

**«NATIONAL ATOMIC COMPANY
«KAZATOMPROM» JSC**



QUARTERLY REPORT

2014

ASTANA, 2014

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I. Explanatory note to consolidated financial statements as of March 31, 2014

This Report is made in relation to interim consolidated financial statements of «National Atomic Company «Kazatomprom» JSC and its subsidiaries (hereinafter - «the Group») as of March 31, 2014 pursuant to International Financial Reporting Standards («IFRS»).

1. Sales proceeds

	3 m. of 2014	3 m. of 2013
	Thousand tenge	Thousand tenge
Uranium revenue	59 117 075	35 996 297
Beryllium revenue	1 317 488	1 699 770
Tantalum revenue	2 486 235	2 917 998
Energy revenue	12 064 384	10 942 629
Other	6 601 983	7 424 745
	81 587 165	58 981 439

Consolidated sales proceeds of the Group over the 1st quarter of 2014 amounts to KZT 81 587 165 thousand. Sales structure is distributing as follows:

- Uranium product – 72,46%
- Beryllium product – 1,61%
- Tantalum product – 3,05%
- Energy resources – 14,79%
- Other – 8,09%

Sales proceeds over 1st quarter of 2014 increased by 64% as compared to the 1st quarter of 2013.

The majority in sales structure is uranium products. At that, uranium revenue over 3 months of 2014 increased by 64% against 3 months of 2013. During the reporting period uranium products were sold 50% more against prior period of 2013. At the same time, income generation was affected by cut-rate prices on triuranium octoxide at the world market.

An increase in energy resources revenue is connected with increase in electricity tariff, as well as increase in volume of electricity sales.

Other earnings are mainly consisting of wells drilling, transport and other services revenue,.

2. Cost of sales

	3 m. of 2014	3 m. of 2013
	Thousand tenge	Thousand tenge
Raw and other materials	35 940 589	29 694 032
Processing and other services	11 995 005	4 549 981
Salary	5 770 904	5 959 196
Depreciation and amortization	3 523 239	3 824 553
Taxes except income tax	2 758 787	2 644 210
Repair and maintenance	281 652	382 404
Municipal services	636 538	359 902
Rent expenses	53 105	73 238
Transport expenses	521 537	86 408
R & D	11 572	18 099
Security services	93 625	
Insurance	52 244	
Travel expenses	38 498	
Other	1 021 292	450 811

62 698 587

48 042 834

Cost of sales over 3 months of 2014 amounted to KZT 62 698 587 thousand and increased by 31% against 3 months of 2013, this is due to the increase in volume of sales in 2013.

3. *Distribution costs*

Distribution costs	3 m. of 2014 Thousand tenge	3 m. of 2013 Thousand tenge
Shipping, transporting and storage charges	672 803	428 863
Salary	140 616	151 009
Percentage	40 244	106 717
Raw and other materials	39 322	39 116
Rent	38 062	37 809
Freight insurance	6 269	13 334
Customs duty	2 058	3 407
Advertising and marketing expenses	4 077	10 158
Taxes except income tax	15 425	15 605
Travel expenses	6 531	8 320
Amortization	18 992	12 778
Repairs and maintenance of fixed assets and intangible assets	8 082	
Radiation safety assurance	11 872	
Other	13 801	13 916
	1 018 154	841 032

Distribution costs over the 1st quarter of 2014 increased by 21% against the same period of 2013 and amounted to KZT 1 018 154 thousand. The main reason is an increase in shipping, transporting and storage expenses due to large volume of uranium products shipping during the reporting period against prior period.

4. *Administrative costs*

Administrative costs	3 m. of 2014 Thousand tenge	3 m. of 2013 Thousand tenge
Salary	2 482 631	2 484 576
Taxes except income tax	421 028	496 644
Amortization	219 714	247 778
Consulting, auditing and information services	186 645	205 589
Research expenditures	5 705	30 181
Repair and maintenance	48 881	60 483
Travel expenses	97 164	107 190
Rent	226 483	242 980
Training costs	23 687	55 305
Raw and other materials	95 471	92 804
Bank charges	32 651	39 737
Communication services	62 732	67 911
Stationery	16 633	29 082
Municipal services	77 377	53 727
Corporate events	27 185	21 189
Expenses representation	12 118	8 799

Insurance	12 386	23 405
Security services	10 543	47 470
Other	429 708	658 755
	4 488 742	4 973 605

Administrative costs amounted to KZT 4 488 742 thousand and decreased by 10 % against the same period of 2013 as part of the program on cost minimization and reduction.

5. *Financial income and expenditure*

	3 m. of 2014	3 m. of 2013
	Thousand tenge	Thousand tenge
Financial income		
Income on financial assets at fair value through profit or loss	2 073 701	10504
Dividend income		1 267 509
Interest earnings of the fixed deposits and demand deposits and operating accounts	975 231	447
Other financial income	30 667	4 205
	3 079 599	1729660

Financial income over the 1st quarter of 2014 increased against the 1st quarter of 2013 by 78% and amounted to KZT 3 079 599 thousand. Financial income increase is mainly due to increase of income on financial assets at fair value through profit / loss (revaluation of loans granted) in the amount of KZT 2 073 701 thousand in connection with depreciation of KZT against US dollar.

	3 m. of 2014	3 m. of 2013
	Thousand tenge	Thousand tenge
Financial expenditure		
Interest paid	1 952 819	1 331 558
Unwinding of discount on other financial liabilities	59 867	33 977
Unwinding of discount on reserves	248 949	190 968
Loss on selling of foreign currencies	40 112	32 119
Exchange difference expenditure	19 600 107	86 843
Other financial expenditure	30 307	61 301
	21 932 161	1 736 766

Financial costs increased sharply due to exchange difference expenditure to the amount of KZT 19 600 107 thousand, accrued on liabilities in US dollars in connection with depreciation of KZT in February 2014.

6. *Miscellaneous expenses*

	3 m. of 2014	3 m. of 2013
	Thousand tenge	Thousand tenge

Sponsor support and charity	61 341	54 781
Non-recoverable VAT	1 542	12 125
Social overhead costs	205 280	290 462
Loss on disposal and depreciation of long-term assets	13 572	1 138
Loss on suspension of production	119 040	80 392
Other	229 847	351 940
	630 622	790 838

Over 3 months of 2014 as compared to the same period of 2013 there is an increase in miscellaneous expenses by 50%. Maximum impact was made by expenses related to additional accruals under transfer pricing law in the amount of KZT 3 025 672 thousand.

7. *Earnings per share ratio on continuing operations*

Basic and diluted earnings per share:

	<u>3m. of 2014</u> KZT	<u>3m. of 2013</u> KZT
Basic and diluted earnings per share (KZT)	218,28	312,14

The Group did not issue dilutive potential ordinary shares.

Income and weighted average number of ordinary shares, used to calculate basic and diluted earnings per share are as follows:

	<u>3 m. 2014</u> Thousand tenge	<u>3 m. 2013</u> Thousand tenge
Profit/loss for the year, available to shareholders of parent company	8 009 215	11 453 314
Profit/loss, used for calculation of basic and diluted earnings per share	8 009 215	11 453 314

8. *Capital assets*

Capital assets	<u>31.03.2014.</u> Thousand tenge	<u>31.12.2013</u> Thousand tenge
Land	318 933	318 161
Buildings	58 107 099	57 100 342
Machinery and equipment	31 582 854	32 282 966
Transport	7 006 377	7 357 542
Other	2 425 492	1 886 343
	99 440 755	98 945 354

In the structure of capital assets major part is buildings and constructions - 58%, machinery and equipment is about 32%.

9. *The equity method of accounting for Investments*

Equity method of accounting for investments	31.03.2014	31.12.2013
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	<u>thous. tenge</u>	<u>thous.tenge</u>
Associated enterprises	84 908 808	86 336 938
Jointly controlled entities	46 106 134	47 480 502
	<u>131 014 942</u>	<u>133 817 440</u>

10. Financial assets

Other financial assets	31.03.2014 г.	31.12.2013 г.
	<u>thous. tenge</u>	<u>thous. tenge</u>
<i>Other long-term financial assets</i>		
Fixed deposits	1 243 885	969 643
Loans to related parties	20 582 172	18 192 451
	<u>21 826 057</u>	<u>19 162 094</u>

Fixed deposits for the most part consist of monetary assets which are transferred by the Group, subject to the terms of subsoil use contracts, onto long-term bank deposits for the purpose of financing future activity on mining fields reclamation. As of March 31, 2013 fixed deposits amounted to 1 243 885 thousand tenge and the growth made up 28%.

Loans to related parties include long-term credits to Kyzylkum LLP, Baiken-U LLP and Semizbai-U LLP. Total drawings as of March 31, 2014 amount to KZT 20 582 172 thousand. Pledge of property is a security for obligations under these loans.

	<u>31.03.2014</u>	<u>31.12.2013</u>
	<u>thous. tenge</u>	<u>thous. tenge</u>
<i>Other short-term financial assets</i>		
Short-term granted loans	1 230 750	1 341 644
Other short-term financial investments (deposit funds):	3 232 126	1 626 846
	<u>4 462 876</u>	<u>2 968 490</u>

Other short-term financial investments are for the most part term deposits placed in the second-tier banks for the period from 3 to 12 months.

<i>Money and money equivalent</i>	<u>31.03.2014</u>	<u>31.12.2013</u>
	<u>thousand tenge</u>	<u>thousand tenge</u>
Accounts with banks	22 700 664	15 279 978
Call deposits (deposits for the period up to 3 months)	275 576	1 632 028
Cash in transit	783 809	50 607
Cash on hand	97 890	59 451
Money on special banking accounts	42 926	130 037

23 900 86517 152 101

Structure of money and money equivalents includes bank balances, deposits for the period up to 3 months, cash in transit, cash on hand and money on special banking accounts.

11. Reserves

	<u>31.03.2014</u> thousand tenge	<u>31.12.2013</u> thousand tenge
Raw and other materials	15 675 722	16 601 614
Final products	25 136 052	31 549 329
Goods	1 022 815	1 484 984
Work in progress	16 040 634	11 418 689
Reserve on obsolete inventory	- 647 510	- 684 267
	<u>57 227 713</u>	<u>60 370 349</u>

12. Intangible assets

	<u>31.03.2014</u> thousand tenge	<u>31.12.2013</u> thousand tenge
Licenses and patents	16 727	18 115
Software	795 013	793 258
Goodwill	5 165 707	5 165 707
Others	1 206 478	1 228 873
	<u>7 183 925</u>	<u>7 205 953</u>

The major part of intangible assets consists of goodwill which is allocated per generating unit – uranium production.

13. Trade and other Receivables

	<u>31.03.2014</u> thousand tenge	<u>31.12.2013</u> thousand tenge
<i>Long-term</i>		
Trade Receivables	496 765	726 502
Other Receivables	-	-
Taxes	1 213 668	1 213 828
	<u>1 710 433</u>	<u>1 940 330</u>
<i>Short-term</i>		
Trade Receivables	52 589 674	32 602 526
Other Receivables	422 879	314 973
Taxes	34 665 303	31 375 353
	<u>87 677 856</u>	<u>64 292 852</u>
	<u>89 388 289</u>	<u>66 233 182</u>

Trade and other receivables of the Group increased 35% and as of March 31, 2014 amounted to KZT 89 388 289 thousand. Increase of trade receivables for 3 months of 2014 as compared to 2013 is due to uranium products shipment on which payment was not made (subject to the terms of the contract).

14. Credits and loans

(thousand tenge)

Name of loan creditor	Loan currency	31.12.2013 thousand tenge	31.03.2014 thousand tenge	Repayment date
Mizuho Bank Ltd. (NAC)	USD	2 016 349	2 048 072	September 30, 2015
Mizuho Nederland N.V. (NAC)	USD		9 124 387	April 28, 2014
Societe Generale (NAC)	USD		6 383 278	June 05, 2014
JSC "Citibank Kazakhstan" (Mining Company)	USD	9 759 490	9 881 096	April 25, 2014
Natixis (Mining Company)	USD	4 570 280	2 712 039	June 13, 2014
JSC Nurbank (Mining Company)	USD	4 147 470	4 915 080	May 01, 2014
BTMU (Astana Solar)	USD	11 390 973	13 806 074	October 01, 2024
Alpha Bank (Astana Solar)	USD	3 052 573	3 648 445	May 23, 2014
Natixis (MAEC)	USD	213 384	257 909	June 30, 2014
Natixis (MAEC)	USD	3 078 803	3 866 532	June 30, 2022
JBIC (Appak)	USD	4 828 100	4 638 462	December 27, 2014
JSC "Citibank Kazakhstan" (TTC)	USD		1 541 879	March 13, 2015
Alpha Bank (Sareco)	KZT	261 832	538 909	March 19, 2015
Extra-bank loans		382 618	384 587	
JV Cogema Katco-Demeu (Kazatomprom-Demeu)	KZT	247 431	252 946	August 01, 2024
Purolite AG (Mining Company)	USD	6 883		December 31, 2013
Purolite International (Mining Company)	KZT	18 163		December 31, 2013
SMCC LLP (Kyzyltu)	KZT	110 141	131 641	September 30, 2014
Other financial obligations		76 969 910	92 698 288	
Eurobonds (NAC)	USD	76 969 910	92 698 288	May 20, 2015
TOTAL		120 671 782	156 445 037	

Consolidated debt under credits and loans amounted to KZT 156 445 037 thousand as of March 31, 2013. Its increase in comparison with the beginning of the year is explained by the fact that together with repayment of current portion of the loans the companies of the Group raised the following funding:

- NAC Kazatomprom JSC to the amount of US\$ 50 million with Mizuho Nederland N.V, US\$ 35 million with Societe Generale,
- Trade and Transport Company LLP to the amount of US\$ 8.1 million with Citibank Kazakhstan JSC.

Schedule of debts repayment under credits and loans

(thous. tenge)

Name of loan creditor	Debt as of 31.03.2014	Amount due				
		2014	2015	2016	2017	2018-2024
Mizuho Bank Ltd. (NAC)	2 048 072	1 024 097	1 023 975			
Mizuho Nederland N.V. (NAC)	9 124 387	9 124 387				
Societe Generale (NAC)	6 383 278	6 383 278				
JSC "Citibank Kazakhstan" (NAC)	9 881 096	9 881 096				
Natixis (NAC)	2 712 039	2 712 039				
JSC Nurbank (NAC)	4 915 080	4 915 080				
BTMU (Astana Solar)	13 806 074	694 537	1 497 464	1 497 464	1 497 464	8 619 145

Alpha Bank (Astana Solar)	3 648 445	3 648 445				
Natixis (MAEC) 1	257 909	257 909				
Natixis (MAEC) 2	3 866 532	569 103	531 544	531 544	531 544	1 702 797
JBIC (Appak)	4 638 462	4 638 462				
JSC "Citibank Kazakhstan" (TTC)	1 541 879		1 541 879			
Alpha Bank (Sareco)	538 909	333 909	205 000			
Extrabank loans	384 587	131 641	-	-	-	252 946
"JV Cogema Katco-Demeu" (Kazatomprom-Demeu)	252 946					252 946
SMCC LLP (Kyzyltu)	131 641	131 641				
Other financial obligations	92 698 288	2 058 636	90 639 652	-	-	-
Eurobonds (NAC)	92 698 288	2 058 636	90 639 652			
TOTAL	156 445 037	46 372 619	95 439 514	2 029 008	2 029 008	10 574 888

The maximum debt repayment amount under loans falls on May 2015 when repayment of the Company's Eurobonds in the amount of US\$ 500mln becomes due.

15. Trade and other Payables

	31.03.2014	31.12.2013
	<u>thous. tenge</u>	<u>thous. tenge</u>
<i>Long-term</i>		
Trade payables	2 766 348	2 334 316
Other payables	26 122	26 898
	<u>2 792 470</u>	<u>2 361 214</u>
<i>Short-term</i>		
Trade payables	33 613 985	31 265 291
Other payables	577 449	498 782
Taxes	4 242 285	3 539 004
	<u>38 433 719</u>	<u>35 303 077</u>
	<u>41 226 189</u>	<u>37 664 291</u>

Trade and other payables of the Company increased 10% and amounted KZT 41 226 189 thousand as of March 31, 2014.

16. Book value per one ordinary share

In accordance with the methodology for calculation of book value per 1 share as set out in Annex 6 to the Listing Rules of Kazakhstan Stock Exchange JSC, the book value per one ordinary share of Kazatomprom JSC is KZT 10 762 as of March 31, 2014.

	31.03.2014	31.12.2013
	<u>thous. tenge</u>	<u>thous. tenge</u>
Assets, total	639 927 652	603 747 400
Intangible assets	7 183 925	7 205 953
Obligations, total	237 875 122	196 956 390
<i>Net assets for ordinary shares</i>	<u>394 868 605</u>	<u>399 585 057</u>
Number of ordinary shares for calculation of share book		

value	<u>36 692 361</u>	<u>36 692 361</u>
Book value of an ordinary share (KZT)	<u>10 762</u>	<u>10 890</u>

II. Other significant data related to the operation of NAC Kazatomprom JSC for 3 months of 2014.

Changes in the structure of NAC Kazatomprom JSC for 3 months of 2014:

On February 10, 2014 the Sole Shareholder approved the Certificate of ownership and merger related to reorganization of NAC Kazatomprom JSC by acquisition of Mining Company LLP, and based thereon Mining Company LLP transferred all assets and obligations to NAC Kazatomprom JSC.

Deputy Chairman of the Board

A.Arifkhanov

Chief Accountant

Z.Kaliyeva