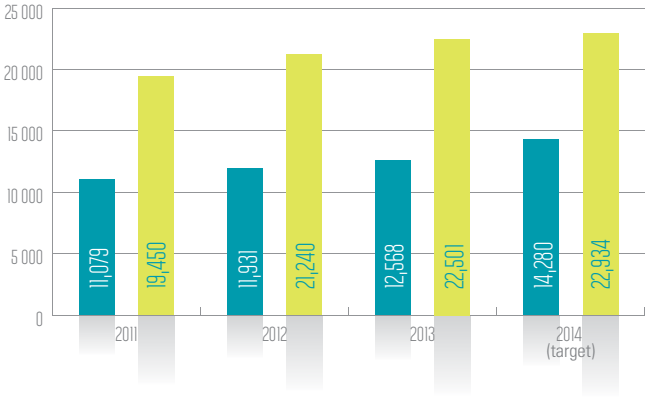
As of today NAC Kazatomprom JSC includes 10 uranium mining enterprises and 4 enterprises providing services for the uranium mining and processing, with 22 operating mines located in South Kazakhstan, Kyzylorda and Akmola Regions.

According to the results of 2013, the volume of uranium production in the Republic of Kazakhstan increased by 6 per cent and totalled 22,.5 thous. tons of uranium. The Republic of Kazakhstan maintained leadership in the world uranium mining industry, providing about 38 per cent of the world uranium production, which amounts to 58,8 thous. tons of uranium.

If taking into account the equity interest in subsidiaries and affiliates, production of NAC Kazatomprom JSC increased by 5 per cent in 2013 and totalled 12,6 thous. tons compared to 11,.9 thous. tons in 2012. The Company maintained its leadership position in the world market of natural uranium, with provision of 21,4 per cent of the world production.

The growth in the Company's indicators of uranium mining occurred in accordance with the approved production program and the plan of mining operations. In 2014, the Company expects to increase the uranium mining up to 12,8 thous. tons inclusive of the equity interest in S&A. All the products of the Company are contracted for 10–15 years ahead, so the increase of mining is planned strictly within the framework of the current subsoil-use contracts.

In 2013, 4 major uranium buyers of NAC Kazatomprom JSC are: China Guandong Nuclear Power Corporation (China); China Nuclear Energy Industry Corporation (China); Electricite de France (France); TradeTech Energy LLC (USA).



URANIUM PRODUCTION, TONS

Key Events of 2013

As of the year-end of 2013, the following works were performed within the scope of development of the uranium mining complex:

- The reconstructed workshop on manufacturing the productive solutions was commissioned in the Semizbay-U LLP at the Irkol mine, with the increased capability to put through 1800 thous. m^3 of uranium containing solutions per year.
- In 2013, JV KATCO LLP developed rapidly. In the enterprise the works were completed and facilities were put into operation under a number of projects, including on the project on increase of production capacity at the Site No.1 Southern of the Moiynkum Field, under which it was increased up to 1400 tons of uranium per year by commissioning an additional capacity of 700 tons of uranium per year.
- Within the framework of development of the uranum mining, the activities were carried out in Karatau LLP, JV Akbastau JSC, JV Betpak Dala LLP, PE Ortalyk LLP, and GRK LLP.

The largest uranium production in Kazakhstan is provided by Ulba Metallurgical Plant JSC (hereinafter - UMP JSC), including:

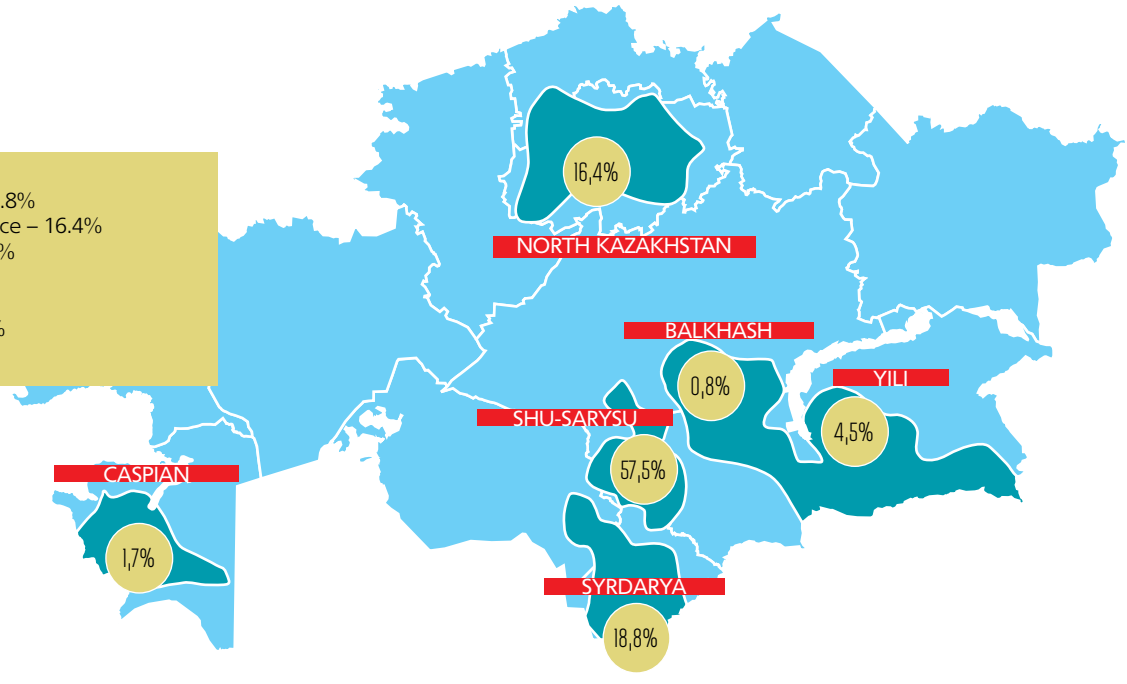
- natural uranium oxides suitable for direct fluorination on the conversion enterprises;
- uranium dioxide powders of low enrichment with nuclear ceramic grade purity;
- uranium dioxide fuel pellets for NPP reactors;
- services for processing of unenriched and enriched uranium, scraps and non-technological turnovers of the nuclear fuel productions and scientific research enterprises of the uranium industry, including those containing the burnable absorbers of neutrons and the cellulating agent.

In 2013, the volume of give-and-take uranium raw maretial (scraps and ashes) processed into uranium dioxide powders amounted to 57,5 tons at UMP JSC. For 2014 the target is 56 tons of scraps and ashes. Release of uranium dioxide powders made of the own raw materials totalled 11,1 tons of uranium, and the target for 2014 is 20 tons of uranium.

Uranium Deposits of Kazakhstan and the Company's Resource Portfolio

The size of uranium deposits in the Republic Kazakhstan presents the main competitive advantage of NAC Kazatomprom JSC. The Republic of Kazakhstan has 67 per cent of of the world proven uranium reserves, suitable for development in-situ-leaching method (hereinafter – ISL). Thus, the Company has a unique raw material resources base including the world's largest proven and inferred reserves of uranium.

- Shu-Sarysu Province – 57.8%
- North Kazakhstan Province – 16.4%
- Syrdarya Province – 18.8%
- Ili Province – 4.5%
- Caspian Province – 1.7%
- Balkhash Province – 0.8%



From 54 proven deposits having balance reserves of uranium, 16 deposits are under development and the remaining 38 are standing ready for use.

The Republic of Kazakhstan plans to increase uranium reserves by 25 per cent through conduction of prospecting and exploration works at the fields in South Kazakhstan Region. Chances of discovery of new uranium deposits are quite high, especially in Shu-Sarysu and North Kazakhstan uranium ore provinces.

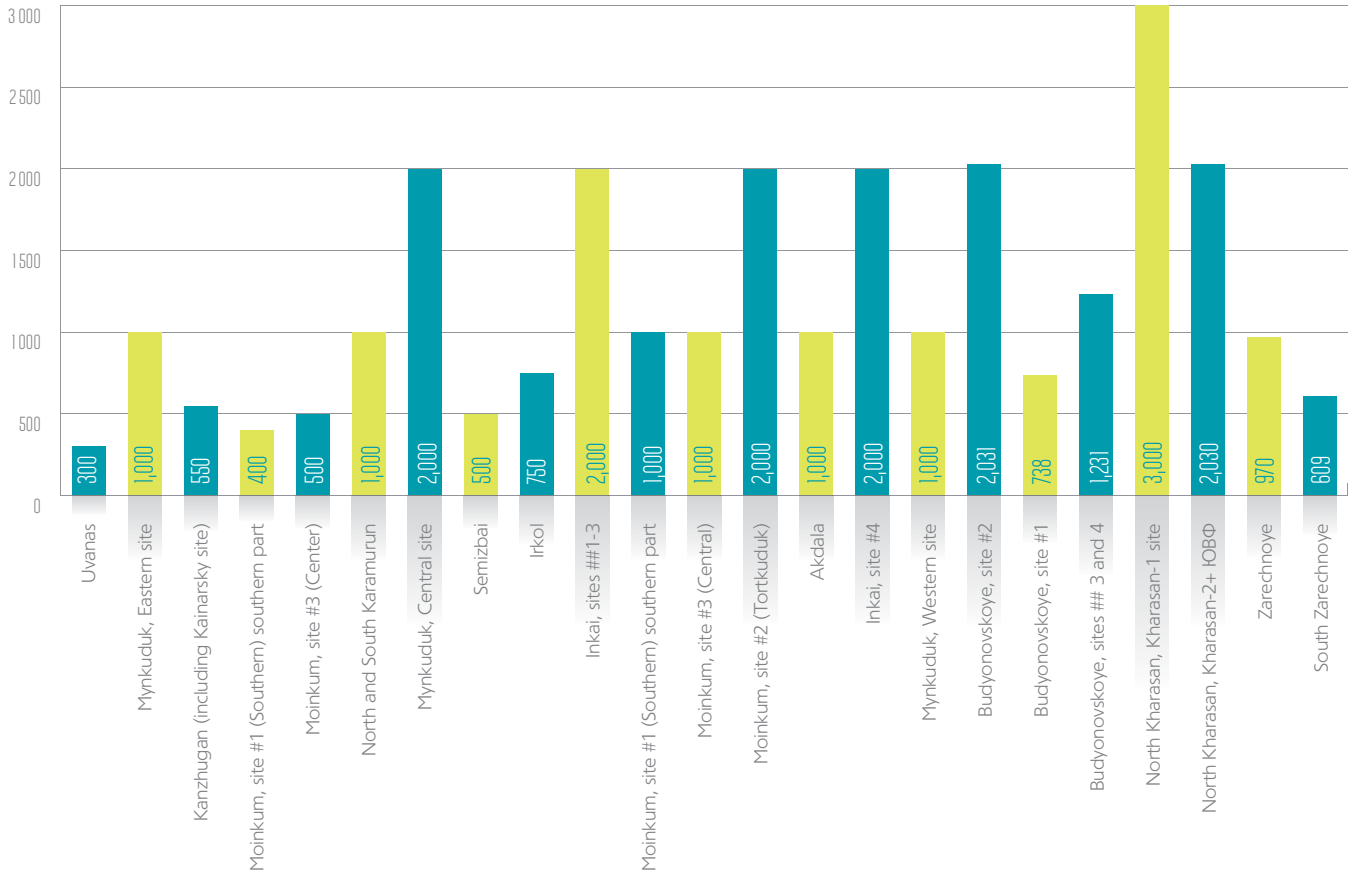
According to NAC Kazatomprom JSC's estimates and as a result of the geological exploration activities carrying out by subsoil users, the increase in proven reserves of uranium in Kazakhstan will make at least 180 thous. tons in 2020 (due to the transfer of inferred resources into reserves). Annual investments of NAC Kazatomprom JSC into public geological exploration works aimed at discovery of new deposits of uranium, amounted to about KZT 1,2 bln.

Proven Reserves of Uranium as of 31.12.2013, tons

	Total	Reserves ($C_{1+}C_2$)	Resources ($P_{1+}P_2$)
Kazakhstan	1,499,319	838,133	661,186
of which contracted	932,630	628,641	303,989
NAC Kazatomprom JSC	435,680	333,204	102,476

The designed capacity of deposits is 24,000 tons of uranium per year (throughout all enterprises of NAC Kazatomprom JSC, including joint ventures and dependent companies).

DESIGNED CAPACITY OF DEPOSITS, TONS OF URANIUM PER YEAR



RESOURCE PORTFOLIO

CATEGORY RESERVES C_1

Reserves explored through sparse grid and estimated

Deposit and ore body outlines are interpreted reliably.

The volume of ore is determined enough precisely under established average parameters. The quality of ore and conditions of development are defined by experimental investigations and by analogy. This category of reserves is used for designing the mines at the deposits with very complex geology and varying mineral distribution, where denser exploration grid is inexpedient.

CATEGORY RESERVES C_2

Preliminarily estimated (inferred) reserves

Ore body outlines are defined mainly by extrapolation within the known geological structures and the adjacent areas with deposits of A, B, C_1 categories. The volume and quality of ore are defined based on limited data and may adopted by experimental investigations. C_2 category reserves require follow-up exploration and may be used only for designing the exploring-and-producing enterprises.

CATEGORY RESERVES P_1

Probable and preliminarily estimated (inferred) reserves

The outlines of the ore areas are extrapolated by ore-bearing geological structures and in the areas adjacent to the known deposits. The volume and quality of ore is defined by limited data. P1 category resources are the main source of growth of the reserves.

CATEGORY RESERVES P_2

Inferred (anticipated) resources

Prospective ore occurrences or ore-bearing areas are interpreted by geological structures characterizing by availability of the prospecting indicators.

P2 category resources are based on the geophysical and geochemical data, and on the results of single channel intersections at best.

CATEGORY RESERVES P_3

Potential resources

Predictions based on the theoretical constructions, metalogenic geological structure analysis, as well as the regional geochemical and geophysical data interpretations, are classified as P_3 category resources.

TECHNOLOGICAL PROCESS OF URANIUM MINING

The specificity of uranium reserves in Kazakhstan is that about 80 per cent of them are concentrated in the sandstone hosted uranium deposits in the saturated permeable rocks.

This type of deposits may be developed by the most environmentally preferable method of ISL, which provides a low cost of production and a minimal damage to environment. A detailed diagram of the ISL process is presented at the Company's website in the Uranium Mining section.

In-situ leaching is a method of development of the sandstone-hosted ore deposits without elevation of ore to the surface, but by selective transportation of natural uranium ions into the product solution directly in the bowels. In this case, the uranium-bearing ore remains underground in contrast to the conventional methods of extraction (mining and open-pit).

The International Atomic Energy Agency (IAEA) acknowledges this technology as the most environment friendly and safe method of deposit development, which does not require significant expenses for reclamation.

Total cost in the ISL enterprises is 2–3 times lower than in the enterprises with conventional method of uranium production (mining and open-pit.

NAC Kazatomprom JSC is the first company in the world that put into the industrial production of mine based on in-situ leaching method with capacity of 1,000 tons of uranium per year.

Nowadays, NAC Kazatomprom JSC's mines present a hi-tech in the mining industry. Technical equipment of the mines meets all safety and quality standards. A centralized management system is used in production allowing not only reduce the operational costs, but ensure the safe work as well; the entire working process in the mine is under the continuous supervision.

Phases of the NFC

Participation in all phases of the NFC allows the Company to be technologically independent and financially stable*.

Conversion

Project on joint uranium-refining production with the CAMECO (Canada)

Within the framework of the strategic direction on diversification of NAC Kazatomprom JSC into the front-end NFC, a project is being actively implemented to provide the Company's entry in the conversion business and access to the uranium conversion services. An agreement between the Republic of Kazakhstan and Canada on peaceful use of nuclear energy, which was concluded in 2013, will enable the transfer of uranium conversion technologies from Canada to Kazakhstan. According to the Memorandum of understanding signed between NAC Kazatomprom JSC and Cameco Corporation in 2012, it is planned to create a refinery to produce UO_3 redistribution for the conversion of production and to expand the joint production of uranium in Kazakhstan at JV Inkai LLP, including the resources provision of conversion production.

In the reported period, the management organisation of the conversion plant's refinery construction project was agreed upon and works on preparation of the project's preliminary feasibility study and financial economic model are completed. At present, the Parties undertake discussion regarding the preliminary economic indicators of the project and work out the ways to improve them. Based on the results of the negotiation a decision will be made in the nearest time on the transition to the next phase of the project – developing a feasibility study.

Enrichment

Alternative project of CUE in the area of uranium enrichment

Within the framework of implementation of a joint project with Russia and in order to diversify the Company's business by participation in higher value-added NFC, NAC Kazatomprom JSC and TVEL JSC concluded contracts with the Kazakh-Russian joint venture CUE CJSC (NAC Kazatomprom JSC – 50% of shares and TVEL JSC – 50% of share) in July 2013 on acquisition of the shares of UEIP OJSC, the world largest enterprise

* A detailed description of processes at the various stages of the NFC is available at the Company's website in the Uranium Mining. NFC Products section.

on isotopic enrichment of uranium. In September 2013, the acquisition of 25% + 1 shares of UEIP OJSC by CUE CJSC was completed.

An important event of 2013 is the transition of project to the implementation stage and the first commercial delivery made by CUE CJSC in November 2013 amounted to 300 thous. SWU. Within the framework of its activity, the joint venture CUE CJSC obtained an access to the uranium enrichment services starting from 2014, in the amount of 5 mln SWU per year.

Being one of the key directions of Kazakh-Russian cooperation in the nuclear sphere, the CUE's project confirms the strategic nature of interaction between two countries, opening up vast prospects for deepening the cooperation and expanding production of value-added NFC products.

Reconversion

Reconversion of the enriched uranium hexafluoride (UF_6) into the uranium dioxide (UO_2) is carried out in the available technological facilities of Ulba Metallurgical Plant JSC. The powder produce by reconversion of uranium dioxide is used in the production of fuel pellets.

Fuel Pellets

In Kazakhstan, the fuel pellets are produced at Ulba Metallurgical Plant JSC (UMP JSC), which is one of the world's largest factories producing the components of nuclear fuel for the NPP with advanced automated high-tech research-and-production complex. In accordance with the Company's development strategy, UMP JSC shall become an enterprise, which produces fuel pellets and nuclear fuel for the most popular types of nuclear reactors in the NPP market.

Fuel Assemblies

Project on joint venture with AREVA (France) for production of fuel assemblies (FA)

It is planned to establish a joint venture on a basis of UMP JSC with a production capacity of 400 tons of uranium per year, which will turn out the fuel assemblies (FA) for the French designed reactors, from the fuel pellets manufactured at UMP JSC. The rapidly developing nuclear energy market of China and South-East Asia is considered as a primary market for the FA.

The designing and construction of FA plant was scheduled to the period of 2012-2016, and the first product turnout - at the end of 2016. However, during 2013, NAC Kazatomprom JSC and AREVA conducted joint works to ensure the guaranteed market for FA plant's products in order to make due to implementation of decision in late 2013 on establishing a joint venture and investment in the construction of a plant producing fuel assemblies. So far, the joint activities to market FA have failed. The parties failed to come to an agreement on further implementation of the project. The French party has not decided on its position regarding the sales of products of the future plant through the channels of AREVA with gradual entry to other markets in order to sustain the project. The absence of a guaranteed FA sales market entails significant risks, which does not allow to take a decision on initiating the investments into the plant construction.

Project on joint uranium mining and nuclear fuel production in cooperation with Chinese companies

In October 2013 in Beijing and in December 2013 in Astana, the meetings were held between representatives of the Chinese companies CNNC and CGNPC, and NAC Kazatomprom JSC dedicated to issues of deepening and expanding bilateral cooperation in the nuclear area. According to the results of the meetings, parties confirmed their intention to develop cooperation in the area of joint uranium mining in Kazakhstan, production and supply of nuclear fuel to China. In order to obtain approvals for implementation of the joint projects the companies agreed to apply to their governments. In 2014, it is planned to conclude a Memorandum of understanding in the area of nuclear industry between the competent governmental agencies of the RK and the PRC.

Currently, mutual consultations go on at the level of working groups on the above-mentioned issues of cooperation pursuant to the agreements reached. In 2014, it is planned to sign a contract on supply of the fuel pellets to the PRC in 2014–2016 and to start physical deliveries.

Nuclear Power Plants

Project on construction of NPP in the Republic of Kazakhstan

In the first quarter of 2013, NAC Kazatomprom JSC jointly with Samruk-Energy JSC and KEGOC JSC developed an Analytical Report on Configuration and Location of a Nuclear Power Plant in the Republic of Kazakhstan, which was submitted to the Government of the RK.

In 2013, a working group and the Commission on the siting and configuration of a nuclear power plant in the territory of the Republic of Kazakhstan, in the composition of which respectively was included Sergey Yashin - Deputy Chairman of the Management Board of NAC Kazatomprom JSC were founded, and also set up a commission to address this issue, in which Vladimir Shkolnik - Chairman of the Board of NAC Kazatomprom JSC included. Currently, working groups and commissions have not yet decided on the construction of nuclear power plants.

4.2 NON-NUCLEAR DIRECTION

Rare and rare-earth metals, chemical products

Extraction of rare and rare-earth metals and manufacture of products on their basis (hereinafter - RM & REM) are a priority for NAC Kazatomprom JSC as well. Development strategy of NAC Kazatomprom JSC in the area of RM & REM is focused on creation and development of rare-metal mineral resources base, implementation of advanced technologies for integrated processing of mineral raw materials, implementation and development of new effective methods in the high-purity RM & REM metallurgy, as well as engaging of high-tech companies for construction of plants on production of high-tech goods on the territory of the Republic of Kazakhstan. In 2013, the Company continued the implementation of development strategy in this direction and the active cooperation with foreign partners.

UMP JSC is a vertically-integrated manufacturer of products based on rare metals such as beryllium, tantalum and niobium. UMP JSC is a unique enterprise, which is able to process the ore up to the finished product recognized by consumers throughout the world.

Joint project with Japan to create a pilot production of collective concentrate and individual compounds of rare earth metals

Within the framework of a program for creation and development of raw material base and high technologies for the production of RM & REM in the Republic of Kazakhstan in 2011-2013, JV SARECO LLP (NAC Kazatomprom JSC – 51% and Sumitomo Corporation – 49%) continued its preparations to operation of a plant on high-tech production of the rare-earth products.

The SARECO's plant in Stepnogorsk represents an unique complex for thermal and hydrometallurgical procession of various types of raw materials, becoming an embodiment of the progress made by Kazakhstani, Japanese and European scientists and engineers. The plant was designed and built with due consideration to all environmental standards, and the applied technologies and control systems guarantee the environmental friendliness. The SARECO's plant is designed for production of 1,5 thous. tons of TREO (total rare-earth oxide) per year with an increase in the production capacity up to 3 thous. tons of TREO in 2016, and up to 5–6 thous. tons of TREO per year by 2018–2019. A significant part of the products will be the REM of so-named heavy group, which is the most deficient and marketable at this moment.

Under this project, in 2013, comprehensive testing of equipment and technological process was completed; the required quality of technical concentrates of REM was reached; the personnel training was conducted and the analytical laboratory was set up, as well as the commissioning and product testing works shall be completed.

The main target of SARECO is the Japanese market. The Company will not limit itself to the project for turnout of a primary product - bulk concentrate of REM. Subject to provision of a long-term source of raw materials, a separating production will be established in Kazakhstan by 2016, and a few years later – a production of REM-based magnets.

Tantalum and Niobium Products

Tantalum production of UMP JSC provides 12–14 per cent of the world tantalum market. To enter the market of capacitors, UMP JSC has developed a technology and implemented the projects on production of high-capacity condensing powders with a developed shape of particles and agglomerated powders with a fission-shaped particle, as well as tantalum wire of 0,15–0,3 mm in diameter for capacitor leads.

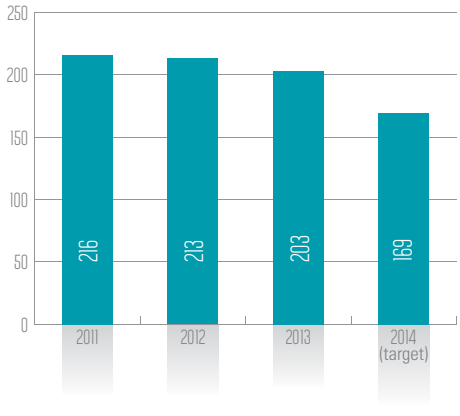
Currently, UMP JSC has established contacts with all manufacturers of capacitors.

In 2013, the certificate of EICC was prolonged, confirming the status of UMP JSC as a conflict-free transparent processor.

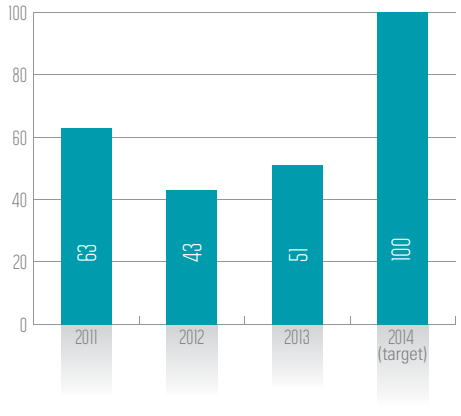
Volume of tantalum production in 2013, amounted to 203 tons of Ta, which is lower than the same in 2012 by 4.7 per cent. Such a fall is caused by fluctuations in the market demand for tantalum production.

Volume of niobium production increased by 18.6 per cent reaching 51 tons of Nb, compared to 43 tons of Nb in 2012.

Tantalum Production, tons of Ta

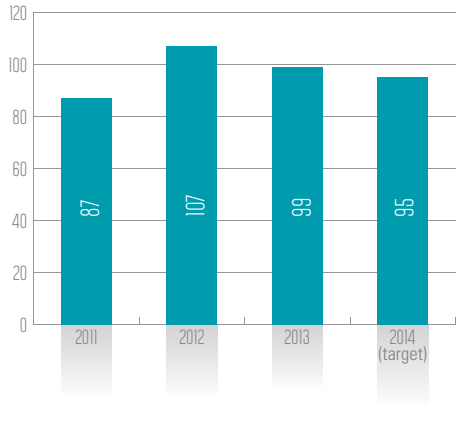


Niobium Production, tons of Nb



Beryllium Products

Beryllium Production, tons of Be



Beryllium production of UMP JSC is a complete metallurgical production cycle starting from a raw ore material and up to the pure metal, and it is the second largest in the world by its capacity.

Volume of beryllium production in 2013 amounted to 99 tons of Be, which is lower than the same in 2012 by 7.5 per cent. The reduction of beryllium production is given by the demand at the beryllium market.

Beryllium production development strategy is aimed at arrangement of a competitive production with higher added value based on the high-techs. To this end, a number of innovative high-tech projects in implemented, including a project on production of the flat-rolled beryllium bronzes under in the joint venture with China. The Company is involved in a project on creation of an International nuclear fusion test reactor.

During 2013, the Company cooperated with the Japan's Atomic Energy Agency, and installed the large-dimensional neutron-reflecting blocks made of a structural beryllium on a new research complex with proton accelerator. The work of Kazakhstani representatives was praised by the nuclear experts of Japan.

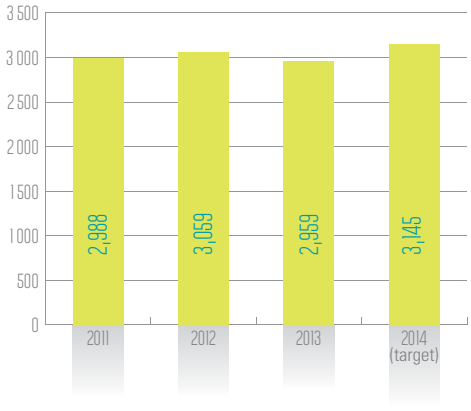
Besides, a meeting with the delegation from China was held in Ust-Kamenogorsk, where possible collaboration and prospects of mutually beneficial joint ventures were discussed.

Because of the increased requests for structural types of beryllium for the applied research purposes, the geography of cooperation of NAC Kazatomprom JSC grew up with countries like Poland, Korea, Belgium, France, Germany, Sweden, Japan, and Argentina.

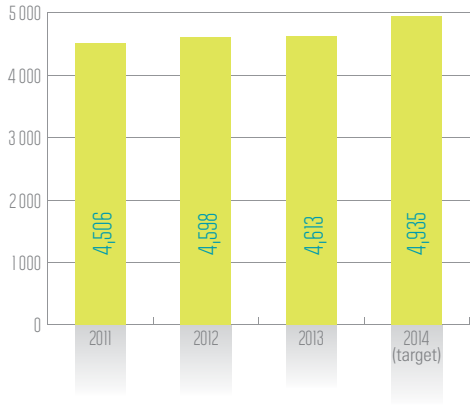
Energy Resources

Production and sale of energy resources is one of the important directions in the activities of NAC Kazatomprom JSC. The main producer of electricity and heat is MAEC-Kazatomprom LLP in Mangistau Region. MAEC-Kazatomprom has an unified energy and water production complex, which has no analogues in Kazakhstan and the CIS countries. Use of desalinated water makes MAEC-Kazatomprom's electrical and thermal energy production technology a unique one. The complex of the enterprise includes thermal power stations and multiple distillation desalination facilities.

Heat Production, thous. Gcal



Electricity Production, mln kWh



During the reporting period, a Working Commission was conducted at MAEC-Kazatomprom LLP regarding the GTPI-2 desalination facility with capacity of 12,000 m^3 of distillate per day constructed under the Project on 'Construction of GTPI-2,3 Desalination Facilities with Capacity of 24,000 m^3 per day for presentation to the State Acceptance Commission. In 2014, it is planned to put the facility into operation.

In 2013, the electricity production totalled 4,613 mln kWh, which is higher by 0.2 percent than the same in 2012 – 4,598 mln kWh. The heat production decreased in 2013 by 3.3 per cent compared to 2012, reaching 2,959 thous. Gcal.

Renewable and Alternative Energy Sources

Within the framework of the strategic direction on diversification into the adjacent high-tech industries, NAC Kazatomprom JSC is actively involved in the development and implementation of technologies of the renewable and alternative energy sources (solar and wind energy).

In November 2013, NAC Kazatomprom JSC and Kazakh-British Technical University (hereinafter – KBTU) concluded a Memorandum on scientific and technical cooperation. The Company and KBTU plan to implement research and innovation projects in the area of renewable energy, create joint working and expert groups, as well as train and retrain the experts in renewable energy sources.

Additionally, within the framework of concluded Memorandum, it is considered to implement innovations in prospect on mutually beneficial terms, including an establishment of joint ventures on a parity basis. Partnering with the largest technical university of the country is a part of the Company's strategy for its innovative development.

Currently, NAC Kazatomprom JSC implements a number of innovative high-end projects on renewable energy.

Project on Production of Photovoltaic Modules Based on Kazakhstan Silicon KAZ PV

Three enterprises operate within the framework of this project:

1. MC KazSilicon LLP (Ushtobe Town, Almaty Region) is engaged in quartz mining on the Sarykul field of Almaty Region (quartz reserves amount to 1,700,000 tons) and quartz processing up to the metallurgical-grade silicon (5,000 tons of metallurgical-grade silicon per year in capacity).

   In the first half of 2013, activities were carried out in cooperation with representatives of the French Consortium in order to improve metallurgical-grade silicon production technology.

2. Astana Solar LLP (Astana) produces photovoltaic modules (capacity: 50 MW, 223 thous. photovoltaic modules), which production started in 2012.

   Currently there are off-take contracts concluded with AREVA (France) for a period of 3 years (with prolongation for the next 3 years) on supply of photovoltaic modules starting from 2014.

   During 2013, Astana Solar LLP produced 8.2 MW A/m photovoltaic modules. It is planned to produce 37 MW A/m photovoltaic modules during 2014.

3. Kazakhstan Solar Silicon LLP (Ust-Kamenogorsk) plans to produce photovoltaic wafers from Kazakhstani silicon and cells, which will converse the solar energy into electricity (capacity: grey wafer – 77 MW A/m or 18,500 thous. pcs; cells (PEC) – 65 MW A/m or 16,765,6 thous. pcs).

In 2013, Kazakhstan Solar Silicon LLP carried out construction and installation works and launched the commissioning works. According to the contract with the French companies (SEMCO and ECM) in the 1st quarter of 2014, the preliminary acceptance testing of all equipment was launched, during which a turnout of the first test output is stipulated in the 1st and 2nd quarters of 2014. The final acceptance tests and commissioning of the plant is scheduled for the 3rd and 4th quarters of 2014.

Kazakhstan Solar Silicon plant is the most high-tech link of the innovation project of KAZ PV for development of solar energy in Kazakhstan. The off-take contract is already signed with the French company IRYSOLAR for the purchase of finished products (photovoltaic wafers and cells).

Project on Production of Bolotov's wind rotor turbine – BWRT

The Company implements a Project on production of the Bolotov's wind rotor turbine (BWRT) and on establishment of a Service Centre for their maintenance on the territory of the Republic of Kazakhstan. For such purposes, the researches are carried out in the area of remote monitoring and management of autonomous BWRT, as well as in the area of developing the chargers and the autonomous BWRT load control systems.

Production of BWRT is carried out at Ekoenergomash LLP. In 2013, Ekoenergomash LLP implemented a project on equipping the administrative building of KEGOC JSC with electrical supply systems using renewable energy sources. Within the framework of this project one wind rotor turbine was sold.

Project on Production of heat pump installations

The Project is aimed at establishment of a production of heat pump installations (hereinafter – HPI) and a service centre for their maintenance. Production of HPI is organized at Mashzavod LLP, a subsidiary of UMP JSC, through the reconstruction and installation of a production line with capacity of 520 pcs of HPI annually. In October 2013, a contract between NAC Kazatomprom JSC and Mashzavod LLP was concluded for conducting the scientific and research works under the topic of Technological Modernization of the Water-Water Heat Pump Installations.

The first consumer of HPI is GRK LLP, where it is expected, under the project, to provide the special laundry building users with hot water on a basis of HPI with a temperature of coolant of 55°C in the amount of 85 kW throughout the year. Within the framework of this project a structure was developed for supply of thermal energy to the consumers stipulating the usage of the process water served for Moiynkum mine's production needs as a low-grade renewable source of heat. Construction and installation works were carried out to the fullest extent, and the starting-up and commissioning works are completed. Launch of the HPI is scheduled in 2014, together with putting the Moiynkum mine into operation.

The main factor, which restrains the implementation of this project, is that the initial costs of purchase and installation of the HPI exceed the value of heat sources provided for the solid fuels.

4.3 DEVELOPMENT OF SCIENTIFIC, TECHNOLOGICAL AND INNOVATION POTENTIAL

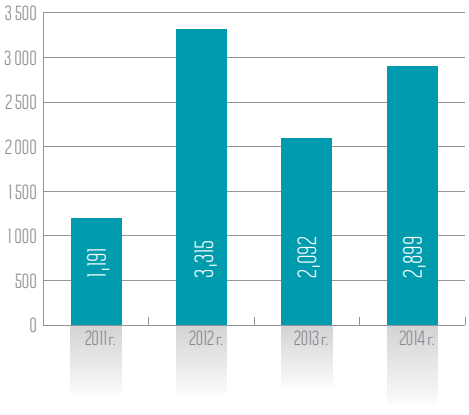
One of the strategic priorities of NAC Kazatomprom JSC is raising its scientific, technological and innovation potential contributing to an increase in efficiency of operations and reduction of negative impacts on the environment. The Company aims to increase regularly the funding of activities, such as NFC, rare and rare-earth production, as well as in the area of alternative energy.

R&D costs in 2013 totalled KZT 2,092 mln. Investments into the R&D in 2013 compared to 2012 were temporarily reduced because of the low market prices for uranium, as part of an overall program of cost savings in 2013.

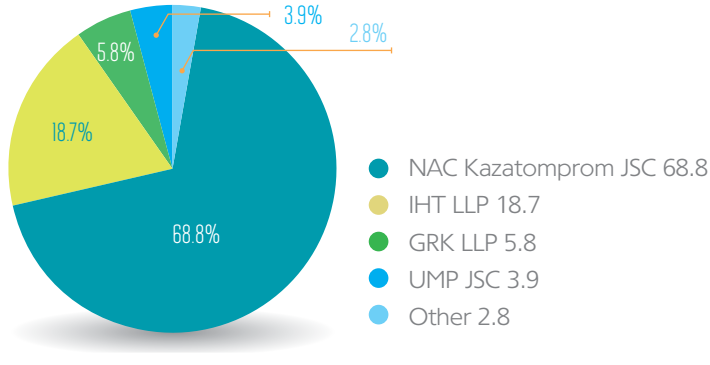
For the scientific research works (SRW) of non-uranium area KZT 357 mln was allocated. Within the framework of a number of non-uranium projects (including the alternative energy projects), it is planned to increase the funding of scientific research works for up to KZT 467 mln in 2014.

The target amount of R&D costs for 2014 is KZT 2,899 mln.

Total R&D Costs, KZT mln



R&D Costs in 2013 by Companies



The innovation activity of NAC Kazatomprom JSC is carried out in accordance with the Company's internal documents, such as the Innovation and Technology Policies and the Strategy Innovation and Technological Development. There are innovative scientific and technical subdivisions established and acting within the Company: Institute of High Technologies LLP, applied research units: Central research laboratories and plant laboratories, whose primary activity are scientific researches, analyses and development works, as well as the research and educational institution – Kazakhstan Nuclear University.

Currently the Company implements the following innovative projects:

- Implementation of the peroxide deposition of uranium at the mining enterprises of NAC Kazatomprom JSC, aimed at the improvement of methods for production of chemical uranium concentrates conforming to the ASTM quality and at the reduction of cost.
- Experimental production of the bulk concentrates and individual compounds of rare-earth metals
- Production of photovoltaic modules based on Kazakhstani silicon KazPV
- Construction of a factory on production of AREVA-designed fuel assemblies.
- Establishment of a refinery for conversion production of uranium.

The following programs are developed and implemented in the Company: "Creation and Development of raw material base and high technologies for the production of rare and rare-earth metals in the Republic of Kazakhstan in 2011–2014" and the "Scientific, technological and innovation development of NAC Kazatomprom JSC for 2014–2016". The issues on planning and approval of R&D results are subject to consideration at the meetings of the Scientific & Technical Council and the Specialized Scientific & Technical Council. Scientific technological development and researches are carried out in NAC Kazatomprom JSC on own account.

Following the example of European companies, a new way of planning and implementation of the R&D is applied for comprehensive resolution of scientific and technological development problems, within

the framework of which the research and development projects are fulfilled to create new technological platforms in the following directions:

Uranium Mining and Processing Technologies (geology, geotechnology, chemical technology of uranium and associated metals, etc.)

Resources and Resource Husbandry at the Enterprises of NAC Kazatomprom JSC (chemical, water technologies, etc.)

High-Tech Production and Business Diversification at NAC Kazatomprom JSC (conversion, nuclear reactors, NPP, safety of nuclear technologies, nuclear materials accountancy, renewable energy sources, rare-earth metal production, etc.)

Intellectual Capital and Information Technologies of NAC Kazatomprom JSC (security and generation of nuclear technological knowledge, patents, intellectual property, IT and others).

Using its scientific potential, the Company attracts French, German, Russian, Japanese, British and other foreign scientists to collaborative researches. While formerly NAC Kazatomprom JSC used to establish joint ventures for production, nowadays it establishes them for development of new technologies. After creation of assets as regards to subsoil and nuclear fuel cycle, the Company initiates the creation of intellectual assets.

SMART-MINE PROJECT

In the area of innovations one of the main events of 2013 is elaboration of a feasibility study on developing a pilot SMART-mine by NAC Kazatomprom JSC.

The SMART-mine shall become a prototype of new generation industrial complex for uranium mining, where pilot output testing and implementation of the most advanced technologies will be conducted, aimed at energy saving, ecological compatibility and increase of production. It is expected that the implementation of new technologies at the Company's enterprises will reduce the uranium mining cost.

The project implementation price is approximately KZT 4,5-5 bln. A part of the funds required for the project implementation will be allocated by NAC Kazatomprom JSC, while the shortfall amount will be covered by borrowings.

According to expectations, starting from 2015 the estimated cost of newly created intellectual property will be KZT 1.5 bln per year at least, and the payback period of direct investments will be about 4,5–5 years.

Commencement of the SMART-mine is planned for 2015.

The development strategy of NAC Kazatomprom JSC contains the sustainable development principles to address major international challenges such as energy security and social progress acceleration. The Company's activities in the regions of operations is aimed at making the sustainable development of the business to contribute the socio-economic progress, improvement of ecological environment, and growth in well-being of regions' population.

NAC Kazatomprom JSC provides jobs for more than 27,000 people. Company's personnel is the main component of sustainable growth, and the Company pays special attention to the creation of favourable and safe working conditions. Company's HR policy is aimed at strengthening the human capacity, build up of an effective motivation system and creation of favourable conditions for the full-scale development of the staff. There are documents developed in NAC Kazatomprom JSC that regulate the Company's activities in the area of sustainable development, including the Code of Corporate Governance, HR Policies, Occupational Protection, Environmental Protection, Nuclear and Radiation Safety Policies, as well as the Corporate Social Responsibility Policies defining the principles of social responsibility of the Company. Implementation of energy-efficient and environmentally sound technologies is a mandatory component of the short-term and long-term programs of NAC Kazatomprom JSC.

NAC Kazatomprom JSC's activities in the area of sustainable development include creation of favourable work conditions, occupational safety, environment protection, support to the socio-economic development of the regions of operations and improving the quality of life of the population. The Company strictly adheres to the principles of economic, environmental and social well-being of its stakeholders and considers it as an investment into the future.

Organisation of Sustainable Development Management

Implementation of the sustainable development principles is carried out in collaboration with the Department of Human Resources Management, Department for Occupational Safety and Environmental Protection, and Kazatomprom-Demeu LLP that is responsible for development of the Company's regions of operations.

The activities of the Department of Human Resource Management (hereinafter – DHRM) covers socially important issues from the viewpoint of sustainable development. Among the key issues are: HR development and training, creation of productive and fair working environment, support and motivation of employees. To monitor successful implementation of the sustainable development principles and to identify the potential areas for improvements, the DHRM conducts annual surveys and questionnaires of the Company's employees.

Management of occupational safety, industrial and radiation safety as well as the environmental protection is carried out by the Department for Occupational Safety and Environment Protection (hereinafter - DOSEP), which carries out methodological support, supervision and overall coordination of the occupational safety and environment services, acting in all business units of the Company. In addition, DOSEP conducts data collection and analysis based on the results of environmental monitoring at the Company's enterprises and prepares report based on the results of this research, which shall be submitted to the Management Board later on.

The occupational safety and environment services operate in all business units of NAC Kazatomprom JSC, as well as the comprehensive and targeted inspections are conducted regularly.

Kazatomprom-Demeu LLP is the operator of NAC Kazatomprom JSC for management of social facilities and implementation of social projects. Kazatomprom-Demeu LLP sets an objective to improve the well-being and quality of life of Kazakhstan's citizens. The range of tasks includes: social development of the regions, on which territory the uranium production is operated, through the sales of social services to the local population and creation of decent living conditions for the Company's employees.

Development of the regions of operations is carried out in cooperation with the local authorities and in accordance with the Company's development strategy.

5.1 INTERACTION WITH STAKEHOLDERS

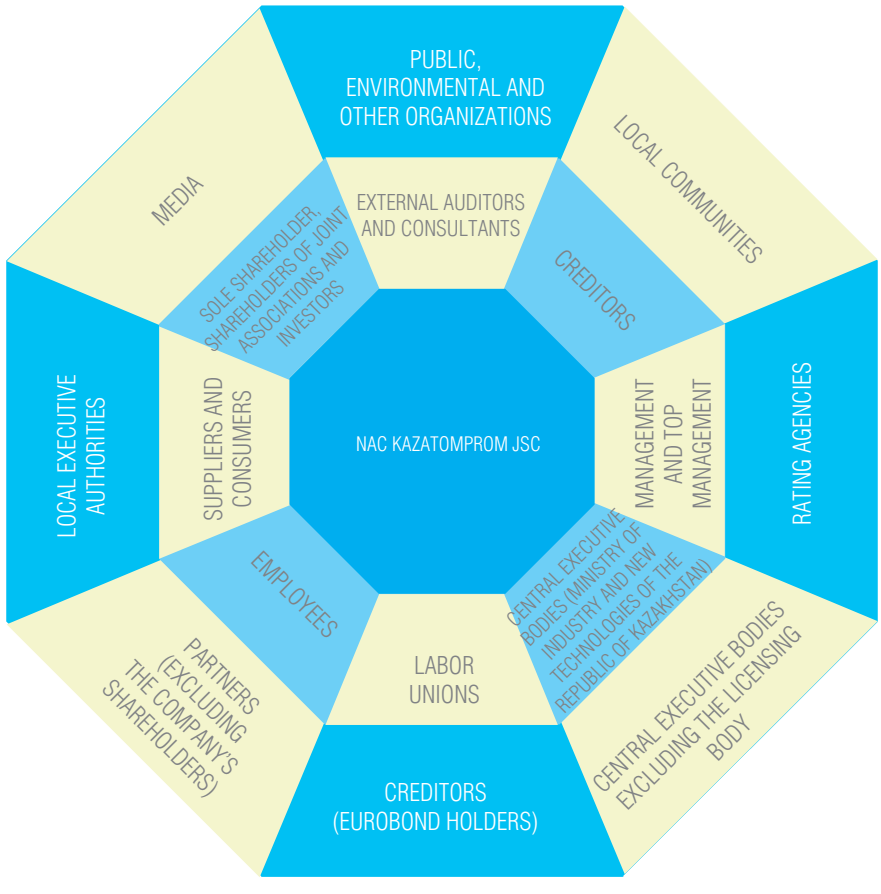
NAC Kazatomprom JSC's approach to interaction with the stakeholders

Interaction with stakeholders is the key to the necessary conditions for creation of long-term value, achieving the strategic goals and building a positive reputation of NAC Kazatomprom JSC. Building of constructive relationships with both external and internal stakeholders allows to ensure more fair and sustainable social development, better risk and reputation management, and to assess the business environment and market comprehensively. Social partnership, mutually advantageous cooperation, respect, openness and trust are the basic rules that guide the Company in any interaction with the stakeholders.

The essential principles and priorities of interaction with stakeholders are specified in corporate documents of the Company: Code of Conduct and Code of Corporate Governance. By establishing new and continuously improving the existing mechanisms and procedures of corporate governance, NAC Kazatomprom JSC seeks to protect rights and harmonize interests of all stakeholders.

All stakeholders of the Company are presented in the Stakeholders' Map, reflecting the influence rate of any group. The Company separates the "near" and "far" circles of stakeholders, depending on whether they have a direct or indirect impact on the activities of the Company, as well as the impact of the Company on them.

The Company's key stakeholders are the employees, trade unions, Sole Shareholder, suppliers, consumers, public authorities, mass media and local communities.



During the interaction with its stakeholders, the Company uses communication channels, such as:

- corporate communication channel system;
- meetings, discussions, negotiations;
- public hearings;
- regular surveys of staff;
- public opinion researches;
- joint working groups;
- hotlines for employees;
- presentations for investors;
- participation in forums, conferences, exhibitions and summits;
- interaction with mass media;
- membership in public and expert associations;
- joint programmes with local authorities aimed at socio-economic development of regions of operations.

Sole Shareholder, Shareholders of Joint Ventures and Investors

In accordance with the Company's Charter, the Sole Shareholder of the Company is the Sovereign Wealth Fund 'Samruk-Kazyna' JSC. The Board of Directors and the Management Board shall observe and protect the rights of the Sole Shareholder. The Sole Shareholder of NAC Kazatomprom JSC is interested not only in the Company's financial results, but the non-financial indicators on quality of the Company's management, such as: corporate governance, relations with customers and suppliers, corporate social responsibility policies of the Company, occupational safety and contribution to the development of local communities, – are not less important to him.

Dividends paid to the Sole Shareholder in 2013, following 2012 year-end results, amounted to KZT 7,64 bln.

Personnel

Interaction between the Company and the employees is aimed at developing human capital and building relations on a cooperation basis.

Employee's remuneration, social benefits and social safeguards, career advancement, occupational safety and working conditions are in complete compliance with the requirements of the legislation of the Republic of Kazakhstan, and are regulated by the employment contract, the Code of Conduct and HR Policies of NAC Kazatomprom JSC. The Company values the contribution of each employee and builds its relationship with personnel on a respect and cooperation basis, encouraging initiative, responsibility and ambitious goals. These principles help employees to improve their performance and achieve high professional results.

In 2013, the Company paid special attention to the engagement, satisfaction and loyalty of the staff: a sociological research was carried out amongst the employees of the Company, as well as regular business meetings were conducted.

Result of employee's engagement survey allows to identify the pressing issues and to address the situation in advance. In the context of growing competition, qualified and motivated employees are the driving force of development and maintenance of sustainable business processes; therefore the Company plans to continue its activity in this area.

Suppliers and Consumers

The long-term success of the Company is impossible without comprehensive account of external environment factors affecting the Company. Among the key external factors is the sustainable development of suppliers and consumers.

According to the principles of sustainable development in interaction with suppliers and customers, NAC Kazatomprom JSC is responsible both for the quality and safety of products, as well as for their timely delivery. The Company seeks to interact with good-faith suppliers, applying the principles of sustainable development in their activity. NAC Kazatomprom JSC directs its efforts on improvement of the efficiency of supply chain and value chain, on joint action to advance processes and technologies aimed at reduction of costs within the chain

and support the loyalty to the brand name. According to State standards of the Republic of Kazakhstan and the standards of Corporate system of standardization, the Company regularly holds quality control.

State Authorities

The company is committed to building and maintaining a stable and constructive relationship with the State and local authorities based on the principles of responsibility, integrity and respect for mutual interests. NAC Kazatomprom JSC actively participates in committees and working groups on making amendments to the laws and legislative acts of the Republic of Kazakhstan, provides cooperation with "KAZENERGY" Kazakhstan Association of Oil, Gas and Energy Sector organizations, participates in the expertise while considering the issuance of licences and permits for exploration, extraction and processing of uranium containing materials. The Company takes part in the implementation of the 2010–2014 Program on Development of Nuclear Energy of the Republic of Kazakhstan with perspective up to 2020, the 2010–2014 National Program of Forced Industrial & Innovative Development of the Republic of Kazakhstan, the Road Map to Address the Problems of Stepnogorsk Mining and Chemical Combine LLP on behalf of the Government of the Republic of Kazakhstan, etc.

Local Communities

Local communities have a significant impact on the Company, forming the environment and being the origin of key resources for the Company. NAC Kazatomprom JSC implements a number of projects related to the education, employment, cultural activities, public health, infrastructure development, improvement and greening of regions for the local communities. Interaction with local communities is a systematic activity for the Company, which has a positive impact on the atmosphere and psychological climate in the regions of operations.

In 2013, the Company provided by 5.3 per cent more jobs to local residents compared to the previous year, thus the share of staff from the regions of operations reached 82,5 per cent of the total number of employees of the Company.

Besides creation of new jobs, the Company undertakes a number of efforts to improve social infrastructure. To this end, in December 2013, the grand opening of a new medical unit of MAEC-Kazatomprom LLP for the residents of Aktau, and a nursery-kindergarten in the village of Taykonur built by a subsidiary of Volkovgeology JSC.

The Media

Complying with the rules on information disclosure of NAC Kazatomprom JSC, the Company provides a high degree of transparency, as well as constructive dialogue with the mass media.

The most important channel for distribution of information, which is available to the greater number of stakeholders, is the official Internet site of the Company (http://www.kazatomprom.kz), in particular, the "Corporate Documents" section (http://www.kazatomprom.kz/corporate-documents). In these resources one can get to know the Company's latest news, financial and performance indicators, accounts and other useful information about the Company's operation, as well as documents regulating activities of the management and control bodies of NAC Kazatomprom JSC, such as: The Charter, Regulations on the Board of Directors, Regulations on the Management Board and Regulations on the Internal Audit Service. Adhering to the principle of fairness for all stakeholders, NAC Kazatomprom JSC publishes information on the official website in three languages: English, Kazakh and Russian.

5.2 PERSONNEL

Approach to Personnel

Employees are the main asset and basis of success of NAC Kazatomprom JSC, in its objective of achieving and maintaining a leading position in the global uranium market, and are the key to its sustainable development in the future. The Company, on a regular basis, makes considerable efforts to recruit, train, and retain capable and talented employees of all categories and levels. In 2013, the Company increased the number of staff holding a scientific degree of a Doctor of Science up to 14 persons and recruited 5 employees having a PhD degree. 69 employees have a MPhil degree, including 16 employees in the Headquarters. At the same time, the recruitment and development of a local talent pool is of particular importance, is receiving increased attention, and forms the basis of HR strategy.

A fundamental human resources document of the Company is the HR Policy of NAC Kazatomprom JSC, which main tasks are as follows:

- strengthening and development of the Company's talent pool;
- construction and implementation of a motivation system assisting the increase of efficiency and quality of work;
- creation of fair conditions for the maximum effective development of personnel, its abilities and skills;
- improvement of workforce planning efficiency;
- introduction of a dual training system;
- effective regulation of the social and labour relations.

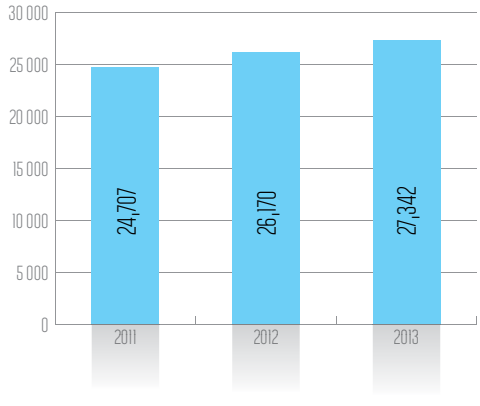
NAC Kazatomprom JSC pays very close attention to developing potential of every employee. This is ensured by creating attractive jobs and by strictly complying with the labour law, as well as by creation of a social protection system for employees, and by complete observance of their rights and interests. Such policy contributes to the successful production activity and stability of relationships in the workplace. The Company strictly observes the interests and rights of its employees, and contributes to the prevention of all forms of discrimination and forced labour. Particular attention is paid to safety in the workplace, improving social conditions of personnel, and creating equal opportunities for professional and personal growth. In order to protect the rights of the Company's employees, a Code of Conduct was developed as well as labour and collective employment agreements were signed.

Personnel Structure

In 2013, NAC Kazatomprom JSC increased the number of staff due to the development of the nuclear industry in the Republic of Kazakhstan and increasing of the Company's presence in the international market. Thus, 775 new jobs were created on the Company.

As of 31 December 2013, the headcount in all the Company's subsidiaries and affiliates was 27,342 person. Increase in the number of staff in 2013 compared to the same in 2012, is due to the commissioning a new mine, increased volume of works and services performed, and development of alternative energy sources. Staff turnover rate amounted to 14 per cent and remained the same as in the previous reporting period.

Number of employees from 2011 to 2013, persons

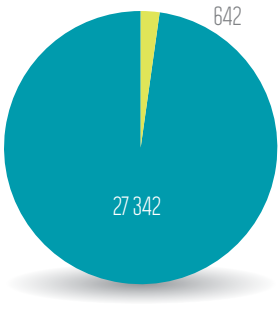


Due to the specifics of uranium mining and industrial enterprises, men make up the overwhelming majority of production staff – 78 per cent. In 2013, the share of women in the managerial staff amounted to 15 per cent, which is 3 per cent lower than in 2012.

According to the results of 2013, 50 per cent of the total number of staff were employees at the age from 31 to 50 years old. The share of employees at the age up to 30 years old decreased slightly by 3.7 per cent compared to the previous reporting period.

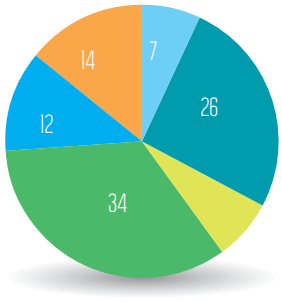
The Company is still highly interested in recruiting the talented young professionals with a technical background: the majority of graduates hired in 2013 are engineering graduates.

Proportion of Full-time Employees and Supervised Workers in the Total Number, person



Corporate Empoyees
Controlled Empoyees

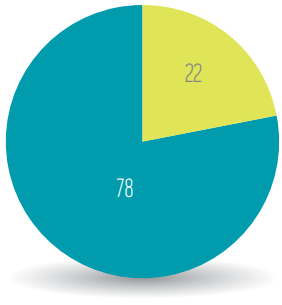
Structure of Employees That Left the Company, %



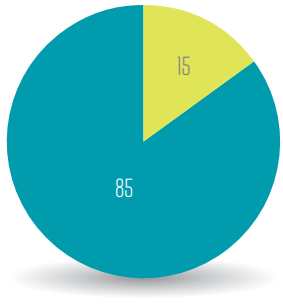
Men < 30 years old
Women < 30 years old
Men 30-50 years old
Women 30-50 years old
Men > 50 years old
Women > 50 years old

Staff Structure by Gender, %

Employees

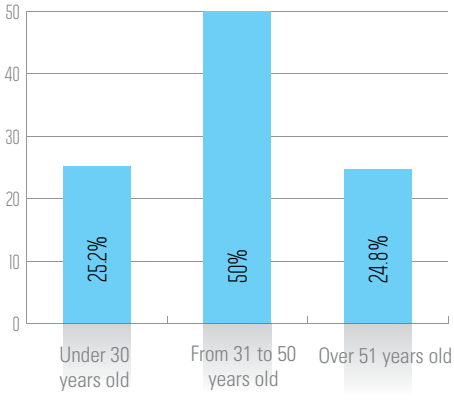


Governing Bodies



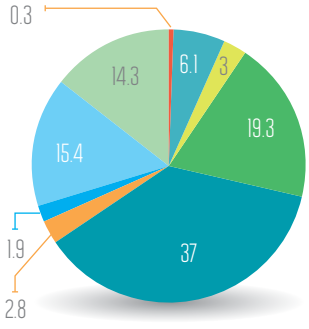
Men
Women

Staff Structure by Age Groups, %



Local population provide an important source of human capital. Within the framework of the planned support to the needs in professionally trained personnel at the enterprises of NAC Kazatomprom JSC, the employer provides, at the own expense, education of students, children of employees and local residents of the regions. Currently, 350 students attend classes in 46 high education institutions and 15 colleges of the Republic of Kazakhstan and the Russian Federation, at the expense of the enterprises, majoring in the industry profile specialities and professions. In addition, 632 students received practical training in enterprises of the Company in 2013.

Personnel Structue by Region (Republic of Kazakhstan), %



Almaty
Astana
EKR
SKR
Almaty Region
Akmola Region
Mangistau Region
Kyzylords Region
Zhambyl Region

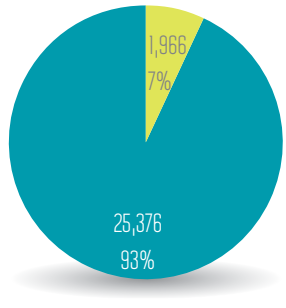
A vocational work is carried out in order to select the most advanced students of the uranium-mining township schools for promotion of their further education under engineering specialities. Each year 36 students and 6 teachers from three schools of Taukent, Kyzemshek, and Kok-Shoky villages are trained at the Summer mathematical school in the best schools of the Republic of Kazakhstan (in 2010–2011 – Zhautykov's Republican Physical-Mathematical School, Almaty; and in 2012–2013 – Nazarbayev's Intellectual School, Astana).

Most of the Company's employees work in South Kazakhstan (SKO), East Kazakhstan (EKO), Mangistau and Kyzylorda Regions, where the uranium mining and processing takes place.

Collective Employment Agreement and Trade Unions

NAC Kazatomprom JSC enters into a collective agreement with a trade union. The collective employment agreement is applicable to all employees, regardless of whether or not they are trade union members. To protect the rights of employees, collective employment agreement includes provisions on the minimum period of prior notification of employees and their elected representatives about the implementation of all organizational changes in the Company's business that may affect their working conditions. Moreover, the collective employment agreement contains provisions regulating the following:

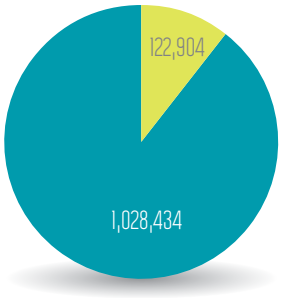
Percentage of employees covered by collective employment agreements, per cent and persons



Percentage of employees covered by collective employment agreements

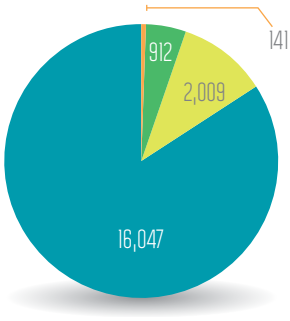
Percentage of employees not covered by collective employment agreements

Costs of Training and Professional Development, KZT thous.



- Training, retraining (universities, colleges)
- Professional Development

Number of Personnel Trained in 2013, persons



- Top Management (top manager and his/her deputies)
- Middle Management (managers of subdivisions)
- Administrative Staff (AM except top and middle management)
- Production Staff

- condition and size of remuneration;
- inflation-related changes in wages;
- compensation to employees for marriage, retirement, and births and deaths of family members, etc.;
- working hours and time off work for employees;
- safeguards and social protection of employees.

In 2013, the Company continued its cooperation with trade unions through the open dialogue and regular meetings. Interaction with various trade unions is regulated by the 2012–2014 Sectoral Agreement between the Atomic Energy Agency of the Republic of Kazakhstan, the Company and the Trade Unions of Workers of Atomic Engineering, Production and Related Industries of the Republic of Kazakhstan, concluded in 2012.

Training and Advanced Training

Sustainable and dynamic development of the Company depends on the skills and professionalism of its employees. Education, professional development and advanced training represent key areas of the Company's human resources management policies.

NAC Kazatomprom JSC strives to implement the industry-specific system of training, re-training and advanced training of the engineering and operating staff. The Company's training policy is based on the code of practice – "Vocational Training for NAC Kazatomprom JSC's Employees" – which defines the objectives, principles, conditions, mechanisms and methods of implementing staff development programs. Programs include educational courses, seminars, trainings, conferences, forums, round tables, and other activities aimed at improving and obtaining new theoretical and practical knowledge.

The Company carries out a series of activities to enhance the competence, skills and professionalism of personnel, to develop creative and proactive approach for resolution of business problems, as well as to create necessary conditions for personal fulfilment of each employee. In 2013, expenditure for education and advanced training increased by 13 per cent compared to 2012 and totalled KZT 1,151 mln.

The number of employees that received training and advanced training in 2013 was 18,932 persons, and the total number of training hours of employees per year was 767,749.

Considerable attention is paid to the on-the-job training of the staff. 16,329 persons upgraded their skills in 2013. Of those 8,734 (53 per cent) participated in trainings, which are mandatory under to the legislation of the Republic of Kazakhstan, 1,056 (6 per cent) trained under the program in line with the amendments introduced into the acting legislation of the country, and 5,696 (35 per cent) employees of production units topped up their qualifications on innovative and other topics.

Every year the Company organizes winter and summer schools for its employees, on a basis of the specialized Centre for Training and Re-training of the staff. Summer school courses are intended for upgrade of skills for the experts and young researchers (external doctorate students) working in the Company and include lectures to broaden their professional horizons and to develop effective communication skills, as well as other lectures and seminars. In 2013, NAC Kazatomprom JSC organized the sixth annual Winter School for executives and line managers. Winter School on 'Effective Leadership Workshop: Development of Leader's and Communication Skills' Program was held for the employees of NAC Kazatomprom JSC and its S&A. This event became a platform for exchange of experience, it allowed participants to present their work and projects, to get feedback and make plans for the future. Winter School is aimed at strengthening the corporate spirit and to support reputation of the Company.

Training of the mining enterprises' staff under 12 core specialities is provided by a subsidiary of the Company Kazakh Nuclear University JSC. The university has developed a

program of training courses and test tasks, relevant qualification requirements, as well as educational software for visualization and simulation of various processes.

Besides, the Company has an official system for evaluation of performance (attestation) of the employees. In 2013, the number of employees that underwent the regular attestation was 5,957 (22% of the total number of the Company's staff).

Cooperation with Higher Educational Institutions

NAC Kazatomprom JSC is interested in attracting talented young professionals. In order to provide the Company's enterprises with young qualified specialists, the interaction with higher professional education institutions was continued.

Pilot projects on introduction of a dual training are under implementation with the assistance of the colleges: State-Owned Public Enterprises – Mangistau Energy College, Ust-Kamenogorsk Multidisciplinary Engineering College, Geoprospecting College and College No.24 (in Taukent village). There are 8 pilot specialities identified within the framework of dual training program, under which 186 persons were educated in 2013. 28 mentors from the enterprises and 34 instructor/master of production training from educational institution are attached to these students. During 2012–2013 academic year, the employer and the college agreed and approved 5 training programmes taken within the interest of the employer, as well as an equipment in the amount of KZT 5 mln is allocated to the field test site of the Semipalatinsk Geoprospecting College in order to provide material and technical equipping of training & laboratory facilities.

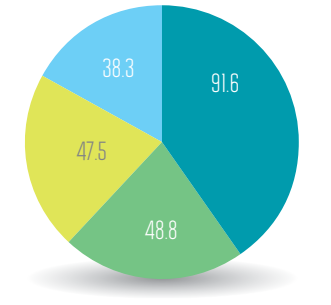
In 2013, the Company concluded a memorandum with Kazakh-British Technical University on training and retraining the specialists in renewable sources of energy.

Motivation

NAC Kazatomprom JSC uses a system of material and non-material incentives to motivate employees.

The Company's remuneration system is focused on motivating employees to produce high-quality and high-performance work. Thus, the Company's production staff wages increase on an annual basis. In particular, in 2013, the wages of this category of employees increased by 2.15 per cent in comparison with 2012 and amounted to KZT 150,133. For comparison, in 2013 the average monthly wage in the Republic of Kazakhstan was KZT 108,941.

Average Staff Training Time per Year



Average Wage of Production Staff (KZT) and Annual Growth in 2011-2013

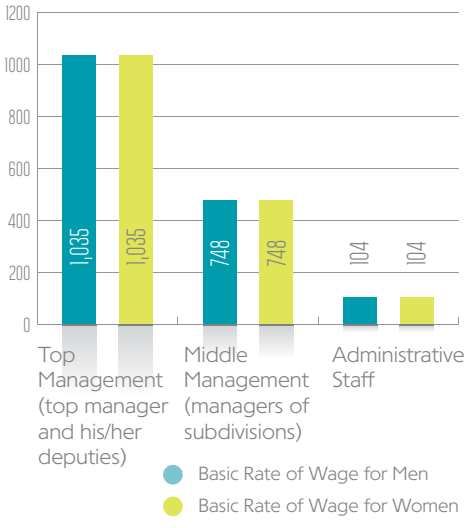
Description	Unit of Measurement	2011	2012	2012 on 2011	2013	2013 on 2012
Average Monthly Wage of Production Staff	KZT	131,418	146,972	111.8%	150,133	102.2%

Total Accrued Wages (KZT mln) and Annual Growth in 2011-2013 (%)

Description	Unit of Measurement	2011	2012	2012 on 2011	2013	2013 on 2012
Total Payroll Fund	KZT mln	37,754.0	44,202.0	117.1%	47,439	107.3%

Indicator	2013	2012
Minimum Wage in the Republic of Kazakhstan, KZT	18,660	17,439
Average wage of entry-level employee in the Company, KZT	**65,430**	**57,965**

Ratio of basic rate of salary for men and women, with breakdown by category of employees, KZT thous



The Company pursues non-discrimination of employees by gender and practices equal approach to remuneration of men and women. Difference between the minimum entry-level wage by all enterprises of NAC Kazatomprom JSC and the minimum wage established in the Republic of Kazakhstan is equal to 1,46 in favour of the Company.

In accordance with the unified remuneration and bonus system, administrative staff receives quarterly bonuses equal to one monthly salary, the production personnel receives monthly bonuses at an average rate of a quarter of a monthly salary, and the payments to managerial staff are made once a year, at a rate of four monthly salaries.

As part of the incentive system, the Company implements a policy of awarding employees for innovative ideas, outstanding execution of important assignments, protracted and exemplary work, and other services. Additional payments are made in case of combining positions, and personal allowances and bonuses are paid for mentoring being established by the heads of the Company and the enterprises.

The Company places special emphasis on providing non-material incentives for personnel, based on the philosophy that moral encouragement contributes to creating a sense of ownership in order to attain the Company's strategic objectives, the loyalty to the Company, and increased work efficiency. Non-material incentives include awards, both at national and corporate levels. NAC Kazatomprom JSC's employees have on many occasions been awarded the title of Honoured Worker of the Nuclear Industry of various degrees, as well as the decoration For International Cooperation in the Nuclear Industry, and other awards.

Social Policies, Payments and Benefits

Social payments and benefits form an integral part of the remuneration system for employees of the Company. NAC Kazatomprom JSC's social policy aims to improve the general living standard of employees and provide support to groups in need of social assistance. The Company provides a package of social benefits and guarantees to its employees. Social liabilities are described in the Collective Agreement, which provide for benefits, guarantees and social protection to employees, as well as the support of veterans and retirees.

Financial assistance provided to the employees relates to their recovery and treatment, payments is case of childbirth and retirement, payments to families having children under the age of 18 with disabilities and to large families, as well as payments dedicated to the employees' anniversaries.

Some of the Company's enterprises provide benefits in excess of those guaranteed by the legislation of the Republic of Kazakhstan.

All employees are entitled to guaranteed pensions and payments from pension funds, which are created from individual pension savings based on mandatory employee contributions, at a rate of 10 per cent of salaries, but not more than KZT 149,745 per month in 2013.

Employee Satisfaction

The Company conducts annual work-related staff surveys and interviews to determine dedication and satisfaction levels. In 2013, the index of dedication to the Company was 64%, which is by 6 per cent more than in 2012. At the same time, the satisfaction index increased by 3 per cent compared to the previous reporting period and totalled 71 per cent. According to the results of staff questioning and interviewing, the loyalty index is equal to 66 per cent, and the index of initiative support by the Company's employees is 42 per cent.

5.3 OCCUPATIONAL HEALTH AND INDUSTRIAL SAFETY

In 2013, the Company's activities on promotion of industrial, environmental, radiation and nuclear safety in the nuclear production facilities were carried out in accordance with the directions set by the Occupational Protection, Environmental Protection, Nuclear and Radiation Safety Policy (hereinafter – the Policy) of NAC Kazatomprom JSC, under the constant supervision of the Committee for Nuclear Energy of the Ministry of Industry and New Technologies of the Republic of Kazakhstan and the IAEA's experts.

In 2013, the interaction with public authorities and civil society was provided to improve the state system of occupational safety, environment, nuclear and radiation safety. In the reporting period, there were proposals on making amendments and alterations to the acting regulations, upon requests from the governmental agencies, AGMP and KAZENERGY republican associations, subdivisions of NAC Kazatomprom JSC on the draft regulations and internal corporate documents.

Occupational safety management system (hereinafter – the System), under which compliance with regulations is provided and safe conditions at the workplace are created, was introduced in all enterprises of the Company. The System covers all business units and presents a unified guidance, according to which all arrangements on occupational safety shall be performed. In 2013, improvements continued with regard to the legal and regulatory frameworks of labour protection, environment protection, radiation and nuclear safety, as well as the optimization of production control in these areas. An analysis was performed with regard to the documents on transportation security that are available in the Company. The result of this work is Standard of Organizational System to Ensure the Safe Operation of Motor Vehicles in NAC Kazatomprom JSC.

The Company aims to meet international best practices and carry out its activities in accordance with the provisions set out in the Policies. A health and safety management system corresponding to international standard OHSAS 18001 has been introduced in 19 Company enterprises. The certification of production facilities is timely carried out at all NAC Kazatomprom JSC enterprises, and safety declarations of industrial enterprises have also been elaborated and approved.

A service desk has been established for emergencies, which has operational links to the enterprises' units, the Company's Headquarters and the Emergency and Civil Defence authorities, as well as the specialized departments certified by the MES of Kazakhstan.

Documents governing the health and safety activities of NAC Kazatomprom JSC include:

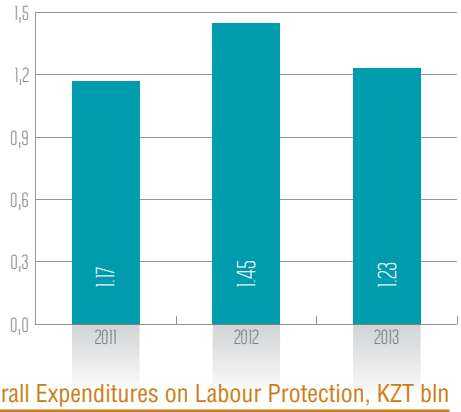
- Regulation on the Individual Responsibility of Staff for Violating Safety Requirements
- Health and Safety Requirements for Contractors Engaging in Various Types of Work
- Corporate Standard ST NAC 12.2-2012 On Standard Quality Assurance Program for Radiation Safety During Operation of Enterprises for the Mining of Uranium Using the In-situ Leaching Method. Requirements for Structure and Content
- Organizational System to Ensure the Safe Operation of Motor Vehicles.

In 2013, the Company continued to improve occupational and industrial safety and health.

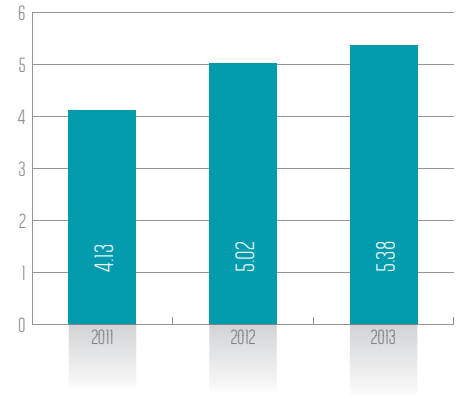
Occupational safety service team and management of enterprises carried out inspections on the compliance with the requirements of laws and regulations and the situation in the area of labour protection, environmental protection, radiation and nuclear safety in Karatau LLP, RMS LLP, SKZ-U LLP, Zhanakorgan Transit LLP, TMCC LLP, branches of GTS LLP, Volkovgeology JSC – Branches GRE-5, GRE-7, GRE-23, Stepnoye-RU LLP, JV Inkai LLP, Semizbay-U LLP and MAEC-Kazatomprom LLP. The results of inspections were considered at the meetings of with the top managers of enterprises, then the corrective actions were developed and undertaken to eliminate the revealed deficiencies.

Thus, in 2013, 98 per cent of the revealed 1,068 violations were eliminated and 565 actions were implemented in the amount of KZT 1,282 bln, which is by KZT 0,267 bln less than in 2012. Throughout the Company, the occupational safety costs equalled to KZT 5,377 bln, which is by 6 per cent more than in the previous year.

Costs of the OH&IS activities, KZT bln



Overall Expenditures on Labour Protection, KZT bln



As part of its internal reporting system, NAC Kazatomprom JSC keeps records of all accidents and a thorough investigation is carried out into each of them, appropriate measures are developed to help prevent accidents in the future.

During the 12 months of 2013, 19 accidents occurred, of which 1 was fatal, 2 were serious, and 1 was a group accident. For comparison, in 2012, 18 accidents took place, of which 6 were serious, 1 was fatal, 2 were group accidents and 8 were traffic accidents. Both the frequency ratios (from 0,75 to 0,73) and severity rate (from 54,16 to 25,84) decreased. The Company considers the fatality of an employee to be totally unacceptable and strives to prevent the occurrence of dangers to life.

These accidents have occurred for reasons such as:

- personal negligence of victims
- violation of instructions
- work without PPE
- equipment failure
- lack of proper control.

To prevent and reduce the risk of accidents in the Company following activities were developed and adopted to perform:

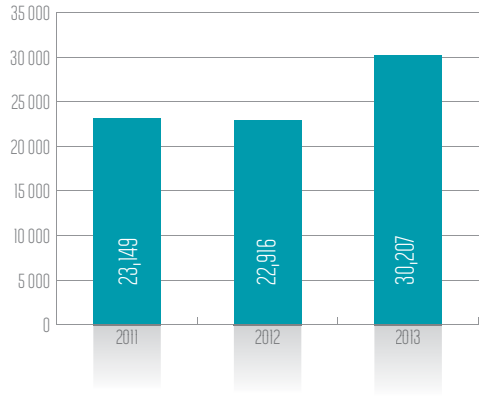
- discussion and analysis of accidents that occurred in the Company's subsidiaries and affiliates at workshops
- investigation and issuance of an order on punishing the manager for the lax control and providing an extra training;
- conduction of unscheduled knowledge test for the affected units' staff;
- enhanced monitoring of compliance with regulations on occupational safety and health;
- actions on updating the enterprises' documents on OH&IS and RS, in accordance with Occupational Protection, Environmental Protection, Nuclear and Radiation Safety Policies of NAC Kazatomprom JSC.

Changes of Occupational Safety Indicators

Occupational Safety Indicators	2011	2012	2013
Injury Frequency Rate (number of injuries per 1000 employees)	0,63	0,75	0,73
Injury Severity Rate (number of disability days per an injury)	48,5	54,2	25,8

Number of employees brought to responsibility for violation of requirements of OH&IS totalled 1,385 persons in 2013. Based on the results of audits, the management and the HSE services of enterprises adjust their plans, develop actions to address observations and inconsistencies, as well as undertake measures to eliminate and prevent violations. In the reporting period, 30,207 violations were revealed, including 1,068 – by state supervision, 2,401 – by corporative supervision, and 27,840 – by supervision units of the enterprise. In the reporting period 29,570 violations were remedied.

Number of OH&IS violations reported in 2011–2013



The Company carries out ongoing work to improve security of production and develop staff responsibility for their own safety and the safety of their colleagues, which includes analysing the causes of injuries and accidents, providing information, implementing preventive measures, and continually searching for the most advanced occupational health and safety solutions and practices. In addition, the Company regularly conducts occupational health and safety training for all managers and staff.

Nuclear Safety

NAC Kazatomprom JSC pays special attention to nuclear safety. Currently, nuclear safety issues have applied directly to UMP JSC and MAEC-

Kazatomprom LLP enterprises, which deal with nuclear-hazardous materials. In accordance with established requirements, in the reporting year status monitoring and measures to ensure nuclear safety at these enterprises were implemented in full.

In 2013, MAEC-Kazatomprom LLP did not perform any activities that involved fissile material, while UMP JSC conducted works with fissile material within the framework of the production program. "O" type equipment* increased by one unit, Block 5 of the uranium production was commissioned to work with nuclear materials of less than 5 per cent enrichment, as well as a new self-sustaining chain reaction alarm system was installed.

All work is carried out in strict accordance with the regulations and guidance on nuclear safety. Staff are regularly certified for the nuclear safety and receives permits to work in nuclear-hazardous areas. In 2013, emergency trainings for units and staff, as well as the state committee inspection were conducted at UMP JSC nuclear-hazardous areas. No nuclear safety violations were identified.

The measures undertaken allow to keep the nuclear safety at both plants at the high level achieved in previous periods. The Company intends to develop and improve measures in order to ensure the on-site nuclear safety.

Radiation Safety

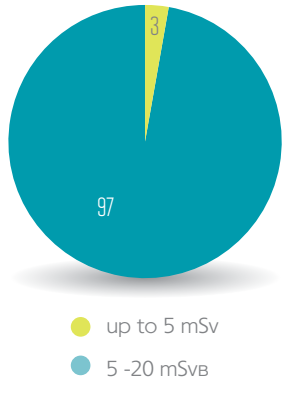
Radiation safety is crucially important for NAC Kazatomprom JSC. Radiation safety remains one of priority directions of the Company's activities in the area of sustainable development.

In 2013, the quality assurance programs for radiation safety based on the standard ST NAC 12.2-2012 were developed and approved in order to ensure the quality of radiation safety at the enterprises. Metrological certification was carried out with regard to the corporate techniques of measurement of main radiation-risk factors: gamma-radiation exposure-dose rate and contamination of various surfaces with alpha- and beta-active substances. The deadline for registration of these techniques in the Register of the State Technical Regulation System has been extended to December 5, 2018.

The Company adheres strictly to all legal requirements related to radiation safety, and conducts regular training and compulsory instructions of staff related to ensuring radiation safety. During the reporting period, 13 persons from the senior managerial staff of the enterprises were certified in the Atomic Energy Committee of the MINT RK. Production control at all the Company's radiation-hazardous enterprises is performed by radiation safety services. The values of radiation factors in sanitary protection and residential areas remained at the 2012 level.

In 2013, no cases of radiation accidents were recorded at Company enterprises.

Effective irradiation dose distribution in the A Group staff**, %



An important factor in the implementation of radiation control is being appropriately equipped with modern radiation measuring instruments. In 2013, the completeness with radiation detection and monitoring equipment improved in uranium mining enterprises, and 25 new devices were purchased. Public board-dosimeters recording and showing radiation background within the settlements are operated in the villages of Sholak-Kurgan, Shieli, Zhuantobe, Shaulder and Koksaray, as well as Timur station.

Radiation exposure reference levels are established at the Company's enterprises to control radiation exposure for staff and to respond quickly to changes in radiation situation. In 2013, 97% of staff received radiation exposure in an amount less than a quarter of the basic dose limit of 20 mSv per year, and no cases of dose limits being exceeded were recorded.

Compared with 2012, 2013 saw no significant change at Company enterprises in the way of working with radioactive substances and ionizing radiation. All planned activities to improve radiation environment were implemented in full. The main focus was on replacing obsolete equipment and repairs.

Radiation safety activities carried out in the reporting year allowed the maximum annual individual dose in the Company to be reduced by almost a quarter, and in the separate enterprises by 37.5 per cent.

* Dangerous equipment (O-type equipment) is an equipment, design and geometric features of which do not exclude the self-sustaining chain separation reaction under any foreseeable conditions.

** "A" Group staff - persons engaged in work with man-made ionizing irradiation sources.

NAC Kazatomprom JSC is proud of the fact that, since commencing the operations, there has not been a case recorded of a member of staff being exposed to radiation levels which exceed those set by current radiation safety standards.

Annual and Maximum Exposure of the Company's Staff in 2013, with Breakdown by Category, persons

Name of Enterprise	"A" Group Staff Number	Number of Staff Received an Effective Annual Dose			Maximum Irradiation Dose, mSv
		up to 5 mSv	5 -20 mSv	>20 mSv	
UMP JSC	1,064	991	73	-	8,81
MAEC-Kazatomprom LLP	209	174	13	-	7,7
JV Sareco LLP	129	129	-	-	4,3
Uranium Mining S&A	4,619	4,524	95	-	8,49
Servicing Enterprises	1,181	1,181	-	-	3,38
Total	**7,202**	**6,999**	**181**	**-**	**8.81**

5.4 ENVIRONMENTAL PROTECTION

In 2013, environmental protection was provided within the framework of developed and approved standards, regulations, directives for the nuclear industry aimed at ensuring the compliance with the requirements of national law and international undertakings. In the regions of operational activities, the environmental protection is a priority for sustainable development of the Company, its subdivisions and S&A. NAC Kazatomprom JSC strives to minimize its impacts on the environment and apply cutting-edge technologies to manage such impacts. Monitoring and analysis are carried out by internal occupational health and safety services and with the assistance of other specialized organizations.

The distinguishing feature of the Company's production activity is its minimal environmental impact. Instrumentation of main technological processes enables a maximum extraction of basic components: uranium, beryllium, tantalum, niobium, and an ultimate restraint from their ingress into the environment.

The Company's enterprises operate in accordance with the Industrial Environmental Monitoring Program.

International Standard: Environmental management systems ISO 14001 is introduced in 19 subsidiaries and affiliates of the Company, which allows to improve the environmental management system and to increase environmental responsiveness at all stages of the production.

Industrial Ecological Control Program and Environmental Protection Measures of each enterprise of the Company are included into the list of mandatory documents required for application for the emission permits, and they shall be developed with further approval and endorsement in the prescribed order for the whole duration of specified permits.

Within the framework of the Industrial Ecological Control Program approved and agreed by the competent authorities for environmental protection and their territorial subdivisions, an environmental monitoring shall be carried out in each subsidiary of NAC Kazatomprom JSC during the period of validity of an emission permit. Report on results of monitoring shall be submitted to NAC Kazatomprom JSC and to the territorial authority competent for environmental protection on a quarterly basis.

Regulatory Basis of Environmental Protection

A regulatory document in the area of environmental protection is the Occupational Protection, Environmental Protection, Nuclear and Radiation Safety Policies of NAC Kazatomprom JSC adopted in 2012. The basic principles in the area of environmental protection include:

- compliance with the acting legislation of the Republic of Kazakhstan
- ensuring ecological security with all available and administrative means
- minimizing environmental impact of operations
- secure and sustainable development in accordance with the long-term strategy of the Company
- prevention of industrial accidents and accidental contamination of the environment
- rational use and reproduction of natural resources
- continuous improvement of the existing technologies and introduction of new ones with due consideration to the environmental safety requirements
- continuous interaction with competent governmental authorities and international organizations in the area of environmental protection
- keeping the stakeholders aware of the environmental conditions.

These Policies are applicable to all enterprises of the Company and are subject to revision and update in every five years.

Introduction of Environmental Management System

Because of new amendments and alterations into environmental laws, the regulatory and engineering as well as instructional and methodological base of the environmental management at the enterprises of industry was updated.

Main Materials Used in Production, tons	
Sea water	1,126,508
Natural Gas	1,322,300
Mineralized Water	6,557
Hydrofluoric Acid	5,378
Lump Sulphur	111,369
Ammonia 25%	74.05
Ammonia water 100%	14,094
Ammonium Nitrate	61,710
Caustic Soda	80.41
Sulphuric Acid	24,248.38
Sulphuric Acid - 92.5%	1,858,462
Nitric Acid	8,548
Hydrochloric Acid	399.8
Soda Ash	5,995.74
Caustic Soda 100%	8,216
Hydrogen Peroxide 60%	5,410
Ion-Exchange Resin	656
Ammonium Carbonate	6,379

Use of Primary Energy Sources in 2013, tons	
Coal	2,890
Natural Gas	1,322,300
Fuel (Petrol)	105,718
Fuel (Mazut)	10,765
Fuel (Diesel)	951,275

Use of Primary Energy Sources in 2013, tons	
Coal	2,890
Natural Gas	1,322,300
Fuel (Petrol)	105,718
Fuel (Mazut)	10,765
Fuel (Diesel)	951,275

Total Energy Consumption in 2013

Heat Power	9,5 mln GJ
Electricity	5 mln GJ

Indirect Energy Consumption

Electricity	3,2 mln GJ
Heat Power	0,9 mln GJ

Energy saved due to measures on energy usage reduction and improvement of energy efficiency

Electricity	0.,36 mln GJ
Heat Power	0,77 mln GJ

A scheduled inspection of NAC Kazatomprom JSC's corporate standardization system On Standard Production Environmental Control Program for the In-situ Leaching Enterprise was held in the enterprises of the Company.

In accordance with the Environmental Code of the Republic of Kazakhstan, the Company's enterprises possessing facilities of I and II categories and performing activities on waste management, have developed and agreed their short-term Waste Management Programs with the competent territorial authorities in the area of environmental protection, where reduction of waste generation and accumulation is stipulated.

Environment Production Control

According to the requirements of the environmental legislation, NAC Kazatomprom JSC's subsidiaries and affiliates practice procedures related to the arrangement and implementation of environmental production control (EPC), as well as to the documenting and reporting on environmental protection and natural resource management issues.

In 2013, inspections of compliance with environmental requirements and standards, as well as regular measurements of parameters characterizing the impact of production facilities on the environment, became the main components of the EPC. Measurements made by the Company's enterprises within the framework of EPC allow timely corrective actions, timely identification and elimination of any excesses over the prescribed limits, and monitoring the effectiveness of gas treatment facilities and sewage treatment systems.

Resource Use and Energy Efficiency

In its production activities, the Company uses a number of substances dangerous to human and environment. To prevent emergencies, reduce negative impacts and enhance the efficiency of production, a strict accounting of material use is practised in all enterprises of the Company.

One of the main materials used in the production is the sulphuric acid, which is applied for in-situ leaching of uranium. The internal procedures of the Company strictly regulate all processes related to treatment with sulphuric acid.

The Company has taken to improve the energy efficiency in three key directions:

- modernization of production
- upgrade of equipment
- promoting behavioural changes in staff

Reduction of saved energy by 7 times compared to 2012 is given by an execution of actions aimed at energy conservation, optimization

of machine workload and operation mode, replacement of obsolete equipment, and introduction of alternative energy sources.

In 2013, costs of environmental protection activities amounted to KZT 1,234 mln.

Land Resources and Biodiversity

Land protection is a key requirement in uranium mining operations and is strictly regulated by legislation of the Republic of Kazakhstan through the Land, the Forest and the Environmental Codes as well the Laws On Subsurface and Subsurface Use, and On Specially Protected Natural Territories.

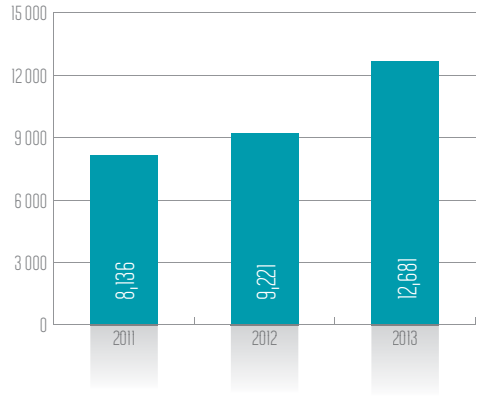
The total area of land owned, leased, and managed by the Company is 21,583,2 hectares.

Some of the Company's enterprises are located within or adjacent to territories that have specially protected nature conservation status. One of such enterprises is MAEC-Kazatomprom LLP, whose territory covers Lake Karakol, which is included into Karagiye-Karakol State Zoological Reserve. The area of protected territory is 37,7 km^2, presented by marine ecosystems and used for industrial purposes

In order to manage impacts on biodiversity, maximum permissible limits of pollutants discharged into Lake Karakol are under development and the environmental monitoring of effluents is carried out as well. Every two years, studies of the lacustrine flora and fauna are conducted in collaboration with academic institutions, and a related monitoring report is issued.

NAC Kazatomprom JSC carried out an assessment of costs of the reclamation of deposits. It is expected that the total costs of liquidation activities will be approximately KZT 21,5 bln. The Company's estimates of the costs of closure, restoration and decommissioning are based on the land rehabilitation standards that conform the requirements of current legislation.

Dynamics of Reserves Accumulation for Restoration Costs, KZT mln

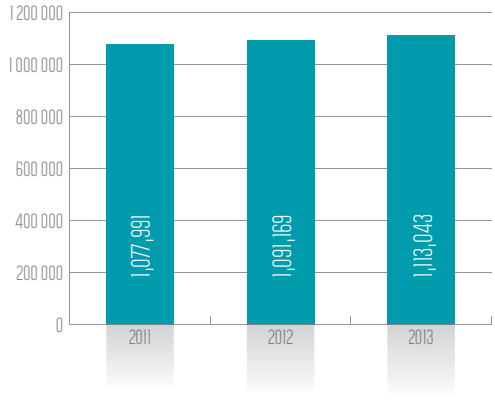


Water Resources

The Company's main production assets are located in regions with an arid climate and a lack of fresh water, hence the protection of water resources and water management form an integral part of the Company's activity. Some of the Company's subsidiaries carry out the withdrawal and discharge of water affecting the sensitive water bodies, the largest of which is the Caspian Sea. The fact that in some regions NAC Kazatomprom JSC provides water supply to the local communities and industries contributes additional responsibility to the Company.

Water use is performed on the basis of permits received from the competent agency authorized for the protection of water resources. The Company's enterprises and S&A carry out a strict control over the withdrawal and recycled water. The quality control of waste water is carried out by specialized certified laboratories.

Total Water Abstraction in 2011-2013, thous. m^3



Total Water Withdrawal in 2013 with Breakdown by Sources, thous. m^3	
Surface waters, including swamps, rivers, lakes and oceans	1,099,032
Underground waters	13,621
Municipal and other water supply systems	390

Due to an increase in volume of production the Company's water withdrawal totalled 1,113,043 thous. m^3 in 2013, which is by 2% more than in 2012.

NAC Kazatomprom JSC has some special features regarding water consumption:

- The Company uses sea water to cool the thermal power equipment and transfers it to other consumers.
- The Company uses sea and artesian water in the enterprises production processes in a form of household drinking water, distilled water, and hot water for heating systems.

NAC Kazatomprom JSC aims to reduce the amount of water used in the production. To this end, a number of enterprises use closed water-circulating loops.

Volume of reused water in 2012–2013, thous. м³

Reused water per year	2011	2012	2013
Volume of reused water	5,153	4,155	4,570
Percentage of reused water,%	42%	22%	4,570

The Company uses large volumes of water to cool the heat-power equipment. Most of this water is discharged into the environment without any pollutants, which allows to classify such discharges as "regulatory clean industrial waste water".

The total discharge of waste water in 2013 increased slightly compared to 2012 and is equal to 1,059,121,4 thous. m^3 (in 2012 – 1,035,822,4 thous. m^3).

Water Disposal in 2013 with Breakdown by Waste Water Receivers, thous. m^3

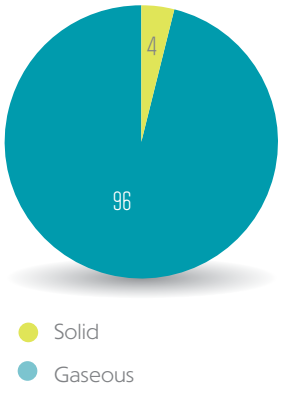
Caspian Sea	1,055,004
Ulba River	1,972,8
Containment Pond	1,690,6
Evaporation Field	486
Total	**1,059,121,4**

Atmospheric Emissions and Climate Change

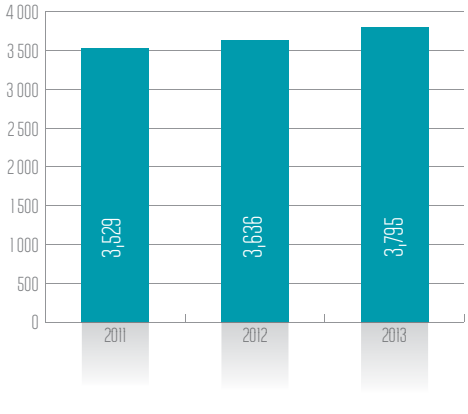
Driven by the sustainable development principles, NAC Kazatomprom JSC pays very close attention to control and reduction of pollutant emissions into the atmosphere. All the Company's businesses obtain appropriate permits as part of their production activities and provide statistical information to the supervising authorities on an annual basis.

The total volume of pollutant emissions into the atmosphere in 2013 increased compared to 2012 and are equal to 3,794.7 tons.

Atmospheric emissions of pollutants in 2013 with breakdown by aggregative state, tons



Changes in Atmospheric Emission of Pollutants in 2011-2013, tons



Emissions of gaseous pollutants with breakdown by type, tons	
NO_x	2,441,2
SO_x	128,6

Volatile organic compounds (VOC) 14.2	
Other	911,2
Total	**3,495,1**

NAC Kazatomprom JSC has established and implemented effective methods of environmental monitoring, including the monitoring of atmospheric emissions. Environmental monitoring is performed on a

quarterly basis, and related reports are provided to the competent authorities. In total, in 2013, an excess in pollutant emissions was not recorded, but one-off excesses were observed for individual substances.

NAC Kazatomprom JSC regularly assesses greenhouse gas emissions and implements measures to reduce them. Thus, starting from 2010, the Company has kept records of greenhouse gas emissions. In 2013, the volume of direct greenhouse gas emissions totalled 3,669,2 thous. tons of CO_2-equivalent, which is slightly higher than in previous year.

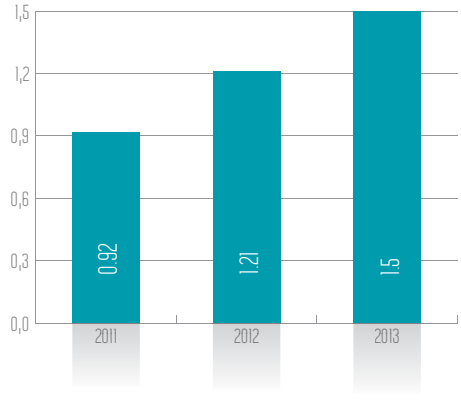
Changes in Direct and Indirect Greenhouse Gas Emissions with an Indication of Weight, tons of CO_2-equivalent

Indicator	Direct Greenhouse Gas Emission	Indirect Greenhouse Gas Emission	Total Greenhouse Gas Emission
Electricity, Heat or Steam Production	3,617,716,584	0	3,617,716,584
Other Combustion Processes	14,214,49845	0	14,214,49845
Physical or Chemical Processing	844,943	0	844,943
Transportation of Materials, Products and Wastes	35,790,56138	0	35,790,56138
Aeration	0	0	0
Uncontrolled Atmospheric Release	602,1	0	602,1

As a part of the initiatives on reduction of greenhouse gas emissions, a program was implemented at UMP JSC on replacement of 12 obsolete motor tractor vehicles, as well as the Heat Supply System Based on the Heat Pump Installations project was developed at JV Zarechnoe JSC.

Emissions of ozone-depleting substances are presented by substances, which are exhaled into the atmosphere by air-conditioning systems. Because of the increase in production volumes and commissioning of new facilities, the total emissions in 2013 increased by 25 per cent in comparison with the previous period and amounted to 1.5 tons of CFC-11 equivalent.

Changes in Emission of Ozone-Depleting Substances in 2011-2013, tons of CFC-11 equivalent



Emissions of ozone-depleting substances in 2013, tons of equivalent CFC-11

CF_2Cl_2	1,364
CHF_2Cl	0,1397
C_2H_3P2Cl	0,00008–0.0007
Total Emission	**1,5037**

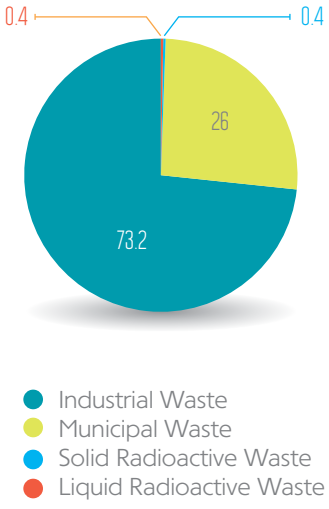
Waste Management

In the course of the production activity of the Company, a large number of different types of waste are generated, of which the main ones are:

- solid and liquid radioactive waste
- overburden rocks generated during mining the fluorite copper-molybdenum ores
- boring silts generated during drilling of the wells at ISL field testing site
- fluoric gypsum generated during production of hydrofluoric acid
- ashes and slag waste generated during production of thermal energy
- municipal waste
- waste oil
- car tyres

Total amount of waste generated at the enterprises of NAC Kazatomprom JSC in 2013 totalled 762,4 thous. tons, which is by 20 per cent less than in 2012.

Total Weight of Waste Generated in 2013 with Breakdown by Type



Changes in Generation of Waste in 2011 - 2013, thous. tons

	2011	2012	2013
Industrial	679,4	867,7	558.4
Municipal	5,0	3,5	2.9
Solid Radioactive	3,6	2,2	3.0
Liquid Radioactive	77,8	71,3	198.1
Total	**765,8**	**944,7**	**762.4**

The Company carries out regular comprehensive efforts to maintain records and an inventory of the sources of the generation and places of the storage, burial, transfer to third-parties, disposal and recycling of waste.

The specifics of NAC Kazatomprom JSC's main production activity (i.e. the extraction and processing of natural uranium at hydrometallurgical plants and ISL sites) involve the production of liquid and solid radioactive wastes. According to the IAEA classification, all radioactive wastes produced at Company's enterprises are the low-level radioactive waste. Liquid wastes used in a closed technological cycle are created and acidified during ISL and injected into the ore-bearing formation through the leach solution supply system. All generated solid radioactive wastes are buried in special repositories that have passed all required state epidemiological assessments.

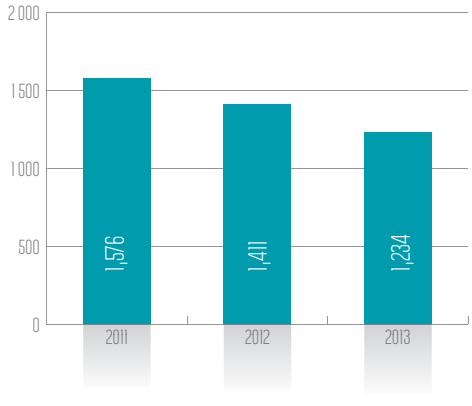
The Company's enterprises implement the Program on Reduction of Unutilized Waste from Operating Activities by 2015, aimed at minimizing the impact of radioactive waste on the environment.

Waste recycling and burial in 2011–2013, thous. tons

	2011	2012	2013
Disposed	654,5	928,9	787,8
Used (sold)	4,7	5,7	0,9
Neutralized	4,1	0,6	0,2
Recycled*	-	-	1,5
Buried	21,4	11,0	22,4

Environmental Expenditures

Environmental Protection Cost Dynamics in 2011–2013, KZT mln

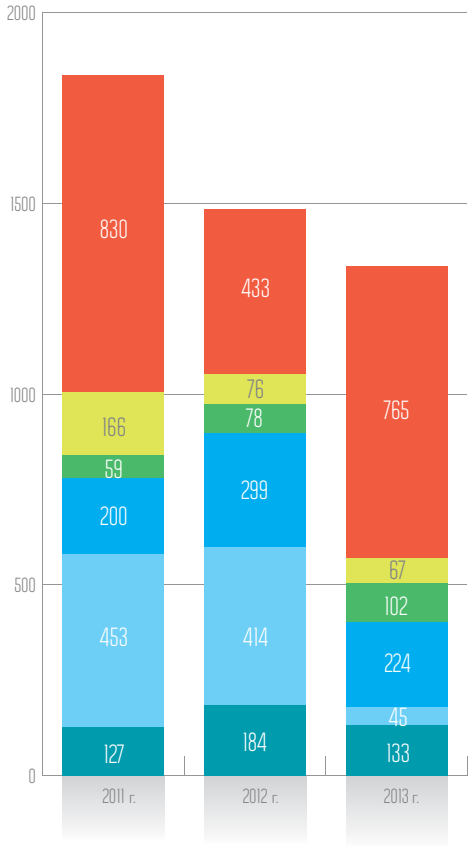


In 2013, the costs of NAC Kazatomprom JSC related to environmental protection measures decreased by 12,5% compared to the previous year and amounted to KZT 1,234 mln. From this, KZT 224 mln is a payment for the negative environmental impact of the Company, which is far below the level of the previous year. The reduction in payments occurred mainly due to reduction of negative environmental impacts, as well as because of the down-time on some productions at the industry enterprises.

Economic fines for environmental offences totalled KZT 102.2 mln.

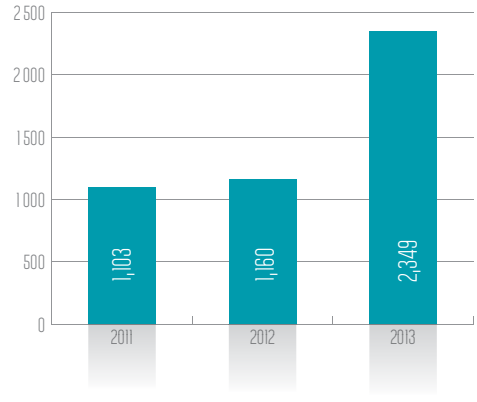
* In 2011–2012, processing is not conducted at the plants.

Financing of Key Environmental Protection Activities in 2011–2013, KZT mln



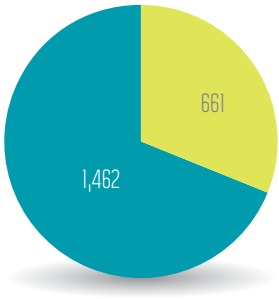
- Conducting the research and design works in the area of environmental protection
- Improvement of technological processes, including the reduction of fugitive emissions into the environment
- Charge for enviromental emissions
- Penal and economic sanctions
- Enhancing the efficiency of available dust-and-gas catching and water
- Others Activities

Environmental Protection Reserve Dynamics, KZT mln



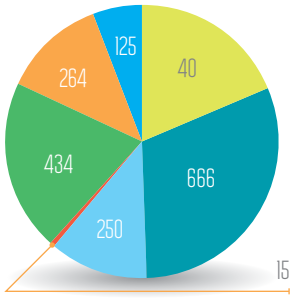
In accordance with the environmental law of the Republic of Kazakhstan, the Company shall establish an environment protection reserve, which will be used at the closing and decommissioning of waste pits and for land reclamation works. As of 31 December 2013, the reclamation costs amounted to KZT 2,349 mln and increased twice in comparison with the previous year.

Social Expenditures by Regions, KZT mln



South Kazakhstan Region
Kyzylorda Region

Expenditures on Social Services by enterprises, KZT mln



GRK LLP
Karatau LLP
Appak LLP
NAC Kazatomprom JSC
Betpak Dala JV LLP
Akbastau JSC
MAEC-Kazatomprom LLP

5.5 DEVELOPMENT OF REGIONS OF OPERATIONS

Cooperation with the Regions of Operations

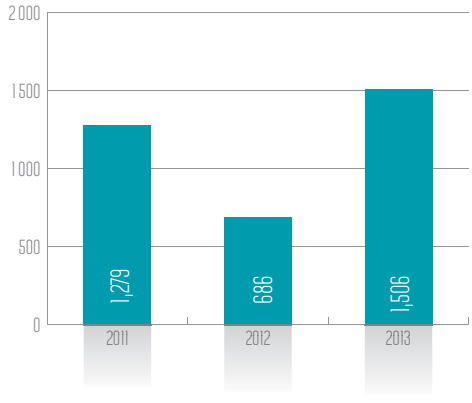
Development of communities and uranium-mining regions is one of the priorities of NAC Kazatomprom JSC. In 2004, a specialized Social Company was established for these purposes – Kazatomprom-Demeu, an official operator for implemention of social programs under the Memorandum of Cooperation between the Company and the municipalities of South-Kazakhstan and Kyzylorda Regions, as well as within the framework of Agreements with the local authorities of Akmola, Mangistau and East-Kazakhstan Regions. The main tasks of Kazatomprom-Demeu are rehabilitation and development of social infrastructure, education, health, development and support for small and medium-sized businesses, culture and sports, as well as amenities and landscaping.

In 2013, more than 87 social projects were implemented with a total value of KZT 2,123 mln. These projects were aimed at improving the infrastructure of regions, landscaping, construction and renovation of playgrounds, removal of solid domestic waste and clearing of territories. Overall investments into development of the regions of operations in 2013 amounted to KZT 2,369 mln.

Charity and Sponsorship

NAC Kazatomprom JSC annually allocates considerable funds to carry out charitable and sponsorship activities. In accordance with the Sponsorship and/or Charity Directive of NAC Kazatomprom JSC and the Sponsorship and/or Charitable Donation Policies of Samruk-Kazyna JSC, the Company annually provides support to the low-income citizens of the Republic of Kazakhstan, including orphans, disabled persons, veterans, retirees, as well as the Company's employees and their families. This work results in a high degree of trust and loyalty of population toward the Company.

Sponsorship and Charitable Contributions in 2011–2013 by Enterprises, KZT mln



In 2013, over KZT 1,500 mln was allocated to the charity and sponsorship, including KZT 1,304 mln for sponsorship support and KZT 200 mln for charitable donations. Sponsorship support was aimed at maintaining the social infrastructure in Taykonur village of Sozak District of South Kazakhstan Region, as well as at creating an alternative energy laboratory at the National Interactive Park of the "Palace of Pupils" SOPE of the Astana municipality.

In total, in the reporting year KZT 354 mln or 19% of the amount allocated for sponsorship and charitable donations, was not implemented. The main amount that was not implemented in the reporting period occurred due to the amount of KZT 565,0 mln planned for financing the construction of a maternity hospital in Kyzylorda Town. However, from the above-mentioned planned funds KZT 300,0 mln was provided to 'Atameken' Union NECK as a support for implementation of the Concept of the second five-year period of industrial-innovative development of the Republic of Kazakhstan pursuant to the order of the Head of State.

Culture, Sports and Leisure

According to the strategic objectives of the Corporate Social Responsibility Policies, NAC Kazatomprom JSC provides support to development of culture, sports and leisure of the Company's employees and local communities.

KZT 225 mln was allocated to cultural, sporting and leisure activities in 2013. The main direction of activities was the arrangement of various holiday concerts and sporting events.

First of all, NAC Kazatomprom JSC pays attention to development of creative potential of children, promotion of healthy lifestyles and patriotic upbringing. The Company has organized a number of exhibitions of children's creative works, as well as various sporting events, during the reporting period. In collaboration with the municipality of Kyzemshek Village, a series of thematic classroom hours were arranged, covering the history of the country, stories of eminent personalities and education issues. In turn, other social groups of children were involved as well: there were celebrating visits arranged for needy children and children with disabilities.

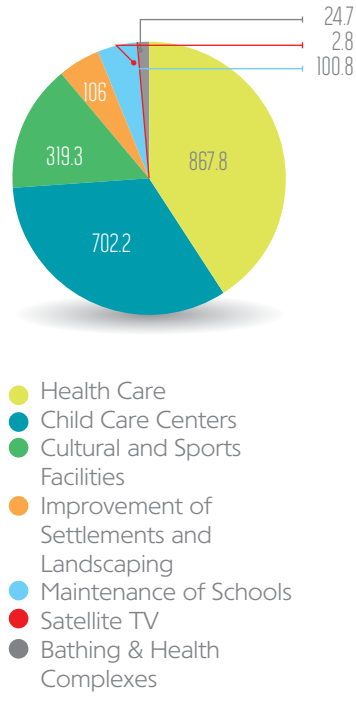
Mini-football, volleyball, table tennis, chess, athletics and other sporting competitions were held for the employees of the Company's enterprises. In 2013, one of the most colourful and spectacular corporate events – Spartakiad – was held for employees from different regions of the country.

In 2013, the Company was actively engaged in support of sports development in the Republic of Kazakhstan. Upon an initiative of the administration and the trade union of UMP JSC, an annual track-and-field run was organized. Exercisers of the enterprise, workers from the subsidiaries of UMP JSC, track-and-field athletes of Ust-Kamenogorsk and industrial enterprises of the town, as well as students and pupils took part in the event.

On 27 September 2013, in honour of the Nuclear Industry Worker's Day the second annual tournament on a panel game of KVN was held amongst the enterprises of NAC Kazatomprom JSC. Besides, employees of the Company participated in International Corporate Internet-tournament on Chess. The tournament was held in accordance with the regulations of FIDE, with the necessary adjustments for an Internet-game.

In the reporting period, the Company contributed to development of the summer leisure of children in East Kazakhstan Region by renovation of A.Matrosov Children's Health Camp.

Expenditures Behaviour in the Regions by Types, thous. KZT



Education

NAC Kazatomprom JSC supports education at the local and republican levels. Main directions of support are as follows: construction and repair of pre-schools, elementary and secondary schools; promotion of higher education projects; and organization of forums, conferences, and other scientific events. The Company actively supports gifted pupils and students by financing their learning at universities of Kazakhstan and abroad, conducting competitions, holding scientific and practical conferences, intellectual debates, and other programs. In 2013, the Company allocated KZT 589 mln to education in the regions of operations.

At the end of 2013, a nursery-kindergarten built by Volkovgeology JSC was opened in the village of Taykonur (South Kazakhstan Region). In August 2012, with the support of the Company, construction of the first kindergarten was launched in the village. The building of this children's establishment is equipped with centralized systems of heating, air-conditioning, water supply, sewerage, electricity supply, communications, and fire alarm system.

Public Health

Each village in the Company's uranium mining regions has medical units with the following main departments: hospital, paediatric, diagnostic, surgical, and maternity. Some medical units have physical therapy, massage and X-ray rooms, equipment for ultrasound examinations and ECG. The Company is careful to ensure that health centres are equipped with modern equipment and staffed with highly qualified doctors. NAC Kazatomprom JSC's health care facilities provide medical care to all local residents. In 2013, the Company spent KZT 629 mln for public health purposes.

In the reporting period, the main priority in the area of public health was provision of both the Company's employees and local population with emergency, special and skilled medical care (therapeutic, surgical, obstetric, paediatric, neurological, dental, ophthalmic, and otorhinolaryngologic). Laboratory and diagnostic checks (clinical, biochemical, bacteriological), annual obligatory preventive examinations of the employees of production facilities, and inpatient treatment of employees of NAC Kazatomprom JSC' enterprises and local population were carried out as well.

In December 2013, a renovated medical sanitary unit (MSU) was solemnly opened in Aktau by MAEC-Kazatomprom LLP, for all residents of the town. Renovation of MSU that includes repair of the building, construction of an extension, and acquisition of new equipment, started in 2012.

Improvement of Settlements and Landscaping

Each year NAC Kazatomprom JSC funds the targeted programs on infrastructure development and municipal improvement of the uranium-mining settlements in the regions of operations. In 2013, total costs related to the amenities and landscaping in the regions of operations were equal to KZT 283 mln. Performed activities include planting lawn grass in parks and gardens, arranging events on clearing the courts and yards, planting trees and holding the community work days in cooperation with regional municipalities.

One of the significant projects of the past years was the development of production complex at the Budenovskoye-2 mine (South-Kazakhstan Region), which was launched in 2010. Due to the efforts of Karatau LLP and NAC Kazatomprom JSC, in just two years the 106-bed rotation camp was supplemented by 10 cottages consisted of 40 apartments. Besides, works were launched to construct a residence hall with theatre, prayer rooms, saunas, gyms, winter garden, library, and computer room. On the adjacent areas the Company's employees planted 1,250 trees and shrubs, as well as a lawn grass on a territory over 4 hectares.

The management of Karatau LLP arranged a healthy and tasty food, installed a special water purification station, and improved the fire-alarm and video-surveillance systems on the field.

Within a scope of works on improvement of infrastructure, 64 kilometre-long asphalt-concrete road was constructed in the steppes starting from the turn to Bakyrly Village and up to Budenovskoye-2 mine and Aksumbe Village in Suzak District.This is the only road linking the remote villages.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6.1 CORPORATE GOVERNANCE

Improvement of corporate management and management structure in accordance with the best principles and the world practices is one of the priority objectives of NAC Kazatomprom JSC.

Corporate management system of the Company is aimed at promotion of activity transparency, creation and keeping reliable and effective relations with the Sole Shareholder and investors, and it is based on the following principles:

- Protection of rights and interests of the Sole Shareholder
- Effective management of NAC Kazatomprom JSC by the Board of Directors and the Management Board
- Transparency and objectivity of NAC Kazatomprom JSC's activity
- Legitimacy and ethics
- Effective dividend policy
- Effective human resources management
- Environment protection
- Safety of labour conditions
- Settlement of corporate disputes and conflict of interest
- Responsibility.

The system of corporate governance bodies of NAC Kazatomprom JSC includes:

- Supreme body – the Sole Shareholder
- Management body – the Board of Directors
- Executive body – the Management Board
- Authority responsible for monitoring of the Company's financial and economic activity, evaluating internal controls, managing risks, and consulting on improving the Company's operations – Internal Audit Service.

SOLE SHAREHOLDER

Samruk-Kazyna JSC is the Sole Shareholder of NAC Kazatomprom JSC and carries out its activities under the competency provided for by the Company's Charter..

Key decisions taken by Samruk-Kazyna JSC include:

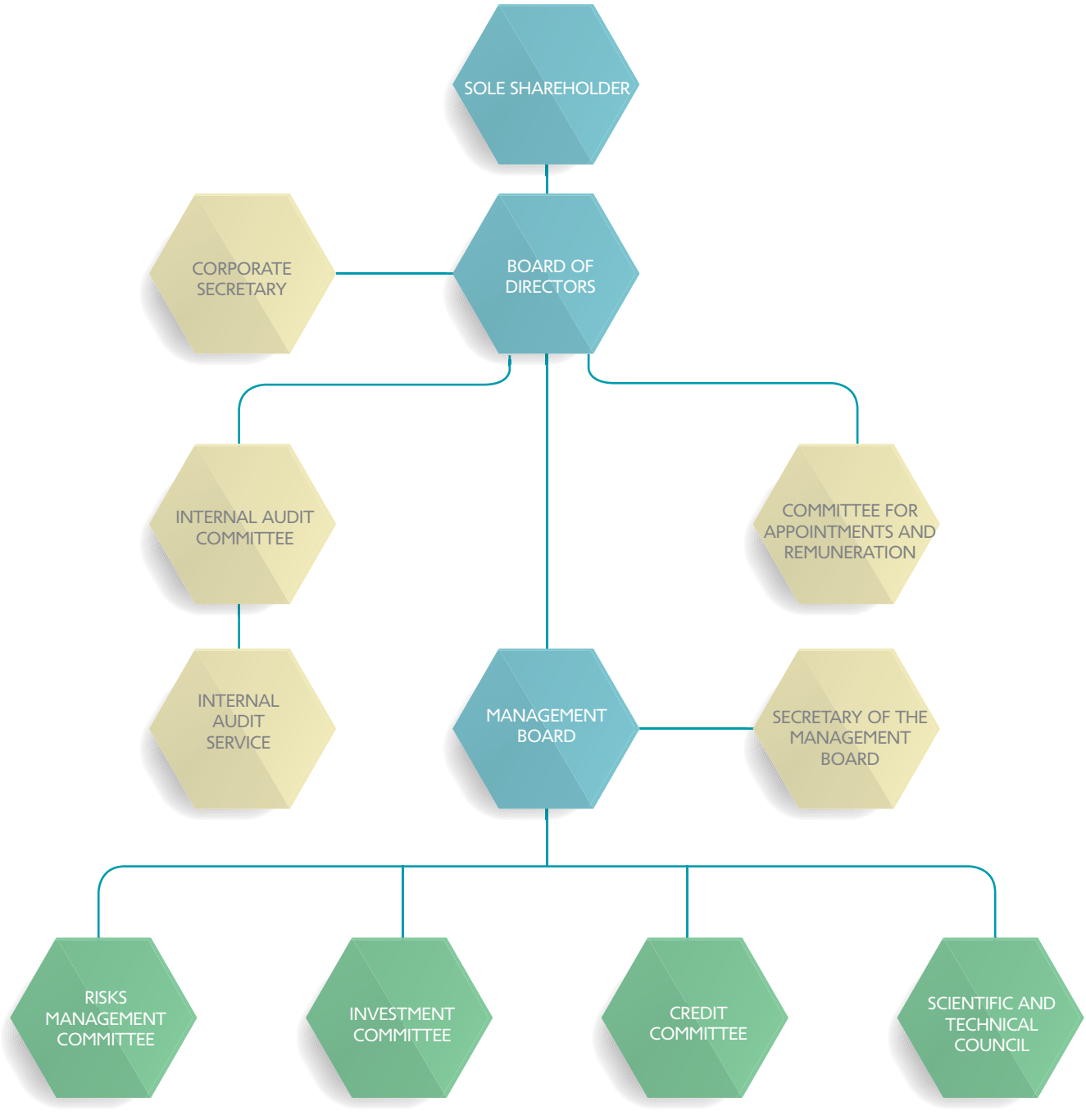
- Election and early termination of the powers of members of the Board of Directors of NAC Kazatomprom JSC
- Approval of the financial statements and the annual report of NAC Kazatomprom JSC
- Approving the size of dividends
- Approval of the Charter of NAC Kazatomprom JSC and changes therein

BOARD OF DIRECTORS

Within the Corporate Governance (CG) system, the fundamental task of the Board of Directors is to execute the overall management over the Company's activity. The Board of Directors is elected by the Sole Shareholder on an annual basis. Each director is obliged to take decisions contributing to the long-term success of the Company and in line with the interests of the Sole Shareholder. One of the fundamental criteria that guides the Board of Directors in making decisions is to provide a balance between long-term growth and the short-term objectives of the Company.

The Board of Directors operates under the principles outlined in the Charter, the Code of Corporate Governance, and the Regulations on the Board of Directors. These documents contain information about the role of the Board of Directors, and the rights, duties and responsibilities of its members.

NAC Kazatomprom JSC's Corporate Governance Organization



Activities of the Board of Directors are not limited to ensuring an effective management of the Company, but it also involves monitoring of the activities of its executive bodies, effective interaction between the management units, as well as respect for and protection of the rights and legitimate interests of the Sole Shareholder. When carrying out the mentioned functions, the Board of Directors actively interacts with the Internal Audit Service of the Company, management and officials of the business units.

Activity of the Board of Directors is based on the principles of efficiency, accountability and objectivity in decision-making, and with maximum respect for and protection of the interests of the Sole Shareholder and the Company.

Key areas of activities of the Board of Directors are as follows:

- adoption of the Company's development strategy and development plan, as well as their further implementation;
- making decisions on placement and selling the shares of the Company, and on acquisition of shares in other companies;
- defining conditions for issuance of bonds and derivatives;
- making decision on conclusion of large transactions and transactions with interest;
- approval of the total number of employees of the Company;
- making decision on contributing to the establishment of other subsidiaries.

Composition of the Board of Directors

The current composition of the Board of Directors corresponds to the provisions of the Code of Corporate Governance and international corporate governance practice. The Company's Board of Directors is composed of experts of different ages, possessing a variety of skills, knowledge and experience of doing business in a number of industries.

The Board of Directors is composed of six directors, including two independent directors to ensure objectivity and balance in making strategic decisions. A description of the criteria of independence of Board of Directors' members is set in the Charter and the Regulations on the Board of Directors posted on the Company's website.

Current composition of the Board of Directors of the Company:

Dauren Erdebai

Chairman of the Board of Directors (Representative of the Sole Shareholder)

He was born on November 20, 1977. Citizen of the Republic of Kazakhstan

- In 1998 he was graduated from Kazakh State Governance Academy majoring in International Economic Relations, with a diploma in International Economy Expert.
- From 1998 he worked as a leading expert, then as Deputy Head of Division of the Ministry of Economy and Trade of the Republic of Kazakhstan.
- From August 2001 to February 2002 he was an Adviser to Deputy Prime-Minister of the Republic of Kazakhstan.
- From February to September 2002, he was a consultant of Asian Development Bank.
- From September 2002 to October 2004 he worked as a Deputy Director of Department in the Ministry of Finance of the Republic of Kazakhstan, then as a consultant in the Administration of the President of the Republic of Kazakhstan, followed by the post of Deputy Chairman of the Investment Committee of the Ministry of Industry and Trade of the Republic of Kazakhstan.
- From 2004 to 2007 he worked as First Deputy General Director of SAT & Company LPP, from 2007 to 2009 – as a President of Kazakhstan Petrochemical Industries Inc. JSC, and then – as General Director of Kazakhstan Petrochemical Industries Inc. JSC.
- From February 2009 he is Chairman of the Management Board of United Chemical Company LLP.
- From May 2013 he is Deputy Chairman of the Management Board of Samruk-Kazyna JSC.
- From June 2013, he is Chairman of the Board of Directors of NAC Kazatomprom JSC.

Tlekkabul Ramazanov

Independent Director
Vice-Rector for scientific work at Al-Farabi Kazakh National University
Citizen of the Republic of Kazakhstan He was born in 1961.

- In 1983 he graduated from Kazakh National University with a diploma in Physics.
- In 1986 he completed his postgraduate studies at Academy of Science of the USSR. He has a PhD in Physical and Mathematical Sciences, and he is Professor.
- From 1987 he worked as a Research Assistant, Senior Tutor, Lecturer, Professor at Al-Farabi KazNU.
- From 1998 to 2000 he worked as a Dean at the Faculty of Physics of KazNU.
- From 2000 to 2006 he was Director at the Research Institute of Experimental and Theoretical Physics.
- From 2006 to 2007 he held the post of Chairman of the Committee of Science under the Ministry of Science and Education of the RK.
- From 2007 to 2008 he was Vice President for developing and introducing advanced technologies at KazNU.
- From 2008 to 2010 he was Head of Research and Innovation Projects at the Research Institute of Experimental and Theoretical Physics under Al-Farabi KazNU, and Professor of the Optics and Plasma Physics Faculty.
- From 2010 to the present he has been Vice-Rector for scientific work at Al-Farabi KazNU.

Under the direction of Prof. T. Ramazanov 1 doctoral, 13 MPhil and 1 PhD theses were defended, over 350 scientific works were published, and more than 120 scientific reports were presented at the prestigious international conferences. He is the author of 2 monographs and 15 training manuals.

Since 23 February 2009, he is an Independent Director of NAC Kazatomprom JSC, the date of election to the current Board of Directors – May 8, 2012.

Mazhit Turmagambetov

Member of the Board of Directors (Representative of the Sole Shareholder)
Chairman of the Management Board of Tau-Ken Samruk JSC
Citizen of the Republic of Kazakhstan He was born in 1961.

- In 1984 he graduated from the N.E. Bauman's Moscow Higher Technical School, majoring in Mechanical Engineering.
- From 1984 he was foreman and then Deputy Head of workshop at S.M. Kirov's Machine-Building Plant, Alma-Ata.
- From 1989 to 1997 he took managerial posts in the private commercial entities.
- From 1997 he worked as Deputy Director of the Department of Industry of the Ministry of Economy and Trade of the RK.
- From 1999 he was Chairman of the Committee for State Control over the Production and Circulation of Alcoholic Products of the Ministry of State Revenue of the RK.
- From 2001 he has been Deputy Minister of Natural Resources and Environment of the RK.
- From 2003 he has been working as Chairman of the Board of National Innovation Fund JSC
- From 2004 he has been Chairman of the Board of Astanaenergoservice JSC.
- From 2006 to 2008 he held senior positions in various commercial entities.
- From 2008 he was appointed Deputy Akim of South Kazakhstan Region.
- From March 2009 he was Deputy Minister of Environment of the RK.
- Since January 2012 he has been Chairman of the Management Board of Tau-Ken Samruk JSC.
- On 8 May 2012 he was elected a Member of NAC Kazatomprom JSC – Representative of the Sole Shareholder.

Zarina Arslanova

Independent Director
Managing Partner at PKF Astana LLP
Citizen of the Republic of Kazakhstan She was born in 1960.

- In 1983 she graduated from Kirov Kazakh State University, faculty of Philosophy and Economics, majoring in Political Economy. She has Ph.D. in Economics.
- From 1992 she has been the Founder and Rector of the University of International Business (UIB), from 2002 she took the post of President at IBS Consulting, from 2005 she worked as Vice Rector for scientific work at Kazakh-British Technical University (KBTU), from 2007 she was a President at AXIS Corporation LLP, and from 2009 she was Managing Partner in PKF Astana LLP.
- She has extensive experience in consulting the governmental and private companies on corporate finance, international financial reporting standards, managerial accounting, project management, strategic management, investment projects analysis, implementation of balanced scorecard (BSC), budgeting, corporate governance, and ERP systems.
- Since 8 May 2012 she is an Independent Director in the Board of Directors of NAC Kazatomprom JSC.

Kaunysh Bektemirov

Member of the Board of Directors (Representative of the Sole Shareholder)
Since 31 January 2012 he has been Managing Director of National Welfare Fund "Samruk-Kazyna" JSC.
Citizen of the Republic of Kazakhstan He was born in 1970. In 1993 he graduated from Al-Farabi Kazakh State University with a degree in Physics.

- In 2004 he graduated from Kazakh National Academy of Management with a diploma in Electrical Engineering.
- From 1993 to 1999 he worked at Atameken Financial and Investment Corporation in Almaty, Altyn-Bidai JSC in Tekeli, Almaty Region, and Vostok-Service LLP in Taldykorgan. He has extensive experience in senior posts in the field of urban utilities and the energy industry.
- In different years since 1999 he held senior posts at GKPO Taldykorganteplokommunenergo, GGKP Taldykorganteploservis, Astanaenergoservice JSC, State Department of Energy and Public Utilities of South Kazakhstan Region, Kazhydromet RSE, and Astanaenergokontrakt LLP.
- Since 31 Jan
- uary 2012 he is a member of NAC Kazatomprom JSC's Board of Directors.

Vladimir Shkolnik

Member of the Board of Directors, Chairman of the Management Board
He was born in 1949.

- In 1973 he graduated from Moscow Engineering Physics Institute, majoring in Physics and Power Plants.
- He holds a PhD in Physical and Mathematical Sciences.
- From 1973 to 1992 he worked at Mangyshlak power plant as an Engineer-Physicist of the BN-350 reactor, then Deputy Director for Science, Nuclear Safety and Reactor Production.
- From 1992 to 1994 he was Director General of the Agency for Atomic Energy of the RK.
- From 1994 to 1999 he held the posts of Minister of Science and New Technologies, Minister of Science – President of the Academy of Sciences of the RK.
- From 1999 to 2006 he was Minister of Energy and Mineral Resources of the RK.
- From 2006 to 2007 he was appointed Minister of Industry and Trade of the RK.
- From 2007 to 2008 he was Deputy Head of the Presidential Administration.
- From 2008 to 2009 he was Minister of Industry and Trade of the RK.
- Since May 2009 he has been Chairman of the Management Board and a Member of NAC Kazatomprom JSC's Board of Directors, the date of election to the current Board of Directors – May 8, 2012.

Members of the Board of Directors of the Company possess no shares (participatory interest) in the Company and its affiliates, as well as they have no shares of the Company's suppliers and competitors.

Changes in Board of Directors

- On 4 June 2013, Mr Dauren Erdebai succeeded Mr Kuandyk Velikhan Bishimbaev as the Chairman of the Board of Directors.
- On 13 December 2013, Mr Anatoly Spitsyn was elected to the Board of Directors as an Independent Director of NAC Kazatomprom JSC.

Activities of the Board of Directors

During 2013, the Company's Board of Directors held 8 intramural and 2 extramural meetings, where 128 issues were considered. It approved 24 internal and planning documents of the Company, made decisions on the conclusion of 15 interested-party transactions. In 2013, the Board of Directors of the Company had adopted important decisions aimed at improving corporate governance, human resources policies, risk management, and internal control and audit systems.

Information on Attendance at Meetings by Members of the Company's Board of Directors in 2013

Member of the Board of Directors	Attendance at meetings	%
Kuandyk Bishimbayev*	5 of 5	100%
Dauren Erdebai**	5 of 5	100%
Kaunysh Bektemirov	10 of 10	100%
Mazhit Turmagambetov	9 of 10	90%
Tlekkabul Ramazanov	9 of 10	90%
Zarina Arslanova	10 of 10	100%
Anatoly Spitsyn***	0 of 1	0%
Vladimir Shkolnik	10 of 10	100%

* The powers of the Chairman of the Board of Directors of NAC Kazatomprom JSC were terminated on June 4, 2013

** He was elected as Chairman of the Board of Directors of NAC Kazatomprom JSC on June 4, 2013

*** He was elected as an Independent Director of NAC Kazatomprom JSC on December 13, 2013

Assessment of Activities of the Board of Directors

The Regulations on Assessing the Activities of the Board of Directors, the Committees, and Each Member of the Board of Directors of NAC Kazatomprom JSC are effective in the Company, and are aimed at improving the efficiency of the Board of Directors' performance and setting up an appropriate system for remunerating its members.

In 2013, an assessment of the performance of the Board of Directors and its Committees was not conducted. It is planned to carry out such assessment in the II quarter of 2014, based on the 2013 results.

Remuneration of Members of the Board of Directors

In accordance with the Law of the Republic of Kazakhstan 'On Joint Stock Companies', by the decision of the Company's Sole Shareholder, independent members of the Company's Board of Directors shall be paid remuneration and reimbursement of costs related to the execution of their functions. The amount of such remuneration and reimbursement shall be established by decision of the Sole Shareholder of the Company.

In accordance with the established procedure of the Company, remuneration for execution of duties of a member of the Board of Directors is provided to the independent members of the Board of Directors only and contains exclusively:

- A fixed annual payment
- An additional payment for participating in each intramural meeting of a committee
- Compensating expenses for travelling to the venue where meetings of the Board of Directors and its Committees are held.

The size of the fixed remuneration of the independent directors is KZT 3,400,000 per year, and the amount of additional remuneration is KZT 200,000 for the attendance of each intramural meeting of the Board of Directors's committee.

In the case of the participation of independent director in less than a half of all intramural and extramural meetings, except for absence on sick leave, vacation or business trip, a fixed payment shall not be paid.

In 2013 the total amount of remuneration payments to independent directors of NAC Kazatomprom JSC amounted to KZT 15,200,000 (before taxes and other mandatory payments).

Independent Director	Remuneration (KZT thous.)
T. Ramazanov	7,600
Z. Arslanova	7,600

Members of the Board of Directors shall not receive any benefits or other remuneration. There are no limits for remuneration of the members of the Board of Directors in NAC Kazatomprom JSC, as well as no remuneration is provided for in a form of shares of NAC Kazatomprom JSC.

Engagement of Independent Directors

The Company is guided by the Regulations of Selecting Independent Directors of Samruk-Kazyna JSC, which establish a procedure for searching for and selecting candidates on a competitive basis to fill the position of independent directors, and also the rules for carrying out a preliminary assessment of candidates by the Committee on Appointments and Remuneration.

During selection, all the Company's independent director candidates shall have an impeccable business reputation, relevant working experience, knowledge, skills and achievements necessary to perform the duties and arrange efficient operation of the Board of Directors.

A person may not be elected to the post of a director if he/she has an outstanding conviction or conviction unexpunged in accordance with the law; if he/she has no higher education or was the Chairman of the Board of Directors, the Chairman of the Management Board, the Deputy Head or the Chief Accountant of another entity in a period of less than one year before the decision on compulsory dissolution, compulsory redemption of shares or preservation of other legal person declared bankrupt in accordance with the established procedure. This requirement applicable for a period of five years after the date of adoption of the decision.

The nominee of independent directors should meet the following criteria:

- he/she is not, or has not been the affiliated person of the Company (except for his/her holding an office of independent director of the Company) during three years preceding his/her election to the Board of Directors;
- he/she is not, has not been a nearly related (a parent, brother, sister, son, daughter) with, in marriage with, and in law relation (brother, sister, parent, son or daughter of the spouse) with the employee of the Company, during three years preceding his/her election to the Board of Directors;
- he/she is not, or has not been in subordination with the executive officers of the Company or the organizations-the affiliated persons of the Company, during three years preceding his/her election to the Board of Directors
- he/she is not the affiliated person of the Auditor, the large client or supplier of the Company, or non-profit organization getting the financing from the Company (and their affiliated persons), as well as affiliated person of the affiliated persons of the Company
- he/she does not render to the Company or its affiliated persons any chargeable services of whatever kind, including the consultation ones

- he/she is not the public sector employee
- he/she is not, has not been an auditor of the Company, during three years preceding his/her election to the Board of Directors.

Taking Office

In accordance with the Policy of Taking Office of Newly Elected the Board of Directors Members of NAC Kazatomprom JSC, within one month after the date of taking office all directors should obtain sufficient information about the Company's operations, rights and responsibilities of the Board members, operating procedures, and the competence of the Board of Directors. Newly elected members of the Board of Directors should within three months after the date of taking office obtain access to information on development strategy, the Company's performance results, and the reports of the Internal Audit Service, external auditors and experts, as well as other applicable documentation.

The Corporate Secretary shall ensure access to necessary information and provide newly elected members of the Board of Directors with documents such as the Regulations on the Board of Directors and its Committees, minutes of meetings, action plans and the composition of the Board of Directors and its committees, as well as the laws, Charter, codes and policies governing the Company's operations.

Enhancing Professional Skills of Members of the Board of Directors and Engaging External Experts by the Board of Directors

In accordance with the Policy to Improve the Skills of Members of the Board of Directors and the Engagement of External Experts by the Board of Directors, NAC Kazatomprom JSC seeks to improve performance and obtain balanced decisions from the Board of Directors by implementing a systematic, structured and transparent mechanism to enhance the skills and qualifications of directors, and through exercising their right to engage external experts, if the issues addressed to the Board of Directors require professional and independent external expert appraisal.

To ensure a systematic approach to the training of directors, an appropriate training plan is prepared.

In accordance with the decision of the Board of Directors, in 2013 the Board committees engaged external experts with relevant qualifications and expertise to develop recommendations to the Board of Directors.

Board of Directors Committees

In order to create a platform for active discussion and detailed analysis of management-related issues, two committees: the Internal Audit Committee and the Committee for Appointments and Remuneration operate within the structure of the Board of Directors of the Company.

Internal Audit Committee

Internal Audit Committee was established under Resolution No. 6/10 of NAC Kazatomprom JSC Board of Directors, dated 1 June 2010. The scope of duties of the Audit Committee is in line with industry best practices.

The Committee consists of Board of Directors members, one of which is Chairman of the Committee. If required, external experts with relevant qualifications and expertise can be engaged in the Committee's activity. The term of service of Committee's members corresponds to their service terms as members of the Board of Directors.

Composition and attendance at meetings of Internal Audit Committee

The table below provides information on the appearance of the Committee members and experts to meetings of the Committee during the period from January 1 to December 31, 2013:

Full Name	Number of Meetings of the Committee Held	Number of Attended Meetings	Note:
Z. Arslanova	13	13	
T. Ramazanov	13	13	
K. Bektemirov	2	2	On 12 March 2013, the powers of Mr K. Bektemirov, member of the Committee, were terminated.
S. Mynsharipova	11	11	The Expert of the Committee Ms S. Mynsharipova was elected to the Committee on 12 March 2013 (Minutes of the Board of Directors of NAC Kazatomprom JSC No. 1/13 dated 12 March 2013).

The Committee's activities are regulated by the Regulation on the Internal Audit Committee, the Committee ensures participation of the Board of Directors in exercising control of:

- the Company's financial and business operations
- the reliability and efficiency of the internal control and risk management systems, as well as executing corporate governance documents
- external and internal audit independence, as well as the process for ensuring legal compliance.

The exclusive competence of the Committee includes considering issues related to the selection of external auditors and the rotation of the project partner (those who bear the main responsibility for the audit) every five years, as well as assessing external auditor's report. In addition, the Committee is engaged in the preliminary examination of financial (accounting) statements of the Company, assessing the quality of services provided by external auditors, and compliance with the requirements of audit independence, as well as in supervising completeness and accuracy of tax accounting, financial accounting, and managerial accounting in the Company.

The Committee ensures constant interaction between the Board of Directors and external auditors engaged by NAC Kazatomprom JSC, the Management Board and relevant business units of the Company.

For a detailed analysis of issues brought to the attention of the Audit Committee, meetings shall be intramural. In 2013, the Committee held 13 intramural meetings, on which the following key issues were considered:

- consideration of report on performance of the Company's development strategy for 2013
- consideration of quarterly Internal Audit Service reports
- consideration of the Internal Audit Service Report for 2012
- taking decisions on paying bonuses to employees and the head of the Internal Audit Service following 2012 results
- approval of a work plan of the Audit Committee for 2013
- preliminary approval of the annual financial statements of NAC Kazatomprom JSC for 2012;
- considering the results of regular assessment of the relevance of tasks and functions of Internal Audit Service to achieve its goals and objectives
- preliminary approval of the amendments to the Regulations on Internal Control System of NAC Kazatomprom JSC
- preliminary approval of key performance indicators of the Internal Audit Service
- preliminary approval of the Scheme of Salaries of the employees of Internal Audit Service
- preliminary approval of the Risk Management Reports of NAC Kazatomprom JSC with disclosure of information on critical risks in 2012–2013
- preliminary approval of NAC Kazatomprom JSC's Risk Register and Risk Map, and other issues.

In 2013, the Committee fully met the goals, objectives and responsibilities established by the Code of Corporate Governance, Regulations on the Committee, resolutions of the Board of Directors, and the Committee's Action Plan for 2013.

The Internal Audit Service

The Internal Audit Service provides organization and implementation of internal audit at the Company, directly subordinates and is accountable to the Board of Directors. Supervising activities of the Internal Audit carried out by the Audit Committee of the Board of Directors of the Company.

The mission of the Internal Audit Service is to provide the necessary assistance to the Board of Directors and the Management Board in carrying out their responsibilities to achieve strategic goals.

The main purpose of the Internal Audit Service is to present the Board of Directors with independent and objective information to ensure effective management of the Company by bringing a systematic approach to the improvement of risk management, internal control and corporate governance.

In accordance with its tasks, the Internal Audit Service performs the following functions:

- assessing the reliability and effectiveness of the internal control and risk management systems;
- evaluates the Company's compliance with the requirements of the legislation of the Republic of Kazakhstan and the assessment of the adequacy of systems and procedures established and applied to ensure compliance with these requirements;
- assessing efficient and effective use of resources of the Company and the methods used to ensure the safety of the Company's assets;
- assesses process improvement of corporate governance.

The Board of Directors annually approves the annual audit plan of the Internal Audit Service and the key performance indicators for the Service and its leader. Service report is provided on a quarterly basis to the Board of Directors of the Company.

In accordance with the 2013 audit plan for the Internal Audit Service, there were scheduled implementations of 17 engagements. The plan was executed in full. 128 recommendations were issued following the results of audits by the Internal Audit Service.

Implementation of the Internal Audit and the external auditors recommendations is monitored on the quarterly basis.

Committee for Appointments and Remuneration

Committee for Appointments and Remuneration was established under resolution of NAC Kazatomprom JSC's Board of Directors No.4/10, dated 19 March 2010.

The main function of the Committee is to participate in development of HR policy, principles and criteria for determining the rate of payments to members of the Board of Directors and the Management Board of the Company. The Committee promotes the recruitment of highly qualified professionals to the Company and creates the necessary incentives for their successful work.

In addition, the Committee carries out a preliminary assessment of candidates to the posts of Board of Directors members, experts of the Board of Directors committees, the Management Board, and Corporate Secretary and provides advice on the procedure and conditions for paying remuneration to them.

In 2013, the Committee held 8 intramural meetings, at which it considered the following key issues:

- consideration of key performance indicators of the managers of NAC Kazatomprom JSC;
- consideration of the Report on Performance of the Committee for Appointments and Remuneration for 2012;
- harmonization of Provisions on Assessing the Performance of the Board of Directors, its committees and each member of the Board of Directors of NAC Kazatomprom JSC;
- appointment of employees of the Internal Audit Service and determination of remuneration conditions of newly appointed employees of the Internal Audit Service;
- approval of the Action Plan of the Committee for Appointments and Remuneration for 2013;
- consideration of Policies to improve the skills of the members of the Board of Directors and engage the external experts by the Board of Directors;

- consideration of the Regulations on the Committee for Appointments and Remuneration in new version;
- providing recommendations on approval of the Regulation on Paying Wages and the Provision of Social Support to the Corporate Secretary and employees of the Internal Audit Service and other topics.

Composition and attendance at meetings of the Committee for Appointments and Remuneration in 2013

Full Name	Number of Meetings of the Committee Held	Number of Attended Meetings
T. Ramazanov	8	8
Z. Arslanova	8	8
K. Bektemirov	8	6

Brief on Basic Principles of Dividend Policies

One of the main principles of the dividend policy is provision of simple and transparent mechanism for determination of the size and conditions of dividend payments. According to the decision of the Sole Shareholder of NAC Kazatomprom JSC dated 22 July 2013, NAC Kazatomprom JSC attribute dividends to a stock of shares for 2012. The rate of dividend per share equals to KZT 208,14 and the total amount is KZT 7,637 thous. Dividend payment was made on 25 December 2013, by transfer to the bank account of the Sole Shareholder – NWF Samruk-Kazyna JSC.

MANAGEMENT BOARD

The Management Board of the Company carries out its activities in accordance with the principles outlined in the Charter, the Code of Corporate Governance, and the Regulations on the Management Board. These documents include information on the role and accountability of the Board, as well as the rights, duties and responsibilities of the Board's members. A key objective of the Management Board as an executive body involves administering the Company's day-to-day operations. The Board makes decisions in accordance with the competence set out in NAC Kazatomprom JSC's Charter.

Appointment of Chairman and Members of the Management Board, their duties and responsibilities

According to the Regulations on the Management Board of NAC Kazatomprom JSC, members of the Management Board are obliged to protect interests and implement resolutions of the Sole Shareholder and the Board of Directors of the Company. The Board of Directors of NAC Kazatomprom JSC appoints members of the Management Board, terminates their term of office, and establishes the composition and terms of service for the Board's members in accordance with the Regulations on the Management Board, the Company's Charter and the laws of the Republic of Kazakhstan. The Management Board shall consist of five persons at least. The Chairman of the Management Board shall be appointed and dismissed by the Sole Shareholder.

The relationship between the Company and Management Board members is formalized through employment contracts (and supplementary agreements to employment contract if the member of the Management Board is an employee of the Company), which provide for a direct relation between the material incentive of the Chairman and members of the Board and the achievement of key performance indicators of the Company's activities.

Functions, rights and obligations of members of the Board identified the employment contract, the Charter, the Board Regulations and legislation. The scope of duties of Board members involves ensuring the integrity of accounting and financial reporting, as well as taking measures to optimize the Company's operations. Management Board members, as well as the heads of business units of the Company, shall be liable to the Company and the Sole Shareholder for the timely and qualitative implementation of decisions made by the Board, as well as for any losses incurred by the Company as a result of violation of the legal procedures for providing information.

Composition of Management Board and attendance at intramural meetings in 2013

No. Item	Full Name	Number of Meetings	Number of Attended Meetings
1	V. Shkolnik	12	12
2	A. Arifkhanov	12	10
3	A. Kosunov	12	11
4	S. Poltoratsky	12	11
5	N. Ryspanov	12	12
6	S. Yashin S.	12	8

Sergey Yashin

Deputy Chairman of the Management Board
He was born in 1965. In 1988 he graduated from Tomsk Polytechnic Institute, specialty in Technology of Rare and Trace Elements.

- From 1988 to 2004 he worked as Equipment Operator in a workshop, then as a Production Engineer, Deputy Executive Director, Chief Production Engineer and Director of the Uranium Processing Division, as well as the First Deputy General Director of Ulba Metallurgical Plant JSC.
- Since 2004 he has been Deputy Chairman of the Kazatomprom Management Board.

Nurlan Ryspanov

Deputy Chairman of the Management Board

He was born in 1961. In 1983 he graduated from Leningrad Institute of Water Transport, and from Kazakh National Technical University with a diploma in Underground Mining of Mineral Deposits. In 1991 he gained a PhD in Technical Sciences after defending a thesis in Bauman Moscow State Technical University. In 2010 he gained a Master's degree in Technical Sciences after defending a thesis titled The Theoretical Foundations of the Heap Leaching of Metals at D.A. Kunaev Institute of Mining.

- From 1983 to 1990 he worked as a mechanic, first assistant engineer, and a mechanical engineer at the Pavlodar shipyard, and was a full-time graduate student at Moscow Centre of Innovations and Advanced technologies, and Head of Upper-Irtysh Shipping Company.
- From 1990 to 1993 he was Senior Teacher, Senior Associate at Pavlodar Industrial Institute.
- From 1993 to 1996 he was a Director of Machine Industry Scientific-and-Engineering Centre.
- From 1996 to 1998 he was Director of Menar Commercial-and-Industrial Company.
- From 1998 to 2001 he held positions as Director of Department of Industry, Transport and Communications of Pavlodar Region and Director of the Department of Heavy Industry of the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan.
- From 2001 to 2008 he worked as a General Director in mining and metallurgical companies, such as Tau-Ken, Kazprom-Kyzylorda, JV Betpak Dala, and Kazprom-Nerud Consortium.
- From 2008 to 2009 he was Deputy Chairman of the Committee of Industry of the Ministry of Industry and Trade of the RK.
- In 2009 he was Director of Management of Mining-and-Industrial Assets of Samruk-Kazyna JSC.
- Since July 2009 he has been Deputy Chairman of NAC Kazatomprom JSC Management Board

Aydar Arifhanov

Deputy Chairman of the Management Board

He was born in 1974. In 1995 he graduated from Kazakh State Academy of Management, majoring in Economics. In 2000 he graduated with a distinction from Diplomatic Academy of the MFA of the RK. In 2008, he gained a Master Degree in Public Administration at Columbia University.

- From 1996 to 2004 he worked as Inspector-Auditor, Chief Specialist, Head of Section, Head of Division, Managing Director, and Deputy Director of the Department of the Ministry of Finance of the RK.
- From 2004 to 2006 he was appointed Deputy Minister of Finance of the RK.
- In 2006 he was Deputy Administrator of the Prime Minister's Office.
- From 2006 to 2007 he worked as Deputy Minister of Labour and Social Protection of the RK.
- In 2009 he was an Advisor to the Prime Minister.
- From 2009 to 2010 he held the position of Deputy Chairman of the Agency of the RK for Informatisation and Communication.
- From 2010 to 2011 he was Managing Director of Kazakhtelecom JSC.
- Since May 2011 he has been Deputy Chairman of NAC Kazatomprom JSC Management Board.

Almas Kossunov

Managing Director – Head of the Administration Office

He was born in 1949. In 1973 he graduated from Mendeleev Moscow Chemical and Technological Institute, and in 1977 finished his postgraduate studies. He also holds a PhD in Chemical Sciences.

- From 1977 to 1992 he worked as Chief Engineer, Deputy Head of Laboratory of Soyuz Scientific Association (Research Chemical and Technological Institute, Dzerzhinsk).
- From 1992 to 1994 he was Senior Assistant, Head of Sector for Scientific Technical Process of the President's Administration and Cabinet of Ministers of the RK.
- From 1994 to 1996 he held the posts of Divisional Manager, sector for scientific technical process of the President's Administration and Cabinet of Ministers of the Republic of Kazakhstan, and Advisor to the First Deputy Prime-Minister of the RK.
- From 1996 to 1999 he was Deputy Minister, Ministry of Science and Academy of Science of the RK.
- From 1999 to 2001 he served as Director of the Regulatory and International Cooperation Department, Ministry of Energy, Industry and Trade, Science and Higher Education of the RK.
- From 2001 to 2006 he was Chairman of Aerospace Committee, Ministry of Energy and Mineral Resources, Transport and Communications, Education and Science of the RK.
- From 2006 to 2007 he worked as Vice-President and was a Board Member of National Company Kazcosmos JSC.
- From 2007 to 2008 he was Chairman of the Board and President of National Company Kazakhstan Engineering JSC.
- From 2007 to 2009 he was appointed Deputy Minister of Industry and Trade of the RK.
- Since September 2009 he has been Head of NAC Kazatomprom JSC's Administration.
- Since June 2011 he has been a NAC Kazatomprom JSC's Management Board Member.

Sergey Poltoratsky

Managing Director for Development

He was born in 1953. In 1979 he graduated from Kazakh Polytechnic Institute with a diploma in Hydrogeology and Engineering Geology.

- From 1979 to 1990 he worked in the Hydrogeology and Hydrophysics Institute at Academy of Science of Kazakh SSR as Engineer, Scientific Officer, and Academic Secretary.
- From 1988 to 1990 he was Academic Secretary of the section of Earth Science, Presidium of Academy of Science of Kazakh SSR.

- From 1990 to 1995 he worked as Laboratory Chief at Seismological Institute of National Academy of Science of the RK.
- From 1995 to 1997 he served in the Government of the Republic of Kazakhstan as Chief Assistant, Head of Sector in the governmental office and the Prime Minister's Office, and Advisor to the First Deputy Prime Minister of the RK.
- Since 2001 he has worked in NAC Kazatomprom JSC as the Leading Hydro Geologist, Chief Specialist, Director of the Department of Joint Ventures, and Director of the Department of Corporate Governance.
- Since 2011 he has been Director of the Department of NFC Projects.
- From 2013 – Managing Director for Development

Activity of the Management Board

In 2013, the Management Board of NAC Kazatomprom JSC held 12 intramural and 697 extramural meetings, at which decisions were taken on 1,024 issues, including:

- concluding 471 interested-party transaction, with the participation of the Company's affiliates as agents or representatives
- concluding 232 transactions, as a result of which NAC Kazatomprom JSC disposes of and/or purchases property with value of at least 10% of the total value of the assets of NAC Kazatomprom JSC
- taking 51 decisions of the Management Board under 180 issues to determine the position of the Company as a shareholder (partner) of legal entities, in which NAC Kazatomprom JSC is not a sole shareholder (participant), for the purpose of a subsequent vote by authorized representatives of the Company at general meetings of shareholders (participants)
- taking more than 20 decisions to provide sponsorship and/or charitable assistance to individuals and legal (non-commercial) entities
- taking more than 30 decisions to provide social support to employees of NAC Kazatomprom JSC (death of family member of the employee, the birth of a child, marriage, severe life situation, etc.).

Within the framework of risk management the Management Board approved the following documents:

- Regulations on the Risk Management Committee of the Management Board of NAC Kazatomprom JSC in the new edition
- Limits for balance sheet and off-balance sheet liabilities to the second tier banks
- List of second-tier banks where temporarily idle funds can be deposited by NAC Kazatomprom JSC
- Risk Register and Risk Map of NAC Kazatomprom JSC for 2013
- Key Risk Indicator Board of NAC Kazatomprom JSC for 2013.

Besides, about 20 internal documents were approved and enacted in the Company, including Investment Policies of the Company in a new version.

Remuneration of Members of the Management Board

Remuneration of the Management Board members consist of three parts: salary, payments for vacation, and bonuses following year-end results. The Company's Board of Directors sets the salary size for top managers, which is reflected in employment contracts. The size of year-end bonuses is determined by the decision of the Board of Directors which considers the attainment of set key performance indicators for the year. Payments for vacation are paid once a year in an amount not exceeding two salaries of the top manager while on leave for annual vacation.

In the reporting year the amount of remuneration paid to key top managers of the Company, including salaries and bonuses, was KZT 1,937 mln.

Management Board's Committees

There are several committees operating within the Management Board, such as the Risk Management Committee, Investment Committee and Credit Committee, as well as the Scientific and Technical Council. The Board evaluates annually the performance of these committees.

Risks Management Committee

The Risks Management Committee is an advisory body that coordinates the process of managing the Company's risks. The Committee aims at assisting the Company's Management Board in managing corporate risks, including improving Risk Management System and providing an immediate response to critical risks.

The Committee is governed by the laws of the Republic of Kazakhstan, the Charter, Code of Corporate Governance, Regulations on the Committee, and other internal documents of the Company. The size and composition of the Committee is approved by the Management Board. The Committee conducts meetings not less than once a quarter, but may organize ad-hoc meetings if required.

The Risks Management Committee's functions and responsibilities include:

- Reviewing and approving preliminary drafts of the Company's internal (including Risk Management Policy and Regulation) and other documents of the Risk Management Committee
- Defining risk management techniques proposed by business units, based on risk identification and assessment
- Consideration and preparing proposals based on risk monitoring, observation by the Company of maximum permitted risk limits, and complying with internal risk management documents
- Defining the requirements for information and economic security systems
- Consideration and preparation of proposals to improve action plans in the event of the occurrence of risk factors, (including on the environment, changing market conditions, force majeure, etc.).

Investment Committee

The Investment Committee is a permanent advisory body for coordinating the investment activities of the Company and its subsidiaries. The Committee makes decisions on strategic investment projects, mergers and takeovers, acquisitions and disposals of stocks and shares in other legal entities. The main purpose of the Committee is to make recommendations and proposals on how to improve the effectiveness of NAC Kazatomprom JSC's investment activities, including on how to improve the internal regulating investment activities of the Company.

The Committee is governed by the laws of the Republic of Kazakhstan, documents of Samruk-Kazyna JSC, the Charter, Investment Policies, Regulations of the Committee, and other internal documents of the Company. The working body of the Committee - Management of investment projects of NAC Kazatomprom JSC. If required, the Committee may invite employees of the Company's business units to participate in its meetings. The Company's Management Board approves the composition of the Committee and annually evaluates its activities.

Credit Committee

The main purpose of the Credit Committee is to ensure the implementation of the Company's credit policy in accordance with the requirements of Samruk-Kazyna JSC, and timely and quality decision-making on issues related to granting loans by the Company.

Composition of the Committee shall be approved by the Management Board. Total number of members of the Credit Committee shall be seven persons at least. The Chairman of the Credit Committee is a member of the Management Board of the Company, who in charge of financial matters.

The functions of the Credit Committee include:

- Reviewing and giving recommendations on loan applications, including an analysis of expert appraisals of actual and planned financial performance against which a loan is to be issued, and verification of collateral
- Defining loan terms, such as amount, term, purpose, interest rate, security, repayment schedule of the principal and interest, etc
- Consideration and making decisions on scheduled and unscheduled monitoring of credit activities
- Consideration and giving recommendations on restructuring loans, including bad loans.

Scientific and Technical Council

The Scientific and Technical Council (STC) was formed with a view to adopting policies and improve the innovation and technological development of NAC Kazatomprom JSC for the mining and processing of uranium, the nuclear fuel cycle, rare and rare-earth metals and renewable energy.

The main functions of the STC include:

- Defining strategic areas of scientific, technological and innovation development of the Company
- Elaborating recommendations on the use of scientific achievements and new technologies for the benefit of the Company
- Consideration and approval of the research and development (R&D) plans
- Implementation, monitoring and evaluation of R&D, as well as securing the rights for R&D findings
- Consideration of the findings of the Company's patent and license activity and scientific and information work, matters of protection and the rational use of the intellectual property of the Company
- Engaging research councils, research centres, and research institutions to collaborate on innovations
- Consideration of issues related to the advanced training of NAC Kazatomprom JSC's specialists.

Settlement of Corporate Disputes and Conflicts of Interest

A Regulations on Settlement of Corporate Disputes and Conflicts of Interest of NAC Kazatomprom JSC, approved by the Board of Directors, which defines the causes of corporate conflicts and conflicts of interest, procedures for their prevention, as well as the activities of the Company's authorities as part of the measures to resolve conflicts, is duly functioning in the Company.

To prevent corporate conflicts and conflicts of interest, the Company's employees are obliged to:

- Comply with the laws of the Republic of Kazakhstan, the provisions of the Charter, the Code of Corporate Governance and other internal documents
- Refrain from actions and decisions that may lead to corporate disputes and conflicts of interest
- Eliminate the possibility of illegal activity
- Participate in identifying the Company's internal control risks and weaknesses
- Comply with the principles of corporate ethics
- Refrain from making decisions on transactions where an employee appears to have a conflict of interest, and others.

In order to deter and prevent corporate conflicts and conflicts of interest, the Company's officials are obliged to:

- Respect the rights of the Sole Shareholder in accordance with the laws of the Republic of Kazakhstan, the Charter, the Code of Corporate Governance, and other internal documents of the Company
- Provide the Company's Board of Directors and the Sole Shareholder with information on issues that may become a subject of corporate conflict
- Not disclose or use for personal benefit or for the benefit of third parties confidential information about the Company during the course of employment, and within five years after the end of employment, unless a longer period is provided by the internal documents of the Company
- Regularly and timely report to the Company information in relation to affiliated entities and the occurrence of changes in the bases of their affiliation
- Refrain from actions and avoid situations that could lead to corporate disputes and conflicts of interest between the Sole Shareholder and the Company and, if they occur, immediately inform the Board of Directors of NAC Kazatomprom JSC.

Corporate Ethics

NAC Kazatomprom JSC recognizes and acknowledges that honest business behaviour, including combating corruption, is necessary when interacting with stakeholders and building intra-corporate trust. Thus, the practice of honest business management improves the social and economic environment where we operate, by way of increasing the reliability and integrity of transactions, preventing corruption, and providing reliable information for stakeholders to make decisions. The Company is committed to high standards of corporate ethics and undertakes to:

- Implement and improve policies and practices that promote the prevention of bribery, extortion, facilitation payments, and other corrupt practices
- Oppose legitimization of illegal incomes
- Ensure compliance with legislation, the Charter, and the terms of international treaties and establish penalties for violations thereof
- Increase the staff awareness of the importance of matching actions performed with legislation and encourage employees to report violations of the Company's policies, rules and procedures
- Make it clear to the Company employees that compensation levels correspond to the work performed and the level of skill
- Timely perform contractual obligations, including remitting the taxes and other payments to the state budget
- Observe the principles of fair competition and use ethical criteria when implementing procurement policies and concluding contracts
- Observe transparency, openness and objectivity of decisions made.

The acting Code of Conduct establishes principles and standards of corporate ethics and provides the basis for accountability to stakeholders with respect to business ethics and socially-oriented behaviour. In addition, the Code provides rules and policies on the disclosure of information and conflict resolution, ensuring labour and environment safety, and strengthening internal controls.

The Company has adopted a number of documents aimed at preventing and combating corruption. All the company's actions in this direction are governed by a number of documents, the main of which is the Policies of Confidential Reports of Suspected or Known Facts of Fraud, Breach of Internal Controls and Other NAC Kazatomprom JSC's Regulatory Documents adopted in 2011. These Policies were adopted in 2011 and establish measures to enable any of the Company's employee to report potential cases of corruption anonymously. The main channels for sending messages and information is a hotline and an email address. Special exhibition stands titled "Employees are Giving Tip-Offs", containing the text of the Policies and describing the channels and methods of submitting messages and information, are placed in the headquarters of NAC Kazatomprom JSC's enterprises. In 2013, via the Company's hotline or email the staff of enterprises and the third parties presented 11 reports related to issues of employment, social and household problems, certain violations of the labour legislation as well as the internal control procedures. No cases of corruption were reported. Upon each reported cases an office report was submitted to the Chairman of the Company's Management Board, with proposal on certain measures to be undertaken.

By decision of the Board of Directors of NAC Kazatomprom JSC No. 5/13 dated 21 May 2013, the Anti-Corruption and Anti-Fraud Policies of NAC Kazatomprom JSC was adopted, providing for the main directions of the Company's activities and general rules of conduct for officials and employees aimed at combating against corruption and fraud.

Ombudsman

The Code of Conduct (hereinafter – the CoC, the Code) provides for the establishment of the ombudsman in the Company. Starting from 2011, the Ombudsman of the Company is its Corporate Secretary appointed by the Board of Directors.

In accordance with the Code of Conduct, the basic functions of the ombudsman include:

- collecting information about non-compliance with the provisions of the CoC
- consulting the officers and employees on the provisions of the Code
- initiating the dispute resolution with regard to the breaches of the Code and participating in the dispute settlement.

On of the duties of the ombudsman is the submission of a report to the Board of Directors on compliance with the requirements of the Code of Conduct, which shall include information on appeals about non-compliance with the Code of Conduct.

6.2 RISK MANAGEMENT AND INTERNAL CONTROL

An an effective risk management system is an essential element of NAC Kazatomprom JSC's business operations and Development Strategy. Accurate and timely identification, assessment, monitoring and response to risks allows decisions at all management levels to be effectively made and ensures the attainment of the Company's strategic objectives and key performance indicators.

A business unit responsible for organization of risk management, has been established in NAC Kazatomprom JSC. Key risk management issues pass preliminary examination and approval of the Risk Management Committee of the Company's Management Board. Separate business units responsible for the organization of risk management function or risk managers are operating in the enterprises of NAC Kazatomprom JSC.

An extensive work are performed in the Company to improve the risk management system. In particular, a unified methodological risk management framework (including policies and rules on risk management, guidelines, and risk assessment methods) was created, and an effective "upwards" approach for identifying risks was established, a practice to limit risks was introduced: definition of risk appetite, tolerance levels of key risks, limits on counteragent banks, as well as a system of key risk indicators was implemented.

A favourable risk culture within NAC Kazatomprom JSC is created through the involvement of all key departments and stakeholders, as well as effective exchange of information in the risk management process between the Board of Directors, the Management Board and the Company's units. Corporate risk management training and an annual round table on topical issues with employees responsible for the organization of risk management at enterprises are organized for managers of units and other employees who own risks.

Corporate Risk Management Organisation

Information about the functions of key bodies for managing risks is presented in the Risk Management Policies on the Company's website.

Nowadays, the price of uranium declined compared to previous years given by the conditions of the world uranium market changed and other macroeconomic factors. However, due to an effective risk management system and early identification, assessment and address to the risks, the Company successfully continues its activity and retains its positions on the world uranium market.

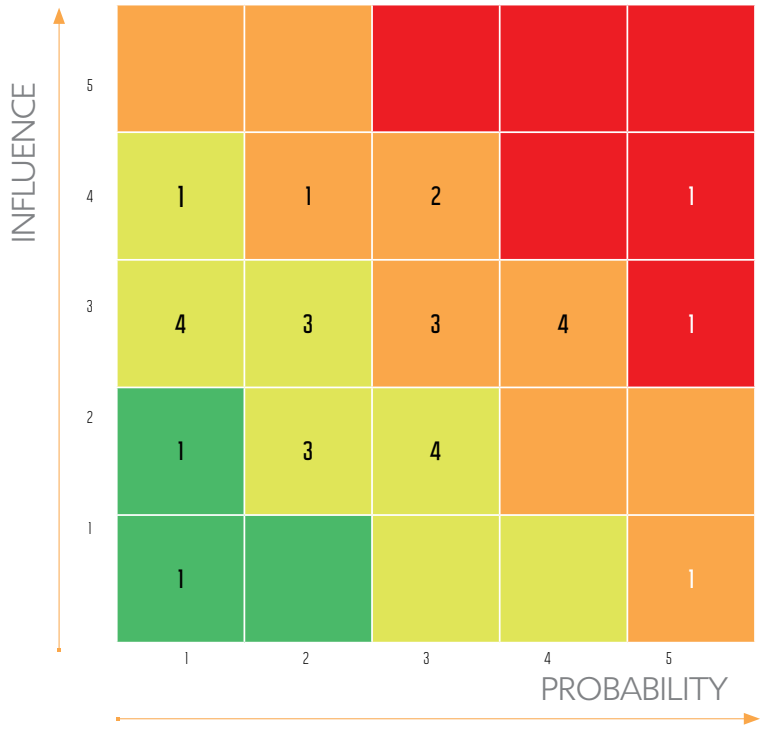
Main Risks and Measures For Their Optimization

In accordance with the COSO ERM methodology, the Company subdivides all identified risks into four main categories: strategic, financial, operational and legal.

The Company approves Risk Registers and Risk Maps of the Company's Group of enterprises on an annual basis.

The Risk Map of NAC Kazatomprom JSC is divided into the areas of influence and probability.

Map reflecting the Number of Risks in Each Area



According to the register and map risks for 2013, 30 risks were predicted, 2 of which are critical (red area). The Company's Group of Enterprises has successfully conducted activities aimed at prevention and mitigation of risks in 2013:

Description of Risk	Measures Aimed at Reduction of Risks in 2013
Decrease in uranium price	Monitoring of implementation of NAC Kazatomprom JSC's development strategy as regards to diversification of businesses Development and implementation of measures for diversification of NAC Kazatomprom JSC's businesses into the adjacent high-tech areas Reduction of administrative expenses and production costs Weekly review of uranium market, and monitoring of the uranium market in a form of digests Arranging an optimal portfolio of contracts (by pricing mechanism)
Non-fulfillment of uranium sales targets	Timely planning to obtain permits (licenses), and agree the transactions with the competent authorities Determination of optimal schedule of natural uranium supplies by sea Insuring the products from physical damage Selection of optimal balance of contracts (by duration and by pricing mechanism) Consideration to possible inclusion of minimum prices in the contracts

STRATEGIC RISKS

In 2013, the risk of decrease in uranium prices was identified as a key strategic risk.

The Company's profitability is dependent on the world uranium market prices and is subject to various factors that are beyond the Company's control, namely:

- demand for nuclear power and the pace of construction of nuclear power plants
- signing forward contracts for U_3O_8 that meet the needs of NPP
- political and economic conditions in uranium producing and consumer countries
- sales of excess civilian and military stockpiles of uranium (including the dismantling of nuclear weapons) by governments and industries
- the rate of uranium mining and production costs
- political or technological developments in the field of nuclear waste
- an accident at a nuclear power plant anywhere in the world
- renewable energy prices (solar, wind and hydro), as well as the price for oil, natural gas and coal.

Being conscious that NAC Kazatomprom JSC is not able to influence the risk of decrease in uranium prices, the Company accepts and includes this risk in the risk register. In 2013, under unfavourable market situation for the natural uranium mining companies, which led to implementation of this risk, within the framework of risk management the Company actively worked to manage the risk and mitigate its impact on the Company's activities, in particular, the following precautionary measures were undertaken:

- diversification of activities in accordance with the Company's development strategy, aimed at reducing the share of natural uranium in the sales of uranium-bearing products with added value (compared to natural uranium)
- providing a weekly overview of the uranium market, and monitors the market in internal Company digests
- concluding long-term contracts to sell natural uranium using the composite price mechanism (including basic and spot components)
- actively working on the spot market with small quantities of uranium products.

FINANCIAL RISKS

The main financial risks include currency and liquidity risks.

Liquidity Risk

The Company's approach to the liquidity management is to ensure, as far as it possible, the continued availability of sufficient liquid funds to meet obligations on time, both in normal and stressed situations, without an unacceptable losses and compromising of own reputation.

The Company ensures the availability of funds at short notice, in the amount sufficient to cover the anticipated expenses, including revolving credit lines, which attracts short-term loans, if necessary.

Currency Exchange Risk

The Company is subject to currency risk when carrying out sales, purchases and taking out loans denominated in currencies other than the functional currency of the Company. Loans are usually denominated in currencies that match the currency of cash flows generated by the Company's operating units. Thus, in most cases, the economic effect of hedging is achieved without the use of derivatives.

With respect to other monetary assets and liabilities denominated in foreign currencies, the Company tries to keep the net position subject to risk within acceptable limits by planning future expenditures, while at the same time taking into account the currency of payment.

OPERATIONAL RISKS

Security Risks

The Company continuously carries out work to strengthen its security system, paying special attention to the physical safety and protection of property rights, as well as economic and data security. The Company

arranges meetings with partners on issues related to nuclear safety, data protection and combating corruption at the Company's enterprises.

Close interaction with law enforcement agencies and security organizations contributes to ensuring the safety of property, protecting the life and health of employees, preventing illegal actions from both external and internal transgressors, fostering an environment where legal norms are observed, eliminating violations at enterprises, in settlements and rotation camps.

More information on the Company's industrial health and safety policy can be found in the Sustainable Development section.

Environmental Risks

The Company produces uranium using the in-situ leaching method. This method has a much lower impact on the environment compared to the conventional method of mining uranium, since it eliminates sources of dust emissions and greatly reduces the discharge of radioactive substances into the atmosphere. However, there is a possibility of emergency situations arising in the event of non-compliance with the requirements for radiation safety and protection of the environment, which may lead to environmental pollution in excess of permitted levels, state penalties and a negative impact on the Company's reputation.

In order to manage this risk, the Company has elaborated and implemented a number of policies and procedures designed to minimize adverse environment impacts.

More detailed information about the environmental protection management can be found in the Sustainable Development section.

LEGAL RISKS

Non-Compliance Risk

Since NAC Kazatomprom JSC conducts activities in Kazakhstan and some foreign countries as well, the Company is obliged to observe the laws and regulations of various states and territories. All stages of nuclear fuel cycle (including those related to production and processing of uranium) carried out by the Company and the use of the Company's products by its customers, are subject to international and domestic laws on occupational health and safety and environmental protection.

The Company strives to respond quickly to changes in the law and comply with the best practices in the field of industrial health and safety, environmental protection and other issues. To this end, the Company constantly monitors changes in laws and compliance with legislative requirements. The training and instruction of NAC Kazatomprom JSC's enterprises employees, to appropriately maintain and advance knowledge in the fields of industrial safety and labour protection, environmental protection, and legislative acts of the Republic of Kazakhstan, are carried out on an ongoing basis.

Internal Control System

Internal control system of NAC Kazatomprom JSC is a set of organizational structures, procedures and actions aimed at achieving the Company's goals and minimizing the risks associated with the implementation of continuous processes in the operating activities.

In NAC Kazatomprom JSC, internal control aims at preventing the risks in three key areas of activity, including drawing up financial and managerial statements, compliance with requirements of laws and internal regulations, and improvement of performance of the processes.

The Company's internal control system is built in accordance with COSO's Internal Control – Integrated Model and is consists of five interrelated components, such as:

- control environment
- risk assessment
- control procedures
- information and its transfer
- monitoring.

Performance of the Company's internal control system for 2013, assessed by the Internal Audit Service on a basis of Samruk-Kazyna JSC's methodology, amounted to 78.59 per cent.

6.3 QUALITY MANAGEMENT

To improve operational efficiency, competitiveness and export potential, and to improve the quality of its products and services, NAC Kazatomprom JSC regulates activities of its S&A on standardization, metrology and conformity assessment (managing testing laboratories). The quality control of products is based on regulatory and technical support of production at each enterprise.

Quality control is carried out during the manufacturing process of products at all stages of its life cycle. All mining and processing enterprises are provided with the resources of testing laboratories, modern equipment, methods of measurement, standard samples, and qualified personnel. Quality control of the finished product is performed by testing laboratories accredited by ST RK ISO/IEC 17025-2007 General Requirements for the Competency of Testing and Calibration Laboratories. Production quality control methods are described in the respective regulations of the Corporate Standardization System of NAC Kazatomprom JSC. Corporate standards form an integral part of the documentation of quality management systems and certified and accredited test laboratories of S&A. At present, 32 corporate standards have been elaborated and approved (which include subsystems and sets of standards) having a common orientation: Product Standards, Innovation, Occupational Safety, Corporate Governance and others. In addition, NAC Kazatomprom JSC's enterprises have quality management system certificates under the international standards ISO 14001 and OHSAS 18001.

Works on corporate standardization are conducted in accordance with approved annual plans, which are created taking into account requests from the Company's business units, prepared based on an analysis of the regulatory support of enterprises.

In 2013, the Company continued successful implementation of the Strategy for Corporate Standardization and Improvement of Quality of Products and Services by fulfilling the approved action plan in this area of activity for the reported year.

Results of the financial and economic activity of the Company reflect consolidated contributions of companies included in NAC Kazatomprom JSC's Group.

In 2013, the number of companies of NAC Kazatomprom JSC's Group has changed:

- Kazakhstan Nuclear University LLP was included into the Company's structure
- Starting from 2nd half-year of 2013, Semizbay-U LLP is classified as a jointly-controlled entity, whose financial results are consolidated by equity accounting
- as a result of a merger of GRK LLP and NAC Kazatomprom JSC, the contracts on subsoil use were transferred to the Company, as well as the staff of GRK LLP joined the Company's personnel
- due to the merger of Quartz LLP and MC KazSilicon LLP, the investments into Quartz LLP in the amount of KZT 242,000 thous. were transferred to the investments in MC KazSilicon LLP
- acquisition of 40 per cent stock of share in Caustic JSC.

Natural Uranium Market Overview

In 2013, uranium market was still characterized by excess of supply over demand and by steady tendency of falling prices. After the accident at a Japanese NPP in Fukushima, in 2011, development of nuclear energy in the world has slowed down, and there was a trend on decline in the construction of new NPPs. However, in 2013 more positive trends appeared with regard to the construction of NPPs in the world: according to IAEA's data, the construction of 10 new NPPs was launched in 2013, which is 30 per cent higher than the same in 2012.

In 2013, almost all major manufacturers announced decline in uranium production in the short term, reduction of costs, cancellation or suspension of some projects, as well as postponement in implementation of new projects. For example, works were suspended under the projects such as Ranger, Honeymoon in Australia, production decreased at deposit in Willow Creek (United States), and the commencement of Imouraren mine in Niger is delayed.

It should be noted that the HEU-LEU Program finished in 2013. Because of withdrawal of the former USSR from the weapons-grade material market, the secondary sources will be no longer able to compensate for the lack of primary uranium production. Therefore, this situation leads to the inevitable recovery of the market in the future. On 14 November 2013, the last batch of LEU, which was produced within the framework of the Russian-American agreement on use of the high-grade uranium extracted from nuclear weapons, was shipped to St. Petersburg port.

The end of 2013 was remarkable by new developments that may impact the market, e.g. two traders - Goldman Sachs and Deutsche Bank - announced on their withdrawal from the uranium market. Banks were active players, and with their withdrawal the liquidity will be reduced in the spot market. The banks' announcements on termination of trading activity with uranium and other raw material for energy, affected the spot price, which was unable to recover to its positive trend till the end of the year. From the very beginning of 2013, the spot price gradually decreased, and in September the price dropped to a minimum of $34,00/lb of U_3O_8.

Weekly Spot Price Indicator for U_3O_8	**Beginning of 2013**	**End of 2013**	**Variation**
UxC	$42,75/lb U_3O_8	$34,50/lb U_3O_8	-19,3%
TradeTech	$42,75/lb U_3O_8	$34,50/lb U_3O_8	-19,3%
Weekly Long-Term Price Indicators for U_3O_8	**Beginning of Year**	**End of Year**	**Variation**
UxC	$56,00/lb U_3O_8	$50,00/lb U_3O_8	-10,7%
TradeTech	$57,00/lb U_3O_8	$50,00/lb U_3O_8	-12,2%

The future price of uranium will depend on how quickly work resumes at NPP in Japan and plans for construction of power plants in the world. It is expected that in 2014, the Government of Japan will decided to restart the reactors.

In 2013, according to the WNA, demand was 64,978 tU, and it is expected that demand will reach 65,908 tU in 2014.

Tantalum and Beryllium Market Overview

Tantalum market is characterized by high volatility and uncertainty caused by the cyclical nature of end consumption (electronics, aircraft engineering), scarcity and speculative nature of the raw material market, and closed sales channels.

Total number of enterprises producing the tantalum is small in the world market. Except for UMP JSC, there are only four enterprises engaged in full-cycle processing of raw tantalum (chemical and metallurgical processing of raw materials, smelting ingots, production of capacitor powders and rolled products) in the world. They are:

1) H.C.Starck (plants in Germany, USA, Thailand and Japan)
2) GAM Technology (plants in USA and Japan)
3) Ningxia Non-Ferrous Metals Smelter (plant in China)
4) DuoLuoShan (China).

In the first quarter of 2013, there was a relative scarcity of raw materials in the world market, caused by the ban on export of "illegal" raw material from a number of African countries, which, in its turn, provided about half of the global demand for raw materials, as well as the by financial difficulties in a number of raw material producers that led to their inability to restart the production capacities. However, in comparison with 2012, the shortage of raw materials was relatively low. Later in the year, the supply of raw materials to the world market stabilized, and no shortage was recorded. It is associated with general reduction in demand from the end-users of tantalum occurred because of the overall macroeconomic situation in the major consuming countries. Accordingly, the prices have fallen from $125/lb of Ta_2O_5 at the beginning of year to $75/lb of Ta_2O_5 at the end of year. Given by this trend, the metallic tantalum prices declined during the year from $520–500 to $400–440.

Highly specialized beryllium market is characterized by high concentration and closeness, which is due to the limited number of producers, as the defence industry is the main segment consuming pure metallic beryllium. Prices for beryllium are missing in open sources, and this metal is not quoted on the stock exchanges. In 2013, no fluctuations were observed in demand and prices at the the world beryllium market. Increase in world consumption of beryllium is associated primarily with the faster growth of electronic and computer industries, where the average annual growth rates are about 9-11 per cent per year. In 2013, the dramatic growth in this industry was not observed. No major changes happened in distribution of the major market niches in 2013, and the world beryllium market is still presented by three main manufacturers having a full-cycle production from beryllium ore to beryllium alloys – Materion Corp. (USA), UMP JSC (Kazakhstan) and SKS (China).

Rare and Rare-Earth Metal (REM) Market Overview

The rare-earth substances are a group of 17 elements, including lanthanum, scandium, yttrium and the lanthanides.

The global reserves of REM are assessed at 114 mln tons of REM oxides (TREO), of which approximately 55 mln tons (about 48%) are concentrated in China, including about 80% of the global reserves of the most deficient yttrium group of REM. A special position of China in the REM market is based on both size of natural resources of the raw materials and their diversity.

In 2013, according to the customs data, REM production estimated to appr. 120 thous. tons, of which about 86 thous. tons in China. REM consumption was about 110–115 thous. tons.

Nowadays, the main competitive non-Chinese mining projects are Mountain Pass (USA), Molycorp and Mt Weld companies (Australia/Malaysia), and Lynas company. In addition, there is a number of potential projects which have encountered a number of difficulties due to the complex market situation and were not run in time.

Rare-earth substances are applied in various industries: radio electronics, instrument-making industry, atomic engineering, machine-building industry, chemical industry, metallurgy, etc. Dynamic development of the world market for high-tech products caused an exponential growth in demand for the rare-earth metals in the last 30 years.

Prices for REM started their growth in the second half of 2010, when China initiated limitation of export of these metals from its territory, but in the second half of 2011 already, the prices began to decline as a result of the competition between buyers and sellers, the keeping China's export quotas unchanged, and a certain decline in demand for these metals. During 2013, the prices for REM were characterized with low volatility and kept approximately the same as in the end of 2012. The rate of reduction of prices for light REM is higher than for heavy REM because of their surplus in the market.

Currently, the most problematic issue in this industry is relative and expected scarcity of heavy REM, because of their modest natural resources and limited distribution (80% of reserves are concentrated in China). Nowadays, the heavy REM are the most demanded in the market. Accordingly, after the general decline in prices for REM, the prices of heavy REM will steadily grow (at least 10–15% per year), while prices for light REM will grow moderately (4–5% per year).

Photovoltaic Market Overview

According to Bloomberg's analysts, after two years of decline the global solar energy will turn to rise, in particular, the market of photovoltaics will grow by 20 per cent in 2014 and the solar energy sector will increase by 44.5 GW in capacity, which will lead to the stabilization of prices for PV modules being supported by the growth of Chinese economy. At present, the markets of Brazil, Chile, Thailand, Australia, and North Africa, as well as Algeria are actively developing.

Within the framework of the new energy strategy of Algeria, it is planned to invest $60 bln until 2030 for development of new sources of energy, which will provide 40 per cent of electricity demand in the country. Solar energy resources in Algeria are the leading in the world. In addition, more than 80 per cent of the territory of Algeria is not settled and is suitable for development of new energy sources.

Based on this, NAC Kazatomprom JSC in consortium with SEMCO Engineering S.A. (France) and Clean Power Energy (USA) filed an application for participation in projects implemented by Algerian party (SONELGAS SPA ALGERIA).

As before, due to the governmental support of this sector, China dominates in the photovoltaics market due to expansion into other countries and has secured its position as the world's largest producer of solar photovoltaic cells with leaving Japan and USA behind.

It is expected that starting from 2020 the parity between alternative and traditional energy will be established in Germany and other EU countries. To this end, leading German companies in the area of photovoltaics – Singulus Technologies AG and Schmid Group – set themselves a task to increase the efficiency of photovoltaic products along with reduction of the cost.

Taking these facts into consideration, graded activities are undertaken in NAC Kazatomprom JSC to reduce production cost throughout the whole vertically integrated chain of the KazPV project.

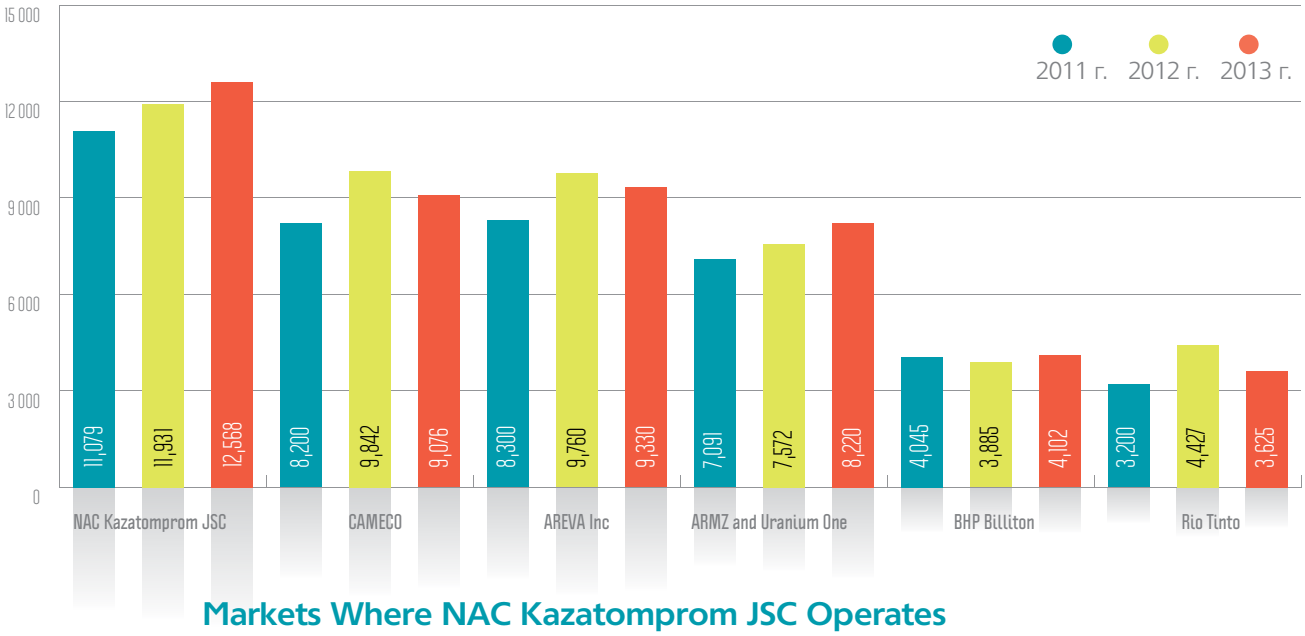
Position of NAC Kazatomprom JSC in the Industry

In 2013, NAC Kazatomprom JSC retained the top position amongst the largest uranium mining companies. Production volume of the Company by equity interest in all S&A totalled to 11,931 tons. The second and third places were taken by Cameco and AREVA, with production volumes of 9,076 tons and 9,330 tons, respectively. NAC Kazatomprom JSC, AREVA and Cameco produced about 53 per cent of total world output.

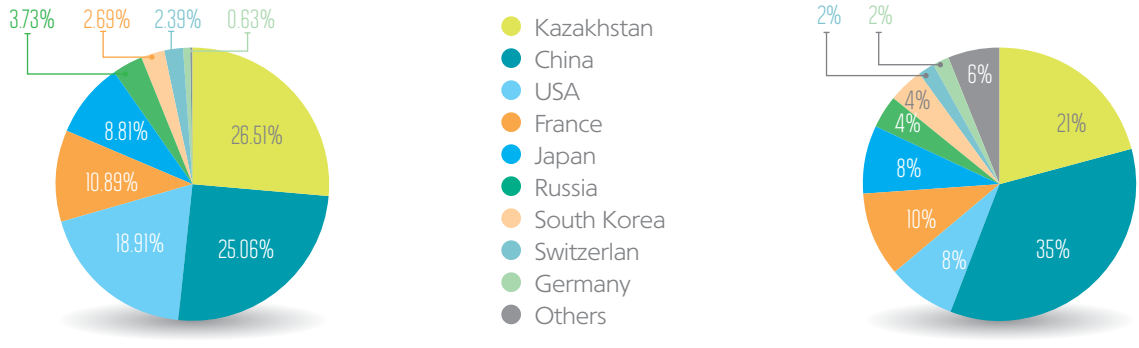
Share of NAC Kazatomprom JSC and its S&A in the world natural uranium market is 21.4 per cent. The production targets were met at 101 per cent.

Share of NAC Kazatomprom JSC and its S&A in the world nuclear fuel fabrication market is slightly lower than it was planned, because of the failure to fulfil the plan on production of uranium dioxide powders at UMP JSC and the decline in the world nuclear fuel fabrication market.

The Company continues to cooperate with the largest consumers of the products in the markets of Europe, Central and South-East Asia, North and South America. The main categories of consumers are the world's largest companies in nuclear, rare-earth and rare metal industries. 100 per cent of uranium production of NAC Kazatomprom JSC is exported. In 2013, the volume of export under the Company's contracts totalled 10.2 thous. tons of uranium concentrate. In 2013, the largest sales were performed at the market of Kazakhstan – 26.5 per cent of the overall sales portfolio. At China market 25.1 per cent of sales was performed, which is by 37 per cent less than in 2012. Sales in the USA increased significantly – by 115 per cent higher than in 2012, and accounted for 18.,9 per cent of the overall sales portfolio. Sales in Europe accounted for about 14.2 per cent, which is the same as in 2012. The remained sales were distributed as follows: Japan – 8.7 per cent, Russia – 3.7 per cent, and South Korea – 2.7 per cent.



Markets Where NAC Kazatomprom JSC Operates



2013 г.

2012 г.

	2013 г.	2012 г.
Kazakhstan	76,432,197	66 784 846
China	72 240 658	113 957 846
USA	54 519 613	25 308 680
France	31 389 310	32 890 692
Japan	25 114 314	25 269 680
Russia	10 749 562	13 559 861
South Korea	7 759 005	12 558 997

	2013 г.	2012 г.
Switzerland	6 883 751	5 776 308
Germany	1 817 041	6 090 565
Austria	781 287	258 881
India	12 848	17 916 448
Belgium	0	1 289 416
Others	583 199	83 844

KEY PERFORMANCE INDICATORS

Main Consolidated Financial Results of NAC Kazatomprom JSC for 2013 and 2012

Indicator	2013	2012	Variation,%
EBIT	KZT 50,539 mln	KZT 67,883 mln	-26%
EBITDA	KZT 69,196 mln	KZT 87,241 mln	-21%
EBITDA Margin	20%	32%	-38%
Income	KZT 288,283 mln	KZT 321,746 mln	-10%
Cost of Sales	KZT 229,905 mln	KZT 243,907 mln	-6%
Operational Profit	KZT 25,117 mln	KZT 49,833 mln	-50%
Annual Profit	KZT 36,532 mln	KZT 51,997 mln	-30%
Comprehensive Income Attributable to Owners of the Group	KZT 36,531 mln	KZT 50,969 mln	-28%
Cash and Cash Equivalents at the End of Year	KZT 17,152 mln	KZT 38,038 mln	-55%
Net Debt	KZT 120,672 mln	KZT 155,980 mln	-10%
CAPEX*	KZT 76,544 mln	KZT 60,005 mln	21%
Dividends Stated	KZT 7,637 mln	KZT 23,501 mln	-68%
Uranium Mining, total	22,501 tons	20,981 tons	7%
Uranium mining by equity interest in all S&A	12,568 tons	11,931 tons	5%
Uranium Sales	KZT 189,874 mln	KZT 235,307 mln	-19%

In 2013, NAC Kazatomprom JSC's consolidated financial results were significantly lower than the results of the Group in 2012. This was primarily due to the above-mentioned organizational changes of the Group, as well as macro-economic trends for 2013 reflected in a decrease of prices.

Decline in proceeds is caused mainly by the fall of the natural uranium market price, as well as by changes in income structure given to the loss by NAC Kazatomprom JSC of opportunity to control unilaterally the subsidiary, Semizbay-U LLP, starting from the second half of 2013 (as a result of the requirements of a Settlement Agreement with Sino-Kaz company).

Profit for 2013 amounted to KZT 36,532 mln, which is by 30 per cent or by KZT 15,465 mln below the same for 2012. The decrease of this indicator was attributable to the following:

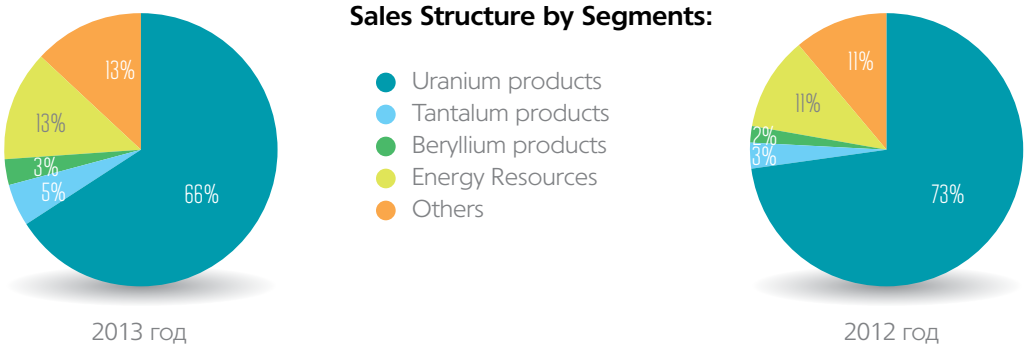
- reduction of gross profit by KZT 19,461 mln, mainly caused by the decreased prices and declined sales of TUO
- increase of general administrative expenses by KZT 4,899 mln
- reduction of financial expenses by KZT 5,591 mln
- growth of financial income by KZT 782 mln
- decrease in losses from non-core activities by KZT 8,593 mln
- decrease in income from equity interest by KZT 8,719 mln
- decrease of CIT by KZT 3,004 mln.

In accordance with the Dividend Policy of Samruk-Kazyna JSC in Relation to Subsidiaries, NAC Kazatomprom JSC's dividends for 2012 amounted to KZT 7,637 mln, which corresponds to the target.

Income from sales of goods and services

In 2013, Group's consolidated income from the sales of goods and render of services was KZT 288,283 mln, which is by 10 per cent lower than in 2012, when it amounted to KZT 321,746 mln and 8 per cent of the target.

* vcapital investments, financial investments, evaluation and exploration work



2013 год

2012 год

Variation on the indicator occurred due to the factors, such as: change in the sales of TUO in kind, change of the market prices and exchange rates of dollar.

In 2013 the structure of sales by segments didn't changed in comparison with 2012. 66 per cent of consolidated income from sales of NAC Kazatomprom JSC comprised revenues from the sale of uranium production, which are equal to KZT 189,874 mln. This was followed by income from the sale of energy in the amount of KZT 39,309 mln, and income from the sale of tantalum and beryllium products in the amount KZT 13,743 mln and KZT 7,708 mln, respectively.

Income from sales of uranium production decreased by 19 per cent or by KZT 45,433 mln compared with 2012. This variation was determined by 588 tons decline in consolidated sales because of reclassification of the investments in subsidiary Semizbay-U LLP into the investment in jointly controlled entity and consolidation by the equity method.

Increase in income from sales of energy resources by 9,53 per cent or by KZT 3,247 mln, is mainly determined by the growth of electricity consumption by third-party organizations and settlements.

In 2013, income from sales of tantalum products increased by 33 per cent or by KZT 3,372 mln compared to the previous year. Due to structural changes in the product mix towards an increase in 2013, the share of more expensive products of its own raw materials and reducing the share of tolling products.

Decrease in income from sales of beryllium products by 3 per cent or by KZT 249 mln is attributable to decline in sales in kind, given to the deterioration of economic situation on the market.

Income from sales of other services increased by 11 per cent or by KZT 5,600 mln compared to 2012, primarily due to the increased volume of services sold.

COST OF SALES

Indicator, KZT mln	2013	2012	Variation
Raw Materials and Supplies	136,850	151,888	-10%
Staff Remuneration	27,763	26,339	5%
Processing and Other Services	26,912	26,772	1%
Depreciation and Amortization	17,679	18,383	-4%
Taxes, Except for Income Tax	13,839	13,487	3%
Other	6,862	7,038	-3%
Total	229,905	243,907	-6%

Group's cost of goods sold amounted to KZT 229,905 mln in 2013, which is by 6 per cent or by KZT 14,002 mln lower than in 2012. The cost of goods sold amounted to 80 per cent of the total consolidated revenue of 2013. At the same time, the total cost of goods sold for 2013 is lower than the target indicator by 12 per cent. Dynamic of the cost of goods sold corresponds to dynamic of the income from sales and is due to the same reasons and factors.

The cost of sales of TUO in 2013 is lower than the same in 2012 by KZT 23,777 mln, including:

- as a result of decreased volume of sales in 2013 compared to 2012, the cost has decreased by KZT 13,036 mln;
- as a result of reduction of spot quotation – decreased by KZT 14,585 mln;
- as a result of increased production costs – increased by KZT 3,844 mln.

Cost development in 2013 compared to 2012 is observed with regard to the following types of products:

- tantalum production cost increased by 39 per cent or by KZT 3,517 mln, mainly because of a growth of the share of finished goods made of own raw materials, as well as the goods of a higher degree of readiness;
- cost of energy sold in 2013 increased by KZT 3,263 mln as a result of prices increase of basic material – gas.

Implementation costs

Indicator, KZT mln	2013	2012	Variation
Shipping, Transportation and Storage Expenses	2,149	1,842	17%
Staff Remuneration	735	710	4%
Commission Fee	345	349	-1%
Raw Materials and Supplies	227	173	31%
Lease	176	177	0%
Other	327	339	-4%
Total	3,960	3,590	10%

Implementation costs of the Group increased by 10 per cent or by KZT 370 mln compared to 2012, and totalled KZT 3,960 mln. Changes occurred mainly due to the increased transportation costs, which make up to 54 per cent of total expenditures by changing the direction of shipments. Cost of raw and other materials increased by 31 per cent and amounted to KZT 227 mln. Labour costs increased by 4 per cent and amounted to KZT 735 mln. Other selling expenses decreased by 4 per cent and amounted to KZT 327 mln. At the same time, the overall cost of sales for 2013 are by 26 per cent lower than the target.

Administrative expenses

Indicator, KZT mln	2013	2012	Variation
Staff Remuneration	13,241	13,208	0%
Fines and Penalties on Taxes	3,789	0	100%
Research Expenditures	1,557	1,453	7%
Doubtful Debt Reserves	1,464	0	100%
Defined Benefit Pension Plans and Other Social Contributions	1,432	0	100%
Consulting, Auditing and Information Services	1,232	2,113	-42%
Depreciation and Amortization	978	926	6%
Lease	799	937	-15%
Taxes Except of the Income Tax	714	1,607	-56%
Travel Expenses	518	488	6%
Raw and Other Materials	452	455	-1%

Indicator, KZT mln	2013	2012	Variation
Other	3,125	3,229	-3%
Total	29,302	24,416	20%

In 2013, administrative expenses amounted to KZT 29,302 mln, which exceeds the indicator for 2012 by 20 per cent, or KZT 4,886 mln. Labour costs remained at the level of 2012 and still accounted for most (45 per cent) of the total administrative expenses. In 2013, the expenses occurred regarding the fines and penalties on taxes, doubtful debt reserves and pension plans, which accounted for 23 per cent of the total administrative expenses. In 2013, the costs of consulting, auditing and information services reduced significantly, as well as the costs of leasing and other taxes (except of CIT) by 42%, 15% and 56%, respectively.

Financial income and expenditures

Indicator, KZT mln	2013	2012	Variation
Financial Income			
Interest Income on the Fixed-Term Deposits, On-Demand Deposits and Current Accounts	2,031	1,955	4%
Dividend Income	1,268	1,597	-21%
Financial Liability Revaluation Surplus	535	0	100%
Financial Asset Revaluation Surplus	197	0	100%
Other Income	573	270	113%
Total	**4,603**	**3,821**	**20%**
Financial Expenditures			
Interest Expenses For Borrowings and Loans	6,732	6,634	1%
Unwinding of Discount on Reserves	734	702	4%
Unwinding of Discount on Other Financial Liabilities	274	5,099	-95%
Loss from Disposal of Foreign Currency	67	116	-42%
Dividend Income on Preference Shares	53	53	0%
Other Income	387	443	-13%
Total	**8,247**	**13,046**	**-37%**

Financial income of the Group for 2013 amounted to KZT 4,603 mln and increased by 20 per cent or by KZT 782 mln compared to 2012. The growth of this indicator is associated with the following:

- Revaluation of uranium loan of the Appak LLP because of the fall of prices of the natural uranium (KZT 535 mln).
- In 2013, TTC LLP has entered into a contract with JV Inkai LLP, under which TTC LLP undertakes to provide JV Inkai LLP with unhindered access to Shieli-Taykonur motorway, while JV Inkai LLP shall provide TTC LLP with funds for reconstruction of this motorway by provision of a long-term interest-free advance in the amount of KZT 3,300 mln. In 2013, TTC LLP received KZT 2,050 mln. As of 31 December 2013, amount of the received long-term advance was discounted at the market rate of 6.3 per cent. The amount of discount totalled KZT 529 mln, which put impact on the financial income of the enterprise.

In total, the target for financial income was fulfilled by 125 per cent. Financial expenses of the reporting period amounted to KZT 8,247 mln and decreased by 37 per cent or by KZT 4,800 mln compared to 2012. The decrease took place because of implementation of the settlement agreement on Semizbay-U LLP, under

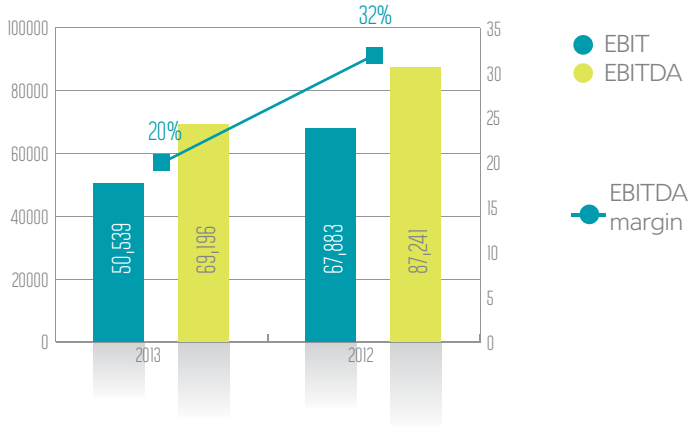
which the condition on minimum distribution of annual dividends of Semizbay-U LLP was rescinded. As a result, since 2013 no reserves are accrued to pay dividends to the Chinese partners (KZT 4,824 mln). In total, the target for financial expenditures was fulfilled by 71 per cent.

Performance indicators

In 2013 EBITDA decreased by 21% comparing to 2012 and comprised KZT 69,196 mln. Such decrease was due to the changes in organizational structure of the Group, as well as macro-economic trends of 2012. Generation of profitability (EBITDA) was negatively affected by the continuing decline in prices for triuranium octoxide at the world market (about 20 per cent during the year).

For the same reasons, EBITDA margin decreased by 38 per cent in 2013. Target EBITDA margin was fulfilled at 109 per cent, while the planned figure was 18 per cent.

Dynamics of Efficiency Indicators, KZT mln

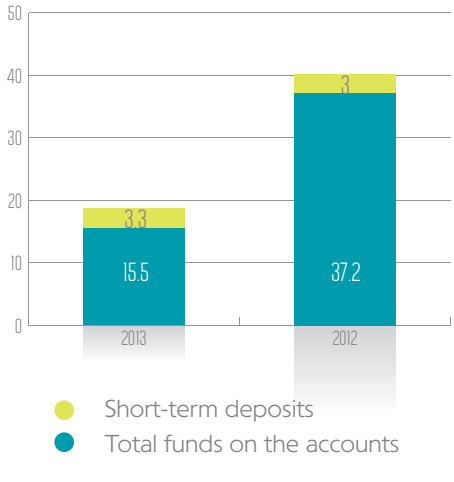


Liquidity and financial stability indicators

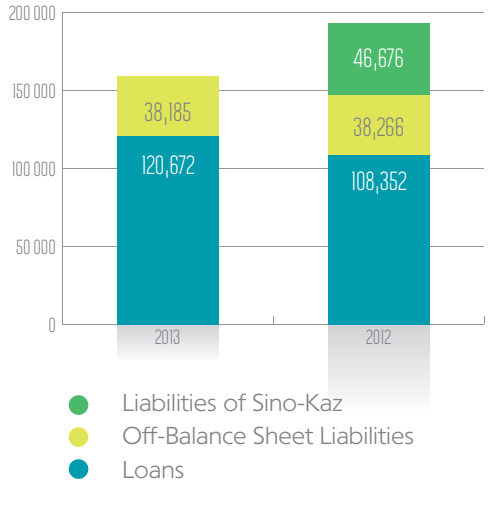
Main source of liquid funds of the Group are money received as a result of the core activities and the attracted debt financing. It is expected that funds for the future business needs of the Group, including for additional investments to be made in accordance with the business development strategy, will be obtained by combining cash flow, generated by core operational activities of the Group, and from the external sources.

As of 31 December 2013, the cash in the accounts and short-term deposits amounted to KZT 18,8 bln, of which 3,3 bln were placed on short-term deposits in the second-level banks.

Liquidity Indicators, KZT bln



Financial Liabilities, KZT mln



As of the year-end of 2013, the amount of cash and cash equivalents was planned as equal to KZT 15.6 bln. Based on the year-end results, the plan was exceeded by 110 per cent.

Decrease of liquidity rate in 2013, was due to the decline in prices of uranium. In case of short-term liquidity shortages occurred as a result of unevenness of proceeds, the short-term loans (up to 12 months) are attracted under the revolving credit lines.

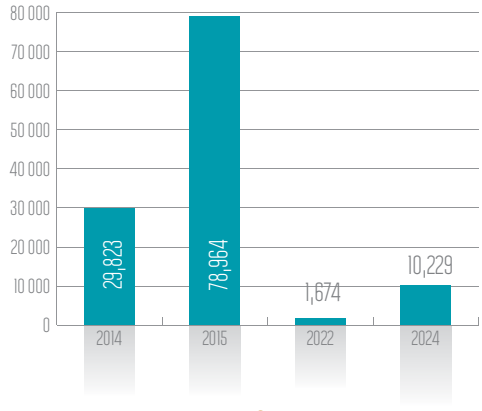
On 31 December 2013 the amount of consolidated debt, with off balance sheet guarantees, by group companies of NAC Kazatomprom JSC amounted to KZT 158,858 mln and decreased by 19 per cent or by KZT 34,436 mln compared to the year-end of 2012.

Outstanding loans amounted to KZT 120,672 mln, including the largest: KZT 78,987 mln – NAC Kazatomprom JSC, KZT 18,502 mln – GRK LLP, and KZT 14,444 mln – Astana Solar LLP.

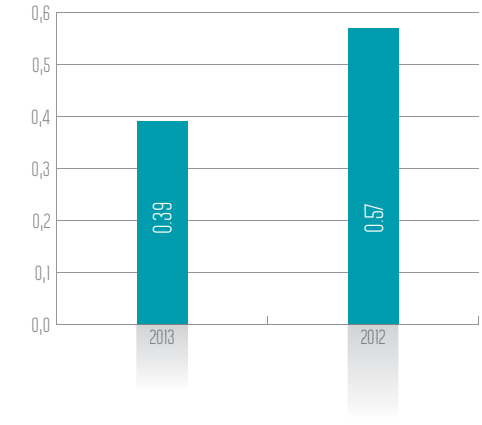
Amount of the off-balance sheet guarantees issued for dependent companies, was equal to KZT 38,185 mln, including the largest: KZT 12,944 mln – Kyzylkum LLP, KZT 13,480 mln – Baiken-U LLP, and KZT 11,762 mln – SKZ-U LLP. No new guarantee agreements were concluded in 2013.

Other financial liabilities (liabilities under the secured dividends to the Chinese party of Sino-Kaz company for the subsidiary Semizbay-U LLP) were excluded in 2013, as settlement agreement was concluded between the participants of the partnership.

Loan Repayment Schedule



Loan Repayment Schedule



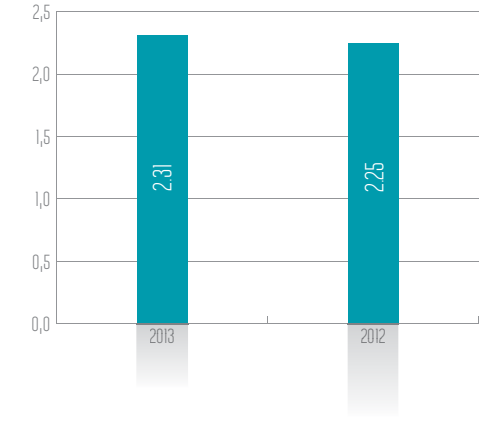
Repayment schedule

Repayment of current loans are financed at the own expense. In 2015, it is planned to repay the eurobonds in the amount of USD 500 mln.

Financial liabilities / Equity

The Company is sufficiently ensured with own equity. The liabilities to equity ratio equalled to 0,39 for 2013. This is less the same for 2012 by 31.5 per cent. The standard value of this ratio specified for the Group by creditors and the Borrowing Policies adopted by the decision of the Management Board of Samruk-Kazyna JSC is no greater than 1. Reduction of the ratio is due to an increase in retained profits for 2013.

Financial Liabilities / EBITDA



Financial liabilities / EBITDA

The ratio of liabilities to EBITDA for 2013 amounted to 2,31 and increased by 43 per cent compared to the same for 2012. Standard value of this ratio specified for the Group by creditors and the Borrowing Policies adopted by the decision of the Management Board of Samruk-Kazyna JSC is no greater than 3,5. Increase of ratio is attributable to decrease of EBITDA for the reasons set out above.

In 2013, financial sustainability indicators are at acceptable values, however, they were reduced in comparison with the same in 2012, because of decrease of net income (explanation are provided above).

To keep financial sustainability indicators at an acceptable level, the borrowing policy of NAC Kazatomprom JSC is aimed at reduction of external credits, as well as activities on reduction and optimization of operational and investment costs are carried out. In order to retain financial stability, decisions on attraction of new external borrowings are taken under control of financial covenants.

Hindsight of Cash Turnover

Indicator, KZT mln	2013	2012	Variation,%
Cash Flow from Operations	24,562	12,965	89%
Cash Flow from Investments	(23,899)	19,876	-220%
Cash Flow Used in Financing Activities	(22,026)	(36,927)	-40%
Net Increase/(Decrease) of Cash and Cash Equivalents	(21,363)	(4,087)	423%

Cash Flow from Operations

The Group had planned to use the cash from operational activities in the amount of KZT 1,993 mln. Cash flow from operational activities in 2013 amounted to KZT 24,562 mln, which is by 89 per cent higher than the same in 2012, when it was equal to KZT 12,965 mln.

The main reason of significant increase in cash flow from operational activities is the repayment of debts by consumers for the uranium production shipped to them in November and December 2012.

Cash Flow from Investments

The Group had planned to use cash flow from investing activities in the amount of KZT 23,420 mln. For 2013 year cash flow from investing activities amounted to (KZT 23,899) mln, compared with the rate for 2012 year that was equal to KZT 19,876 mln. Cash flows from investing activities in 2013 amounted to KZT (23,899) mln compared to the same in 2012, when it was equal to KZT 19,876 mln. The variation is mainly caused by decrease of dividend income from S&A, as the net income of S&A decreased as a result of the reduction of spot prices for 2013 the refund of deposited funds.

Cash Flow Used in Financing Activities

The Group had planned to use cash flow from financing activities in the amount of KZT 1,469 mln. Cash flow used in financing activities in 2013 amounted to KZT (22,026) mln, while in 2012 these cash flow equalled to KZT (36,927) mln. The variation is mainly caused by the amounts of attracted and repaid loans necessary to provide the production in the group of companies of NAC Kazatomprom JSC, as well as because of the discharge under the settlement agreement on Semizbay-U LLP.

Investment expenditures

To develop the Company, implementation of investment program was continued. According to the plan for 2013, investments in the amount of KZT 79,875 mln were expected throughout the group companies of NAC Kazatomprom JSC, actually investments were made without taking into account internal rotations to $ 76 544 million KZT, execution of the plan was 96%.

In 2013, total investments of NAC Kazatomprom JSC, as a separate legal entity totalled KZT 35,594 mln, including the largest:

- KZT 11,974 mln – a contribution to the equity capital of CUE CJSC for acquisition of a stock of shares in the separative production of UEIP OJSC;
- KZT 6,040 mln – an acquisition of 40 per cent of shares of Caustic JSC;
- KZT 5,353 mln – a contribution to the equity capital of Kazakhstan Solar Silicon LLP for the further implementation of KAZ PV project;
- KZT 2,262 mln – a contribution to the equity capital of Astana Solar LLP for the construction of sports complex;
- KZT 1,618 mln – a contribution to the equity capital of Bailanys-NAC LLP for the construction of corporate optical fiber network;
- KZT 900 mln – a contribution to the equity capital of KazSilicon LLP for the further implementation of KAZ PV project;
- KZT 1,341 mln – a contribution to the equity capital of Kyzylkum LLP to maintain the solvency of the company;
- KZT 3,874 mln – for evaluation and exploration work on the fields.

GRK LLP continued the works aimed at increase of production at the existing mines, as well as carried out activities for development of new mines. Total amount of investments in the reported period totalled KZT 26,687 mln, including the largest ones:

- KZT 8,398 mln – program on sustainable supply of sulphuric acid and other chemicals to the uranium mining companies of NAC Kazatomprom JSC;
- KZT 9,187 mln – prospecting and exploration works;
- KZT 2,936 mln – construction of facilities under the project on testing development of Central Moiynkum field;
- KZT 2,509 mln – a contribution to the equity capital of Uranenergo LLP aimed at transfer of assets during restructuring of GRK LLP;
- KZT 3,657 mln – costs of upgrading and replacement of the obsolete and worn-out equipment with a new, more productive and progressive one.

In **Appak LLP**, total investments of the reporting period amounted to KZT 1,635 mln and were aimed at ensuring the planned production of uranium.

Total investments of **Semizbay-U LLP** for the first half of 2013 amounted to KZT 1,141 mln. Funds were directed on ensuring the planned production of uranium. In the second half of year, Semizbay-U LLP was reclassified in JCO.

Ortalyk LLP directed KZT 705 mln in 2013 to to provide support services for uranium mining.

In **Kazatomprom-Demeu LLP** the total investments for the reported period amounted to KZT 1,849 mln, including for fitting-out of 'Baiterek' motorship.

In **UMP JSC** investment volume for the year 2013 KZT 1,761 m. Investments are intended to replacement of the obsolete and worn-out equipment with a modern one.

In **MAEC-Kazatomprom LLP** the investments amounted to KZT 7,144 mln in the reporting period, including re-equipment and capital repairs of buildings and structures and construction of GTPI-2,3.

Investment program of **Volkovgeology JSC** is aimed at upgrading and replacement of the obsolete and worn-out equipment with a new and more progressive one. During 2013 implementation amounted to KZT 1,216 mln.

In **Kyzyltu LLP** the total investments amounted to KZT47 mln that was directed to conduct exploration and mining-preparation works.

In **SARECO LLP**, KZT 523 mln was invested during the reporting period in order to creating a pilot production collective of concentrates and individual compounds of rare earth metals.

In **Bailanys-NAC LLP** for 2013 was invested 514 million KZT, mainly on completion of construction of which KZT 355 mln – for completion of construction of the corporate optical fibre network at the uranium mines of SKR.

Investment program of **Institute of High Technologies LLP**, **Korgan-Kazatomprom LLP**, and **KNU LLP** is aimed at upgrading and replacement of the obsolete and worn-out equipment with a new, more productive and progressive one. During 2013, these companies implemented investments in the amount of KZT 88 mln.

In 2013, implementation of the **KAZ PV** project continued amounting to KZT 9,121 mln. Completion of production facilities construction in the city of Ust-Kamenogorsk was planned in December 2013.

Structure of Assets of NAC Kazatomprom JSC with Ownership Interest

Segment	Uranium Mining and Processing Enterprises	Nuclear-Fuel Cycle and Iron & Steel Enterprises	Atomic and Alternative Energy Enterprises
Enterprises	GRK LLP - 100% (as regards to the mining, i.e. GRK LLP as a separate legal entity, Tauken Mining and Chemical Integrated Plant LLP, Stepnoe-RU LLP, and RU-6 LLP) APPAK LLP – 65% Semizbay-U LLP – 51% (share of NAC Kazatomprom JSC – 11%, and share of GRK JSC – 40%) Karatau LLP – 50% Akbastau JSC – 50% JV Zarechnoe JSC – 49.67% JV Katco LLP – 49% Inkai JV LLP – 40% Kyzylkum LLP – 30% Betpak Dala LLP – 30% Baiken-U LLP – 5% PE Ortalyk LLP – 100%	UMP JSC – 90% CUE CJSC – 50% ICUE OJSC – 10% IFASTAR JV – 49% UkrTVS CJSC – 33.33% TNEH US, Inc – 10% TNEH UK, Ltd – 10%	MAEC-Kazatomprom LLP – 100% KRCAS JSC – 50% Ekoenergomash LLP – 100% Astana Solar LLP – 100% Kazakhstan Solar Silicon LLP – 100% MC KazSilicon LLP – 100% Uranenergo LLP – 54%
Products	Uranium products	Uranium products	Energy Resources and Alternative Energy Sources
Segment	Uranium Mining and Processing Enterprises	Nuclear-Fuel Cycle and Iron & Steel Enterprises	Atomic and Alternative Energy Enterprises

Rare-Earth and Rare Metal Production Enterprises	Manufacturing and Support Complex Enterprises	Scientific, Engineering and Education Enterprises	Community Enterprises
Sareco LLP – 51% KT Rare Metal Company LLP – 51% Kyzyltu LLP – 76%	Volkovgeology JSC – 90% Korgan-Kazatomprom LLP – 100% Bailanys-NAC LLP – 100% Caustic JSC – 40% GRK LLP – 100% (as regards to the service enterprises, Geotechnoservice LLP, Trade & Transport Company LLP, Remmontazhservice LLP, Kutkarushi LLP, "Control, Analytics, Metrology" Service Center LLP, SKZ-U LLP, SKZ-Kazatomprom LLP, Kazperoxide LLP, and Kazatomprom-Sorben LLP)	IHT LLP – 100% KAS LLC – 50% KNU LLP – 100%	Kazatomprom-Demeu LLP – 73,13%
Rare and Rare-Earth Metals	Services on Drilling, Exploration, Geophisical Study, Binding, Cargo Transportation and Handling, Communication, Security, Caustic Soda and Sulphuric Acid Productions, Provision of Ion-Exchange Resin and Hydrogen Peroxide	Research and Education	Community Services
Rare-Earth and Rare Metal Production Enterprises	Manufacturing and Support Complex Enterprises	Scientific, Engineering and Education Enterprises	Community Enterprises

CONTACT INFORMATION

You may submit your questions, comments and suggestions to this Report, as well as requests for hard copies of the Report, to:

Oksana Zaitseva

Senior Manager, Department of Economics & Planning

E-mail Ozaitseva@kazatomprom.kz

Telephone +7 7172 55 1232 (ext. 10253)

TABLE OF GRI STANDARD ELEMENTS

Application Level		Extent of Disclosure
Main Indicator Additional Indicator	Additional Indicator.	● – completely disclosed ◐ – partially disclosed ○ – undisclosed

Indicator	Description of Indicator	Extent of Disclosure	Report Page/Chapter
1.1	Statement of the Top Decision-Maker of the Company	●	Message from the Chairman of the Management Board
1.2	Description of Key Impacts, Risks and Opportunities	●	Results of Operational Activities Risk Management Report on Financial and Economic Activity
2. Company Characteristics			
2.1	Company's Name	●	About the Report
2.2	Main Brand Names, Products and/or Services	●	About the Company
2.3	Functional Organization of Company, Including the Core Subdivisions, Operational Companies, Subsidiaries and Joint Ventures	●	Asset Structure
2.4	Location of the Company's Headquarters	●	Contact information
2.5	Number of Countries Where the Company Operates, and Names of Countries Where the Core Activity Is Carried Out or Which Are Especially Significant from the Viewpoint of Sustainable Development Issues Covered by the Report	●	About the Company Results of Operational Activities
2.6	Nature of Ownership and Legal Form	●	About the Company
2.7	Markets Where the Company Operates (including the geographic breakdown, sectors serviced, and the categories of customers and beneficiaries)	●	About the Company Operational Activity
2.8	Company Size	●	About the Company
2.9	Significant Change of Sizes, Organisation or Ownership Took Place in the Reporting Period	●	About the Company, Results of Operational Activities
3. Report Parameters			
3.1	Reporting Period (e.g., fiscal/calendar year) for Which the Information Is Provided	●	About the Report
3.2	Date of Publication of the Last Preceding Report (if any)	●	About the Report
3.3.	Reporting Cycle (annual, biennial, etc.)	●	About the Report
3.4.	Contacts for Questions	●	Contact Information
3.5	Determination of Content of the Report	●	About the Report
3.6	Boundaries of the Report (e.g., countries, subdivisions, subsidiaries, leased facilities, joint ventures, suppliers)	●	About the Report

Indicator	Description of Indicator	Extent of Disclosure	Report Page/Chapter
3.7	Please, specify any limitations on the scope or boundaries of the report	●	About the Report
3.8	Reasons for inclusion of data on joint ventures and subsidiaries, lease of production facilities, transfer of some competences to the external contractors and other organizational units that can significantly affect the comparability with data of previous reports and/or other companies	●	About the Report
3.9	Data measurement and calculation techniques, including the assumptions and methodology used for the preparation of the Indicators and other information included into the report	●	About the Report
3.11	Significant changes relative to the previous reporting periods in the area of in the scope, boundaries or measurement methods applied in the report	●	About the Report
3.12	Table indicating the location of the standard items in the report	●	Table of GRI Standard Elements
3.13	Policies and practical approaches applied for external approval of the report.	●	About the Report
4. Management, Liabilities and Interaction with Stakeholders			
4.1	Management organization of the company, including the main committees of the supreme governing body responsible for specific tasks, such as developing the strategy or overall supervision of the activities of the company	●	Corporate Governance
4.2	Please, indicate whether the chairman of the supreme governing body is an executive manager of the company at the same time	●	Corporate Governance
4.3	For companies having an unitary board of directors, the number of independent members of the supreme governing body and/or members who do not belong to the executive management of the company, with breakdown by gender	●	Corporate Governance
4.4	Mechanisms by which the shareholders and employees of the company may direct the activity of the supreme governing body or provide an advice to it	●	Corporate Governance
4.6	Acting processes in the supreme governing body designed to prevent the conflict of interests	●	Corporate Governance
4.7	Processes for determining the qualifications and expertise of members of the supreme governing body and committees, including a breakdown by gender and other diversity indicators	◐	Corporate Governance
4.8.	Internal corporate statements on mission or values, corporate code of conduct and significant principles from the economic, environmental and social performance viewpoints, as well as the extent of their practical implementation	●	About the Company, Governance, Sustainable Development
4.10	The supreme governing body's performance self-evaluation processes, particularly as regards to the economic, environmental and social results of the company's activities	◐	Corporate Governance

Indicator	Description of Indicator	Extent of Disclosure	Report Page/Chapter
4.11	Does the company implement the precautionary principle, and in what way?	◐	Sustainable Development
4.13.	Membership in associations (such as industry) and/ or national and international organizations for the protection of interests	●	About the Company
4.14	List of stakeholders with whom the company has interacted	●	Interaction with Stakeholders
4.15	Basis for identification and selection of stakeholders for further interaction with them	●	Interaction with Stakeholders
4.16	Approaches to interactions with the stakeholders, including the frequency of interaction by forms and by groups of stakeholders	◐	Interaction with Stakeholders
4.17	Key topics and concerns raised or revealed during the interaction with stakeholders, and how the company responded to those topics and concerns, including through its accounts	◐	Interaction with Stakeholders
Economic Performance			
EC1	Created and distributed direct economic value, including revenues, operational expenditures, employee compensation, donations and other investments into communities, retained earnings, and payments to the capital providers and the governments	●	Key Performance Indicators Management report on financial and economic activity Employees
EC2	Financial aspects and other risks and opportunities for the company's activity which are related to the climate changes	◐	Environmental Protection Atmospheric emissions and climate change
EC3	Commitments of the company with regard to the defined benefit pension plan	●	Personnel
EC5	Range of ratios of the standard entry-level wage and the minimum wage prescribed in the significant locations of operation, with breakdown by gender.	●	Personnel
EC6	Politics, practical approaches to procurement from the local suppliers and the share of such procurement in the significant locations of the company's operation	◐	Interaction with Stakeholders
EC7	Procedures for hiring the local personnel and share of top managers hired from the local community in the significant locations of the company's operation	●	Personnel
EC8	Development and impact of the investments into infrastructure and services rendered for public benefit primarily through the commercial, non-monetary or charitable involvement	●	Development of Regions where the Company operates
EC9	Understanding and describing the indirect significant economic impacts, including the range of influence	◐	Human Resources Development of Regions where the Company operates
Environmental performance			
EN1	Materials used, with an indication of weight and volume	●	Environmental Protection: Resource Use and Energy Efficiency

Indicator	Description of Indicator	Extent of Disclosure	Report Page/Chapter
EN2	Share of materials made of the recycled or re-used waste	◐	Environmental Protection: Waste Management
EN3	Direct energy consumption, with an indication of primary energy sources	●	Environmental Protection: Resource Use and Energy Efficiency
EN4	Indirect energy consumption, with an indication of primary energy sources	●	Environmental Protection: Resource Use and Energy Efficiency
EN5	Energy saved due to measures on conservation and improvement of efficiency	●	Environmental Protection: Resource Use and Energy Efficiency
EN6	Initiatives on provision of energy efficient or renewable energy based products and services, and reduction of energy needs as a result of these initiatives	●	Environmental Protection: Resource Use and Energy Efficiency
EN8	Total water withdrawal with breakdown by sources	●	Environmental Protection: Water Resources
EN9	Water sources significantly affected by the withdrawal of water	◐	Environmental Protection: Water Resources
EN10	Share and total volume of reused and multiple used water	●	Environmental Protection: Water Resources
EN11	Location and size of land owned, leased or managed by the company and located in the protected nature areas and the outside or adjacent areas of high biodiversity	●	Environmental Protection: Land Resources and Biodiversity
EN12	Description of significant impacts of activities, products, and services on the biodiversity in protected nature areas and the outside areas of high biodiversity	◐	Environmental Protection: Land Resources and Biodiversity
EN13	Habitats protected or restored	●	Environmental Protection: Land Resources and Biodiversity
EN14	Strategies, implemented actions and future plans on managing the influences on biodiversity	◐	Environmental Protection: Land Resources and Biodiversity
EN16	Total direct and indirect greenhouse gas emissions with an indication of the weight	●	Environmental Protection: Atmospheric emissions and climate change The accounting of indirect greenhouse gas emissions is not conducted.
EN18	Initiatives on reduction of greenhouse gas emissions and the reduction achieved	◐	Environmental Protection: Atmospheric emissions and climate change
EN19	Emissions of ozone-depleting substances with an indication of weight	●	Environmental Protection: Atmospheric emissions and climate change
EN20	Atmospheric emissions of NO_x, SO_x, and other significant pollutants with an indication of type and weight	●	Environmental Protection: Atmospheric emissions and climate change
EN21	Total water discharge with an indication of quality and destination of the waste water	●	Environmental Protection: Water Resources

Indicator	Description of Indicator	Extent of Disclosure	Report Page/Chapter
EN22	Total weight of the waste with breakdown by type and method of treatment	●	Environmental Protection: Waste Management
EN25	Appurtenance, size, protection status and biodiversity value of water bodies and related habitats, which are significantly affected by the company's discharges and surface run-offs from its territories	◐	Environmental Protection: Water Resources
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	●	Environmental Protection: Environmental Expenditures
EN30	Total environmental costs and investment into environmental protection with breakdown by type	●	Environmental Protection: Environmental Expenditures
Social Performance: Work Management Approach and Decent Work			
LA1	Total labour force with breakdown by employment type, gender, employment contract and region	●	Personnel
LA2	Total number of staff and staff turnover rate with breakdown by age group, gender, and region	●	Personnel
LA3	Payments and benefits for the full-time staff, which are not available to the part-time and casual staff, with breakdown by main activity	●	Personnel
LA4	Percentage of employees covered by the collective employment agreements	●	Personnel
LA5	Minimum notice period(s) regarding the significant changes in the company's activities, and is it specified in collective agreement	●	Personnel
LA7	Industrial injury rate, occupational disease rate, lost day rate and absentee rate, as well as the total number of work-related fatalities, with breakdown by region and gender	◐	Occupational Health and Industrial Safety
LA9	Health and safety issues reflected by the formal agreements with trade unions	◐	Personnel
LA10	Average number of training hours per employee per year, with breakdown by category of employees	◐	Personnel
LA11	Program of skill development and lifelong learning dedicated to support the ability of employees to employment, as well as to support them at the end of a career	◐	Personnel
LA12	Share of employees, for which the periodic performance and career development evaluations are held	●	Personnel
LA13	Composition of governing bodies and staff with breakdown by gender, age group, minority groups, and other indicators of diversity	●	Personnel
LA14	Ratio of basic rate of salary for men and women, with breakdown by category of employees	●	Personnel
Social Performance: Social Interaction			
SO1	Nature, scope and effectiveness of any programs and approaches, which evaluate the impact of the company's activities on the communities and which manage this impact, including the launch of activities, its implementation and completion	◐	Development of Regions where the Company operates

Indicator	Description of Indicator	Extent of Disclosure	Report Page/Chapter
SO2	Share and total number of business units analysed for corruption risks	◐	Corporate Ethics
SO3	Share of employees trained in anti-corruption policies and procedures of the company	●	Corporate Ethics
SO4	Actions undertaken to address the corruption incidents	●	Corporate Ethics
SO5	Attitude toward the government policy, participation in public policy development, and lobbying	◐	Interaction with Stakeholders
SO8	Monetary value of the significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	◐	Environmental Expenditures
SO9	Activities having the significant negative impacts on the local communities or having the potential for such impacts	●	Sustainable Development
SO10	Measures undertaken to prevent and mitigate the negative effects of the company's activities, which puts a significant potential or actual negative impact on the local communities	●	Sustainable Development
Social Performance: Products Liability			
PR1	Life cycle stages, in which the impact of products and services on health and safety is assessed in order to reveal the opportunities for improvements, and the percentage of significant products and services subject to such procedures	●	Quality Management
PR5	Practices related to the customer satisfaction, including the results of studies on customer satisfaction evaluation	◐	Interaction with Stakeholders
Social component: Human rights			
HR2	Share of the significant suppliers and contractors, who undergone an evaluation from the human rights viewpoint, and actions taken	◐	Development of Regions where the Company operates

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2013

CONTENTS

The following statement, which should be read in conjunction with the independent auditor's responsibilities stated in the independent auditor's report set out on pages 2-3, is made with a view to distinguish the respective responsibilities of management and those of the independent auditor's in relation to the consolidated financial statements of JSC National Atomic Company Kazatomprom and its subsidiaries (hereinafter the "Group").

Management of the Group is responsible for the preparation of consolidated financial statements of the Group that present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2013, and the consolidated results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance; and
- making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls throughout the Group;
- maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- maintaining statutory accounting records in compliance with legislation and accounting standards of the Republic of Kazakhstan;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2013 were authorized for issue by management of the Group on 6 March 2014.

On behalf of management of the Group:

V. Shkolnik

Chairman of the Management Board

6 March 2014

Astana, Republic of Kazakhstan

Z. Kaliyeva

Chief Accountant

6 March 2014

Astana, Republic of Kazakhstan

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of JSC National Atomic Company Kazatomprom.

We have audited the accompanying consolidated financial statements of JSC National Atomic Company Kazatomprom and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to express an opinion on the fair presentation of these consolidated financial statements.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2013, and its financial performance and its cash flows for 2013 in accordance with International Financial Reporting Standards.

Daulet Kuatbekov
Engagement Partner
Qualification certificate # 0000523,
of 15 February 2002,
Republic of Kazakhstan

Deloitte LLP
Audit license for Republic of Kazakhstan # 0000015,
type MFU - 2, issued by the Ministry of Finance of the
Republic of Kazakhstan dated 13 September 2006

Nurlan Bekenov
General Director
Deloitte, LLP

6 March 2014
Almaty, Republic of Kazakhstan

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 '000 KZT	2012 '000 KZT
Revenue	8	288,282,775	321,746,064
Cost of sales	9	(229,904,505)	(243,906,924)
Gross profit		58,378,270	77,839,140
Distribution expenses	10	(3,959,934)	(3,590,108)
Administrative expenses	11	(29,301,780)	(24,416,043)
Financial income	12	4,602,902	3,820,825
Recovery of written off receivables		881,519	72,699
Impairment losses	6	(20,850,953)	(3,497,240)
Gain on extinguishment of liability and deconsolidation of subsidiary (Semizbay-U)	39	23,929,927	-
Financial expense	12	(8,246,860)	(13,046,433)
Foreign exchange loss		(1,954,252)	(2,745,934)
Share of profit of associates		13,527,853	19,444,689
Share of profit of jointly controlled entities		10,123,452	12,925,516
Other income	13	2,970,657	422,714
Other expenses	14	(6,293,577)	(4,953,762)
Profit before income tax expense		43,807,224	62,276,063
Income tax expense	16	(7,275,362)	(10,279,039)
PROFIT FOR THE YEAR		**36,531,862**	**51,997,024**
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		628,067	57,455
Other comprehensive income for the year		628,067	57,455
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		37,159,929	52,054,479
Profit for the year attributable to:			
Owners of the Company		35,903,872	50,914,945
Non-controlling interests		627,990	1,082,079
		36,531,862	51,997,024
Total comprehensive income for the year attributable to:			
Owners of the Company		36,531,589	50,969,885
Non-controlling interests		628,340	1,084,594

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

	Notes	2013 '000 KZT	2012 '000 KZT
		37,159,929	52,054,479
Earnings per share			
Basic and diluted (in whole KZT)	17	979	1,388

These consolidated financial statements were approved by management on 6 March 2014 and were signed on its behalf by:

V. Shkolnik
Chairman of the Management Board

6 March 2014
Astana, Republic of Kazakhstan

Z. Kaliyeva
Chief Accountant

6 March 2014
Astana, Republic of Kazakhstan

The accompanying notes on pages 112-194 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITIONAS AT 31 DECEMBER 2013

	Notes	2013 '000 KZT	2012 '000 KZT
ASSETS			
Non-current assets			
Intangible assets	18	7,205,953	12,026,973
Property, plant and equipment	19	136,855,548	123,661,474
Mine development assets	20	33,718,775	36,962,366
Mineral rights	21	2,710,270	8,275,262
Exploration and evaluation assets	22	6,066,621	3,742,692
Investments in associates	23	86,336,938	80,611,978
Investments in jointly controlled entities	24	47,480,502	20,147,386
Other investments	25	67,055,487	67,056,184
Investment property		800	800
Accounts receivable		726,502	6,832
Deferred tax assets	30	2,447,355	2,716,415
Term deposits	31	969,643	3,756,382
Loans to related parties	32	18,192,451	13,277,619
Other assets	28	37,388,212	43,873,451
Total non-current assets		447,155,057	416,115,814
Current assets			
Accounts receivable	26	32,916,921	80,630,405
Asset held for the benefit of the ultimate controlling party	27	-	22,800,818
Prepaid income tax		4,856,112	4,809,923
VAT recoverable		31,218,143	25,658,253
Inventories	29	60,370,349	60,379,661
Term deposits	31	1,626,846	2,159,890
Loans to related parties	32	1,341,644	20,000
Cash and cash equivalents	33	17,152,101	38,038,905
Long-term assets held for sale		168,311	772,758
Other assets	28	6,941,916	5,747,945
Total current assets		156,592,343	241,018,558
Total assets		603,747,400	657,134,372
EQUITY AND LIABILITIES			
Equity			
Share capital	34	36,692,362	36,692,362
Additional paid-in capital		4,784,842	4,784,842

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013 (continued)

	Notes	2013 '000 KZT	2012 '000 KZT
Foreign currency translation reserve		(404,944)	(1,032,661)
Retained earnings		353,266,293	324,999,663
Total equity attributable to Owners of the Company		**394,338,553**	**365,444,206**
Non-controlling interests	7	12,452,457	11,912,025
Total equity		**406,791,010**	**377,356,231**
Non-current liabilities			
Loans and borrowings	35	90,868,454	94,328,211
Accounts payable	37	2,361,214	2,815,395
Provisions	36	15,724,186	10,843,496
Deferred tax liabilities	30	3,707,583	5,107,912
Retirement benefit plans		881,634	-
Other liabilities	38	6,331,170	5,053,495
Total non-current liabilities		**119,874,241**	**118,148,509**
Current liabilities			
Loans and borrowings	35	29,803,328	14,023,621
Provisions	36	97,729	22,896,069
Accounts payable	37	31,764,073	50,133,535
Other financial liabilities	39	-	46,676,358
Liabilities for other taxes and mandatory payments		3,539,004	6,461,254
Retirement benefit plans		232,313	-
Income tax liabilities		1,045,426	164,092
Other liabilities	38	10,600,276	21,274,703
Total current liabilities		**77,082,149**	**161,629,632**
Total liabilities		**196,956,390**	**279,778,141**
Total equity and liabilities		**603,747,400**	**657,134,372**

These consolidated financial statements were approved by management on 6 March 2014 and were signed on its behalf by:

V. Shkolnik
Chairman of the Management Board

6 March 2014
Astana, Republic of Kazakhstan

Z. Kaliyeva
Chief Accountant

6 March 2014
Astana, Republic of Kazakhstan

The accompanying notes on pages 112-194 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 '000 KZT	2012 '000 KZT
OPERATING ACTIVITIES		
Receipts from customers	372,166,723	330,461,772
Interest received	865,903	976,862
Payments to suppliers	(293,315,289)	(265,445,399)
Payments to employees	(37,585,164)	(35,064,959)
Cash flows from operations	**42,132,173**	**30,928,276**
Income tax paid	(10,970,635)	(11,729,424)
Interest paid	(6,599,362)	(6,234,442)
Cash flows from operating activities	**24,562,176**	**12,964,410**
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	112,791	90,552
Redemption of term deposits	5,573,330	27,427,376
Dividends received from associates and other investments	23,352,260	43,099,360
Proceeds from grants	-	308,832
Placement of term deposits	(3,191,760)	(6,487,683)
Acquisition of property, plant and equipment	(24,583,641)	(27,827,631)
Advances paid for property, plant and equipment	(2,467,147)	(4,712,546)
Acquisition of intangible assets	(395,830)	(237,432)
Acquisition of mine development assets	(61,995)	(7,804,219)
Acquisition of exploration and evaluation assets	(1,524,922)	(737,616)
Acquisition of subsidiaries, net of cash acquired	-	(10,553)
Acquisition of investments in associates and joint ventures	(20,155,906)	(2,543,139)
Other	(555,977)	(689,650)
Cash flows (used)/ from investing activities	**(23,898,797)**	**19,875,651**
FINANCING ACTIVITIES		
Proceeds from contribution to capital by non-controlling interests	-	1,442,560
Proceeds from borrowings	69,429,617	19,507,591
Repayment of borrowings	(51,939,457)	(37,631,045)
Transaction costs relating to borrowings	(2,868)	(6,605)
Payment of finance lease liabilities	(6,475)	(29,856)
Purchase of assets held for the benefit of the ultimate controlling party	-	(4,004,552)
Repayment of financial liability (Note 39)	(19,972,920)	-
Dividends paid to shareholder	(19,535,628)	(16,204,978)
Other	1,269	-
Cash flows used in financing activities	**(22,026,462)**	**(36,926,885)**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

	2013 '000 KZT	2012 '000 KZT
Net decrease in cash and cash equivalents	**(21,363,083)**	**(4,086,824)**
Cash and cash equivalents at the beginning of the year (Note 33)	38,038,905	41,837,161
Effect of exchange rate fluctuations on cash and cash equivalents	476,279	288,568
Cash and cash equivalents at end of year (Note 33)	**17,152,101**	**38,038,905**

These consolidated financial statements were approved by management on 6 March 2014 and were signed on its behalf by:

V. Shkolnik
Chairman of the Management Board

6 March 2014
Astana, Republic of Kazakhstan

Z. Kaliyeva
Chief Accountant

6 March 2014
Astana, Republic of Kazakhstan

The accompanying notes on pages 112-194 form an integral part of these consolidated financial statements.

'000 KZT	Share capital Note 34(a)	Foreign currency translation reserve Note 34(c)	Retained earnings	Additional paid-in capital Note 34(c)	Total equity attributable to the Owners of the Company	Non-controlling interests	Total equity
At 1 January 2012	**36,692,362**	**(1,087,601)**	**297,656,953**	**4,928,671**	**338,190,385**	**9,666,681**	**347,857,066**
Profit for the year	-	-	50,914,945	-	50,914,945	1,082,079	51,997,024
Foreign currency translation	-	54,940	-	-	54,940	2,515	57,455
Total comprehensive income for the year	-	54,940	50,914,945	-	50,969,885	1,084,594	52,054,479
Dividends declared (Note 34b)	-	-	(23,501,328)	-	(23,501,328)	(204,413)	(23,705,741)
Other distributions	-	-	(70,907)	-	(70,907)	-	(70,907)
Change in non-controlling interest	-	-	-	-	-	1,442,560	1,442,560
Change in equity of associates	-	-	-	(143,829)	(143,829)	(77,397)	(221,226)
At 31 December 2012	**36,692,362**	**(1,032,661)**	**324,999,663**	**4,784,842**	**365,444,206**	**11,912,025**	**377,356,231**
Profit for the year	-	-	35,903,872	-	35,903,872	627,990	36,531,862
Foreign currency translation	-	627,717	-	-	627,717	350	628,067
Total comprehensive income for the year	-	627,717	35,903,872	-	36,531,589	628,340	37,159,929
Dividends declared (Note 34b)	-	-	(7,637,242)	-	(7,637,242)	(204,928)	(7,842,170)
Change in non-controlling interest	-	-	-	-	-	117,020	117,020
At 31 December 2013	**36,692,362**	**(404,944)**	**353,266,293**	**4,784,842**	**394,338,553**	**12,452,457**	**406,791,010**

These consolidated financial statements were approved by management on 6 March 2014 and were signed on its behalf by:

V. Shkolnik
Chairman of the Management Board

6 March 2014
Astana, Republic of Kazakhstan

Z. Kaliyeva
Chief Accountant

6 March 2014
Astana, Republic of Kazakhstan

1. BACKGROUND

(a) Organizational structure and operations

JSC National Atomic Company Kazatomprom (the "Company") and its subsidiaries and jointly controlled entities (together, the "Group") comprise Kazakhstan joint stock and limited liability companies as defined in the Civil Code of the Republic of Kazakhstan. The Company was established pursuant to the Decree of the President of the Republic of Kazakhstan on the establishment of National Atomic Company Kazatomprom No. 3593, dated 14 July 1997, and the Decree of the Government of the Republic of Kazakhstan National Atomic Company Kazatomprom Issue No. 1148 dated 22 July 1997.

In accordance with the Decree Order of the President of the Republic of Kazakhstan No. 669 dated 13 October 2008, on 19 January 2009 Sovereign Wealth Fund Samruk-Kazyna (the "Shareholder") became the sole owner of the Company. The Shareholder is wholly owned by the Government of the Republic of Kazakhstan. The Company's registered office is 10, Kunayeva Street, Astana, Republic of Kazakhstan. In June 2011 the Company relocated its head office to Astana city in accordance with a decision of the management board of the Shareholder. The Group's principal activities are:

- the extraction of uranium reserves, and the processing and sale of uranium products;
- the manufacture and sale of beryllium products as well as related research and development activities;
- the manufacture and sale of tantalum products as well as related research and development activities;
- the generation and sale of electricity, heating and water;
- the production and sales of equipment for alternative energy, and;
- the generation and sale of other products and rendering of services for the main production.
- The Group's products are sold in Kazakhstan and are also exported outside of Kazakhstan.

In 2011, the Group began development of the production of photovoltaic solar modules. The Group acquired Kvartz LLP, which is engaged in the production and processing of quartz and MK Kaz Silicon LLP, which is engaged in the production and sale of metallurgical and polycrystalline silicon. The Group also acquired Bergstein Construction LLP / Kazakhstan Solar Silicon LLP, which will be involved in the development of the production of silicon wafers and photovoltaic cells. In December 2011, the Group established a subsidiary Astana Solar LLP for the production of photovoltaic ("PV") modules and electrical systems based on the PV modules.

In December 2012 Astana Solar LLP commenced its operations. Kazakhstan Solar Silicon LLP started works on implementation of technology for the production of "upgraded" silicon (UMG) with proper characteristics as to impurities (B, P and Me).

The Group's products are sold in Kazakhstan and are also exported outside of Kazakhstan.

(b) Operating environment

Emerging markets such as Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in Kazakhstan and Kazakhstan's economy in general.

Laws and regulations affecting businesses in Kazakhstan continue to change rapidly. Tax, currency and customs legislation within Kazakhstan are subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Kazakhstan. The future economic direction of Kazakhstan is heavily influenced by the economic, fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

The global financial system continues to exhibit signs of deep stress and many economies around the world are experiencing lesser or no growth than in prior years. Additionally there is increased uncertainty about the creditworthiness of some sovereign states in the Eurozone and financial institutions with exposure to the sovereign debt of such states. These conditions could slow or disrupt Kazakhstan's economy, adversely affect the Group's access to capital and cost of capital and, more generally, its business, results of operations, financial condition and prospects.

Kazakhstan is facing a relatively high level of inflation. According to the government's statistical data consumer price inflation for the years ended 31 December 2013 and 2012 was 4.8% and 5.9%, respectively. Because Kazakhstan produces and exports large volumes of mineral resources, the country's economy is particularly sensitive to changes in mineral commodity prices.

Those prices fluctuated significantly during 2013 and 2012 including the global market price for uranium, the Group's principal product where prices declined on average 21% in 2013 (2012: 13%).

The consolidated financial statements reflect management's assessment of the impact of the Kazakhstan business and political environment on the Group's performance and financial position. The actual business environment may differ from management's assessment.

2. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(b) Going concern

These consolidated financial statements have been prepared on a going concern basis, which assumes the realization of assets and settlement of liabilities in the normal course of business for the foreseeable future.

(c) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except for certain financial instruments measured at fair value.

(d) Presentation currency

The national currency of Kazakhstan is the Kazakhstan Tenge ("KZT").

The Tenge is not a fully convertible currency outside the Republic of Kazakhstan. Transactions in foreign currencies are recorded at the market rate ruling at the date of the transaction using market rates, defined by the Kazakhstan Stock Exchange ("KASE"). For foreign currencies which are not quoted by KASE, the exchange rates are calculated by the National Bank of Kazakhstan using cross-rates to the US Dollar ("USD" or "US$") in accordance with the quotations received from Reuters.

The accompanying consolidated financial statements are presented in KZT and all financial information has been rounded to the nearest thousand.

(e) Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3, the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Below is a description of the accounting policies affected by such estimates or assumptions that are expected to have the most significant impact on the Group's reported profit and loss and financial position.

(i) Income taxes

The Group is subject to corporate income taxes in the Republic of Kazakhstan. The taxation system in Kazakhstan is relatively new and is characterized by frequent changes in legislation, and official pronouncements and court decisions which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by authorities, which have the authority to impose severe fines, penalties and interest charges. These circumstances may create tax risks in Kazakhstan that are more significant than in other countries. The Group recognizes

liabilities for anticipated additional tax based its interpretations of the current tax laws and the amount it believes that is probable to be paid upon any inspection by the tax authorities.

Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions in the period in which such determinations are made.

Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Various factors are considered in assessing the probability of the future utilization of deferred tax assets, including past operating results, operational plans, expiration of tax losses carried forward, and tax planning strategies. The Group has recognized income tax benefits in the years presented for assets created, but not recognized, in prior years.

Deferred tax is provided in respect of fair value adjustments on acquisitions. These adjustments relate to assets such as mining rights that, in general, are not eligible for income tax allowances. In such cases, the provision for deferred tax is based on the difference between the carrying value of the asset and its nil income tax base. The existence of a tax base for capital gains tax purposes is not taken into account in determining the deferred tax provision because it is expected that the carrying amount will be recovered primarily through use and not through disposal.

Tax assets and liabilities are not recognized in the financial statements if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in transactions (other than business combinations), which do not affect the tax nor the accounting profit.

(ii) Uranium reserves

Uranium reserves are a critical component of the Group's projected cash flow estimates that are used to assess the recoverable values of assets and to determine depreciation and amortization expense. In estimating the amount of uranium reserves, the Group obtains reports from geological experts who estimate the reserves based on the quantification methodology set out by the Kazakhstan State Commission on Mineral Reserves ("GKZ") to interpret geological and exploration data and determine indicated resources (proven reserves) and an estimate of indicated resources (probable reserves). The estimation of reserves is based on expert knowledge and estimation. The quantification of the reserves involves a degree of uncertainty. The uncertainty is primarily related to completeness of reliable geological and technical information. In addition, the presence of reserves does not mean that all reserves will be able to be extracted on a cost effective basis. Uranium reserves are recognized and assessed on an annual basis. The quantity of reserves can be subject to revision as a result of changes in production capacities and changes in development strategy.

(iil) Depreciation of mining assets

The Group's mining assets are depreciated over the life of the mine using the unit-of-production method based on uranium reserves. Any changes to the uranium reserves has a direct impact on the depreciation rates and asset carrying values. Any change in the depreciation rate is applied on a prospective basis, which could result in higher depreciation in future periods.

(iv) Impairment of assets

The Group assesses its tangible fixed assets and definite lived intangible assets at the end of each reporting period to determine whether any indicators of impairment exist. If there are any such indicators, the recoverable amount of the assets is calculated and compared to the carrying amount. The excess of the carrying amount over the recoverable amount is recognized as impairment.

The recoverable amount is calculated as the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. The calculation of value in use requires the Group to make estimates regarding the Group's future cash flows. The estimation of future cash flows involves significant estimates and assumptions regarding commodity prices, the level of sales, profitability, uranium prices and discount rates. Due to its subjective nature, these estimates could differ from future actual results of operations and cash flows; any such difference may result in impairment in future periods and would decrease the carrying value of the respective asset.

(v) Control assessment

Management makes periodic assessments of the existence of control over subsidiaries, joint ventures and associates. Significant judgment is required in these assessments.

As described in Note 24, management concluded that the Group lost control over Semizbay-U (which was previously accounted for as a subsidiary) in June 2013.

(vi) Environmental protection and reclamation of mine sites

The Group is subject to a number of environment laws and provision, and based on these establishes a provision for the cost of site restoration. The Group estimates the site restoration costs based on management's understanding of the current legal and contractual requirements. The provision is based on management's estimated of the total cost of restoration and discounted to its net present value and is recorded as expense over the estimate life of the mine. The estimate of total costs requires management to make a number of assumptions including the level of effort and the discount rate. A change in these assumptions, or a change in the environmental laws, could result in a change in the provision in a future period. Any such change will be recorded at the time of the revision, and the amount of expense each period will be modified on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of the consolidated financial statements are described below.

(a) Basis of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(ii) Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement*, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(iii) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal Groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is acquiree immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement

period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that does not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

(iv) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or Groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(v) Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee

is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

(b) Foreign currency transactions and translation

Transactions in foreign currencies are translated to the functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. With the exception of foreign currency differences arising on the translation of available-for-sale equity instruments recognized directly in other comprehensive income, all such translation differences are recognized in profit or loss.

(c) Financial instruments

Financial assets and financial liabilities are recognized in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

All normal purchases or sales of financial assets are recognized and derecognized on a trade date basis. Normal purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(i) Cash and cash equivalents

Cash and cash equivalents comprise petty cash, cash held in bank accounts and demand deposits with original maturity terms of three months or less. Cash and cash equivalents are carried at cost which approximates fair value due to the short term nature thereof.

(ii) Financial assets

Financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss ("FVTPL"), which are initially measured at fair value. Financial assets are classified into the following specified categories: financial assets at FVTPL, "held-to-maturity" investments, "available-for-sale" ("AFS") financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(iii) Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified at FVTPL.

(iv) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in the consolidated statement of comprehensive income. The net gain or loss recognized in the consolidated statement of comprehensive income incorporates any dividend or interest earned on the financial asset and is included in financial income line item in the consolidated statement of comprehensive income. Fair value is determined in the manner described in Note 4.

(v) Available for sale financial assets

Listed shares and listed redeemable notes held by the Group that are traded in an active market are classified as available for sale ("AFS") and are stated at fair value at each reporting period end date. The Group also has investments in unlisted shares that are not traded in an active market but are also classified as AFS financial assets. The fair value of these investments cannot be reliably measured and therefore the instruments that are settled by delivery of such unquoted equity instruments are measured at cost less any impairment losses at the end of each reporting period. Fair value is determined in the manner described in Note 4.

Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in equity with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognized directly in the consolidated statement of comprehensive income for the year. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in equity is reclassified to profit or loss for the year. There were no such gains or losses in either of the years presented.

Dividends on AFS equity instruments are recognized in the consolidated statement of comprehensive income when the Group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognized in the consolidated statement of comprehensive income are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

(vi) Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(vii) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all of the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all of the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

(viii) Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

(ix) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

(x) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

(xi) Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognized in profit or loss.

(xii) Derivative financial instruments

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting period end date. The resulting gain or loss is recognized in the consolidated statement of comprehensive income unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the consolidated statement of comprehensive income depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

(xiii) Embedded derivatives

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, and the host contract is not measured at FVTPL.

Embedded derivatives that are accounted for separately are recognized initially at fair value. Attributable transaction costs are recognized in the consolidated statement of comprehensive income when incurred. Subsequent to initial recognition, embedded derivatives are measured at fair value, and changes therein are recognized immediately in the consolidated statement of comprehensive income.

(d) Share capital

(i) Ordinary shares

Ordinary shares are classified as equity.

(ii) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Group's option, and any dividends are discretionary. Dividends thereon are recognized as distributions (payments to shareholders) within equity.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in the statement of comprehensive income.

(iii) Dividends

Dividends are recognized as a liability and deducted from equity at the end of the reporting period only if they are declared before or on the reporting period end date. Dividends are disclosed when they are proposed before the end of the reporting period or proposed or declared after the end of the reporting period but before the consolidated financial statements are authorized for issue.

(e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment at 1 January 2005, the date of transition to IFRSs, was determined by reference to its fair value at that date.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its

intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are recognized in other income or expense in the consolidated statement of comprehensive income.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in the statement of comprehensive income as incurred.

(iii) Depreciation

Depreciation of property, plant and equipment used in extraction of uranium and its preliminary processing is charged on a unit-of production method in respect of items for which this basis best reflects the pattern of consumption. Land is not depreciated.

The following types of assets are depreciated using the unit-of-production method based on extractable reserves of a particular block which the assets are attributable to, over the license period:

- production buildings and constructions;
- machinery and field equipment.

Depreciation of other property, plant and equipment is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives.

The estimated useful lives for the current and comparative periods are as follows:

buildings	10 - 45 years
plant and equipment	3 - 5 years
vehicles	3 - 10 years
other	3 - 20 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(f) Mine development assets

The Group uses the method of calculation established by GKZ. This methodology has been consistently applied during all periods.

Mine development assets comprise the capitalized costs of pump-in and pump-out well drilling, main external binding of the well with surface communications and measurement instrumentation equipping. Mine development assets are measured at cost less accumulated depreciation and accumulated impairment losses. Mine development assets are charged to the cost of production using the unit-of-production method based on estimates of proven and probable reserves commencing when uranium first starts to be extracted. The estimate of proved and probable reserves is based on reserve reports which are part of each subsoil use agreement. These reserve reports are incorporated into feasibility models which are approved by the Government of the Republic of Kazakhstan and detail the total proven reserves and estimated scheduled extraction by year.

Mine development assets are either transferred from exploration and evaluation assets upon demonstration of commercial viability of extracting uranium or capitalizable costs incurred subsequent to being transferred to mine development assets. Mine development assets include the costs of drilling production uranium mines, estimated site restoration costs, the cost of plant for the extraction and preliminary processing of uranium, and overheads associated with such costs.

Capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses.

(g) Mineral rights

Mineral rights are measured at cost less accumulated amortization and accumulated impairment losses.

Mineral rights are amortized using the unit-of-production method based upon proven and probable reserves commencing when uranium first starts to be extracted.

The capitalized cost of acquisition of mineral rights comprises of the subscription bonus, commercial discovery bonus, the cost of subsurface use rights and capitalized historical costs.

The Group is obligated to reimburse historical costs incurred by the Government in respect of licensing areas prior to licenses being issued. These historical costs are recognized as part of the acquisition cost with a corresponding liability equal to the present value of payments made during the license period.

The estimate of proven reserves is based on reserve reports which are part of each subsoil use contract. These reserve reports are incorporated into feasibility models which are approved by the Government and detail the total proven reserves and estimated scheduled extraction by year.

(h) Intangible assets

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in the consolidated statement of comprehensive income when incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labor and overhead costs that are directly attributable to preparing the asset for its intended use. All other development expenditure is recognized in the consolidated statement of comprehensive income when incurred.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in the statement of comprehensive income when incurred.

(iv) Amortization of intangible assets

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

License and patents	4 to 7 years
Software	3 to 6 years
Other	2 to 7 years

(i) Exploration and evaluation assets

The Group follows the cost model.

Exploration and evaluation assets comprise the capitalized costs incurred after the Group has obtained the legal rights to explore a specific area and prior to proving that viable production is possible and include geological and geophysical costs, the costs of drilling of pits and directly attributable overheads associated with exploration activities.

Activities prior to the acquisition of the natural resource rights are pre-exploration. All pre-exploration costs are expensed as incurred and include such costs as design work on operations, technical and economical assessment of a project, and overheads associated with the pre-exploration activities.

A decision on termination of a sub-surface contract upon expiry of the exploration and evaluation period is subject to success of the exploration and evaluation of mineral resources and the Group's decision whether or not to progress to the production (development) stage.

Exploration and evaluation assets are classified as tangible or intangible based on their nature.

Exploration and evaluation assets are transferred to mine development assets upon demonstration of commercial viability of extracting uranium.

Exploration and evaluation assets are assessed for impairment, and any impairment loss recognized, before reclassification.

In addition, exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

All general overhead costs not related directly to exploration and evaluation activities are expensed as incurred.

(j) Amortization of exploration and evaluation assets

Exploration and evaluation assets in the pilot production period until approval of the feasibility study are not amortized , but are subject to annual data asset (as well as on the results of exploration and evaluation) consideration on impairment with the reflection of the impairment loss (if necessary) under impairment loss of assets. After approval of the feasibility study on exploration and appraisal assets in the tangible and intangible assets are transferred to the cost of preparing for the production and subsoil rights, respectively.

(k) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the Group's accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognized in the Group's statement of financial position.

Payments under operating lease agreements are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

Minimum lease payments made under finance leases comprise two elements, i.e. finance expense and discharge of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the contingency no longer exists and the lease adjustment is known.

(l) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average costing principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses

(m) Distribution of non-cash assets to Owners

The Group recognises an obligation to distribute assets to its owners (in this case the Shareholder), when the Group has entered into an irrevocable commitment to transfer such assets, for no consideration, to the owners (which involves, amongst other things, authorization by the owners of the Company) and the amount of the liability can be reliably measured. When the liability is recognised, the Company also recognises a distribution to owners in the consolidated statement of changes in equity.

(n) Impairment

(i) Financial assets

Financial assets, other than those at FVTPL, are assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. All impairment losses are recognized in the statement of comprehensive income.

When an impairment loss in respect of an AFS financial asset is determined using objective evidence, the cumulative loss that had been recognized in other comprehensive income is reclassified from equity to the statement of comprehensive income for the year as a reclassification adjustment even though the financial asset is not derecognized. The impairment is calculated by reference to its current fair value.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and AFS financial assets that are debt securities, the reversal is recognized in the statement of comprehensive income. The reversal is recognized to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognized.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business acquisition, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the consolidated statement of comprehensive income.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(o) Employee benefits

(i) Other long-term employee benefits

The Group's net obligation in respect of long-term service benefits relating to compensation for disablement, occupational diseases and loss of breadwinner, is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Estimated compensation is calculated based on current legislation. The discount rate is the risk-free interest rate on government bonds.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(p) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(r) Site restoration

Activities of the Group are subject to compliance with a number of environmental laws and provisions. The Group estimates site restoration provisions based on the management's understanding of current legal requirements and the terms of license agreements. The provision is determined by estimating future cash flows to be incurred for disturbance caused through the end of the reporting period and discounting these cash flows to their present value. Actual costs to be incurred may differ significantly from the provisional amount. Future amendments to environmental legislation, field license terms, and discount rates may affect the carrying value of the provision. When additional, unprovided costs are identified based upon new information, laws or other significant changes in the underlying calculation, the provision is re-calculated.

(q) Guarantees

Where the Group enters into contracts to guarantee the indebtedness of other related entities, the Group considers these to be insurance arrangements, and accounts for them as such. In this respect, the Group treats the guarantee contract as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the guarantee.

(s) Revenue

(i) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. For sales of uranium, tantalum and beryllium products, transfer usually occurs, in accordance with the INCOTERMS classification, at the Delivered at Frontier, Delivered Duty Unpaid, Free-On-Board and Cost, Insurance and Freight.

Revenue from the sale of public utilities (energy, water and other public utilities) is measured at the fair value of the consideration received or receivable, net of allowances. The revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable and the amount of revenue can be measured reliably, which is upon delivery of public utilities to the customer.

Evidence of the quantity of public utilities delivered is determined on the basis of meter data. Meter data is monitored on a monthly basis by the Group's sales department.

(ii) Services

Revenue from services rendered is recognized in the consolidated statement of comprehensive income in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(t) Other income and expenses

(i) Grants

Grants are recognized initially as deferred income (recorded as grants on the consolidated statement of financial position) when they are received and the Group has reasonable assurance it will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognized in the consolidated statement of comprehensive income on a systematic basis in the same periods in which the expenses are recognized. Grants that compensate the Group for the cost of an asset are offset against the asset on a systematic basis over the useful life of the asset.

(ii) Social expenditure

To the extent that the Group's contributions to social programs benefit the community at large, and where such contributions are not set by the subsoil use contracts and are not restricted to the Group's employees, they are recognized in the consolidated statement of comprehensive income as incurred.

(u) Financial income and expenses

Financial income comprises interest income on funds invested (including AFS financial assets), dividend income, changes in fair value of financial assets/liabilities at FVTPL, and foreign currency gains. Interest income is recognized as it accrues in the consolidated statement of comprehensive income, when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably, using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Dividend income is recognized in the consolidated statement of comprehensive income on the date that the Group's right to receive payment is established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Financial expenses comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, foreign currency losses, changes in the fair value of financial liabilities at FVTPL and impairment losses recognized on financial assets.

Borrowing costs include exchange differences arising on foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. All borrowing costs are recognized in the consolidated statement of comprehensive income using the effective interest method, except for borrowing costs related to qualifying assets which are recognized as part of the cost of such assets.

Foreign currency gains and losses are reported on a net basis.

(v) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the consolidated statement of comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity, accordingly.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base used in the computation of taxable profit or which arises from the initial recognition of goodwill. Deferred tax is not recognized for temporary differences in connection with the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis.

Liabilities are recognized for taxable temporary differences arising on investments in associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend is recognized.

In Kazakhstan, the corporate income tax regime requires the advance payments of estimated income tax based on the prior year's actual corporate income taxes. Advances are required to be made monthly, by making equal payments to budget. The tax return is filed on 31 March and when the actual tax is calculated, the resulting underpayment is made or overpayment is received.

(w) Adoption of new and revised standards

Standards adopted with no material effect on the consolidated financial statements

New and revised IFRSs affecting amounts reported and/or disclosures in the financial statements

In the current year, the Group has applied a number of new and revised IFRSs issued by the IASB that are mandatorily effective for an accounting period that begins on or after 1 January 2013.

Amendments to IFRS 7 Disclosures – *Offsetting Financial Assets and Financial Liabilities*

The Group has applied the amendments to IFRS 7 Disclosures – *Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments have been applied retrospectively. As the Group does not have any offsetting arrangements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognised in the consolidated financial statements.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising:
IFRS 10 *Consolidated Financial Statements;*
IFRS 11 *Joint Arrangements*;
IFRS 12 *Disclosure of Interests in Other Entities;*
IAS 27 (as revised in 2011) *Separate Financial Statements; and*
IAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures.*

Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

The impact of the application of these standards is set out below.

Impact of the application of IFRS 10

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities .Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

The application of IFRS 10 has not had a material impact on the amounts recognised in the consolidated financial statements.

Impact of the application of IFRS 11

IFRS 11 replaces IAS 31 *Interests in Joint Ventures*, and the guidance contained in a related interpretation, SIC-13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*, has been incorporated in IAS 28 (as revised in 2011). IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under IFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under IFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, IAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under IAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable Standards.

The application of IFRS 11 has not had a material impact on the amounts recognised in the consolidated financial statements.

Impact of the application of IFRS 12

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or consolidated structured entities. The application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (see Notes 7, 23, and 24).

IFRS 13 *Fair Value Measurement*

The Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by IFRS 13 for the 2012 comparative period. The application of IFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*

The Group has applied the amendments to IAS 1 *Presentation of Items of Other Comprehensive* Income for the first time in the current year. The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to IAS 1 *Presentation of Financial Statements*
(as part of the *Annual Improvements to IFRSs 2009 - 2011 Cycle* issued in May 2012)

The Annual Improvements to IFRSs 2009 - 2011 have made a number of amendments to IFRSs. The amendments that are relevant to the Group are the amendments to IAS 1 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.

In the current year, the Group has applied a number of new and revised IFRSs (see the discussion above) and the related consequential amendments for the first time. The application of these standards has not materially affected the statement of financial position of the Group. Accordingly, presentation of a third statement of financial position is not required to be presented.

New and revised IFRSs in issue but not yet effective

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	*Financial Instruments*
Amendments to IFRS 9 and IFRS 7	*Mandatory Effective Date of IFRS 9 and Transition Disclosures*
Amendments to IFRS 10, IFRS 12 and IAS 27	*Investment Entities*
Amendments to IAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to IAS 36	*Impairment of assets*
IFRIC 21	*Levies*
Amendments to IAS 39	*FI: recognition and measurement*

The Group does not expect that the adoption of the Standards and Interpretations listed above will have a material impact on the financial statements of the Group in future periods, except as that IFRS 9 will impact both the measurement and disclosures of Financial Instruments.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

The Group expects that the application of IFRS 9 in the future may have an impact on the amounts reported in respect to the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review is completed.

4. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Investments in equity and debt securities

The best evidence of fair value of equity instruments is quoted prices in an active market. If the market for a financial instrument is not active, the Group establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the Group calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on any available observable market data.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost.

(b) Trade and other receivables and payables

The fair value of non-current trade and other receivables and payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

The current portion of trade and other receivables are carried at cost less a provision of doubtful debts, and approximates fair value due to the short-term nature thereof.

(c) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

5. PRIOR PERIOD ADJUSTMENTS AND RECLASSIFICATIONS

(a) Reclassifications

In order to better reflect the nature of the Group's assets and liabilities, the Group reclassified certain items in the consolidated statement of financial position. The Group has not changed its accounting policy for any of the underlying assets and liabilities, besides the adoption of accounting standards described in Note 3. Rather, these reclassifications only change how various accounts are aggregated for presentation purposes on the statement of financial position.

(b) Effect of changes

	31.12.2012 (according to audited FS)	Reclassification	31.12.2012 (reclassified)
	KZT'000	KZT'000	KZT'000
Effect on changes			
ASSETS			
Non-current assets			
Other assets	29,130,950	14,742,501	43,873,451
Accounts receivable	-	6,832	6,832
Inventory	8,765,218	(8,765,218)	-
Restricted cash	5,984,115	(5,984,115)	-
Total non-current assets reclassified	**43,880,283**	**-**	**43,880,283**
Current assets			
Accounts receivable	80,549,261	81,144	80,630,405
VAT recoverable	-	25,658,253	25,658,253
Long-term assets held for sale	-	772,758	772,758
Other current assets	32,260,100	(26,512,155)	5,747,945
Total current assets reclassified	**112,809,361**	**-**	**112,809,361**
LIABILITIES			
Non-current liabilities			
Other liabilities	-	5,053,495	5,053,495
Advances received and other payables	1,786,001	(1,786,001)	-
Other financial liabilities	2,474,691	(2,474,691)	-
Bonds	264,827	(264,827)	-
Grants	378,331	(378,331)	-
Accrued liabilities	149,645	(149,645)	-
Total non-current liabilities reclassified	**5,053,495**	**-**	**5,053,495**
Current liabilities			
Other financial liabilities	47,086,712	(410,354)	46,676,358
Other liabilities	24,679,573	(3,404,870)	21,274,703
Accounts payable	49,567,880	565,655	50,133,535
Income tax liabilities	-	164,092	164,092
Accrued liabilities	3,352,225	(3,352,225)	-
Grants	23,552	(23,552)	-
Liabilities for other taxes and mandatory payments	-	6,461,254	6,461,254
Total current liabilities reclassified	**124,709,942**	**-**	**124,709,942**

6. SEGMENT INFORMATION

The Group, using information regularly reviewed by the chief operating decision maker, and which is used to make decisions about the allocation of financial resources and the assessment of segment performance. The Group has six reportable segments, in accordance with IFRS 8 as follows:

Uranium products	-	The production of uranium, and the processing and sale of uranium products.
Beryllium products	-	The manufacture and sale of beryllium products as well as related research and development activities.
Tantalum products	-	The manufacture and sale of tantalum products as well as related research and development activities.
Utilities	-	The generation and sale of electricity, heating and water.
Equipment for alternative energy	-	The production and sale of equipment for alternative energy.
Other	-	The generation and sale of other products and rendering of services for the main production.

Information regarding the Group's reportable segments is presented below. Inter-segment sales are charged at prevailing market prices. The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment profit is the factor that management uses to manage its business and represents gross profit earned by each segment. This is the measure reported to the chief operating decision maker to allocate resources and assess segment performance.

(a) Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment in 2013:

	Uranium products	Beryllium	Tantalum	Utilities	Equipment for alternative energy	Other	Eliminations	Consolidated
	'000 KZT	'000 KZT	'000 KZT	'000 KZT	'000 KZT	'000 KZT	'000 KZT	'000 KZT
Revenue								
External sales	189,874,200	7,707,505	13,742,569	39,342,596	1,256,772	36,359,133	-	288,282,775
Inter-segment sales	-	-	-	-	-	28,086,845	(28,086,845)	-
Total revenue	**189,874,200**	**7,707,505**	**13,742,569**	**39,342,596**	**1,256,772**	**64,445,978**	**(28,086,845)**	**288,282,775**
Segment profit	**42,747,400**	**772,224**	**1,270,670**	**5,775,453**	**(151,192)**	**11,051,096**	**(3,087,381)**	**58,378,270**
Distribution expenses								(3,959,934)
Administrative expenses								(29,301,780)
Financial income								4,602,902
Recovery of written off receivables								881,519
Impairment losses								(20,850,953)
Gain on extinguishment of liability and deconsolidation of subsidiary (Semizbay-U)								23,929,927
Financial expense								(8,246,860)
Foreign exchange loss								(1,954,252)
Share of profit of associates								13,527,853
Share of profit of jointly controlled entities								10,123,452
Other income								2,970,657
Other expense								(6,293,577)
Profit before income tax								**43,807,224**

Eliminations represent inter-segment transactions.

The following is an analysis of the Group's revenue and results by reportable segment in 2012:

	Uranium products	Beryllium	Tantalum	Utilities	Equipment for alternative energy	Other	Eliminations	Consolidated
	'000 KZT	'000 KZT	'000 KZT	'000 KZT	'000 KZT	'000 KZT	'000 KZT	'000 KZT
Revenue								
External sales	235,306,985	7,956,613	10,370,976	34,062,479	706,093	33,342,918	-	321,746,064
Inter-segment sales	-	-	-	-	-	28,105,501	(28,105,501)	-
Total revenue	**235,306,985**	**7,956,613**	**10,370,976**	**34,062,479**	**706,093**	**61,448,419**	**(28,105,501)**	**321,746,064**
Segment profit	**64,466,256**	**843,800**	**1,416,421**	**3,758,594**	**(646,764)**	**11,310,753**	**(3,309,920)**	**77,839,140**
Distribution expenses								(3,590,108)
Administrative expenses								(24,416,043)
Financial income								3,820,825
Recovery of written off receivable								72,699
Impairment losses								(3,497,240)
Financial expense								(13,046,433)
Foreign exchange losses								(2,745,934)
Share of profit of associates								19,444,689
Share of profit of jointly controlled entities								12,925,516
Other income								422,714
Other expenses								(4,953,762)
Profit before income tax								**62,276,063**

Eliminations represent inter-segment transactions.

To monitor segment performance and allocate resources between segments:

- all assets are allocated to reportable segments other than investments in associates and jointly controlled entities, financial assets and deferred tax assets; and
- all liabilities are allocated to reportable segments other than financial liabilities, current and deferred tax liabilities, and other liabilities.

(a) Segment assets

	31.12.2013	31.12.2012
	'000 KZT	'000 KZT
Uranium products	305,293,369	349,068,578
Beryllium	6,644,232	5,210,888
Tantalum	10,932,872	8,747,109
Utilities	28,169,493	25,352,874
Equipment for alternative energy	37,607,202	27,335,607
Other	34,478,604	39,474,468
Eliminations	(67,005,763)	(31,422,592)
Total segment assets	356,120,009	423,766,932
Unallocated assets	247,627,391	233,367,440
Consolidated assets	**603,747,400**	**657,134,372**

(b) Segment liabilities

	31.12.2013	31.12.2012
	'000 KZT	'000 KZT
Uranium products	86,564,148	134,996,837
Beryllium	684,407	412,071
Tantalum	1,126,171	691,712
Utilities	8,199,018	7,002,573
Equipment for alternative energy	7,027,973	7,751,676
Other	2,710,773	7,437,457
Eliminations	(39,568,340)	7,112,115
Total segment liabilities	66,744,150	165,404,441
Unallocated liabilities	130,212,240	114,373,700
Consolidated liabilities	**196,956,390**	**279,778,141**

(c) Geographical information

External revenue based on the country of domicile of the customer is as follows:

	Revenue from external customers	
	2013	2012
	'000 KZT	'000 KZT
Kazakhstan	76,432,197	66,784,846
China	72,240,658	113,957,846

	Revenue from external customers	
United States of America	54,519,613	25,308,680
France	31,389,310	32,890,692
Japan	25,114,314	25,269,680
Russia	10,749,562	13,559,861
South Korea	7,759,005	12,558,997
Switzerland	6,883,751	5,776,308
Germany	1,817,041	6,090,565
Austria	781,287	258,881
India	12,848	17,916,448
Belgium	-	1,289,416
Other	583,199	83,844
	288,282,775	**321,746,064**

(d) Other segment information

The depreciation of mine development assets, exploration and evaluation assets, and property, plant and equipment, and amortisation of mineral rights and intangible assets accrued for the period is detailed below:

	Depreciation and amortization	
	2013	**2012**
	'000 KZT	**'000 KZT**
Uranium products	15,991,582	16,646,736
Utilities	2,381,891	2,327,461
Tantalum	345,055	280,070
Equipment for alternative energy	275,346	260,292
Beryllium	209,700	166,845
Other	1,663,964	1,479,998
	20,867,538	**21,161,402**

The portion of the above depreciation and amortisation included in the cost of sales is detailed below:

	Depreciation and amortization	
	2013	**2012**
	'000 KZT	**'000 KZT**
Uranium products	16,170,012	16,326,605
Utilities	2,095,103	2,123,746
Tantalum	236,257	178,443
Beryllium	143,581	106,303
Equipment for alternative energy	175,150	115,175
Other	1,361,853	1,138,168
Elimination	(2,503,211)	(1,671,350)
	17,678,745	**18,317,090**

In addition to the depreciation and amortisation reported above, the Group recognised impairment losses.

The total impairments recognized by the Group during 2013 and 2012 were as follows:

	Note	2013 '000 KZT	2012 '000 KZT
Goodwill impairment	18	4,944,549	-
Property, plant and equipment	19	3,433,719	2,622,507
Mineral rights	21	5,840,541	-
Non recoverable VAT		4,393,635	-
Other		2,238,509	874,733
		20,850,953	**3,497,240**

From these impairment losses were attributable to the following reportable segments:

	Impairment	
	2013	**2012**
	'000 KZT	**'000 KZT**
Uranium products	5,006,533	511,409
Equipment for alternative energy	7,794,704	585,960
Tantalum	21,203	26,202
Beryllium	12,886	15,609
Other	936,575	2,429,551
	13,771,901	**3,568,731**

	Additions to non-current assets	
	2013	**2012**
	'000 KZT	**'000 KZT**
Uranium products	32,840,516	17,150,102
Equipment for alternative energy	9,344,266	19,193,015
Utilities	7,152,946	3,111,514
Tantalum	385,498	409,707
Beryllium	234,278	244,074
Other	4,469,913	11,085,456
	54,427,417	**51,193,868**

7. BUSINESS ACQUISITIONS, INVESTMENT DISPOSALS AND NON CONTROLLING INTERESTS

These consolidated financial statements include the following subsidiaries:

			31.12.2013	31.12.2012
	Country of incorporation	**Main activity**	**Ownership**	**Ownership**
MAEC-Kazatomprom LLP	Kazakhstan	production, transfer and sales of electric and heat energy, production and sales drinking, technical and distilled water, transit of sea water gas transportation	100%	100%
Gornorudnaya Company LLP	Kazakhstan	exploration, extraction and initial processing of uranium-containing ores	100%	100%
Kazatomprom - Demeu LLP	Kazakhstan	social sphere services, organization of construction and exploitation of social sphere objects in subsoil use regions	90%	90%
Bailanys LLP	Kazakhstan	communication services	100%	100%
Korgan Kazatomprom LLP	Kazakhstan	security services	100%	100%
Appak LLP	Kazakhstan	exploration, extraction and initial processing of uranium-containing ores	65%	65%
Semizbay-U LLP (Note 39)	Kazakhstan	exploration, extraction, storage, transportation and processing of uranium	-	51%
Ulba Metallurgical Plant JSC	Kazakhstan	production and processing of uranium materials, production of less-common metals and semiconductor materials	90%	90%
Volkovgeology JSC	Kazakhstan	production and research of uranium mines, drilling works, monitoring of radioactivity level and ecological conditions	90%	90%
Institute of High Technologies LLP	Kazakhstan	research, project, development and engineering consulting services	100%	100%
Kyzyltu LLP	Kazakhstan	exploration, extraction and processing of molybdenum-copper ores with uranium content	76%	76%
JV SARECO LLP	Kazakhstan	ore benefication, hydro-metallurgical production of rare metals concentrates, chemical production of rare metals	51%	51%
Ecoenergomash LLP	Kazakhstan	production of wind-driven power, plants and complex energy systems for supply of autonomy objects on the basis of renewable energy sources	100%	100%
Kvarz LLP	Kazakhstan	silicon production	-	100%

			31.12.2013	31.12.2012
	Country of incorporation	Main activity	Ownership	Ownership
MC KazSilicon LLP	Kazakhstan	production and sales of metallurgical silicon, reprocessing of scraps of silicon production	100%	100%
Bergstein Construction LLP / Kazakhstan Solar Silicon LLP	Kazakhstan	production of silicon of solar quality, silicon cells and photovoltaic cells	100%	100%
Astana Solar LLP	Kazakhstan	production of silicon of solar quality, silicon slices and photovoltaic slices and photovoltaic modules	100%	100%
JV KT Raremetals company LLP	Kazakhstan	project feasibility works for exploration of rare metals	51%	51%
PE Ortalyk LLP	Kazakhstan	exploration services, reprocessing to chemical concentrate of uranium and mining development works	100%	100%
Kazakhstan Nuclear University LLP	Kazakhstan	education services	100%	100%

JV SARECO LLP

In 2012, SARECO LLP partners made additional contributions to charter capital of KZT 2,940,000 thousand. Their contributions were proportionate to their ownership interests, and consequently no change in ownership interests arose as a consequence of this contribution.

Kazakhstan Solar Silicon LLP

In 2013, the Company made an additional contribution to the entity's charter capital of KZT 5,353,000 thousand.

In 2012 the entity changed its name to Kazakhstan Solar Silicon LLP from Bergstein Construction LLP.

Kvarz LLP and MC Kaz Silicon LLP

In 2013, Kvarz LLP merged with MK Kaz Silicon LLP. Furthermore, in 2013, the Company made an additional charter capital contribution of KZT 900,000 thousand to MK Kaz Silicon LLP.

Astana Solar LLP

In 2013, the Company made an additional contribution to Astana Solar LLP charter capital of KZT 2,262,280 thousand. (2012: KZT 2,132,846 thousand).

Bailanys LLP

In 2013, the Company made an additional contribution to Bailanys NAC LLP charter capital of KZT 1,618,259 thousand (2012: KZT 1,656,000 thousand).

MAEC Kazatomprom LLP

In 2013, the Company made an additional contribution to MAEC Kazatomprom LLP charter capital of KZT 1,263,581 thousand.

Semizbay-U LLP

Management concluded that the Group lost control of Semizbay-U LLP during 2013 and that this entity became a jointly controlled entity with effect from 30 June 2013 (Note 39).

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		31/12/13	31/12/12	31/12/13	31/12/12	31/12/13	31/12/12
JSC Ulba Metallurgical Plant	Kazakhstan	10%	10%	33,946	271,085	4,793,456	4,764,331
APPAK LLP	Kazakhstan	35%	35%	961,360	872,561	3,246,412	2,285,053
Individually immaterial subsidiaries with non-controlling interests						4,412,589	4,862,641
Total						**12,452,457**	**11,912,025**

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	JSC Ulba Metallurgical Plant		APPAK LLP	
	2013	2012	2013	2012
Current assets	24,949,406	20,460,400	7,463,701	10,818,445
Non-current assets	35,059,356	36,014,334	14,540,624	15,401,830
Current liabilities	(2,320,173)	(2,135,801)	(5,723,349)	(7,664,286)
Non-current liabilities	(5,625,085)	(3,319,020)	(7,009,760)	(12,203,494)
Equity attributable to the Group	47,270,048	46,255,582	6,024,804	4,067,442
Non-controlling interests	4,793,456	4,764,331	3,246,412	2,285,053
Revenue	32,854,811	31,381,015	18,367,335	16,938,024
Expenses	(31,542,916)	(28,618,790)	(15,448,614)	(14,616,971)
Profit for the year	1,311,895	2,762,225	2,918,721	2,321,053
Profit attributable to owners of the Company	1,277,949	2,491,140	1,957,361	1,448,492
Profit attributable to the non-controlling interests	33,946	271,085	961,360	872,561
Profit for the year	1,311,895	2,762,225	2,918,721	2,321,053
Other comprehensive income attributable to owners of the Company	12,740	23,113	-	-

	JSC Ulba Metallurgical Plant		APPAK LLP	
	2013	2012	2013	2012
Other comprehensive income attributable to the non-controlling interests	1,386	2,515	-	-
Other comprehensive income for the year	14,126	25,628	-	-
Total comprehensive income attributable to owners of the Company	1,290,689	2,514,253	1,957,361	1,448,492
Total comprehensive income attributable to the non-controlling interests	35,332	273,600	961,360	872,561
Total comprehensive income for the year	1,326,021	2,787,853	2,918,721	2,321,053
Dividends paid to non-controlling interests	-	-	-	-
Net cash inflow (outflow) from:				
- operating activities	(651,617)	2,687,774	5,088,948	6,637,140
- investing activities	1,972,460	(1,747,916)	(1,389,598)	(1,562,368)
- financing activities	(276,223)	(169,296)	(5,758,715)	(5,277,805)
Net cash inflow/(outflow)	1,044,620	770,562	2,059,365	(203,033)

8. REVENUE

	2013	2012
	'000 KZT	'000 KZT
Sales of uranium	189,874,200	235,306,985
Sales of energy products	37,309,947	34,062,479
Sales of tantalum	13,742,569	10,370,976
Drilling services	13,005,974	13,349,913
Processing services	9,083,062	7,794,390
Sales of beryllium	7,707,505	7,956,613
Sales of purchased goods	6,459,619	1,854,253
Transportation services	5,665,865	6,693,517
Sales of metallurgical silicon	572,947	-
Sales of photovoltaic cells	529,622	-
Research and development services	83,765	149,670
Other	4,247,700	4,207,268
	288,282,775	**321,746,064**

9. COST OF SALES

	2013	2012
	'000 KZT	'000 KZT
Materials and supplies	136,850,297	151,887,823
Wages and salaries	27,763,178	26,339,270
Processing and other services	26,912,001	26,772,259
Depreciation and amortization	17,678,745	18,382,644
Taxes other than income tax	13,838,508	13,487,058
Maintenance and repair	2,879,754	2,616,552
Utilities	1,849,130	1,367,706
Transportation expenses	625,420	256,747
Rent expenses	413,850	393,274
Research and development	183,445	113,421
Other	910,177	2,290,170
	229,904,505	**243,906,924**

10. DISTRIBUTION EXPENSES

	2013	2012
	'000 KZT	'000 KZT
Shipping, transportation and storing	2,149,158	1,841,609
Wages and salaries	735,484	709,716
Commissions	345,069	349,205
Materials and suppliers	227,293	173,108
Rent	176,130	177,007
Other	326,800	339,463
	3,959,934	**3,590,108**

11. ADMINISTRATIVE EXPENSES

	2013	2012
	'000 KZT	'000 KZT
Wages and salaries	13,241,259	13,208,370
Tax fines and penalties	3,789,276	-
Research expenses	1,556,776	1,452,822
Provision for doubtful debts	1,463,932	-
Retirement benefit costs	1,432,332	-
Consulting, auditing and information services	1,231,997	2,113,436
Depreciation and amortization	978,236	926,309

	2013	2012
	'000 KZT	'000 KZT
Rent	799,233	936,677
Taxes other than income tax	713,766	1,606,904
Travel	518,281	487,750
Materials and suppliers	451,963	454,916
Maintenance and repair	337,858	325,350
Communication	311,959	296,113
Training expenses	279,385	391,274
Bank charges	201,994	210,462
Corporate events	187,236	93,643
Utilities	157,029	128,951
Stationary	95,991	106,205
Insurance	91,603	61,502
Entertainment expenses	48,427	41,440
Security	24,971	70,015
Other	1,388,276	1,503,904
	29,301,780	**24,416,043**

12. FINANCIAL INCOME AND EXPENSE

	2013	2012
Financial income	**'000 KZT**	**'000 KZT**
Interest income on term deposits, deposits on demand and current accounts	2,030,689	1,954,767
Dividend income	1,267,508	1,596,623
Gain from revaluation of financial liabilities	534,870	-
Gain from revaluation of financial assets	196,824	-
Other	573,011	269,435
	4,602,902	**3,820,825**

	2013	2012
Financial expense	**'000 KZT**	**'000 KZT**
Interest expense on loans and borrowings	6,732,420	6,633,835
Unwinding of discount on provisions	733,510	701,924
Unwinding of discount on other financial liabilities	274,417	5,098,781
Loss on sales in foreign currency	66,851	115,790
Preference share dividend expense	52,965	52,965
Other	386,697	443,138
	8,246,860	**13,046,433**

13. OTHER INCOME

	2013	2012
	'000 KZT	'000 KZT
Gain on disposal of non-current assets	1,470,490	-
Property received free of charge and excess	670,809	253,975
Fines and penalties	628,801	121,075
Other	200,557	47,664
	2,970,657	**422,714**

14. OTHER EXPENSES

	2013	2012
	'000 KZT	'000 KZT
Unrecoverable value added tax ("VAT")	1,727,719	229,635
Sponsorship and charitable donations	1,506,400	685,741
Social sphere expenses	1,051,540	2,041,760
Loss on suspension of production	325,242	315,558
Loss on disposal of non-current assets	-	867,268
Other	1,682,676	813,800
	6,293,577	**4,953,762**

15. PERSONNEL COSTS

	2013	2012
	'000 KZT	'000 KZT
Wages and salaries	47,439,252	44,202,243
Social tax and social contributions	4,389,133	4,223,165
	51,828,385	**48,425,408**

16. INCOME TAX EXPENSE

	2013	2012
	'000 KZT	'000 KZT
Current tax expense		
Current year	5,629,825	11,665,737
Under provided in prior years	2,052,607	216,401
	7,682,432	11,882,138

	2013	2012
	'000 KZT	'000 KZT
Deferred tax benefit		
Origination and reversal of temporary differences	(407,070)	(1,603,099)
	7,275,362	**10,279,039**

The companies based in Kazakhstan are subject to income tax on taxable profit as determined under Kazakhstan law. The income tax rate was 20% in both 2012 and 2013.

Reconciliation of effective tax rate:

	2013 '000 KZT	2012 '000 KZT
Profit before income tax	**43,807,224**	**62,276,063**
Income tax at applicable tax rate	8,761,445	12,455,213
Tax effect of:		
Non-taxable income	(2,007,216)	(517,813)
Non-deductible expenses	1,540,338	2,380,754
Transfer pricing adjustment	430,038	1,869,507
Elimination of margin in finished goods	(16,093)	634,639
Tax on share of results of associates	(2,705,571)	(3,888,938)
Tax on share of results of jointly controlled entities	(2,024,690)	(2,585,103)
Utilization of tax losses not recognized in prior periods	(57,268)	(539,407)
Current year losses for which no deferred tax asset is recognized	1,301,772	253,786
Under provided in prior years	2,052,607	216,401
Income tax expense for the year	7,275,362	10,279,039

17. EARNINGS PER SHARE

Basic and diluted earnings per share:

	2013 KZT	2012 KZT
Basic and diluted earnings per share	979	1,388

During 2013 and 2012, the Group had no potentially dilutive shares in issue.

The profit for the year attributable to owners of the Company and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows.

	2013 '000 KZT	2012 '000 KZT
Profit for the year attributable to owners of the Company	35,903,872	50,914,945
Earnings used in the calculation of the total basic and diluted earnings per share	**35,903,872**	**50,914,945**
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	36,692,362	36,692,362

18. INTANGIBLE ASSETS

'000 KZT	Licenses and patents	Software	Goodwill	Other	Total
At 1 January 2012	**69,080**	**531,615**	**10,696,216**	**1,349,912**	**12,646,823**
Additions	9,555	350,606	-	187,248	547,409
Disposals	(20,069)	(34,226)	(585,960)	(6,726)	(646,981)
At 31 December 2012	**58,566**	**847,995**	**10,110,256**	**1,530,434**	**12,547,251**
At 1 January 2013	**58,566**	**847,995**	**10,110,256**	**1,530,434**	**12,547,251**
Additions	920	414,086	-	5,578	420,584
Disposal of subsidiary	-	(16,166)	-	-	(16,166)
Disposals	(94)	(42,470)	-	(48,098)	(90,662)
At 31 December 2013	**59,392**	**1,203,445**	**10,110,256**	**1,487,914**	**12,861,007**
Accumulated amortization					
At 1 January 2012	24,658	219,132	-	70,708	314,498
Amortization charge	9,517	108,493	-	120,416	238,426
Disposals	(669)	(31,977)	-	-	(32,646)
At 31 December 2012	**33,506**	**295,648**	**-**	**191,124**	**520,278**
At 1 January 2013	**33,506**	**295,648**	**-**	**191,124**	**520,278**
Amortization charge	7,865	152,068	-	104,893	264,826
Impairment	-	-	4,944,549	-	4,944,549
Disposals	(94)	(37,529)	-	(36,976)	(74,599)
At 31 December 2013	**41,277**	**410,187**	**4,944,549**	**259,041**	**5,655,054**
Net book value					
As at 31 December 2012	**25,060**	**552,347**	**10,110,256**	**1,339,310**	**12,026,973**
As at 31 December 2013	**18,115**	**793,258**	**5,165,707**	**1,228,873**	**7,205,953**

Impairment test for goodwill

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units that are expected to benefit from that business combination. The following is a summary of goodwill allocated to cash-generating unit:

	At 1 January 2012	Disposals	Impairment	At 31 December 2012
Uranium production	10,110,256	-	-	10,110,256
Quartz production	585,960	(585,960)	-	-
	10,696,216	**(585,960)**	**-**	**10,110,256**

	At 1 January 2013	Disposals	Impairment	At 31 December 2013
Uranium production	10,110,256	-	(4,944,549)	5,165,707
	10,110,256	**-**	**(4,944,549)**	**5,165,707**

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the cash-generating units are determined from value in use calculations. The value in use of cash generating units is determined based on the volume of proven reserves, expected future cash flows based on the size of the estimated volume of production in the field on the basis of a life of mine development approved by management, and the discount rate was 12.08% per annum (2012: 7% per annum).

The key assumptions for the value in use calculations are those regarding discount rates, growth rates and expected changes to selling prices and direct costs during the period.

Management estimates discount rates using rates that reflect current market assessments of the time value of money and the risks specific to the CGUs.

Production volumes are agreed with the government approved strategies, and are based on the production capacity of the cash generating unit taking into account future acquisitions of assets and cash outflows from investments. The long-term growth rates in the range of 2% to 5.2% (2012: 3%), is based on macro-economic and industry forecasts obtained from Global Insight. Prices utilized in developing the forecasted cash flows are determined using an independent official source "Ux consulting LLC" published in the fourth quarter of 2013.

As of the December 31, 2012, the fair value of goodwill was in excess of book value. During 2013 the market prices of uranium fall significantly, which led to decreased forecasted cash flows. These changes in market conditions led to the recognition of impairment losses.During the year the Group recognized an impairment loss of goodwill in the amount of KZT 4,944,549 thousand in the consolidated statement of comprehensive income as at 31 December 2013.

19. PROPERTY, PLANT AND EQUIPMENT

'000 KZT	Land	Buildings	Machines and equipment	Vehicles	Other	Construction in progress	Total
At 1 January 2012	**250,748**	**64,269,141**	**52,478,479**	**8,629,245**	**3,397,696**	**9,378,313**	**138,403,622**
Additions	13,708	786,388	6,194,227	3,592,073	365,348	27,425,583	38,377,327
Transfers	-	111,323	2,279,422	17,221	30,724	(2,438,690)	-
Transfers to mine development assets (Note 20)	-	-	-	-	-	(788,620)	(788,620)
Disposals	(1,546)	(871,032)	(776,309)	(120,934)	(161,945)	(887,472)	(2,819,238)
At 31 December 2012	**262,910**	**64,295,820**	**60,175,819**	**12,117,605**	**3,631,823**	**32,689,114**	**173,173,091**
At 1 January 2013	**262,910**	**64,295,820**	**60,175,819**	**12,117,605**	**3,631,823**	**32,689,114**	**173,173,091**
Additions	76,382	1,450,131	3,640,777	1,042,678	418,429	33,895,565	40,523,962
Transfers	606	18,537,911	4,345,212	599,235	40,153	(23,523,117)	-
Disposal of subsidiaries	(307)	(7,256,363)	(3,729,730)	(433,410)	(98,820)	(640,803)	(12,159,433)
Transfers to mine development assets (Note 20)	-	-	-	-	-	(10,700)	(10,700)
Transfers to assets for sale	(5,226)	(98,401)	(18,113)	-	(5,838)	-	(127,578)
Disposals	(16,204)	(2,531,005)	(2,937,018)	(520,406)	(273,457)	(689,033)	(6,967,123)
At 31 December 2013	**318,161**	**74,398,093**	**61,476,947**	**12,805,702**	**3,712,290**	**41,721,026**	**194,432,219**
Accumulated depreciation and impairment losses							
At 1 January 2012	**-**	**11,851,594**	**19,782,679**	**3,490,457**	**1,414,941**	**734,779**	**37,274,450**
Depreciation expense	-	3,049,814	6,163,275	1,295,659	385,965	-	10,894,713
Disposals	-	(329,019)	(700,890)	(84,392)	(137,636)	(28,116)	(1,280,053)
Impairment loss and reversal of impairment losses recognised in previous periods	-	984,591	3,100	(2,757)	21,823	1,615,750	2,622,507
At 31 December 2012	**-**	**15,556,980**	**25,248,164**	**4,698,967**	**1,685,093**	**2,322,413**	**49,511,617**

'000 KZT	Land	Buildings	Machines and equipment	Vehicles	Other	Construction in progress	Total
At 1 January 2013	**-**	**15,556,980**	**25,248,164**	**4,698,967**	**1,685,093**	**2,322,413**	**49,511,617**
Depreciation expense	-	2,869,462	5,763,909	1,231,659	374,718	-	10,239,748
Disposals	-	(1,328,971)	(2,231,628)	(482,459)	(228,000)	-	(4,271,058)
Impairment loss and reversal of impairment losses recognised in previous periods	-	984,351	457,095	(7)	20,815	1,971,465	3,433,719
Impairment on disposed assets	-	(784,071)	(43,559)	-	(26,679)	(483,046)	(1,337,355)
At 31 December 2013	**-**	**17,297,751**	**29,193,981**	**5,448,160**	**1,825,947**	**3,810,832**	**57,576,671**
Net book value							
At 31 December 2012	**262,910**	**48,738,840**	**34,927,655**	**7,418,638**	**1,946,730**	**30,366,701**	**123,661,474**
At 31 December 2013	**318,161**	**57,100,342**	**32,282,966**	**7,357,542**	**1,886,343**	**37,910,194**	**136,855,548**

(a) Impairments

During 2013, the market prices for uranium fell significantly. As a result, the Group carried out a review of the recoverable amount of its property, plant and equipment, which led to recognition of an impairment loss attributable to property, plant and equipment of KZT 3,433,719 thousand during the year ended 31 December 2013 (2012: KZT 2,622,507 thousand) recognized in the statement of comprehensive income.

(b) Depreciation expense

Depreciation expense of KZT 9,375,965 thousand (2012: KZT 10,044,340 thousand) has been charged to cost of sales, KZT 51,938 thousand (2012: KZT 49,138 thousand) to distribution expenses and KZT 811,845 thousand (2012: KZT 801,235 thousand) to administrative expense.

(c) Borrowing costs

Borrowing costs capitalized in the reporting periods were as follows:

	2013	2012
	'000 KZT	'000 KZT
Capitalized borrowing costs	644,346	163,585

The weighted-average capitalization rate was 7.37% in 2013 (2012: 3.15%).

(d) Construction in progress

Construction in progress consists of construction of assets and capital improvements of existing property, plant and equipment. In 2013, the significant increase is related to repair and construction of road, the construction of a new mine, and the construction of new factory.

(e) Fully depreciated property plant and equipment

As at 31 December 2013, the gross carrying value of fully depreciated property, plant and equipment still in use was KZT 6,948,629 thousand (2012: KZT 5,185,565 thousand).

(f) Commitments

As at 31 December 2013, commitments relating to the acquisition of property, plant and equipment were KZT 840,658 thousand (2012: KZT 12,354,562 thousand).

20. MINE DEVELOPMENT ASSETS

'000 KZT	Field preparation	Site restoration asset	Ion-exchange resin	Total
Cost				
At 1 January 2012	**47,321,233**	**6,248,662**	**3,316,616**	**56,886,511**
Additions	9,716,453	114,997	457,580	10,289,030
Change in estimate	-	385,049	-	385,049
Transfer from exploration and evaluation assets (Note 22)	357,607	-	-	357,607
Disposal	(21,607)	(51)	-	(21,658)
Transfer from property, plant and equipment (Note 19)	788,620	-	-	788,620
At 31 December 2012	**58,162,306**	**6,748,657**	**3,774,196**	**68,685,159**
At 1 January 2013	**58,162,306**	**6,748,657**	**3,774,196**	**68,685,159**
Additions	10,751,636	-	610,082	11,361,718
Change in estimate	-	3,067,927	-	3,067,927
Loss of control of subsidiary (Note 39)	(12,872,192)	(648,128)	(895,505)	(14,415,825)
Disposal	(15,475)	(153)	-	(15,628)
Transfer from property, plant and equipment(Note 19)	10,700	-	-	10,700
At 31 December 2013	**56,036,975**	**9,168,303**	**3,488,773**	**68,694,051**
Accumulated depreciation and impairment loss				
At 1 January 2012	**20,669,733**	**370,487**	**761,014**	**21,801,234**
Depreciation expense	9,345,307	333,882	264,028	9,943,217
Disposal	(21,607)	(51)	-	(21,658)
At 31 December 2012	**29,993,433**	**704,318**	**1,025,042**	**31,722,793**
At 1 January 2013	**29,993,433**	**704,318**	**1,025,042**	**31,722,793**
Depreciation expense	9,113,289	412,964	313,091	9,839,344
Loss of control of subsidiary (Note 39)	(6,344,918)	(57,611)	(168,704)	(6,571,233)
Disposal of impairment	(15,475)	(153)	-	(15,628)
At 31 December 2013	**32,746,329**	**1,059,518**	**1,169,429**	**34,975,276**
Net book value				
At 31 December 2012	**28,168,873**	**6,044,339**	**2,749,154**	**36,962,366**
At 31 December 2013	**23,290,646**	**8,108,785**	**2,319,344**	**33,718,775**

The site restoration assets relate to the Group's provisions for site restoration costs for each field operated by the group. The carrying value of the site restoration assets is re-evaluated each reporting period for changes in the estimated remediation costs. See Note 36 for additional detail.

21. MINERAL RIGHTS

'000 KZT	Total
Cost	
At 1 January 2012	**8,531,319**
Additions	22,288
Disposal	(518)
Transfer from intangible assets (Note 18)	19,400
At 31 December 2012	**8,572,489**
Additions	941,787
Loss of control of subsidiary	(666,823)
Disposals	(426)
At 31 December 2013	**8,847,027**
Amortization and impairment losses	
At 1 January 2012	**205,259**
Depreciation charge	92,486
Disposal	(518)
At 31 December 2012	297,227
Accumulated depreciation	113,038
Impairment loss	5,840,541
Disposal	(114,049)
At 31 December 2013	**6,136,757**
Net book value	
At 31 December 2012	**8,275,262**
At 31 December 2013	**2,710,270**

The Group recorded impairment losses attributable to mineral right of MK KazSilicon LLP of KZT 5,840,541 thousand during the year ended 31 December 2013 (2012: nil).

The recoverable amounts of the mineral rights are determined from value in use calculations. The value in use of cash generating units is determined based on the volume of proven reserves, expected future cash flows based on the size of the estimated volume of production in the field on the basis of a life of mine development approved by management and the discount rate was 17.20% per annum.

22. EXPLORATION AND EVALUATION ASSETS

	Tangible assets '000 KZT	Intangible assets '000 KZT	Total '000 KZT
Cost			
At 1 January 2012	**2,122,595**	**575,593**	**2,698,188**
Additions	1,135,718	700,757	1,836,475
Impairment	(433,867)	(497)	(434,364)
Transfer to mine development assets (Note 20)	(357,607)	-	(357,607)
At 31 December 2012	**2,466,839**	**1,275,853**	**3,742,692**
At 1 January 2013	**2,466,839**	**1,275,853**	**3,742,692**
Additions	2,341,073	454	2,341,527
Change in accounting estimate		(17,598)	(17,598)
At 31 December 2013	**4,807,912**	**1,258,709**	**6,066,621**

23. INVESTMENTS IN ASSOCIATES

			31.12.2013		31.12.2012	
	Country	Principal activity	Ownership/ voting	Carrying value '000 KZT	Ownership/ voting	Carrying value '000 KZT
JV Betpak Dala LLP	Kazakhstan	extraction, reprocessing and export of finished uranium products	30%	12,985,724	30%	15,262,789
JV KATCO LLP	Kazakhstan	extraction, reprocessing and export of finished uranium products	49%	42,757,376	49%	38,262,088
JV Inkai LLP	Kazakhstan	extraction, reprocessing and export of finished uranium products	40%	14,347,080	40%	12,171,185
JSC Caustic	Kazakhstan	delivery of caustic soda	40%	5,842,171	-	-
Kyzylkum LLP	Kazakhstan	extraction, reprocessing and export of finished uranium products	30%	4,785,776	30%	3,459,452
Uranenergo LLP	Kazakhstan	transfer, reprocessing of electric energy	54.39%	2,762,874	45.59%	4,897,488
JV Zarechnoe JSC	Kazakhstan	extraction, reprocessing and export of finished uranium products	49.67%	1,951,896	49.67%	2,477,560
JV SKZ Kazatomprom LLP	Kazakhstan	production of sulfuric acid	24,5%	566,934	24,5%	607,149
JV Rosburmash LLP	Kazakhstan	geological exploration	49%	219,971	49%	200,379

			31.12.2013		31.12.2012	
	Country	Principal activity	Ownership/ voting	Carrying value '000 KZT	Ownership/ voting	Carrying value '000 KZT
RDC Ulba LLP	Kazakhstan	projection of pipelines and networks	33%	63,348	33%	55,267
Kazgeomash LLP	Kazakhstan	pipes production	49%	47,651	49%	44,125
SKZ - U LLP	Kazakhstan	production of sulfuric acid	49%	-	49%	3,163,172
JV IFASTAR	France	project feasibility study	49%	6,137	49%	11,324
				86,336,938		**80,611,978**

Details of each of the Group's associates at the end of the reporting period are as follows:

All of the above associates are accounted for using the equity method in these consolidated financial statements.

In January 2012 Kazgeomash LLP was established as an associate with the Company and another party. The Company acquired a 49% interest and contributed to the charter capital of the partnership in the amount of KZT 14,700 thousand. The main activity is manufacturing of pipes.

In April 2013, members of Kyzylkum LLP made an additional contribution to the partnership's charter capital of KZT 4,470,000 thousand (2012: 5,800,000 thousand), including the Company – of KZT 1,341,000 thousand (2012: 1,740,000 thousand). The contributions are proportionate to their equity, respectively; no change in ownership arose as a result of this contribution.

In 2013 the Group made an additional contribution to the charter capital of Uranenergo LLP for KZT 2,508,562 thousand (2012: 761,627), as a result of the contribution ownership has been increased to 54,39%. Although the group owns more than 50% of the voting rights in Uranenergo LLP, the Group does not have the practical ability to direct the relevant activities of Uranenergo LLP unilaterally, nor does joint control exist. Accordingly, the Group accounts for its investment in Uranenergo LLP as an associate.

On 13 November 2013, the Company acquired 1.6 million outstanding shares of JSC Caustic (40% share of ordinary shares) for KZT 6,040,000 thousand.

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs, adjusted by the Group for equity accounting purposes.

	JV SP Betpak Dala		JV KATCO LLP	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	'000 KZT	'000 KZT	'000 KZT	'000 KZT
Current assets	17,074,522	28,322,258	34,582,340	40,143,636
Non-current assets	32,635,521	28,110,935	70,989,690	65,700,697
Total assets	49,710,043	56,433,193	105,572,030	105,844,333
Current liabilities	(2,598,832)	(2,750,718)	(10,284,015)	(22,090,376)
Non-current liabilities	(3,568,509)	(2,806,512)	(8,167,566)	(5,807,567)
Total liabilities	(6,167,341)	(5,557,230)	(18,451,581)	(27,897,943)
Net assets	43,542,702	50,875,963	87,120,449	77,946,390
Group's share of net assets of associates	**13,062,811**	**15,262,789**	**42,689,020**	**38,193,732**

	JV SP Betpak Dala		JV KATCO LLP	
	31.12.2013	**31.12.2012**	**31.12.2013**	**31.12.2012**
Unrealized gain in the Group	(77,087)	-	-	-
Goodwill	-	-	68,356	68,356
Carrying value of investments	**12,985,724**	**15,262,789**	**42,757,376**	**38,262,088**
Total revenue	44,138,799	52,629,598	71,469,178	47,859,385
Total profit for the year	14,594,497	22,730,920	21,100,474	19,302,466
Other comprehensive income	-	-	409,062	409,062
Total comprehensive profit	**58,733,296**	**75,360,518**	**92,978,714**	**67,570,913**
Dividends received	**6,655,414**	**6,649,898**	**6,044,384**	**16,322,618**

	JV Inkai LLP		Other associate companies	
	31.12.2013	**31.12.2012**	**31.12.2013**	**31.12.2012**
	'000 KZT	**'000 KZT**	**'000 KZT**	**'000 KZT**
Current assets	15,303,130	17,300,881	24,231,092	23,336,660
Non-current assets	63,042,833	55,973,559	76,720,904	86,641,207
Total assets	78,345,963	73,274,440	100,951,996	109,977,867
Current liabilities	(36,705,624)	(36,604,225)	(31,243,466)	(17,762,468)
Non-current liabilities	(4,631,588)	(4,242,967)	(37,849,102)	(55,288,278)
Total liabilities	(41,337,212)	(40,847,192)	(69,092,568)	(73,050,746)
Net assets	37,008,751	32,427,248	31,859,428	36,927,121
Group's share of net assets of associates	14,803,500	12,970,899	12,035,238	14,785,918
Unrealized gain in the Group	(456,420)	-	4,211,520	129,998
Goodwill	-	(799,714)	-	-
Carrying value of investments	**14,347,080**	**12,171,185**	**16,246,758**	**14,915,916**
Total revenue	26,264,331	28,757,448	30,359,781	39,341,573
Total profit for the year	5,975,765	8,688,135	7,811,085	569,119
Other comprehensive income	644,367	(450,665)	-	-
Total comprehensive profit	**32,884,463**	**36,994,918**	**38,170,866**	**39,910,692**
Dividends received	**472,158**	**1,098,900**	**-**	**558,420**

24. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

Details of the Group's jointly controlled entities at the end of the reporting period are as follows:

			31.12.2013		31.12.2012	
	Country	Principal activity	Ownership/ voting	'000 KZT	Ownership /voting	'000 KZT
JV Akbastau LLP	Kazakhstan	extraction, reprocessing and export of finished uranium products	50%	12,815,464	50%	9,046,950
CJSC CUE	Russian Federation	extraction, reprocessing and export of finished uranium products	50%	12,149,990	50%	681,552
Semizbai - U LLP	Kazakhstan	extraction, reprocessing and export of finished uranium products	51%	9,828,933	-	-
Karatau LLP	Kazakhstan	extraction, reprocessing and export of finished uranium products	50%	8,394,244	50%	9,998,036
SKZ - U LLP	Kazakhstan	sulfuric acid production	49%	3,921,207	49%	-
JSC Yingtan Ulba Shine Metal Materials Co., Ltd	China	ribbon production from beryllium	50%	325,712	50%	350,905
KazPerOksid LLP	Kazakhstan	sales of hydrogen peroxide	50%	34,504	50%	32,511
ULBA Conversiya LLP	Kazakhstan	construction and management of conversion factory in Kazakhstan	50%	4,714	50%	30,275
JV UKR TVS CJSC	Ukraine	production of nuclear fuel	33.33%	3,341	33.33%	3,341
JSC KRCAS	Kazakhstan	Development of design and technical documentation of nuclear reactors and nuclear power plants	50%	-	50%	-
KAS LLP	Germany	Design and implementation of innovation projects	50%	2,393	50%	1,976
Geotechnologia KKRUMC	Kyrgyzstan	Training center	-	-	50%	1,840
				47,480,502		**20,147,386**

The above joint venture is accounted for using the equity method in these consolidated financial statements.

As at 31 December 2013 and 2012, the Group did not recognize its share of the accumulated losses of the jointly controlled entity Kazakhstan-Russian Company JSC Atomic Stations, which exceeded the cost of the investment in the amount of KZT 49,237 thousand (2012: KZT 36,694 thousand).

The Group previously had control over the activities of Semizbay-U LLP and consolidated this entity. During 2013, management concluded that there was a loss of control over Semizbay-U LLP (Note 39). Accordingly, the assets, and liabilities were removed

from Group's consolidated statement of financial position as at 31 December 2013, and the investment in Semizbay-U LLP was classified as investment in jointly controlled entities.

On August 23, 2013 the Company acquired ordinary shares of JSC CUE in the amount of RUB 2,591,738 thousand, at the acquisition date equivalent to KZT 11,973,830 thousand. This acquisition did not lead to a change in ownership share of 50%.

Summarised financial information in respect of the Group's material jointly controlled entities is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRS, adjusted by the Group for equity accounting purposes.

	31.12.2013	31.12.2012
Karatau LLP	**'000 KZT**	**'000 KZT**
Current assets	11,079,906	9,227,940
Including: cash	282,422	354,135
Non-current assets	29,875,797	26,538,896
Total assets	40,955,703	35,766,836
Current liabilities	(12,538,814)	(3,584,003)
Including: Financial liability net of trade and other accounts payable and provisions	(6,601,926)	-
Non-current liabilities	(11,128,273)	(8,882,437)
Including: Financial liability net of trade and other accounts payable and provisions	(8,777,714)	(7,537,000)
Total liabilities	(23,667,087)	(12,466,440)
Net assets	17,288,616	23,300,396
Group share in net assets of jointly controlled entities	8,644,308	11,650,198
Unrecognized profit in the Group	(250,064)	(1,652,162)
Carrying value of investments	**8,394,244**	**9,998,036**

	31.12.2013	31.12.2012
	'000 KZT	**'000 KZT**
Total revenue	39,401,845	41,016,965
Depreciation of intangible assets	(4,871,960)	(4,796,953)
Interest income	19,401	29,554
Interest expense	(820,698)	-
Income tax	(2,963,456)	(5,451,780)
Total profit for the year	13,887,752	18,704,932
Dividends received	**8,542,669**	**10,647,956**

	31.12.2013 '000 KZT	31.12.2012 '000 KZT
JV Akbastau JSC		
Current assets	13,118,061	14,871,098
Including: cash	339,477	1,965,625
Non-current assets	22,123,660	19,953,372
Total assets	35,241,721	34,824,470
Current liabilities	(8,036,396)	(8,475,761)
Including: Financial liability net of trade and other accounts payable and provisions	(5,689,304)	(7,157,256)
Non-current liabilities	(1,316,838)	(6,124,405)
Including: Financial liability net of trade and other accounts payable and provisions	-	(5,447,979)
Total liabilities	(9,353,231)	(14,600,166)
Net assets	25,888,490	20,224,304
Group share in net assets of jointly controlled entities	12,944,245	10,112,152
Unrecognized profit in the Group	(128,781)	(1,065,202)
Carrying value of investments	**12,815,464**	**9,046,950**

	2013	2012
	'000 KZT	'000 KZT
Total revenue	24,820,998	19,054,636
Depreciation of intangible assets	(2,996,273)	(2,991,320)
Interest income	24,161	23,397
Interest expense	(690,008)	(690,008)
Income tax	(2,289,843)	(2,409,528)
Total profit for the year	9,305,609	7,199,132
Dividends received	**884,290**	**852,455**
Semizbay-U LLP		
Current assets	12,361,153	-
Including: cash	105,255	-
Non-current assets	22,146,985	-
Total assets	34,508,138	-
Current liabilities	(14,161,863)	-
Including: Financial liability net of trade and other accounts payable and provisions	(6,104,926)	-
Non-current liabilities	(9,122,140)	-

	31.12.2013 '000 KZT	31.12.2012 '000 KZT
Including: Financial liability net of trade and other accounts payable and provisions	(3,632,250)	-
Total liabilities	(23,284,003)	-
Net assets	11,224,135	-
Group share in net assets of jointly controlled entities	5,724,309	
Unrecognized profit in the Group	4,104,624	-
Carrying value of investments	**9,828,933**	**-**

	2013 '000 KZT	2012 '000 KZT
Total revenue	17,793,799	-
Depreciation of intangible assets	(3,715,651)	-
Interest income	3	-
Interest expense	(1,209,315)	-
Income tax	(318,814)	-
Total profit for the year	(2,812,877)	-
Dividends received	**-**	**-**

Aggregate information on other jointly controlled companies		
Current assets	9,082,214	1,194,199
Including: cash	4,496,747	152,959
Non-current assets	109,188,791	2,054,504
Total assets	118,271,005	3,248,703
Current liabilities	(5,141,436)	(1,112,908)
Including: Financial liability net of trade and other accounts payable and provisions	(3,415,005)	-
Non-current liabilities	(80,372,567)	(5,899)
Including: Financial liability net of trade and other accounts payable and provisions	(20,330,049)	-
Total liabilities	(85,514,003)	(1,118,807)
Net assets	32,757,002	2,129,896
Group share in net assets of jointly controlled entities	16,298,727	1,063,871
Unrecognized profit in the Group	143,134	38,529
Carrying value of investments	**16,441,861**	**1,102,400**

	31.12.2013 '000 KZT	31.12.2012 '000 KZT
	2013	2012
	'000 KZT	'000 KZT
Total revenue	12,285,647	1,880,654
Depreciation of intangible assets	(531,347)	(1,758)
Interest income	3,981	2,631
Interest expense	(1,477,505)	(806)
Income tax	(146,125)	(11,242)
Total profit for the year	(31,958)	(53,640)
Dividends received	**300,752**	**129,938**

25. OTHER INVESTMENTS

	31.12.2013	31.12.2012
	'000 KZT	'000 KZT
Available-for-sale investments:		
Toshiba Nuclear Energy Holdings US, Inc.	48,892,455	48,892,455
Toshiba Nuclear Energy Holdings UK, Ltd.	17,112,425	17,112,425
Baiken-U LLP	1,021,590	1,021,590
Other	29,017	29,714
	67,055,487	**67,056,184**

Investments in Toshiba Nuclear Energy Holdings US, Inc. and Toshiba Nuclear Energy Holdings UK, Ltd.

Under a purchase agreement in October 2007, the Company invested into Toshiba Nuclear Energy Holdings US, Inc. ("TNEH-US") and Toshiba Nuclear Energy Holdings UK Ltd ("TNEH-UK"), by acquiring 10% Class A ordinary shares for a total amount of USD 540,000 thousand (TNEH-US USD 400,000 thousand and TNEH-UK USD 140,000 thousand).

Simultaneously with the acquisition of the interest in TNEH-US and TNEH-UK, the Company entered into a put option agreement (the "Put Option") with Toshiba Corporation, the parent company of TNEH-US and TNEH-UK. . At the end of 2012 the Company and Toshiba Corporation signed an agreement that extended the Company's right to exercise the Put Option until 28 February 2018.

The Put Option gives the Company a right to sell its shares in TNEH-US and TNEH-UK to Toshiba Corporation for 100% of the original price paid, which equals to USD 540 000 thousand for the first 67% of shares, and for 90% of the original price paid for the remaining 33% of shares, resulting in the price of Put Option to be equal to USD 522,180 thousand. The Put Option was not exercised at 31 December 2013.

Simultaneously with the acquisition of the interest in TNEH-US and TNEH-UK, the Company entered into a call option agreement (the "Call Option"). The Call Option provides Toshiba Corporation with the right to demand from the Company the sale of its TNEH-US and TNEH-UK shares if the Committee on Foreign Investment in the United States (CFIUS) a US government entity decides that the Company is no longer a strategic partner. In such case, the fair value of the Company's shares will be determined by an independent international appraiser. The Call Option was not exercised by Toshiba Corporation at 31 December 2013.

The Company has classified these investments as available for sale as this best reflects the intention of the Company with regard to its ability and intention to hold the investment for the long term. Investments in TNEH-US and TNEH-UK are carried at cost because these investments are equity in private companies for which fair value cannot be reliably measured.

26. CURRENT ACCOUNTS RECEIVABLE

	31.12.2013	31.12.2012
	'000 KZT	'000 KZT
Trade receivables	27,367,755	75,711,847
Trade receivables from related parties	6,519,587	5,468,241
	33,887,342	**81,180,088**
Provision for doubtful debts	(1,284,816)	(630,827)
	32,602,526	**80,549,261**
Other receivables	197,398	79,522
Other receivables from related parties	116,997	1,622
	314,395	**81,144**
	32,916,921	**80,630,405**

Note 40 discloses information on the Group's exposure to credit and currency risks, the provision for doubtful debts and on the ageing of trade receivables.

27. ASSET HELD FOR THE BENEFIT OF THE ULTIMATE CONTROLLING PARTY

In May 2010 the Company was directed by its ultimate controlling party to construct a Student's Palace in Astana (hereinafter - "the Property").

The Company fulfilled all obligations regarding the construction of the Property in early 2013. In accordance with the decree of Akimat of Astana city the Company transferred the property to Astana city in June 2013. As a result of this transfer, the Company has removed the asset and the related liability of KZT 22,800,818 thousand from the consolidated statement of financial position at 31 December 2013.

28. OTHER ASSETS

	31.12.2013	31.12.2012
	'000 KZT	'000 KZT
Non-current		
Advances paid for long-term assets	16,613,086	21,305,745
Restricted cash	6,589,969	5,984,115
Long-term inventories	6,535,770	8,765,218
Dividends receivable from related parties	3,767,911	-
Loans to employees	1,903,245	2,057,384
Value added tax recoverable	1,213,828	4,498,844
Prepaid expenses	719,865	1,262,142

	31.12.2013	31.12.2012
	'000 KZT	'000 KZT
Advances paid for long-term assets to related parties	18,000	-
Other	26,538	3
	37,388,212	**43,873,451**
Current		
Advances paid for goods and services	2,002,991	3,518,219
Dividends receivable from related parties	1,713,565	-
Other receivables from related parties	985,074	-
Prepaid expenses	833,731	1,111,216
Loans to employees	558,129	428,184
Advances paid for goods and services to related parties	460,680	218,014
Insurance prepayments	188,579	292,008
Prepaid tax other than income tax	157,788	127,157
Insurance prepayments to related parties	5,867	-
Other	35,512	53,147
	6,941,916	**5,747,945**

Non-current inventories include stocks of enriched uranium which have been held by the Group since inception and are intended for use after the commissioning of new uranium pellet production facilities.

In accordance with the terms of its subsurface use agreements, the Group invests cash in long-term bank deposits to finance future site restoration activities. As at 31 December 2013, KZT 4,899,155 thousand (2012: KZT 4,304,041 thousand) of such deposits are reflected as restricted cash.

Following a government investigation into one of the Group's suppliers, the Company was asked to hold the supplier's arrested cash, which as at 31 December 2013, amounted to 1,690,814 thousand (2012: KZT 1,680,074 thousand). The cash is reflected as restricted cash in the consolidated statement of financial position and not reflected in the Group's cash flows as it is not part of the Group's operations.

29. INVENTORIES

	31.12.2013	31.12.2012
	'000 KZT	'000 KZT
Finished goods and goods for resale	31,549,329	32,653,399
Raw materials	12,602,231	11,050,405
Work-in-process	11,418,689	12,972,307
Spare parts	1,175,146	975,717
Fuel	1,090,847	988,217
Materials in process	874,033	512,342
Other materials	2,344,341	1,961,291
	61,054,616	**61,113,678**
Provision for obsolete inventories	(684,267)	(734,017)
Total inventories	**60,370,349**	**60,379,661**

30. DEFERRED TAX ASSETS AND LIABILITIES

(a) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities relate to the following:

	Assets		Liabilities	
	31.12.2013	**31.12.2012**	**31.12.2013**	**31.12.2012**
Property, plant and equipment and intangible assets	1,272,870	1,548,545	(6,189,966)	(7,652,851)
Accounts receivable	635,642	3,583,933	(234)	(1,455,671)
Loans and borrowings	141,830	16,773	(78,654)	(82,822)
Accounts payable	-	-	-	(55,692)
Provisions	3,004,018	1,306,551	(1,609,016)	(1,224,427)
Accrued liabilities	560,696	598,356	-	-
Tax loss carried forward	1,083,233	685,148	-	-
Taxes	474,731	743,604	-	-
Other assets	592,322	558,411	(1,305,188)	(1,046,474)
Other liabilities	157,732	90,751	(244)	(5,632)
Total	**7,923,074**	**9,132,072**	**(9,183,302)**	**(11,523,569)**
Offset of deferred tax assets and liabilities	(5,475,719)	(6,415,657)	5,475,719	6,415,657
Total	**2,447,355**	**2,716,415**	**(3,707,583)**	**(5,107,912)**

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so.

(b) Movement in temporary differences

	01.01.2012	Recognized in income	Recognized in equity	31.12.2012
Property, plant and equipment and intangible assets	(6,454,187)	349,881	-	(6,104,306)
Accounts receivable	1,555,068	573,194	-	2,128,262
Loans and borrowings	(69,849)	3,800	-	(66,049)
Accounts payable	-	(55,692)	-	(55,692)
Provisions	142,486	(60,362)		82,124
Accrued liabilities	439,924	158,432	-	598,356
Tax loss carried forward	156,230	528,918	-	685,148
Taxes	563,753	179,851	-	743,604
Other assets	(358,532)	(6,191)	(123,340)	(488,063)
Other liabilities	(25,700)	(67,838)	178,657	85,119
	(4,050,807)	**1,603,993**	**55,317**	**(2,391,497)**

	01.01.2013	Recognized in income	Disposal of subsidiary	31.12.2013
Property, plant and equipment and intangible assets	(6,104,306)	218,185	969,025	(4,917,096)
Accounts receivable	2,128,262	(1,492,155)	(699)	635,408
Loans and borrowings	(66,049)	129,225	-	63,176
Accounts payable	(55,692)	55,692	-	
Provisions	82,124	1,396,012	(83,134)	1,395,002
Accrued liabilities	598,356	(29,689)	(7,971)	560,696
Tax loss carried forward	685,148	398,085	-	1,083,233
Taxes	743,604	(115,851)	(153,022)	474,731
Other assets	(488,063)	(224,803)	-	(712,866)
Other liabilities	85,119	72,369	-	157,488
	(2,391,497)	**407,070**	**724,199**	**(1,260,228)**

(c) Unrecognized deferred tax assets

Deferred tax assets have not been recognized for:

Tax effect	31.12.2013	31.12.2012
	'000 KZT	'000 KZT
Tax losses carried forward	1,795,060	550,556
	1,795,060	**550,556**

The tax losses arise from subsidiaries that are loss making where it is not probable that future profits will be sufficient to utilize the benefit of the tax losses. The tax losses expire as follows:

	'000 KZT
2018-2022	493,288
2023	1,301,772
	1,795,060

31. TERM DEPOSITS

		31.12.2013	31.12.2012
	Currency	'000 KZT	'000 KZT
Non-current			
JSC Bank CenterCredit	Tenge	420,218	50,968
JSC Tsesna Bank	Tenge	330,000	1,600,000
JSC Eurasian bank	Tenge	200,000	-
JSC Vneshtorgbank Kazakhstan	Tenge	15,000	500,000
JSC Halyk Bank of Kazakhstan	Tenge	2,418	1,795
JSC Alliance Bank	Tenge	1,175	1,000
JSC BTA Bank	Tenge	727	473

		31.12.2013	31.12.2012
	Currency	'000 KZT	'000 KZT
JSC Citibank	Tenge	105	-
JSC DB Sberbank	Tenge	-	1,500,000
JSC ATF Bank	Tenge	-	100,146
JSC DB Alfa Bank	Tenge	-	2,000
		969,643	**3,756,382**

		31.12.2013	31.12.2012
	Currency	'000 KZT	'000 KZT
Current			
JSC Eurasian Bank	Tenge	30,683	216
JSC Citi Bank	Tenge	2,647	1
JSC DB Alfa Bank	Tenge	2,011	-
JSC Vneshtorgbank Kazakhstan	Tenge	-	-
JSC Eksim Bank	Tenge	-	-
JSC Bank CenterCredit	Tenge	668,847	-
JSC Halyk Bank of Kazakhstan	Tenge	472,874	1,001,875
JSC DB Sberbank	Tenge	-	535,879
JSC Tsesna Bank	Tenge	43,706	210,129
JSC Kazkommerzbank	Tenge	225,622	11,469
JSC ATF Bank	Tenge	125,900	200,000
JSC BTA Bank	Tenge	54,556	200,321
		1,626,846	2,159,890

Interest rates on term deposits held by the Group as at 31 December 2013 vary from 0.1% to 7.5% per annum (2012: from 0.01% to 8%).

Note 40 disclose information on the Group's exposure to interest rate risk and provide sensitivity analysis of relating to the Group's financial assets and liabilities.

32. LOANS TO RELATED PARTIES

	31.12.2013 '000 KZT	31.12.2012 '000 KZT
Non-current		
Associates		
Kyzylkum LLP	8,440,754	7,698,391
Available-for-sale investments		
Baiken-U LLP	6,119,447	5,579,228

	31.12.2013 '000 KZT	31.12.2012 '000 KZT
Jointly controlled entities		
Semizbay – U LLP	3,632,250	-
	18,192,451	**13,277,619**
Current		
Jointly controlled entities		
Semizbay – U LLP	1,321,644	-
Kazakhstan-Russian Company JSC Atomic Stations	20,000	20,000
	1,341,644	**20,000**

The weighted average annual interest rate on loans to related parties in 2013 was 7.87% (2012: 7.95%).

In September and December 2010, the Group provided interest-bearing long-term loans to Kyzylkum LLP and Baiken-U LLP. In 2012 the repayment schedule was revised to extend the terms of maturity of the Kyzylkum LLP and Baiken-U LLP loans to 2024 and 2022, respectively. The loans are collateralized by property of the borrowers.

In September 2012, the Company provided a five-year loan to Semizbay-U LLP. This loan is secured by property of Semizbay-U. In the 2012 financial statements Semizbay-U LLP was classed as a subsidiary and accordingly the loans were eliminated from consolidation. As disclosed in Note 24, in the current year the Group lost control of Semizbay-U LLP and now accounts for its investment as a joint venture. The loan is repayable starting from 2014.

33. CASH AND CASH EQUIVALENTS

	31.12.2013	31.12.2012
	'000 KZT	'000 KZT
Bank accounts	15,460,622	37,086,677
Demand deposits	1,632,028	831,662
Petty cash	59,451	120,566
	17,152,101	**38,038,905**

33. EQUITY

(a) Share capital

	Common shares	Common shares
	2013	2012
Number of authorized and issued shares (par value: KZT 1,000)	36,692,361	36,692,361
	36,692,361	36,692,361

All shares of the Company are owned by the Shareholder JSC "NWF "Samruk-Kazyna" who ultimately decides on dividend distribution.

(b) Dividends

In accordance with the legislation of the Republic of Kazakhstan, the amount of distributable reserves is limited to the amount of cumulative retained earnings as reflected in the Group's IFRS consolidated financial statements. In 2013 the Company declared dividends of KZT 7,637,242 thousand (2012:KZT 23,501,328 thousand). As at 31 December, 2013 the Company paid dividends of KZT 19,387,906 thousand, including dividends declared for 2012 of KZT 11,750,664 thousand.

(c) Additional paid-in capital

Historically shares have been issued at par value and consequently no additional paid in capital arises from the issuance of shares.

(d) Translation reserve

Exchange differences relating to the translation of the net assets of the Group's foreign operations, from their functional currency into presentation currency, are recognized directly in the foreign currency translation reserve.

34. LOANS AND BORROWINGS

	31.12.2013	31.12.2012
	'000 KZT	'000 KZT
Non current		
Bonds	76,426,228	74,740,067
Secured bank loans	14,194,795	19,336,629
Unsecured non-bank loans	247,431	251,515
	90,868,454	**94,328,211**
Current		
Unsecured bank loans	21,791,645	1,062,903
Secured bank loans	7,332,814	11,168,438
Unsecured non-bank loans	135,187	1,252,427
Interest payable on bonds	543,682	533,524
Finance lease obligations	-	6,329
	29,803,328	**14,023,621**

During 2013 the Group obtained short term bank loans for the purpose of replenishment of working capital.

Bonds

On 20 May 2010, the Company issued USD 500,000,000 (equivalent to KZT 73,510,000 thousand) of unsecured 6.25% bonds due in 2015 (the "Bonds"). Interest on the Bonds is payable semi-annually in arrears on 20 November and 20 May of each year.

Bond covenants

(i) Negative pledge

The Group and material subsidiaries are restricted from creating, incurring or assuming any pledges, other than permitted pledges, on any of their assets or any income or profits therefrom, securing any indebtedness, unless, at the same time or prior thereto, the Bonds are secured equally and rateably with such other indebtedness

(ii) Limitation on payments of dividends

The Company is precluded from paying any dividends, in cash or otherwise, or making any other distribution of any sort in respect of its share capital (a) at any time when there exists an event of default or (b) or at any time when no such event of default or event exists, in an aggregate amount exceeding 50 per cent of the Company's consolidated net income for the period in respect of which the dividend or other distribution is being paid.

(iii) Limitation on sales of assets and subsidiary stock

The Company is precluded from consummating any asset disposition involving aggregate consideration equal to or greater than USD 10 million (or its equivalent as at 31 December 2013 KZT 1,536,100 thousand) unless the Company or such material subsidiary receives consideration at the time of such asset disposition at least equal to the fair market value of the shares and assets subject to such asset disposition; and solely with respect to an asset disposition of shares of capital stock of a material subsidiary, after giving effect to any such asset disposition, the Company should continue to "beneficially own", directly or indirectly, at least the restricted percentage of the shares of capital stock of such material subsidiary.

Management of the Group believes that it complies with the covenants as set out above as at 31 December 2013.

In connection with the transfer of the Property (Note 27) in favor of the ultimate controlling party or to another person to be determined by the ultimate controlling party, in March 2012 the Company received the consent of bondholders to waive the condition "Restricting the sale of assets and equity of subsidiaries" and any other conditions that may occur as a direct result of the construction and transfer of the Property by the Company.

Secured and Unsecured loans

'000 KZT	Currency	Year of maturity	31.12.2013	31.12.2012
Secured bank loans				
The Bank of Tokyo-Mitsubishi UFJ. Ltd	EUR	2024	11,390,973	10,442,876
Japan Bank of International Cooperation	USD	2014	3,674,873	7,106,072
Natixis Bank	USD	2022	3,078,803	2,896,739
Mizuho Corporate Bank Ltd.	USD	2015	2,016,349	3,109,707
Japan Bank of International Cooperation	USD	2014	1,153,227	1,468,331
Natixis Bank	USD	2014	213,384	629,237
Industrial and Commercial Bank of China	USD	2013	-	3,019,208
Natixis Bank	USD	2013	-	736,388
Citibank, Tokyo	USD	2013	-	644,113
JSC SB "Bank of China in Kazakhstan"	USD	2012	-	452,396
			21,527,609	**30,505,067**
Unsecured bank loans				
JSC "Citibank Kazakhstan»"	USD	2014	9,759,490	1,062,903
Natixis Bank	USD	2014	4,570,280	-
JSC "Nurbank"	USD	2014	4,147,470	-
JSC "Alfa Bank"	USD	2014	3,052,573	-
JSC "Alfa Bank"	KZT	2014	261,832	-
			21,791,645	**1,062,903**
			43,319,254	**31,567,970**

'000 KZT	Currency	Year of maturity	31.12.2013	31.12.2012
Unsecured non-bank loans				
Cogema Katko Demeu	Tenge	2024	247,431	226,598
SMCC LLP (Stepnogorsk Mining and Chemical Complex)	Tenge	2013	110,141	78,207
Purelight International	Tenge	2014	18,163	18,163
Purelight AG	USD	2014	6,883	6,754
Sumitomo Corporation	USD	2013	-	841,723
Kansai Electric Power Inc.	USD	2013	-	332,497
			382,618	**1,503,942**
Finance lease obligations				
JV Betpak-Dala LLP	Tenge	2013	-	6,329
			-	6,329
Bonds (unsecured)				
Bonds	USD	2015	76,969,910	75,273,591
			120,671,782	**108,351,832**

In 2013, the Group's weighted average interest rate on fixed interest rates on bank loans was 6.38% (2012: 6.45%) and on floating interest rate loans, was 3.95% (2012: 2.53%).

Loan covenants

The Group's various loan agreements include covenants with banks, pursuant to which the Group must comply with laws to which it is subjected, must not create or permit any security over its assets or dispose of assets, except for the cases indicated in loan agreements, and must obtain the lenders' approval for acquisitions, mergers and disposals if any. It must also sell uranium solely to customers for non-military purposes residing in countries which have signed the Nuclear Non-Proliferation Treaty, and are members of International Atomic Energy Agency.

Additionally, the Group is subject to certain key financial covenants based on the Group's consolidated financial information, such as the debt to equity ratio, debt to EBITDA ratio and debt to net interest ratio, all calculated as defined in the various loan agreements.

Management of the Group believes that it complied with the financial covenants related to the Group's various loan agreements as at 31 December 2013.

Collateral

Bank loans are secured by contracts on delivery of goods (uranium concentrate).

In 2012 property, plant and equipment that was pledged to secure bank loans was removed from encumbrance due to the settlement of the contract. On 14 February 2012, the encumbrance of collateral in the form of inventories was withdrawn from a credit line in Halyk Bank of Kazakhstan due to expiration of the contract.

The Group has no right to re-pledge the collateral. There were no other significant terms and conditions associated with the use of collateral.

36. PROVISIONS

'000 KZT	Compensation for occupational diseases	Environmental protection	Reserve on restoration of mine sites	Social object	Other	Total
Balance as at 1 January 2012						
Non-current	420,407	1,102,695	8,136,461	-	17,667	9,677,230
Current	85,461	-	-	22,729,911	-	22,815,372
Total	**505,868**	**1,102,695**	**8,136,461**	**22,729,911**	**17,667**	**32,492,602**
Provision created within the year	85,224	12	114,997	-	1,369	201,602
Change in estimate	-	12,191	385,048	70,907	-	468,146
Unwinding of discount	36,049	77,190	588,050	-	635	701,924
Provision used within the year	(90,342)	(31,229)	(3,313)	-	-	(124,884)
Foreign exchange	-	-	175	-	-	175
Balance as at 31 December 2012	**536,799**	**1,160,859**	**9,221,418**	**22,800,818**	**19,671**	**33,739,565**
Allocated as:						
Non-current	441,548	1,160,859	9,221,418	-	19,671	10,843,496
Current	95,251	-	-	22,800,818	-	22,896,069
Total	**536,799**	**1,160,859**	**9,221,418**	**22,800,818**	**19,671**	**33,739,565**
Provision created within the year			593,560	-		593,560
Change in estimate	277,284	1,107,233	3,067,355	-	2,586	4,454,458
Disposal of investment in subsidiary	-	-	(804,310)	-	-	(804,310)
Unwinding of discount	47,326	81,260	603,629	-	1,295	733,510
Provision used within the year	(94,264)	-	-	(22,800,818)	-	(22,895,082)
Foreign exchange	-	-	214	-	-	214
Balance as at 31 December 2013	**767,145**	**2,349,352**	**12,681,866**	**-**	**23,552**	**15,821,915**
Allocated as:						
Non-current	669,416	2,349,352	12,681,866	-	23,552	15,724,186
Current	97,729	-	-	-	-	97,729
Total	**767,145**	**2,349,352**	**12,681,866**	**-**	**23,552**	**15,821,915**

Changes in accounting estimates occur primarily as a consequence annual retranslation of estimated remediation costs related to site facilities taking into consideration newly drilled wells, built sand tanks and other property, subject for further liquidation.

(a) Provision for compensation for occupational diseases

In accordance with Articles 939, 943 and 944 of the Civil Code of the Republic of Kazakhstan, the Group is required to pay compensation for occupational diseases and disability arising during the period of employment, or during retirement as a result of disease or disability occurring due to former work conditions.

In determining the amount of the provision, the Group management base their estimates on the number of persons currently entitled to the compensation, the estimated duration of payments and the average annual payments to various categories of employees based on their relative salaries extrapolated for the estimated future rates of disease and disability during the expected lifetime of current and former employees. As at 31 December 2013 the undiscounted amount of the estimate is KZT 1,309,405 thousand (2012: KZT 898,733 thousand).

This estimate has been recognized at present value using a discount rate of 6.3% (2012: 7%) and inflation rate of 6% (2012:5%). This is a risk free nominal rate as the future cash outflows reflect risk specific to the liability.

(b) Provision for environmental protection

The Group, pursuant to the legislation of the Republic of Kazakhstan on environmental protection, is required to dispose of radioactive waste and to decommission and dispose of polluted property, plant and equipment. As at 31 December 2013 the undiscounted value of the estimated costs to comply with this legislation was KZT 47,812,084 thousand (2012: KZT 27,987,180 thousand). A substantial part of environmental protection expenses pertains to years 2068-2071.

In view of the long-term nature of reclamation liabilities, there is uncertainty concerning the actual amount of expenses that will be incurred.

In computing the provision for environmental protection the Group used a discount rate of 6.3% (2012: 7%) and inflation rate of 6% (2012: 5%). This is a risk free nominal rate as the future cash outflows reflect risk specific to the liability.

When determining the amount of the environmental provision, Group management used assumptions and assessments based on the experience of decommissioning and clean up work of a similar nature carried out in 2000-2011, and considered the input provided by both in-house engineers and professional advisors based on their best interpretation of the current environmental legislation.

(c) Provision for reclamation of mine sites

Management estimates the site restoration costs for each field operated by the Group. The undiscounted estimated cost of reclamation activities is KZT 21,474,070 thousand (2012: KZT 17,469,486 thousand) and the present value of such cost has been estimated using a discount rate of 6.3% (2012: 7%). This is a risk free nominal rate as the future cash outflows reflect risk specific to the liability.

In view of the long-term nature of reclamation liabilities, there is uncertainty concerning the actual amount of expenses that will be incurred in performing site restoration activities for each field.

Management's estimates of the costs of closure, reclamation and decommissioning are based on reclamation standards that meet existing regulatory requirements, while environmental legislation in Kazakhstan continues to evolve. The provision is the discounted value of estimated costs at the end of the mine life. Elements of uncertainty in estimating these amounts include potential changes in regulatory requirements and decommissioning and reclamation alternatives.

In accordance with the terms of the subsurface use agreements the Group invests cash in long-term bank deposits to finance future site restoration activities. As at 31 December 2013 the amount of restricted such deposits was KZT 4,899,155 thousand (2012: KZT 4,304,041 thousand) (Note 28).

Key assumptions, in addition to the discount rate noted above, which serve as the basis for determining the carrying value of the provision for reclamation of mine sites provision are as follows:

- there is a high probability that the Group will proceed to development and production stages for its fields which are currently under exploration. These facts set out a constructive obligation for the Group to recognize the site restoration provision for all mining and exploration licenses;
- the expected term for future cash outflows for the mine sites is based on the life of the mines. A substantial part of expenditures is expected to occur in 2019 - 2034, at the end of the life of the mine; and

- inflation rate - 6% per annum.

(d) Provision for social object

In May 2010 the Company was directed by its Shareholder to construct a Student's Palace in Astana (hereinafter - "the Property"). The Group entered into an onerous commitment.

The Company has fulfilled all obligations regarding the construction of the Property. In accordance with the prescription of Akimat of Astana city in June, 2013 the Company transferred the property to Astana city. As a result, the Company has removed the asset and the related liability of KZT 22,800,818 thousand from the consolidated statement of financial position at 31 December 2013 (Note 27).

37. ACCOUNTS PAYABLE

	31.12.2013	31.12.2012
	'000 KZT	'000 KZT
Non-current		
Trade payables	2,334,316	2,815,395
Other payables	26,898	-
	2,361,214	**2,815,395**
Current		
Trade payables to related parties (Note 42)	22,107,060	35,547,556
Trade payables	9,158,231	14,020,324
Other payables	498,619	563,915
Other payables to related parties	163	1,740
	31,764,073	**50,133,535**

Trade payables mainly include the balance from purchased goods and services, and current expenses. The average credit term is 60 days.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 40.

38. OTHER LIABILITIES

	31.12.2013	31.12.2012
	'000 KZT	'000 KZT
Non-current		
Commitments on historical costs	2,425,355	2,474,691
Other payables	1,688,664	2,057,626
Advances received from related parties	1,288,460	-
Prepaid expenses	663,864	106,706
Obligations to holders of preferred shares	264,827	264,827
Provision for other employee benefits	-	149,645
	6,331,170	**5,053,495**

	31.12.2013	31.12.2012
	'000 KZT	'000 KZT
Current		
Provision for unused vacation and other employee benefits	2,818,524	2,853,208
Advances received	2,361,125	1,800,245
Salaries payable	2,027,797	2,199,041
Advances received from related parties	1,606,345	892,072
Commitments on historical costs	967,238	909,371
Social contributions payable	585,130	686,706
Dividends payable to other participants	196,864	155,604
Prepaid expenses	26,787	-
Dividends payable to Shareholder	-	11,750,664
Other liabilities	10,466	27,792
	10,600,276	**21,274,703**

Historical costs liabilities

In accordance with the terms of a series of contracts for subsoil use on uranium deposits the Group's obligations to reimburse historical costs for geological exploration and evaluation to the Government of the Republic of Kazakhstan (hereinafter - "the Government") were determined in the amount of KZT 3,443,285 thousand as at 31 December 2013 (2012: KZT 3,224,124 thousand).

In accordance with new tax legislation effective from 1 January 2010, the historical costs are to be reimbursed to the Government via quarterly payments over a 10 year period, beginning from the date of commercial extraction of uranium. The liability represents the discounted cash flow of estimated future payments. The discount rate applied in 2013 is 3,3% (2012: 3.3%) for historical costs denominated in USD and 7% for historical costs denominated in KZT (2012: 7%). This is a risk free real rate and the future cash outflows reflect risk specific to the liability.

39. TRANSACTIONS ON DISPOSAL OF INVESTMENT AND LOSS OF CONTROL

In 2008, the Group entered into an Agreement (the "Agreement") to dispose of 49% of its interest in "Semizbay-U" LLP ("Semizbay") to Beijing Sino-Kaz Uranium Resources Investment Company Limited ("Sino-Kaz Company").

The Agreement entitled Sino-Kaz Company to a minimum distribution of annual net income of Semizbay in the period 2010 until 2033. The payments of these distributions were guaranteed by Company. This liability was measured at fair value at inception and was subsequently measured at amortized cost.

The disposal of the Group's interest in Semizbay-U required regulatory approval in Kazakhstan and this approval was a condition precedent in the Agreement.

As of 31 December 2012, regulatory approval had not been achieved. In 2012, the Group signed an amicable agreement with Sino-Kaz Company regarding the conditions of purchase and sale of the 49% interest in Semizbay. The relevant terms of this agreement were:

- The Company would obtain all necessary Kazakhstan regulatory approvals for the sale transaction. This occurred on 30 May 2013.
- The parties agreed to reassess the fair value of the 49% interest in Semizbay. As a result, the Group repaid to Sino-Kaz Company USD 132 million (equivalent to KZT 19.9 billion) on 7 June 2013, which represented the difference between the original contractual obligation and the fair value of the 49% interest sold;

- The parties agreed to cancel the guaranteed minimum dividends payable to Semizbay for the period 2012 to 2033. The amortized cost of the financial liability as of 30 May 2013 was USD 308 million (equivalent to KTZ 46.7 billion).

Concurrently with achieving regulatory approval for the sale of the 49% interest, the governing documents of Semizbay-U were changed. As a result of these changes, the Group no longer had the unilateral ability to direct the relevant activities of Semizbay-U; rather, the power over these decisions is shared with Sino-Kaz Company. The Group accounted for the cancelation of the minimum guaranteed dividend payable as an extinguishment of financial liability. As a result, the Group deconsolidated its investment in Semizbay-U and recognized its retained interest at fair value on the date control was lost.

As a result of these transactions, the Group recognized a gain of KZT 23,929,927 thousand in comprehensive income. The effect of the disposal of Semizbay-U was recognized in the consolidated financial statements as follows:

Non-current assets	**'000 KZT**
Property, plant and equipment	20,002,141
Intangible assets	568,940
Accounts receivable	660,584
Other non-current assets	1,140,361
Total non-current assets	**22,372,026**
Current assets	
Inventory	7,450,456
Accounts receivable	2,819,062
Funds in credit institutions	764
Deferred tax assets	585,483
Other current assets	1,105,607
Cash and cash equivalents	1,238,566
Total current assets	**13,199,938**
Total assets	**35,571,964**
Non-current liabilities	
Loans received	4,843,000
Deferred tax liabilities	724,198
Provisions	804,310
Other non-current liabilities	5,515,068
Total non-current liabilities	
Current liabilities	**11,886,576**
Loans received	6,837,084
Employee benefit obligations	58,409
Accounts payable	2,647,052
Provisions	39,855
Other current liabilities	65,977
Total current liabilities	**9,648,377**
Total liabilities	**21,534,953**
Semizbai-U's Net assets (liabilities) as at the date of disposal	**14,037,011**
Less: Fair value of 51% non-controlling interest retained	**(11,263,500)**

Less: Amortized cost of the minimum guaranteed dividend payable, prior to payment	**(46,676,358)**
Cash payment made to Semizbai-U	**19,972,920**
Gain on extinguishment of liability and disposal of subsidiary	**23,929,927**

40. FINANCIAL RISK MANAGEMENT

(a) Overview

The Group has exposure to the following risks relating to the operations of the Group:

- credit risk;
- liquidity risk; and
- market risk;

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's policy for management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established a Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, cash and cash equivalents, and term deposits, and loans to employees and related parties.

The credit risk on cash and cash equivalents and term deposits is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
'000 KZT	**31.12.2013**	**31.12.2012**
Other investments (available-for-sale) (Note 25)	67,055,487	67,056,184
Trade receivables (current and long-term)	33,329,028	80,549,261
Cash and cash equivalents	17,152,101	38,038,905
Term deposits	9,186,458	11,900,387
Loans to related parties (Note 32)	19,534,095	13,297,619
Loans to employees (Note 28)	1,903,245	2,057,384
	148,160,414	**212,899,740**

(c) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. Approximately 40% of the Group's revenue (45% of trade receivables) is attributable to sales transactions with two main customers as at 31 December 2013. The Group defines counterparties as having similar characteristics if they are related entities.

The Group applies a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered.

The Group does not require collateral in respect of trade and other receivables.

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Carrying amount	
'000 KZT	**31.12.2013**	**31.12.2012**
USA	16,201,699	11,051,545
Kazakhstan	9,403,766	8,788,305
China	3,291,760	37,109,489
Japan	2,134,405	3,040,762
Europe	2,015,855	9,349,768
Russia	157,421	1,875,262
India	-	9,327,523
Other	124,122	6,607
	33,329,028	**80,549,261**

The most significant clients of the Group are China Nuclear Energy Industry Corporation, TradeTech and CGNPC Uranium Resources Company Limited. As at 31 December 2013, the cumulative balance receivable from these clients was KZT 14,678,869 thousand (2012: KZT 36,190,935 thousand).

(d) Provision for doubtful debts

The average credit period taken on sales of goods is 30 days. No interest is charged on receivables for the first 30 days from the date of the invoice. Thereafter, interest is charged at the refinancing rate set by the National Bank of the Republic of Kazakhstan (31 December 2013: 5.5%) on the outstanding balance. Allowances against doubtful debts are recognized against trade receivables between 30 days and 120 days and over 120 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

As at reporting date, the ageing of the trade receivables was as follows:

	Total book value	**Impaired**	**Total book value**	**Impaired**
	2013	**2013**	**2012**	**2012**
Non-expired	31,957,538		74,437,088	
Expired	2,656,306	1,284,816	6,743,000	630,827
including:				
Expired for 0-30 days	*1,522,079*	-	*1,659,037*	-
Expired for 31-120 days	*780,772*	-	*4,302,498*	-
Expired for more than 120 days	*353,455*	-	*781,465*	-
	34,613,844	**1,284,816**	**81,180,088**	**630,827**

During the reporting period, the movement on the provision for doubtful debts was as follows:

	2013	2012
	'000 KZT	'000 KZT
At 1 January	**630,827**	**1,439,130**
Increase in provision for doubtful debts	682,987	112,758
Change in estimate	(4,936)	(779,928)
Amounts written off during the year	(24,062)	(141,133)
At 31 December	**1,284,816**	**630,827**

(e) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities as they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expense of financial obligations which excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Below is a summary of the Group's undrawn borrowing facilities and available cash and cash equivalents, including term deposits, which are the important instruments in managing the liquidity risk:

	31.12.2013	31.12.2012
	'000 KZT	'000 KZT
- amount used (current deposits)	3,258,874	2,991,552
- amount used (bank account)	15,520,073	37,207,243
- amount unused	28,258,798	9,818,625
	47,037,745	**50,017,420**

The following are the contractual maturities of financial liabilities:

31.12.2013							
'000 KZT	Carrying amount	Contractual cash flows	0-1 months	1-3 months	From 3 months – 1 year	From 1-5 years	More than 5 years
Bank loans	43,319,254	45,067,067	248,971	8,225,598	22,096,544	7,787,780	6,708,174
Non-bank loans	382,618	382,618	-	8,820	126,367	-	247,431
Bonds	76,969,910	84,005,469	-	-	4,800,313	79,205,156	-
Other liabilities	7,798,431	7,798,431	2,612,927	196,864	3,299,976	-	1,688,664
Other financial liabilities	2,921,607	2,921,607	-	-	496,252	-	2,425,355
Preferred shares	264,827	264,827	-	-	-	-	264,827
Trade payables and payables to related parties	34,125,287	34,125,287	-	31,764,073	-	2,361,214	-
	165,781,934	174,565,306	2,861,898	40,195,355	30,819,452	89,354,150	11,334,451
31.12.2012							
Bank loans	31,567,970	33,441,991	-	6,822,780	6,276,037	15,690,007	4,653,167
Non-bank loans	1,503,942	1,510,958	-	924,815	334,628	24,917	226,598
Bonds	75,273,591	87,192,814	-	2,356,563	2,356,563	82,479,688	-
Other financial liabilities	49,561,403	49,561,403	-	-	47,086,712	1,237,344	1,237,347
Other liabilities	27,004,649	27,004,649	2,885,747	24,118,902	-	-	-
Preferred shares	264,827	264,827	-	-	-	211,860	52,967
Lease	6,329	6,329	6,329	-	-	-	-
Trade payables and payables to related parties	52,948,930	52,948,930	-	49,566,760	566,775	2,815,395	-
	238,131,641	251,931,901	2,892,076	83,789,820	56,620,715	102,459,211	6,170,079

(f) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will have a negative impact on the Group's income or the value of its financial instrument holdings. The objective of market risk management is to monitor and control market risk exposures within acceptable limits, while optimizing the return on investments.

The Group occasionally utilizes derivatives in order to manage market risks. The Group occasionally utilizes derivatives in order to manage market risks. Derivatives are not entered into for speculative purposes. Generally, the Group does not apply special hedge accounting for the purposes of regulating the variability of profit or loss for the period.

(g) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings denominated in currencies other than the Company's functional currency Tenge.

Borrowings are denominated in currencies that match the cash flows generated by operating entities in the Group. Therefore, in most cases, economic hedging is achieved without derivatives.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by planning future expenses taking into consideration the currency of payment.

Currency risk exposure

The Group is mainly exposed to the risk of USD currency fluctuations. The Group's exposure to currency risk was as follows:

	31.12.2013	31.12.2012
	USD-denominated	**USD-denominated**
Accounts receivables	23,046,917	70,677,810
Cash and cash equivalents	2,931,280	15,441,834
Other assets	501,384	492,016
Total assets	**26,479,581**	**86,611,660**
Bonds issued	(76,969,910)	(75,273,591)
Loans and borrowings	(24,473,289)	(22,306,068)
Other liabilities	(720,495)	(492,095)
Accounts payables	(2,926,194)	(1,267,491)
Other financial liabilities	(2,921,607)	(49,561,403)
Total liabilities	**(108,011,495)**	**(148,900,648)**
Net exposure	**(81,531,914)**	**(62,288,988)**

The following exchange rates applied during the year:

In KZT	Average rate		Reporting date spot rate	
	2013	2012	2013	2012
USD 1	152,14	149.11	153,61	150.74

Sensitivity analysis

A 30% weakening and 10% strengthening of the KZT against the USD as at 31 December 2013 (2012: 10% and 10%) would increase (decrease) equity and profit/loss by the amounts shown below. These sensitivity rates are used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

	Profit or (loss)
2013	**'000 KZT**
USD	
+30%	(24,459,574)
-10%	8,153,191
2012	**'000 KZT**
USD	
+30%	(18,686,696)
-10%	6,228,899

Price risk on the uranium products

The Group is exposed to the effect of fluctuations in the price of uranium, which is quoted in USD on the international markets. The Group prepares an annual budget based on future uranium prices.

Uranium prices historically fluctuate and are affected by numerous factors outside of the Group's control, including, but not limited to, demand from utilities, depleting levels of secondary sources such as recycling and blended down highly enriched stocks available to close the gap of the excess demand over supply, regulations by International Atomic Energy Agency and other factors related specifically to uranium.

At the end of the reporting period there was no significant impact of commodity price risk on the Group's financial assets and liabilities.

Interest rate risk

Changes in interest rates impact loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (floating rate debt).

At the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or a floating rate would be more favorable to the Group over the expected period until maturity.

As at December 31, 2013 70% (2012: 70%) of the Groups borrowings have a fixed interest rate.

Structure

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

	Nominal amount	
'000 KZT	**31.12.2013**	**31.12.2012**
Fixed rate instruments		
Financial assets	28,661,767	24,349,594
Financial liabilities	(84,814,403)	(77,118,612)
	(56,152,636)	**(52,769,018)**
Floating rate instruments		
Financial liabilities	**(35,857,379)**	**(31,226,891)**

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss.

Therefore a change in interest rates at the reporting date would not affect profit or loss.

Fair value sensitivity analysis for floating rate instruments

An increase of 100 basis points and a decrease of 25 basis points in interest rates at the reporting date would have (decreased) increased equity and profit or loss by the amounts shown below, represents management's assessment of reasonably possible changes in the interest rates based upon current interest rates and the current economic environment. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or (loss)	
'000 KZT	**100 bp increase**	**25 bp decrease**
2013		
Floating rate instruments	(358,574)	89,643
2012		
Floating rate instruments	(312,269)	78,067

(i) Fair values versus carrying amounts

With the exception of instruments specified in the following table, the Group believes that the carrying value of financial assets and financial liabilities are recognized in the financial statements approximate their fair value due to their short-term nature:

Except as detailed in the following table, the Group considers that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

In assessing fair values, management used the following major methods and assumptions:

Interest free financial liabilities and financial liabilities with fixed interest rate

Financial liabilities were discounted at effective interest rate which approximates the market rate.

Financial liabilities with floating interest rate

The fair value is not materially different from the carrying amount because the effect of the time value of money is immaterial.

	31.12.2013		31.12.2012	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial liabilities				
Secured bank loans and unsecured notes	43,319,254	42,659,199	31,567,970	31,540,808
Unsecured non-bank loans	382,618	272,911	1,503,942	1,392,869
Bonds	76,969,910	72,605,341	75,273,591	74,734,684
	120,671,782	**115,537,451**	**108,345,503**	**107,668,361**

(h) Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital includes all capital and reserves of the Group. The Group monitors the following indicators:

- financial stability, or measures of loan management, determining the degree of borrowing funds utilization; and
- profitability, determining cumulative effects of liquidity, asset and capital management as a result of business activities.

In September 2012 the Shareholder of the Group adopted a new policy on borrowings and financial stability in order to identify common principles and rules of fundraising for non-financial organizations.

In order to evaluate the financial stability of the Group, the following key financial ratios are used:

- the debt to equity ratio of not greater than 1;
- the debt ratio to earnings before interest, taxes, depreciation and amortization (Debt/EBITDA) of not greater that 3.5.

41. CONTINGENCIES

(a) Put option with Sino-Kaz Company

The Group entered into a put option agreement which provides Sino-Kaz Company with the option to sell its 49% interest in Semizbay-U to the Company at a price equal to the consideration paid by Sino-Kaz Company, less the present value of net income distributed to Sino-Kaz Company. This put option is exercisable in the event that a decision to supply fuel pallets produced at JSC Ulba Metallurgical Plant for the reactors at China Guangdong Nuclear Power Corporation is not reached before 1 July 2014.

If the above stated decision is not agreed between JSC NAC Kazatomprom and CGNPC-URC before 1 July 2014, JSC NAC Kazatomprom will buy and Sino-Kaz Company will sell the share interest of Sino-Kaz Company in Semizbay-U LLP at repurchase price based on formula determined in an additional addendum to major.

(b) Insurance

The insurance industry in Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full insurance coverage for its plant facilities, business interruption, or third party liabilities in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial results.

(c) Taxation contingencies

(i) Taxation contingencies

The tax system of Kazakhstan is quite new and characterized by a large number of taxes (corporate income tax, value added tax, mineral extraction tax and other taxes being material to the Group's operations) and frequent changes in legislation, official regulation and court rulings. Taxes are subject to review by a body which is entitled to charge fines, interest and penalties. Tax years remain open for review by tax authorities for five calendar years subsequent to the tax year-end; however in certain circumstances the tax year can remain open longer. Various Kazakh legislative acts are not always clearly set forth and their interpretation depends on the opinion of local tax authorities and the Ministry of Finance of the Republic of Kazakhstan, for example, the definition of taxable turnover for VAT purposes, the deductibility of certain expenses for corporate income tax purposes, questions of application of the new tax code effective from 2009, the determination of the timing of revenue recognition, and other issues. The opinions of the local, regional, and state tax officials often differ. The existing regime of charging penalties and fines in the case of declared and discovered violations of laws, decrees and standards of Kazakhstan are strict and tax authorities are aggressive in the inspection of subsurface users. The sanctions include penalties, which comprise 50% of the additional charge of the tax and payment of penalties of 2.5 times the official refinancing rate set by the National Bank of the Republic of Kazakhstan for each day of the violation. As a result, penalties and fines can result in amounts many times greater than the incorrectly calculated taxes.

Such conditions create more serious tax, penalty and interest risks in Kazakhstan as compared to other countries. Management believes that it has appropriately provided for all tax liabilities based on existing interpretations of applicable tax laws, regulations and court rulings. Nonetheless, the opinions of the respective authorities can differ, which can significantly impact the financial statements.

Management of the Group believes that it adequately recognized its tax liabilities in the consolidated financial statements.

(ii) Excess profit tax ("EPT")

In accordance with tax legislation from 2009 the subsoil users must pay EPT on the amount of net income earned from contractual operations in a calendar year, which exceeds the amount equal to 25% from the deductions used for EPT calculations. For EPT calculation purposes, EPT expenditures include the following:

- corporate income tax deductions claimed in a calendar year, net of any fixed asset depreciation and intangible asset amortization charges, as determined for corporate income tax purposes;
- any capital expenditures that a subsoil user incurs in the calendar year for the purposes of its subsoil use operations; and,
- any unused net operating losses that a subsoil user incurred in the course of its subsoil operations in prior years and that were carried forward to the calendar year.

The EPT base is the portion of the net income calculated for each subsoil contract, in excess of 25% of the amount of the corresponding EPT deductions. For the purposes of calculating EPT, net income represents the difference between taxable income and the corporate income tax liability, where the taxable income is the gross annual revenues less the amount of abovementioned EPT expenditures. The applied EPT rates vary on the progressing scale from 10% to 60% depending on the ratio of total annual revenues to annual EPT deductions.

Taking into account that the revenue from the Company's contracts is defined as cost of production, increased by 20%, using the current method of calculating corporate income tax and EPT, management of the Group anticipates that an internal rate of return of above 20% will not be reached for the foreseeable future.

(iii) Mineral Extraction Tax ("MET")

There has been uncertainty in the past regarding the taxable base for MET. Previously, management of the Company used the cost of initial processing as the taxable base and applied the MET rate of 22% which was set by the Tax Code. In 2012 through discussions between the uranium producing companies and the tax authorities, a mutual understanding was reached that the taxable base should include the cost of initial production grossed up for MET. As part of that negotiation, the MET rate was reduced for 2009-2012 from 22% to 17.5%. The relevant changes in the Tax Code were approved on December 26, 2012. The Company recognized the effect of this revision in its consolidated financial statements for the year ended December 31, 2012.

Effective from 1 January 2013 certain changes were made in the Tax Code and the mineral extraction tax rate was changed to 18.5% on prospective basis.

(iv) Transfer Pricing

The Kazakhstan transfer pricing law, which was amended and enacted on 1 January 2009 primarily applies to cross-border and domestic transactions involving sales of goods and services. As at 31 December 2013, the Company has made adjustments that it considers appropriate to comply with the transfer pricing law.

In December 2012 a documentary thematic inspection on state control over transfer pricing for 2007 in JSC National Atomic Company Kazatomprom was completed (started and stopped in 2009). As a result of the inspection the Company has received a report and notice of payment of additional corporate income tax, penalties and interest for total amount of USD 6,390,276 thousand.

The Company did not agree with the notice and filed a series of appeals to challenge the lawfulness of this tax charge in the courts of Kazakhstan. In May 2013 the Company filed an appeal with the Supreme Court of Almaty, which was denied in July 2013. Subsequently, the Company filed an appeal with the Appeal Board of Almaty City Court, which appeal was dismissed on18 September 2013.

As a result, the Company recognized and reflected the obligation to pay to the budget of the Republic of Kazakhstan, CIT in the amount of KZT 2,983,522 thousand, interest in the amount of KZT 1,914,993 thousand and a fine in the amount of KZT 1,491,761 thousand. As of 31 December 2013 the amount of corporate income tax and penalties are paid in full to the state.

In 2014, the Company continued filing for complaints and sent a cassation complaint № 04-16/00117 from 16 January 2014 to the Cassation Board of Almaty City Court. Following the meeting of Cassation Board held 19 February 2014 the cassation appeal was dismissed.

(d) Environmental obligations

In accordance with the approved Program of the Government of the Republic of Kazakhstan on the development of nuclear industry in the Republic of Kazakhstan for 2011-2014, with the prospect of until 2020 (hereinafter referred to as the "Program") the government body is responsible for decommissioning reactor BN-350 and for storing the reactor's nuclear fuel rods, including the further utilization of the related equipment and materials is the Ministry of Industry and New Technologies of the Republic of Kazakhstan.

In addition, the Program also provides the sources of funding for these activities from the Republican budget. AS at December 31, 2013 the Group has no legal or financial obligation to decommission reactor BN-350.

(e) Guarantees

The maximum exposure to credit risk for financial guarantees given to secure financing of certain related parties at the reporting date is KZT 38,185,771 thousand (2012: KZT 38,265,908 thousand).

42. RELATED PARTY TRANSACTIONS

(a) Control relationships

The Company was established in accordance with the Order of the President of the Republic of Kazakhstan no. 3593 dated 14 July 1997. On 19 January 2009 the Shareholder became the sole owner of the Company. The Shareholder is wholly owned by the Government.

(b) Transactions with management and close family members

Members of the Board of Directors, executive directors, heads of departments and their close family members do not control any voting shares of the Group, as 100% of the shares are owned by the Government.

(i) Management remuneration

Key management received the following remuneration during the year, which is included in personnel costs.

	2013	2012
	'000 KZT	'000 KZT
Salaries and bonuses	1,936,796	1,887,519

The Group's related party transactions are disclosed in the following tables. In relation to government entities who are related parties, the Group only has transactions with the group of companies controlled by the Shareholder, as detailed below.

(c) Transactions with other related parties

(i) Revenue and trade receivables

'000 KZT	Transaction value	Outstanding balance	Transaction value	Outstanding balance
	2013	2013	2012	2012
Sale of goods and services				
Associates	23,909,503	2,028,740	9,031,919	4,332,721
Jointly controlled entities	15,368,500	4,328,861	5,763,335	881,809
Sister companies	16,938,819	345,146	6,399,133	332,726
Other	1,963,325	344,064	-	1,833,416

'000 KZT	Transaction value	Outstanding balance	Transaction value	Outstanding balance
	2013	2013	2012	2012
Entities under common control	87,505	173	41	173
Dividends declared by associates	13,171,956	-	18,102,779	-
Dividends declared by jointly controlled entities	9,426,960	6,466,549	2,852,455	-
	80,866,568	**13,513,533**	**42,149,662**	**7,380,845**

All outstanding balances with related parties are to be settled in cash within six months of the reporting period end. None of the balances are secured.

(ii) Expenses and trade payables

'000 KZT	Transaction value	Outstanding balance	Transaction value	Outstanding balance
	2013	2013	2012	2012
Purchase of goods and services				
Associates	33,146,141	7,824,034	2,773,279	20,431,882
Jointly controlled entities	40,237,873	12,824,633	5,990,936	10,658,013
Sister companies	27,007,050	4,346,404	12,420,671	4,139,782
Entities under common control	50,552	1,655	-	-
Dividends to owner	7,639,051	-	-	11,750,664
Other	2,042	6,952	-	1,211,691
	108,082,709	**25,003,678**	**21,184,886**	**48,192,032**

All outstanding balances with related parties are to be settled in cash within six months of the end of the reporting period. None of the balances are secured.

(iii) Loans

'000 KZT	Amount loaned	Outstanding balance	Amount loaned	Outstanding balance
	2013	2013	2012	2012
Associates	8,440,754	8,440,754	7,698,391	7,698,391
Jointly controlled entities	4,973,894	4,973,894	20,000	20,000
Other	6,119,447	6,119,447	5,579,228	5,579,228
	19,534,095	**19,534,095**	**13,297,619**	**13,297,619**

(iv) Transactions with BTA Bank JSC

BTA Bank JSC is a related party under common control of the Group.

Deposits

'000 KZT	Gross	Principal	%
As at 1 January 2012	**757,227**	**755,470**	**1,757**
Placed/Accrued	398,172	399,250	(1,078)

'000 KZT	Gross	Principal	%
Withholding tax	(101)	-	(101)
Foreign exchange difference	(1,417)	(1,417)	-
Withdrawn	(1,153,408)	(1,152,833)	(575)
As at 31 December 2012	**473**	**470**	**3**
Placed/Accrued	1,465,836	1,442,250	23,586
Withholding tax	(2,854)	-	(2,854)
Foreign exchange difference	-	-	-
Withdrawn	(378,292)	(362,120)	(16,172)
As at 31 December 2013	**1,085,163**	**1,080,600**	**4,563**

Current account

'000 KZT	31.12.2013	31.12.2012
As at 31 December	3,906,262	253,490

(d) Pricing policies

Pricing for related party transactions are primarily based on the "comparable uncontrolled price" method in accordance with the Law "On Transfer Pricing", dated 5 July 2008 and Rules (procedures) of Pricing of Natural Uranium Concentrate (U_3O_8), approved by the Government №74, dated 3 February 2008.

43. SUBSEQUENT EVENTS

In February 2014 the Sole shareholder of JSC "NAC "Kazatomprom" and the Sole participant of LLP "Gornorudnaya Company" approved the Transfer Act on reorganization of JSC "NAC "Kazatomprom", by means of take-over of LLP "Gornorudnaya Company". All rights and duties of LLP "Gornorudnaya Company" are transferred to JSC "NAC "Kazatomprom" in accordance with the Transfer Act.

On January 29, 2014 Supervisory Board of MAEC-Kazatomprom LLP (100% subsidiary of the Group) made preliminary decision to sell its entire shareholdings in JSC Aktaugasservice in favour of JSC KazTransGas for 1.2 billion tenge. This decision is under consideration of the Board of Directors of JSC NAC Kazatomprom.

In January 2014 the Company received a short term loan in the amount of USD 50 million under the credit line of Mizuho Nederland NV Bank.

On February 11, 2014 the National Bank of the Republic of Kazakhstan devalued tenge. As a result, on February 12, 2014 the market exchange rate of tenge for 1 US dollar fell to 184.55, i.e. about 19%. To prevent destabilisation of the financial market and the economy as a whole, the National Bank plans to set a corridor of fluctuations of the tenge against the US Dollar in the range of 182-188 tenge for 1 US Dollar. As of February 28, 2014 the official exchange rate of tenge to US dollar was 184.06 tenge. However, there is uncertainty about the exchange rate of tenge and future actions of the National Bank, as well as the influence of these factors on the economy of Republic of Kazakhstan.

The Company's management believes that the devaluation of national currency will not lead to deterioration of the financial situation of the Group, as the majority of the Group's products exported. According to preliminary calculations, the growth rate against the USD will lead to higher revenue side, the minor increase in expenditures and a significant increase in operating profit.

44. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by management of the Group and authorized for issue on 06 March 2014.

GLOSSARY

Term	Interpretation
CAPEX	Capital expenditures
CO_2	Carbon dioxide
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortization
EBITDA Margin	Ratio, expressed as a percentage, of the earnings before interest, taxes, depreciation and amortization to the sales proceeds
SWU	Separative work unit
ERP	Enterprise resource planning
GRI	Global Reporting Initiative
IPO	Initial Public Offering
ISO	International Organization for Standardization
ISO 14001	International Standard for Environmental management systems-Requirements with guidance for use
MTU	Metric tons of uranium
OHSAS 18001	International Standard for Occupational Health and Safety Management Systems
R&D	Research and Development
U_3O_8	Triuranium Octoxide
UF_6	Uranium hexafluoride
UO_2	Uranium dioxide
UO_3	Uranium trioxide
JSC	Joint stock company
NPP	Nuclear power plant
STB	Second Tier Banks
EKSTU	*D. Serikbayev's* East Kazakhstan State Technical University
EKR	East Kazakhstan Region
BWRT	Bolotov's wind rotor turbine
WDG	Wind driver generators
GRK	Ore mining company
S&A	Subsidiaries and affiliates

Term	Interpretation
PE	Producing enterprise
CJSC	Closed joint stock company
TUO	Triuranium Octoxide
KazNTU	*K.Satpayev's Kazakh National University*
KazNU	Al-Farabi Kazakh National University
Effy	Coefficient of efficiency
IAEA	International Atomic Energy Agency
MAEC	Mangistau Atomic Energy Combinate
CBA	Copper-beryllium alloys
MINT RK	Ministry of Industry and New Technologies of the Republic of Kazakhstan
MC	Metallurgical Combinate
IEC	International Electrotechnical Commission
NRNU	National Research Nuclear University
STC	Scientific and Technical Council
LLC	Limited liability company
OH&IS	Occupational health and industrial safety
TUAIR	Trade Union of Workers of Atomic Engineering, Industry and Related Branches
DISL	Drillhole in-situ leaching
RM & REM	Rare and rare-earth metals
JV	Joint venture
FA	Fuel assemblies
HPI	Heat pump installations
LLP	Limited liability partnership
UMP	Ulba Metallurgical Plant
DOSEP	Department for Occupational Safety and Environment Protection
CUE	Centre for Uranium Enrichment
SKR	South Kazakhstan Region
NFC	Nuclear Fuel Cycle

KAZATOMPROM
NATIONAL ATOMIC COMPANY

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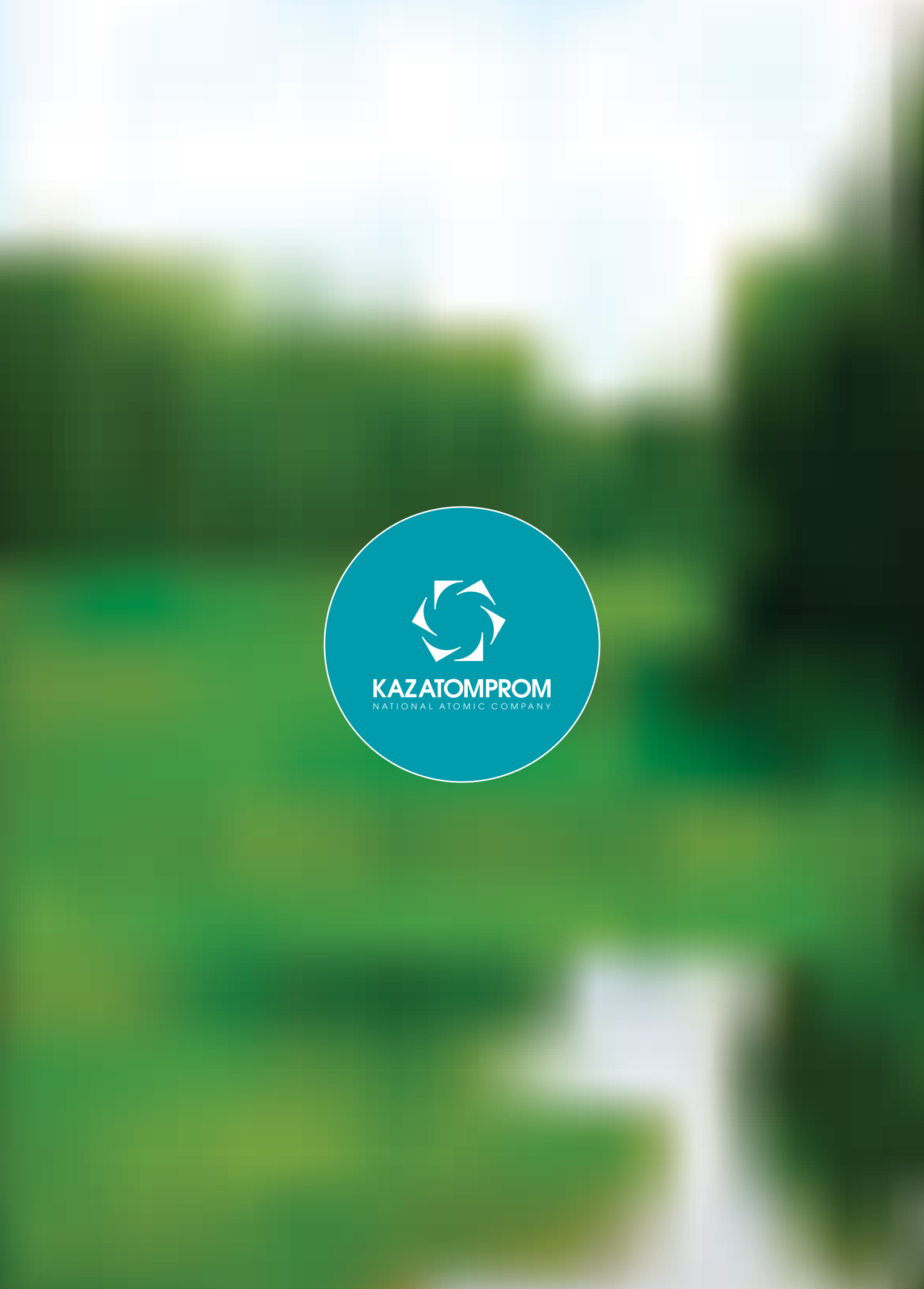
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