

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



9-monthly REPORT

2014

ASTANA, 2014

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I. Explanatory note to consolidated financial statements as of September 30, 2014

This Report has been prepared in relation to consolidated financial statements of «National Atomic Company «Kazatomprom» JSC and its subsidiaries (hereinafter - «the Group») as of September 30, 2014 according to the International Financial Reporting Standards («IFRS»).

1. Sales proceeds

	<u>9 m 2014</u> thous. tenge	<u>9 m 2013</u> thous. tenge
Uranium revenue	138 531 864	149 596 538
Beryllium revenue	6 136 275	5 598 807
Tantalum revenue	8 556 589	10 736 294
Energy revenue	31 737 281	28 314 036
Other	26 221 047	28 973 159
	<u><u>211 183 056</u></u>	<u><u>223 218 834</u></u>

Consolidated sales proceeds of the Group over 9 months of 2014 amounted to KZT 211 183 056 thousand. Sales structure is as follows:

- Uranium products – 65.60%
- Beryllium products – 2.91%
- Tantalum products – 4.05%
- Energy resources – 15.03%
- Other – 12.42%

Sales proceeds for 9 months of 2014 decreased 5% as compared to 9 months of 2013.

Uranium products account for the largest part in the sales structure. Uranium sales proceeds over 9 months of 2014 slightly decreased 7% against 9 months of 2013. In the reporting period uranium products were sold at the level of the past period of 2014. But the sale price was lower because of significant decrease of prices on uranium market.

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

2. Cost of sales

	<u>9 m 2014</u> thous. tenge	<u>9 m 2013</u> thous. tenge
Raw and other materials	97 457 644	109 126 596
Processing and other services	16 502 308	18 713 663
Salary	16 977 175	17 219 683
Depreciation and amortization	12 630 180	13 336 908
Taxes except income tax	11 028 127	11 391 324
Repair and maintenance	1 338 737	1 858 930
Municipal services	1 530 881	1 021 557
Rent expenses	213 157	210 182
Transport expenses	3 516 084	237 587
R & D	12 746	126 198
Other	1 452 676	2 337 117
	<u><u>162 659 715</u></u>	<u><u>175 579 745</u></u>

Cost of sales over 9 months of 2014 in absolute terms made up KZT 162 659 715 thousand. Over 9 months of 2014 the Company's activity was focused on optimization and cuts in expenditures, and that allowed decreasing 3% the cost of sales per unit of uranium products for the reporting period.

3. Distribution costs

	9 m 2014	9 m 2013
	thous. tenge	thous. tenge
Shipping, transportation and storage charges	1 610 998	1 658 149
Salary	452 836	468 409
Sales agent commission, other tender expenditures	261 135	580 501
Raw and other materials	113 973	137 278
Rent	134 393	140 285
Freight insurance	24 611	39 635
Customs duty	11 948	9 225
Advertising and marketing expenses	46 686	34 250
Taxes except income tax	54 362	48 794
Travel expenses	28 933	34 553
Amortization	45 031	40 543
Other	57 147	78 858
	2 842 053	3 270 479

Distribution costs over 9 months of 2014 decreased 13% against the same period of 2013 and amounted to KZT 2 842 053 thousand.

4. Administrative costs

	9 m 2014	9 m 2013
	thous. tenge	thous. tenge
Salary	8 446 936	7 818 141
Taxes except income tax	1 467 379	1 512 379
Amortization	630 241	715 352
Consulting, auditing and information services	905 545	735 074
Research expenditures	448 124	816 913
Repair and maintenance	226 279	245 584
Travel expenses	340 172	405 779
Rent	702 805	768 496
Training costs	153 333	237 347
Raw and other materials	327 883	356 630
Bank charges	100 969	155 762
Communication services	194 291	236 856
Stationery	46 006	82 995
Municipal services	153 221	93 991
Corporate events	151 195	146 904
Expenses representation	27 944	31 034
Insurance	25 360	76 107
Security services	132 698	149 534
Social assistance to employees, charity and social facilities maintenance	542 860	783 544
Provision for doubtful debts	880 856	497 164
Penalties and charges on taxes	-3 351 272	
Other	-139 953	871 155

12 412 87216 736 740

Administrative costs made up 12 412 872 thous. tenge and decreased 26% as compared with the same period of 2013.

Based on the Resolution of the Supervisory Board of the Supreme Court of the Republic of Kazakhstan dated September 17, 2014, liabilities on corporate income tax accrued in 2013 were reversed, as well as penalties and fines on the inspection carried out in relation to issues of transfer pricing for 2007, which were accrued in 2013.

5. *Financial income and expenditure*

	<u>9 m 2014</u> <u>thous. tenge</u>	<u>9 m 2013</u> <u>thous. tenge</u>
<i>Financial income</i>		
Dividend income		1 267 509
Income (revalue) on financial assets	2 180 924	
Interest earnings of fixed deposits and demand deposits and operating accounts	1 873 911	1 258 786
Other financial income	697 811	225 871
	<u>4 752 646</u>	<u>2 752 166</u>

Financial income over 9 months of 2014 increased 73% against 9 months of 2013 and amounted to KZT 4 752 646 thousand. Increase of financial income is mainly explained by the growth of income on financial assets, recognized at fair value through income/loss (revalue of loans provided) in the amount of 2 180 924 thous. tenge for the reason of depreciation of tenge to US dollar.

	<u>9 m 2014</u> <u>thous. tenge</u>	<u>9 m 2013</u> <u>thous. tenge</u>
<i>Financial expenditure</i>		
Interest paid	5 607 224	5 037 809
Unwinding of discount on other financial liabilities	29 892	66 282
Unwinding of discount on reserves	873 777	602 776
Amortization of long-term liabilities discount	195 785	104 675
Exchange difference expenditure	18 521 158	95 309
Other financial expenditure	350 050	76 504
	<u>25 577 886</u>	<u>5 983 355</u>

Financial expenditures sharply increased due to exchange difference expenditures to the amount of 18 521 158 thous. tenge, accrued on obligations in US dollars, because of depreciation of tenge in February 2014, as well as expenditures on currency purchase (data are classified in other financial expenditures).

6. *Other expenses*

9 m 2014
thous. tenge

9 m 2013
thous. tenge

Sponsor support and charity	214 292	1 336 424
Penalties, fines and forfeit expenses		3 025 672
Social expenses	795 460	911 453
Loss on disposal and depreciation of long-term assets	1 160 575	414 928
Loss on suspension of production	367 666	186 317
Other	576 155	354 845
	3 114 148	6 229 639

Over 9 months of 2014 as compared to the same period of 2013 other expenses decreased twofold. Reporting period has losses on disposal and depreciation of assets, including depreciation of investments into jointly controlled and associated organizations.

7. Earnings per share ratio on continuing operations

Basic and diluted earnings per share:

	9 m 2014 tenge	9m 2013 tenge
Basic and diluted earnings per share (tenge)	427,57	1 039,95

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:

	9 m 2014 thous. tenge	9 m 2013 thous. tenge
Profit/loss for the year, available to shareholders of the parent company	15 688 458	38 158 223
Profit/loss used for calculation of basic and diluted earnings per share	15 688 458	38 158 223

8. Capital assets

Capital assets	30.09.2014 thous. tenge	31.12.2013 thous. tenge
Land	325 008	318 161
Buildings	56 838 840	57 100 342
Machinery and equipment	32 256 340	32 282 966
Transport	6 620 055	7 357 542
Other	2 428 693	1 886 343
	98 468 936	98 945 354

In the structure of capital assets the major part belongs to buildings and constructions - 58%, machinery and equipment - about 33%.

9. The equity method of accounting for Investments

Equity method of accounting for investments	30.09.2014 thous. tenge	31.12.2013 г. thous. Tenge
	89 984	
Associated enterprises	817	86 336 938
Jointly controlled entities	43 380	47 480 502

652	133 365
<u>469</u>	<u>133 7 440</u>

10. Financial assets

Other financial assets

	30.09.2014	31.12.2013
	thous. tenge	thous. tenge
<i>Long-term</i>		
Fixed deposits	2 709 716	969 643
Loans to related parties ("Baiken-U" LLP and "Kyzylkum" LLP)	<u>20 006 113</u>	<u>18 192 451</u>
	<u>22 715 829</u>	<u>19 162 094</u>

Long-term deposits are term deposits at second-tier banks for a period exceeding 12 months.

Loans to related parties include long-term credits to «Kyzylkum» LLP, «Baiken-U» LLP and Semizbai-U LLP. Total drawings as of September 30, 2014 amount to KZT 20 006 113 thousand. Pledge of property is the collateral for obligations under these loans.

	30.09.2014	31.12.2013
	thous. tenge	thous. tenge
<i>Other short-term financial assets</i>		
Short-term loans granted	2 552 394	1 341 644
Other short-term financial investments (deposit funds):	<u>2 630 784</u>	<u>1 626 846</u>
	<u>5 183 178</u>	<u>2 968 490</u>

Other short-term financial investments are mainly term deposits placed in the second-tier banks for a period from 3 to 12 months. If compared with the beginning of the year other short-term financial assets increased 70% due to re-classification of the current part of long-term loans granted.

Money and money equivalent

	30.09.2014	31.12.2013
	thous. tenge	thous. tenge
Accounts with banks	20 959 073	15 279 978
Call deposits (deposits for the period up to 3 months)	439 647	1 632 028
Cash in transit	36 800	50 607
Cash on hand	79 259	59 451
Money on special bank accounts	<u>273 402</u>	<u>130 037</u>
	<u>21 788 181</u>	<u>17 152 101</u>

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

11. Reserves

	30.09.2014	31.12.2013
	thous. tenge	thous. tenge
Raw materials and supplies	16 785 731	16 601 614
Final products	40 258 937	31 549 329
Goods	908 648	1 484 984
Work in progress	13 696 767	11 418 689
	- 1 134	
Reserve before FMV	303	-
	70 515 780	60 70 349

12. Intangible Assets

	30.09.2014	31.12.2013
	thous. tenge	thous. tenge
Licenses and patents	20 939	18 115
Software	929 078	793 258
Goodwill	5 165 707	5 165 707
Others	1 203 502	1 228 873
	7 319 226	7 205 953

The sufficient part of intangible assets is comprised of goodwill which is allocated per a generating unit – uranium production.

13. Trade and other Receivables

	30.09.2014	31.12.2013
	thous. tenge	thous. tenge
Long-term		
Trade receivables	37 291	726 502
Taxes	1 213 668	1 213 828
	1 250 959	1 940 330
Short-term		
Trade receivables	31 926 418	32 602 526
Other receivables	272 641	314 973
Taxes	28 409 442	31 375 353
	60 608 501	64 292 852
	61 859 460	66 233 182

There was no significant changes in trade and other receivables in the reporting period.

14. Credits and loans

(thousand tenge)

Name of loan creditor	Loan currency	31.12.2012 thousand tenge	30.09.2013 thousand tenge	Repayment date
Mizuho Bank Ltd. (HAK)	USD	2 016 349	1 364 331	September 30, 2015
Citibank Kazakhstan JSC (GRC)	USD	9 759 490		April 25, 2014
Citibank Kazakhstan JSC (KAP)			3 638 000	October 23, 2014
Natixis (GRK)	USD	4 570 280		June 13, 2014
JSC Nurbank (GRK)	USD	4 147 470		May 01, 2014
BTMU (Astana Solar)	USD	11 390 973	13 510 095	October 01, 2024
Alpha Bank (Astana Solar)	USD	3 052 573	2 012 592	May 23, 2014
Natixis (MAEC)	USD	213 384	-	June 30, 2014
Natixis (MAEC)	USD	3 078 803	3 618 430	June 30, 2022
JBIC (Appak)	USD	4 828 100	1 773 471	December 27, 2014
JSC "Citibank Kazakhstan" (TTC)	USD		1 540 693	March 13, 2015
Alpha Bank (Sareco)	KZT	261 832	647 655	March 19, 2015
Citibank Kazakhstan (Astana Solar)	USD		2 743 962	
Citibank Kazakhstan (MC KazSilicon)	USD		983 897	
Citibank Kazakhstan (Kaz SolarSilicon)	USD		1 561 975	
Alpha Bank (MC KazSilicon)	USD		299 114	
Extra-bank loans		382 618	482 935	
Cogema Katco-Demeu JV (Kazatomprom-Demeu)	KZT	247 431	264 365	August 01, 2024
Purolite AG (GRC)	USD	6 883		December 31, 2013
Purolite International (GRC)	KZT	18 163		December 31, 2013
SMCP LLP (Kyzyltu)	KZT	110 141	218 570	September 30, 2014
Other financial obligations		76 969 910	92 801 478	
eurobonds (NAC)	USD	76 969 910	92 801 478	May 20, 2015
TOTAL		120 671 782	126 978 628	

Consolidated debt under credits and loans as of September 30, 2014 made up KZT 126 978 628 thousand. The increase in comparison with the beginning of the year is explained by the fact that along with repayment of the current portion of loans the Group's enterprises raised short-term loans within the revolving credit facility in JSC Citibank Kazakhstan.

Schedule of debt repayment

Name of loan creditor	Debt as of 30.09.2014	Repayment schedule				
		2014	2015	2016	2017	2018-2024
Mizuho Bank Ltd. (NAC)	1 364 331	341 143	1 023 188			
JSC "Citibank Kazakhstan" (NAC)	3 638 000	3 638 000				
BTMU (AAstana Solar)	13 510 095		1 528 685	1 528 625	1 528 625	8 924 220
Alpha Bank (Astana Solar)	2 012 592	11 692	2 000 900			
JSC "Citibank Kazakhstan" (Astana Solar)	2 743 962	2 143 692	600 270			
Natixis (MAEC)	3 618 430	265 567	567 503	531 134	531 134	1 723 092
JBIC (Appak)	1 773 471	1 773 471				
JSC "Citibank Kazakhstan" (TTC)	1 540 693		1 540 693			
Alpha Bank (Sareco)	647 655	3 219	644 436			
Citibank Kazakhstan (MC KazSilicon)	983 897	801 997	181 900			
Alpha Bank (MC KazSilicon)	299 114	1 746	297 368			
Citibank Kazakhstan (Kaz SolarSilicon)	1 561 975	1 380 075	181 900			
Extra-bank loans	482 935	218 570				264 365
Cogema Katco-Demeu JV (Kazatomprom-Demeu)	264 365					264 365
SMCP LLP (Kyzyltu)	218 570	218 570				
Other financial obligations	92 801 478	2 054 407	90 747 071			
<i>Eurobonds (NAC)</i>	92 801 478	2 054 407	90 747 071			
TOTAL	126 978 628	12 633 579	99 313 914	2 059 819	2 059 819	10 911 497

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. To pay debt the Company is planning to raise a medium-term loan. Facility agreement is expected to be executed in December 2014 – January 2015, actual drawdown is expected to be in May 2015.

15. Trade and other Payables

	30.09.2014	31.12.2013
	thous. tenge	thous. tenge
Long-term		
Trade payables	313 514	2 334 316
Other payables	306	26 898
	313 820	2 361 214
Short-term		
Trade payables	28 526 162	31 265 291
Other payables	42 624 675	498 782
Taxes	6 045 872	3 539 004
	77 196 709	35 303 077
	77 510 529	37 664 291

Over 9 months 2014 trade and other payables of the Company increased twofold due to other payables on purchasing geological prospecting and mine and development works from LLP Kyzylkum and JSC JV Betpak Dala (due to loss by enterprises of the subsoil use rights).

16. Book value per share of one common stock

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 11 249 as of September 30, 2014.

	30.09.2014	31.12.2013
	thous. tenge	thous. tenge
Assets, total	672 618 182	603 747 400
Intangible assets	7 319 226	7 205 953
Obligations, total	252 544 705	196 956 390
Net assets for ordinary shares	412 754 251	399 585 057
Number of ordinary shares for calculation of share book value	36 692 361	36 692 361
Book value of an ordinary share (KZT)	11 249	10 890

II. Other material information related to Kazatomprom's operation for 9 months of 2014

On February 10, 2014 the Sole Shareholder approved the Transfer Act in relation to reorganization of NAC Kazatomprom JSC by acquisition of Mining Company LLP based on which Mining Company LLP transferred all assets and liabilities to NAC Kazatomprom JSC.

Semizbai-U LLP renewed the state license for activity related to production of intermediate uranium-containing products.

Based on the court decision the transfer of subsoil use rights of Kyzylkum LLP (deposit «Northern Kharassan», site «Kharassan-1») and JV Betpak Dala LLP (deposits «Akdala», «Inkai», Site 4) was declared invalid. Therefore, subsoil use rights under above contracts were returned since June 04, 2014 to NAC Kazatomprom JSC. On October 17, 2014 subsoil use rights were transferred to new enterprises, established with the same participants and participatory interest distribution.

JSC «KRK JV «Zarechnoye», pursuant to the Act of acceptance and evaluation of works aimed at liquidation of subsoil use objects and pursuant to the Act of return of contract territory of deposit «Southern Zarechnoye», carried out the reclamation and return of 103.6 square kilometers of contract area to the authorized agency.

State Commission on Mineral Resources of the Republic of Kazakhstan, Committee of Geology and Subsoil Use, approved the additions to uranium reserves of Inkai LLP according to the results of exploration of site No.3, Inkai deposit (Northern side).

Appak LLP is planning to execute an additional agreement to the Contract on exploration at Western site of Mynkuduk in the part of change of mining license.

NAC Kazatomprom JSC launched a new deposit, Central Moinkum, Site No.3 with the designed capacity of 500 tons under the contract on subsoil use for the development of the above deposit.

Deputy Chairman of the Board

A.Arifkhanov

Chief Accountant

Z.Kaliyeva