

INTEGRATED  
ANNUAL REPORT  
2014



ROSATOM







# INTEGRATED ANNUAL REPORT

JSC ATOMREDMETZOLOTO



ROSATOM

# 2014

## APPROVED

by the Annual General Meeting of Shareholders  
of JSC Atomredmetzoloto on June 29, 2015  
(Minutes No. 24)

This report has been preliminarily approved by  
Resolution No. 143 of the Board of Directors  
of JSC Atomredmetzoloto

dated May 27, 2015

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# Address by the Chairman of the Board of Directors



**A.M. Lokshin**

Dear readers!

In 2014, Rosatom State Corporation achieved big successes in all areas of operations – from record electrical power generation in the amount of 182 bln kW·h to generation of the largest foreign NPP construction order portfolio worth USD 101.4 bln. Fulfillment of all obligations by the Corporation, in particular guaranteed nuclear fuel deliveries during the entire lifecycle of NPPs constructed by Rosatom as well as the reliability and security of Russian nuclear technologies and commercial efficiency of Russian proposals is an important argument when our partners make decisions about cooperation.

The complexity of the tasks faced by Rosatom State Corporation determines high requirements for ARMZ Uranium Holding: assuring natural uranium deliveries at a competitive production cost. For their successful implementation, the Holding needs to continuously raise process efficiency, optimize investment project portfolio and invest money in development of the mineral resource base, prepare for the gradual development of Russian strategic reserve expected to be in market demand in the future.

In this respect, JSC Atomredmetzoloto faced new strategic tasks in 2014:

- assuring the efficient refinement of current reserves at PJSC PIMCU with simultaneous restructuring of the plant, and contributing to the economic diversification of Krasnokamensk; creating a base for subsequent development of the Zherlovskoye and Argunskoye deposits [Mine No. 6];
- building, in a balanced manner, cost-effective uranium production at JSC Dalur and JSC Khiagda, including subsequent commissioning and development of the Vitimskoye ore cluster, with long-term preservation of the current stable production level in Russia.

The target for Russian uranium producing assets – to reduce by 2019 uranium mining cost by 30% and underground leaching mining by 10%.

JSC Atomredmetzoloto successfully accomplishes the tasks it faces. The most important 2014 result was a reduction in specific uranium production cost by 5% for the holding and by 6% for PJSC PIMCU. It should be noted that the share of uranium produced by the cost-effective and environmentally-friendly underground leaching method in the production structure

is growing. JSC Khiagda is completing construction and is preparing to reach a capacity of 1,000 uranium tons.

For ARMZ Uranium Holding, 2014 was decisive in terms of geological exploration works on Novaya Zemlya archipelago. By 2019, investments in the Pavkovskoye project will make it possible to launch the largest lead-zinc concentrate production effort in the arctic zone.

JSC Atomredmetzoloto started implementation of the project for associated scandium and rare-earth metal production based on the existing infrastructure of underground leaching plants.

On the basis of PJSC PIMCU, supported by the Government of Trans-Baikal territory, Krasnokamensk industrial park was created. Memoranda of intent were reached with Russian and Chinese partners with respect to such projects as cement plant construction, man-made waste (burnt pyrites) recycling and others.

Participation in these projects will assure revenue growth, creation of new jobs for personnel released in uranium production, and efficient use of existing infrastructure. Generally, by 2019, the diversification program will make it possible to create over one thousand new jobs in the City of Krasnokamensk and Krasnokamensk Region.

When solving production tasks and restructuring, Rosatom State Corporation and the Mining Division adhere to social responsibility principles. As part of the consolidated taxpayer group, Rosatom State Corporation receives additional funds for infrastructure-facility development in the company's operating regions – Kurgan Region, Republic of Buryatia and Trans-Baikal Territory. JSC Atomredmetzoloto's contribution to the socio-economic development of its operating territories lies not merely in the generation of an income base for regional and local budgets, but also in the implementation of its target range of social and charitable programs. In future this work will continue.

Dear colleagues! The ARMZ Uranium Holding team has deftly handled its assigned tasks. The scope of work done over the year is presented in this report in a consolidated form. I'm confident that efficiency-improvement programs will emerge as a solid foundation for Holding development in the years to come.

# Address by the Director General



V.N. Verkhovtsev

Dear colleagues!

In this annual report, we present you with ARMZ Uranium Holding's operating results, discussing its achievements, plans and prospects, and inviting partners to familiarize themselves with the daily routine of the Mining Division of Rosatom Corporation.

For ARMZ Uranium Holding, 2014 was a milestone year in the Company's history.

The main efforts of the Holding's team focused on implementation of the tasks faced by Rosatom State Corporation – to satisfy Rosatom demand for Russian uranium at a competitive production cost, emphasizing the Company's loss-free operation and its assets.

In 2014, despite difficult financial and economic conditions, there were positive trends in the Holding's achievement of set targets.

An important result of our work in 2014 was a reduction in uranium production costs by 6% at PJSC PIMCU. We overcame a longstanding trend, stemming the tide of growing losses that had accumulated at the plant over the course of many years. Having streamlined procurement operations, we managed to reduce costs by RUB 1.9 bln. A substantial economic effect is expected due to the implementation of innovative process solutions in production. In 2014 expenses earmarked for innovative projects, including R&D, rose by almost RUB 60 mln.

Under unfavourable market conditions at low uranium prices we are confidently advancing to profitable production. Herewith, we are focusing on industrial and environmental safety issues. In 2014, we reached the best safety indicator for many years – the quantitative incident rate was reduced by 50%, including during underground mining works.

Along with efficiency gains at the operating production facilities of PJSC PIMCU, the Holding continues to develop strategically-reserved projects (Kaldera and Mine No. 6). The implementation will provide the Combine with a high-quality raw materials base and create a reserve for its subsequent development.

Our plants operating according to the state-of-the-art underground leaching method – JSC Dalur and JSC Khiagda – are actively developing. Advanced yellow-cake drying technology was tested at JSC Dalur, allowing for a reduction in end-product humidity level to 1.5%; thus, achieving quality improvements and ensuring product compliance with the basic specification of the customer – Fuel Company TVEL – was assured.

At JSC Khiagda, construction of the stage-one start-up complex facilities of the main building and integrated equipment tests were completed. All this will allow the plant to reach the capacity of 1000 tons of uranium per annum in the near term. It should also be noted that for the long-term development JSC Khiagda, substantial resource potential has been discovered as a result of prospecting works performed within the Vitimskoye uranium-ore area in the Republic of Buryatia.

Our engineering and geological exploration companies claimed their first successes on the external markets, as relayed in detail in our 2013 annual report. In the past year, JSC RUSBURMASH and JSC VNIIPromtekhologii revenues from the delivery of services to new clients grew several times over.

Having preserved our traditional competencies in the nuclear chain, we embarked on business diversification. The basis for was laid in Trans-Baikal Territory for creating new enterprises – a cement plant and a brown-coal processing plant. With business diversification we associate not only obtaining additional income but also creating new, including high-tech jobs in Krasnokamensk.

For ARMZ Uranium Holding, it is extremely important that all of our cities of operation are as comfortable and livable as possible. In 2014, our sense of responsibility to local citizens prompted us to implement a range of measures in Krasnokamensk for the promotion of self-employment and social entrepreneurship. The contest "Starting Your Own Business" was conducted with the provision of grants to people intending to grow their own social business.

All of the initiatives we endeavored to implement over the past year will continue to be pursued moving forward.

We recognize that Russian uranium production is of strategic significance to national security and the resource independence of the state. In 2015, we are facing no less complicated tasks, whose solution will require us to maneuver around the challenging economic conditions stemming from the difficult market situation and volatile currency market.

I am convinced that the JSC Atomredmetzoloto workforce is a strong team of professionals who really know and love their job. These are people which, despite circumstances, can work for result!

# Information about the Report

## Contents of the Report

The 2014 public Annual Report (hereinafter referred to as the "Report") is the seventh report by ARMZ Uranium Holding Co. (hereinafter referred to as "JSC Atomredmetzoloto," "ARMZ Uranium Holding Co.," "the Holding," or the "Company") summarizing financial, production, and non-financial results that give a general idea

of the Company's activities in sustainable development in particular.

➔ **For more details see sect. 2.3.1.** Operations of PJSC PIMCU (Trans-Baikal Territory, Krasnokamensk City), **2.3.2.** Operations of JSC Dalur (Republic of Buryatia, Bagradin Village) and **2.3.3.** Operations of JSC Khiagda (Kurgan Region, Uksyanskoye Village)

The primary difference of the Report – special sections dedicated to the operations of the main uranium assets of the Holding – PJSC PIMCU, JSC Khiagda and JSC Dalur.

GRI Guide application G4 option Core level

## Standard and regulatory requirements when drafting the Report

The Report was drawn up according to Russian laws on open joint-stock company statements. The financial information is based on the Company's consolidated accounting statements prepared under IFRS. You can find all IAS statements at the JSC Atomredmetzoloto website (www.armz.ru).

### Federal regulatory acts

Federal Law dated 26.12.1995 No.208-FZ "On Joint-Stock Companies;"

Federal Law dated 06.12.2011 No. 402-FZ "On Accounting;"

"Regulation on information disclosure by securities issuers approved by the Bank of Russia on 30.12.2014 No. 454-P;"

Letter of the Bank of Russia dated 10.04.2014 No. 06-52/2463 "On the Corporate Governance Code."

### International public accounting standards:

AA1000 Stakeholder Engagement Standards (Institute of Social and Ethical Accountability);

Sustainability Reporting Guidelines (Global Reporting Initiative, GRI), G4.0 version;

International Integrated Reporting Framework (IIRC, International <IR> Framework);

ISO 26000:2010 standard "Social Responsibility Guide" etc.

### Rosatom State Corporation regulatory documents:

Public Reporting Policy of Rosatom State Atomic Energy Corporation approved by order of State Corporation Rosatom dated 13.05.2011 No. 1/403-P;

Public Annual Report Template for key (for the purpose of public reporting) entities of Rosatom State Atomic Energy Corporation approved by order of State Corporation Rosatom dated 13.05.2011 No. 1/403-P.

## Report Scope

Operations of JSC Atomredmetzoloto 01.01.2014 – 31.12.2014. The Report covers the main companies within the Holding's management structure. The previous Report was issued in 2014 based on 2013 reporting-year results.

Working Group composition is approved by order of the director general of JSC Atomredmetzoloto.

**Stage 1:** Development of the Report concept, including:

- analysis of stakeholder suggestions/comments provided during the previous reporting campaign;
- updated methodological framework based on GRI, IIRC and Rosatom State Corporation requirements and other documents regulating the Report;
- analysis of global best practices related to public reporting.

**Stage 2:** Selection of priority topics of the Report, including:

- analysis of the Company's activities over 2014 and stakeholder recommendations received during the 2013 Report preparation process;
- list of significant topics;
- checking the significance of the topics selected by the Report Preparation and Audit Team;
- discussing priority topics with stakeholders (through questionnaires);
- the Company's management approving the priority topics.

**Priority topic of the Report:**

Enhancing the business efficiency of ARMZ Uranium Holding as a key strategic area

## Report Preparation and Contents

The deputy director general acts as the initiator and organizes the Report preparation process. The regulation on work for report preparation and

**Stage 3:** Development of Report contents, taking into account:

- JSC Atomredmetzoloto mission;
- JSC Atomredmetzoloto strategy;
- JSC Atomredmetzoloto current status;
- Rosatom priorities and values;
- key stakeholders' interests.

⇒ **For more details see sect. 4.1.** Dialog with Stakeholders in the Course of Report Preparation.

**In the course of the discussions**

**38**

**suggestions and recommendations**  
were received from stakeholders

**34**

**of them were implemented in this Report**

1 was not implemented, 2 will be reviewed by the Holding's management in the course of ongoing operations and when drafting the 2015 report.

The Report's novelty was its introduction of direct answers and comments by the Company's managers to the questions and proposals of stakeholders, as voiced in the dialogues held in the course of Report drafting.

⇒ **For more details see sect. 4.2.** Taking into Account Stakeholder Suggestions.

For evaluating the relevance of information about the Company's operations and sustainable development, stakeholders were questioned when writing the Report. The questionnaire offered stakeholders the opportunity to review a full list of aspects and highlight those they viewed as particularly deserving of disclosure in the Report, including aspects highlighted by GRI Guideline, Public Reporting Standard of State Corporation Rosatom and the Company. Stakeholders were asked to rate each topic on a 3-point scale and give their own suggestions regarding significant topics. Question results determine the position of each aspect both on the horizontal axis (opinion of external stakeholders) and on the vertical axis (opinion of the Company's management).

In accordance with GRI G4 information disclosure borders were defined separately by each aspect. In this regard, for some indicators, coverage of key stakeholders was

modified. The performance indicators provided in this Report belong to the following perimeters:

- production performance is based on the assets of JSC PIMCU, JSC Dalur, JSC Khiagda, Uranium One Inc., JSC EGMK-Project, JSC Gornoye UMC, JSC Olovskaya MCC (Mining and Chemical Company), JSC Lunnoye, CJSC RUSBURMASH, JSC VNIPIpromtehnologii, and ARMZ Service LLC;
- environmental performance — JSC PIMCU, JSC Dalur, and JSC Khiagda;
- HR and occupational safety performance — JSC Atomredmetzoloto, JSC PIMCU, JSC Dalur, JSC Khiagda, CJSC RUSBURMASH, and JSC VNIPIpromtehnologii, ARMZ Service LLC;
- financial indicators — based on consolidated statements in compliance with IAS and RAS.

⇒ **For more details see Appendix 1.** Matrix of the Company's Activities and Sustainable Development Data Significance.

**Stage 4:** Verifying information:

The final revision of the Report was approved by the Company's Director General, the Board of Directors,

**Report verification**  
**Financial audit –**  
**CJSC KPMG (Appendix 4)**  
**Audit of the Internal**  
**Control and Audit**  
**Department (Appendix 5)**  
**Public assurance**  
**(AA1000AS), sect. 4.3.**

and the General Meeting of Shareholders.

## Disclaimer Regarding Forecast

The Report includes forecast statements regarding production, financial, economic, and social performance in order to outline the Company's future development. Implementation of our assumptions and intentions directly depends on the political, economic, social, and regulatory situation. For this reason, the Company's actual performance may be different from the forecast.



Ivan Krupyanko, Head of the PR and Regional Authority Department at JSC Atomredmetzoloto responds to a stakeholder proposal\* on making a Smart-PDF Report Version:

"We certainly took into account this proposal and when drafting the 2014 report focused on SMART-PDF user-friendliness – after all, the PDF version is always at hand and is a convenient information-retrieval tool. Our Report will feature interactive cross-referencing making it possible to quickly move from one section to the other while obtaining the required information."

\* Hereinafter, the comments of Company executives are presented in response to the stakeholder proposals

# 2014 Key Performance Indicators

**Table 1. Key Financial and Economic Performance of JSC Atomredmetzoloto**

Operational performance	2012	2013	2014	2014 compared to 2013, %	For more details see
Uranium production, tons	2,861.8	3,135.4	2,990.7	95.4	3.3.3. Uranium Production by JSC Atomredmetzoloto Russian Entities
Rating of State Corporation Rosatom among the biggest uranium mining companies*	III	III	III	-	1.2. Market Presence
Rating of JSC Atomredmetzoloto among the biggest uranium mining companies*	VIII	VII	VI	-	1.2. Market Presence
Uranium raw material base (Russian assets), thousand tons	550.5	541.9	524.7	96.8	3.3.1. Raw Material Base Development
Rating of State Corporation Rosatom and JSC Atomredmetzoloto among the biggest uranium mining companies by the volume of raw material base*	II	II	II	-	1.2. Market Presence
<b>Personnel</b>					
Number of employees, people**	11,920	11,719	8,430	71.9	3.5.2. Human Capital Features
Personnel turnover, %**	24.2	24.9	40.0	160.6	3.5.2. Human Capital Features
Average monthly salary, RUB**	48,881	52,187	51,818	99.3	3.5.3. Remuneration System
Personnel engagement (division), %**	50	55	42	76.4	3.5.2. Human Capital Features
<b>Occupational health and safety</b>					
Fatal injury frequency rate (FIFR)	0.01	0.02	0.01	50	3.5.9. Occupational health and safety
Lost-time injury frequency rates (LTIFR)	0.39	0.55	0.9	163.6***	3.5.9. Occupational health and safety
Number of incidents	7	10	5	50	3.5.9. Occupational health and safety
<b>Environmental protection</b>					
Environmental protection expenses, million RUB	263.20	393.38	232.3	59	3.7.6. Expenses Related to Environmental Conservation
<b>Social and economic area</b>					
Taxes paid by ARMZ Uranium Holding Co. key entities to regional budgets, million RUB****	1,095.00	2,050.00*****	2,248.00*****	109.66	3.6.3. Development of the Regions of Operation

\* including Uranium One Holding enterprises (Uranium One Holding N.V.).

\*\* including data by ARMZ Service LLC (ESK ARMZ LLC) which were not reflected in 2012 and 2013 public reports of the Company.

\*\*\* LTIFR value in 2014 as compared to 2013 was increased, however, the actual LTIFR value in 2014 was improved, 0.9 indicator was reached with the target value of 0.93 (-10%).

\*\*\*\* 2012 and 2013 indicators may differ from similar indicators presented in 2012 and 2013 Annual Reports of JSC Atomredmetzoloto, due to adjustments made in previous periods.

\*\*\*\*\* including the income tax paid by the consolidated group of taxpayers (hereinafter referred to as the "CGT").

# 2014 Key Achievements



The production program and contract obligations were fulfilled by all production plants



By **5%**

uranium production cost was reduced for the Holding



By **50%**

quantitative incident indicators were reduced, including at underground mining works



By **30%**

number of employees of the managing company was optimized



**10%**

uranium production growth as compared to 2013 in natural indicators for the division (tons per man)



By **1.2** bln. RUB

reserves were reduced and working capital was optimized (20% improvement as compared to 2013)



By **16** fold

revenues on external markets grew (geological exploration and engineering)



**15** k. r.m.

total volume of drilling works at Pavlovskoye deposit



Krasnokamensk diversification project portfolio was developed and Krasnokamensk industrial park was created



All enterprises of the Holding's uranium chain obtained the certificate of conformity IQNet, Quality Austri of the integrated company management system with requirements of MS ISO 9001, MS ISO 14001 international standards

# 2014 Main Events

## January

- Generation together with State Corporation Rosatom and PJSC PIMCU of the 2014-2017 Krasnokamensk socio-economic development program.

## February

- Start of sulfuric acid transportation in tank-containers in PJSC PIMCU.
- Start of new crushing facility operation on Urkutskiy coal mine of PJSC PIMCU.



## March

- Start of the technical re-equipment investment program of the Repair-mechanical plant of PJSC PIMCU.

## April

- Inclusion of JSC Atomredmetzoloto in Top-10 transparency rating of Russian companies held by the Russian Regional Networks based on integrated reporting.
- Signing an agreement between State Corporation Rosatom and OJSC Mining-metallurgical company Norilskiy Nickel on cooperation in the area of the socio-economic development of Trans-Baikal Region.



## May

- Signing an agreement on socio-economic partnership between the Government of Kurgan Region and JSC Dalur.
- Accession of JSC Atomredmetzoloto in Self-regulating company Non-profit partnership SOYUZATOMSTROY.

## June

- Putting into pilot-commercial operation of the mining underground communication system of PJSC PIMCU.
- Start of implementation by JSC RUSBURMASH of a large-scale federal geological exploration project in the Arctic, on Yuzhny Island of the Novaya Zemlya archipelago, involving evaluation of the commercial significance of the Bezimyanskoye ore field.
- Signing a contract between PJSC PIMCU and Beijing Triumph International Engineering Co., Ltd. (BTIEC) on the development of a preliminary feasibility study of the cement plant construction in Krasnokamensk.



## July

- Successful integrated testing of a new main production building of JSC Khiagda.



- Putting in pilot-commercial operation of the system "Personnel and INsite equipment positioning" on mines of PJSC PIMCU.

## August

- Start of JSC Khiagda preparation for development of Istochnoye and Vershinnoye natural uranium deposits in the Bauntovsky District of the Republic of Buryatia.

## September

- ARMZ Uranium Holding Co. Delegates take part in the 39th WNA Symposium.



- Commissioning of a new administrative building of Urtuyskoye surface mine office of PJSC PIMCU.

## October

- Completion by JSC RUSBURMASH of a second field season in the Arctic in the Novaya Zemlya archipelago.
- Start of implementation of an integrated project for

residue reserve development of Tulukui quarry in PJSC PIMCU.

- Start of commissioning tests of the uranium compound (yellow cake) suspension drying system in the main building of JSC Dalur.



## November

- Inclusion of the 2013 annual report of JSC Atomredmetzoloto in TOP-5 according to the version of the international rating agency "RA Expert."
- Appointment by State Corporation Rosatom of JSC VNIPIpromtekhologii as a parent methodological company of the industry with respect to engineering surveys when constructing uranium producing and processing facilities.

## December

- Completion of testing of innovative mining-geological computer 3D-technologies and software in JSC Dalur.
- Entering into state contracts for development of associated REM and scandium extraction during uranium production.



## REGIONS OF OPERATION

**PRIARGUNSKY  
INDUSTRIAL MINING  
AND CHEMICAL UNION  
(PJSC PIMCU) –  
TRANS-BAIKAL  
TERRITORY**

**JSC KHIAGDA –  
REPUBLIC OF BURYATIA**

**JSC DALUR KURGAN  
REGION**

## JSC ATOMREDMETZLOTO KEY TASKS

**RELIABILITY OF  
DELIVERIES TO  
PARTNERS AND  
CUSTOMERS**

**LONG-TERM SECURITY  
OF RAW-MATERIALS  
PROVISION FOR RUSSIAN  
NUCLEAR-POWER  
GENERATION**

**ASSURANCE OF A  
COMPETITIVE  
URANIUM-PRODUCT  
PRODUCTION COST**

## CHAPTER 1

# INFORMATION about the company

# 1.1. General Information about JSC Atomredmetzoloto

## 1.1.1. General Information

### Information about the Company's position in the industry, priority areas of operations

JSC Atomredmetzoloto (ARMZ Uranium Holding, Holding, Company, ARMZ) is a managing company of the Mining division of State Corporation Rosatom.\* ARMZ Uranium Holding is developing uranium production assets on the territory of Russia at various lifecycle stages: from geological exploration to intensive commercial operation of deposits.

Russian uranium productions have strategic significance. Availability of own natural uranium production in the Russian Federation allows solving key tasks of JSC Atomredmetzoloto:

- Reliability of deliveries to partners and customers
- Long-term security of raw-materials provision for nuclear-power generation
- Assurance of a competitive uranium-product production cost.

*JSC Atomredmetzoloto is a member of the World Nuclear Association.*

### Regions of Operation

Upon restructuring in 2013, JSC Atomredmetzoloto is now managing Russian uranium mining assets. The biggest ARMZ Uranium Holding Co. entity is JSC PIM- CU (Priargunsky Industrial Mining and Chemical Union) located in the Trans-Baikal Territory. JSC Khiagda is registered in the Republic of Buryatia. JSC Dalur, the first Russian company to mine uranium with in-situ leaching, operates in the Kurgan Region.

### Key Laws and Regulations Applicable to the Company's Activities

The Company is regulated by its Charter, internal documents, and the following regulatory acts:

- Civil Code of the Russian Federation (first part) dated November 30, 1994 No. 51-FZ;
- Federal Law No. 208-FZ On Joint Stock Companies dated December 26, 1995;
- Federal Law No. 129-FZ On State Registration of Legal Entities and Individual

Entrepreneurs dated August 8, 2001;

- Federal Law No. 13-FZ On Management and Disposal of Property and Shares of Companies Related to Nuclear Power and on Amending Certain Statutes of the Russian Federation dated February 5, 2007;
- Federal Law No. 135-FZ On Protection of Competition dated July 26, 2006;
- Federal Law No. 39-FZ On Securities Market dated April 22, 1996;
- Russian FFMS Decree No. 11-46/pz-n On Approving the Regulations on Disclosure by Equity Security Issuers dated October 4, 2001

From 2015, when drafting this Report the Regulation on information disclosure by securities issuers approved by the Bank of Russia dated 30, 2014 No. 454-P has been used.

### External Charters, Principles and Other Initiatives

The Holding exists in accordance with the Russian Business Social Charter.

\* Foreign enterprises from 2013 were consolidated under the control of uranium producing company Uranium One Holding N.V.

## 1.1.2. Historical Background

State Concern Atomredmetzoloto was founded in 1991 to succeed the former First Chief Directorate of the USSR Ministry of Medium Machine-Building and later operated within the structure of the Ministry for Atomic Energy of the Russian Federation. The Concern was

an industrial complex of mining and processing enterprises located in six counties within the Commonwealth of Independent States — Russia, Ukraine, Uzbekistan, Kazakhstan, Tajikistan and Kyrgyzstan. State Concern Atomredmetzoloto was involved in the exploring, mining, and processing of uranium, gold, and rare-earth-element ores. It was also

engaged in the design of mines, ore processing facilities, and machine-engineering plants. In 1995, State Concern Atomredmetzoloto was reorganized to become a joint-stock company of the open type.

By mid-2008, within the framework of the nuclear industry's restructuring, JSC Atomredmetzoloto gained

control over the following domestic uranium mining assets: JSC PIMCU, JSC Dalur, and JSC Khiagda, which had been formerly owned by JSC TVEL, a producer of fuel for nuclear power plants. Furthermore, TENEX (JSC Techsnabexport), Russia's exporter of enrichment services and enriched uranium, transferred to ARMZ its stakes in uranium exploration and

mining joint ventures outside of Russia. Along with that, JSC Atomredmetzoloto received licenses from TENEX for the right to use the subsoil of reserve uranium deposits, including those of the world's largest Elkon uranium ore province.

Following the completion of all re-organization activities, JSC Atomredmetzoloto assumed full authority over procurement for the domestic and international feedstock requirements of Russia's nuclear industry and became one of the global leaders in uranium production.

From 2009 to 2011, JSC Atomredmetzoloto purchased shares of a number of foreign

uranium assets namely: Effective Energy N.V. (which was later renamed Uranium Holding N.V.), Canadian company Uranium One Inc. and Mantra Resources Limited.

In 2012, ARMZ Uranium Holding Co. purchased 99.5% of The First Ore Mining Company's shares. The project assumes construction of a cost effective production facility on the basis of silver-containing lead-zinc deposit Pavlovskoye (Bezmyannoye ore cluster, Yuzhnyy island of Novaya Zemlya archipelago, Arkhangelsk region) having a powerful mineral raw material base. JSC First Mining Company has a license for the right to use this mineral resources area.

In 2013, in accordance with the decision of State Corporation Rosatom control of foreign uranium assets was transferred to Uranium One Holding N.V.

Since December 2013, JSC Atomredmetzoloto has been controlling all Russian uranium mining assets.

In accordance with amendments entered into force from September 2014 stipulated by Federal Law dated 05.05.2014 No. 99-FZ "On introduction of changes in chapter 4 of part one of the Civil Code of the Russian Federation and on invalidation of individual provisions of legislative acts of the Russian Federation, changes were

made in the Company name with respect to removal of the word "open". From December 4, 2014 the Company's name – Joint-Stock Company Atomredmetzoloto.\*

\*Holding companies' spelling was accepted in the report in view of amendments entered into force from September 2014 in the Civil Code of the Russian Federation – JSC Atomredmetzoloto, JSC Dalur, JSC Khiagda, PJSC PIMCU, JSC VNIIPromtekhologii, JSC RUSMURMASH etc.

### 1.1.3. Holding Structure

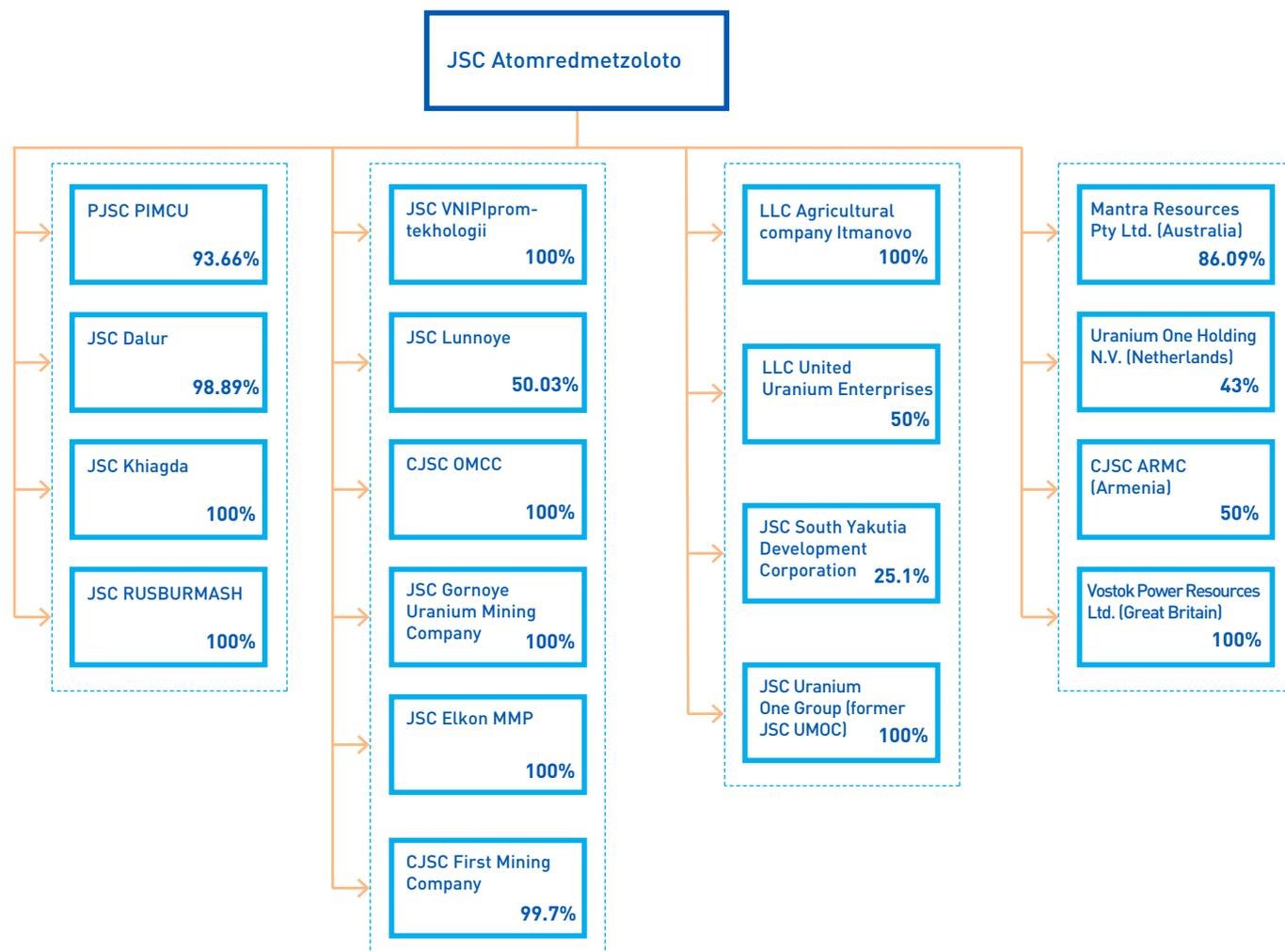


Fig. 1. Diagram of JSC Atomredmetzoloto S&A as of December 31, 2014

### 1.1.4. The Company's Role in Rosatom's Production Cycle

ARMZ Uranium Holding Co. controls and unites all Russian uranium mining assets. Along with Uranium One Holding N.V. controlling

uranium assets abroad, it is included in the Rosatom Mining Division and ensures natural uranium supplies

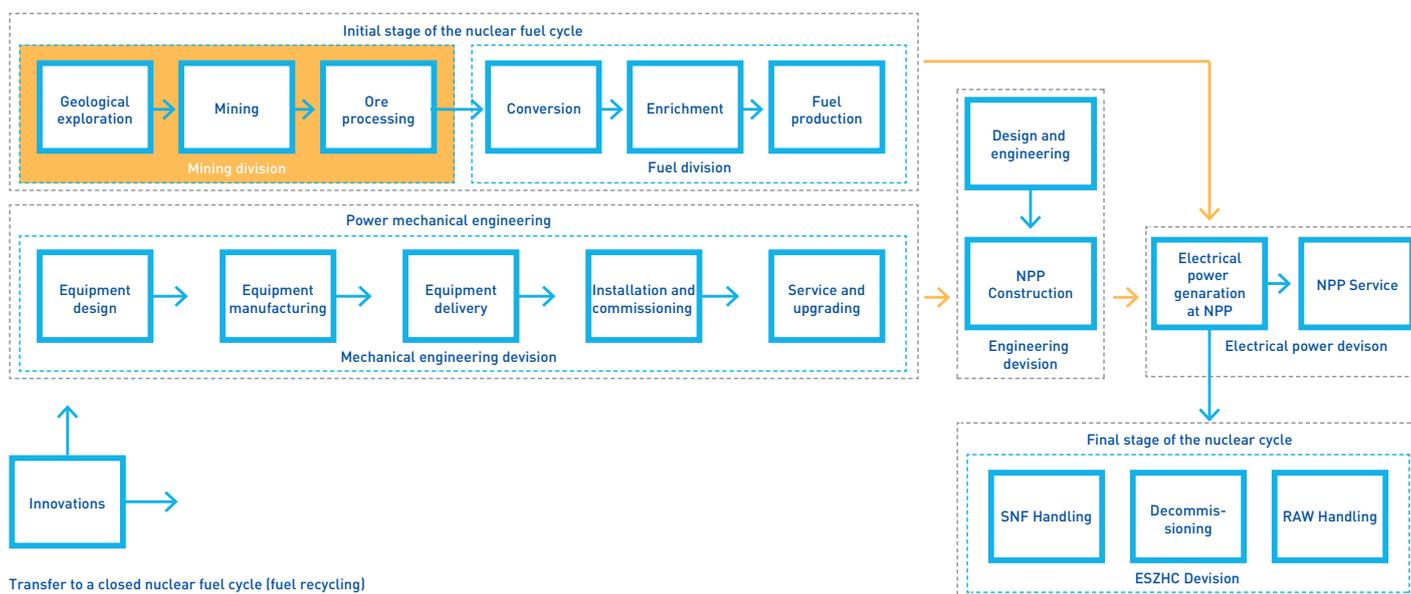


Fig. 2. JSC Atomredmetzoloto Role in State Corporation Rosatom's production cycle

## 1.2. Market Presence

ARMZ Uranium Holding Co. mainly operates on the natural uranium market. In 2014, Rosatom State Corporation, controlling JSC Atomredmetzoloto and Uranium One Holding N.V., ranked second among the world's biggest companies in terms of its controlled raw materials base and third in terms of uranium production.

JSC Atomredmetzoloto's position on the uranium market is secured through guaranteed demand from the Russian nuclear industry, a geographically diversified production and raw material

base, and the implementation of measures for raising business efficiency. Favorable prospects for the development of nuclear-power engineering guaranteeing growth in uranium demand over the long-term are becoming an additional sustainability factor.

Apart from its core production operations, the company is developing associated types of activities – coal mining, thermal and electrical power generation, sulphuric acid production, building mining equipment (PJSC PIMCU), rendering geological exploration, design and engineering

services (RUSBURMASH and VNIIPromtekhologii) etc. The above services and products are used by JSC Atomredmetzoloto's production entities, other companies within Rosatom State Corporation, and other Russian and foreign companies.

For more details see sect. 2.1.2. Natural Uranium Market Overview and Outlook and 3.3. Production Capital Management.

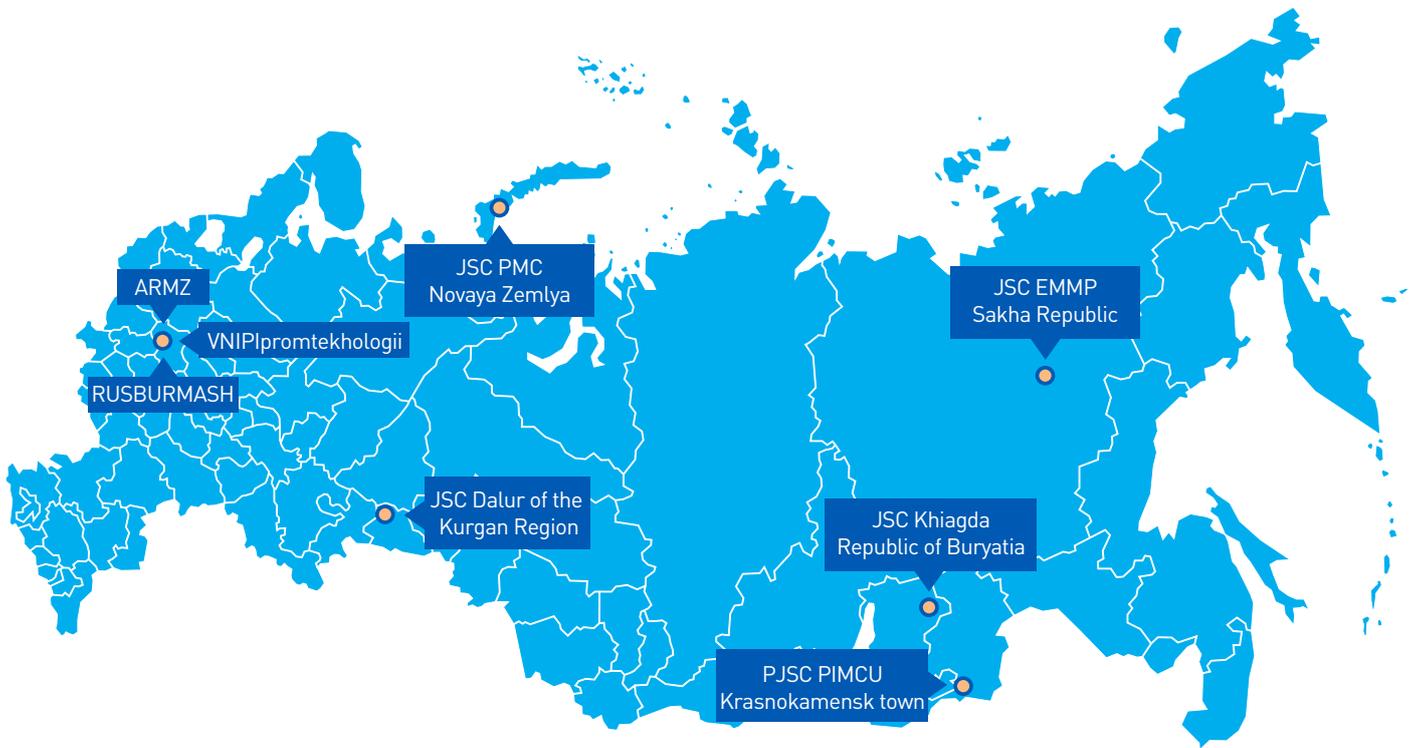


Fig. 3. Map of Russian assets of JSC Atomredmetzoloto

## 1.3. Value Chain and Business Model

### 1.3.1. Value Chain

The value created by the Holding lies not only in end-product output, but also in the totality of the Company's economic, social and ecological impact on its stakeholders and the environment in general. Realizing the significance of its activities in regions of

operation and understanding the specific nature of the impact of mining production on the environment, the Holding tends to maximize the positive effects of its activities.

ARMZ Uranium Holding Co. has the whole array of

competencies to implement all value chain stages, from geological exploration and design to reclamation and decommissioning.

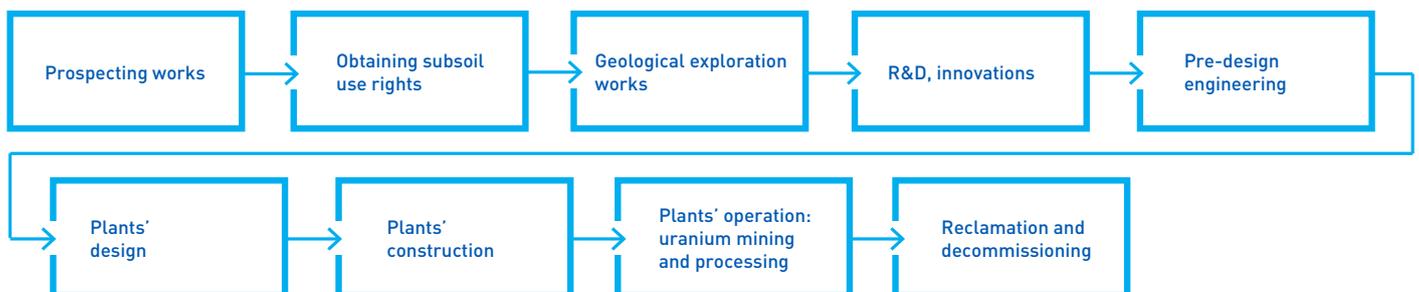


Fig. 4. JSC Atomredmetzoloto Value Chain

### 1.3.2. Business Model

The integrated value creation process is schematically reflected in the business model of JSC Atomredmetzoloto. The Company understands that its operations depend on multiple external and internal factors and are carried out in close cooperation with stakeholders.

➤ For more details see “Social Capital Management” section.

The business model describes the available resource management system with a view to reaching set goals. The business model is a short-, medium-, and long-term value delivery system that is also used to achieve strategic goals and boost

efficiency across all areas.

The Holding’s business model is based on its mission and long-term strategy.

The business model includes:

➤ ● available capital (for more details see Chapter 3. Operating Results: Capital Management Efficiency);

➤ ● a management system employed for the most effective use of available capital (for more details see 2.2. Management System);

➤ ● value delivery based on the transformation of available capital - Holding’s main activity;

➤ ● value delivery results - the Holding’s main products.

➤ ● The Holding’s business model is specifically focused on the environment since:

➤ ● a part of its resources come from nature and a big part of its results also relate to it (e.g. social and natural capital);

➤ ● the environment is the source of the Holding’s main opportunities and risks (for more details see sect. 2.2.3. Risk Management and 2.1.1. Corporate Mission and Values).

➤ ● The business model deals with transforming six types of capital, with changes described in the relevant parts of the Report:

➤ ● financial capital (for more details see sect. 3.2. Financial Capital Management);

➤ ● production capital (for more details see sect. 3.3. Production Capital Management);

➤ ● human capital (for more details see sect. 3.5. Human Capital Management);

➤ ● intellectual capital (for more details see sect. 3.4. Intellectual Capital Management);

➤ ● social capital (for more details see sect. 3.6. Social Capital Management);

➤ ● natural capital (for more details see sect. 3.7. Natural Capital Management).

➤ ● Effective management of the above types of capital is realized through the management system (for more details see sect. 2.2. Management System).



# BUSINESS MODEL

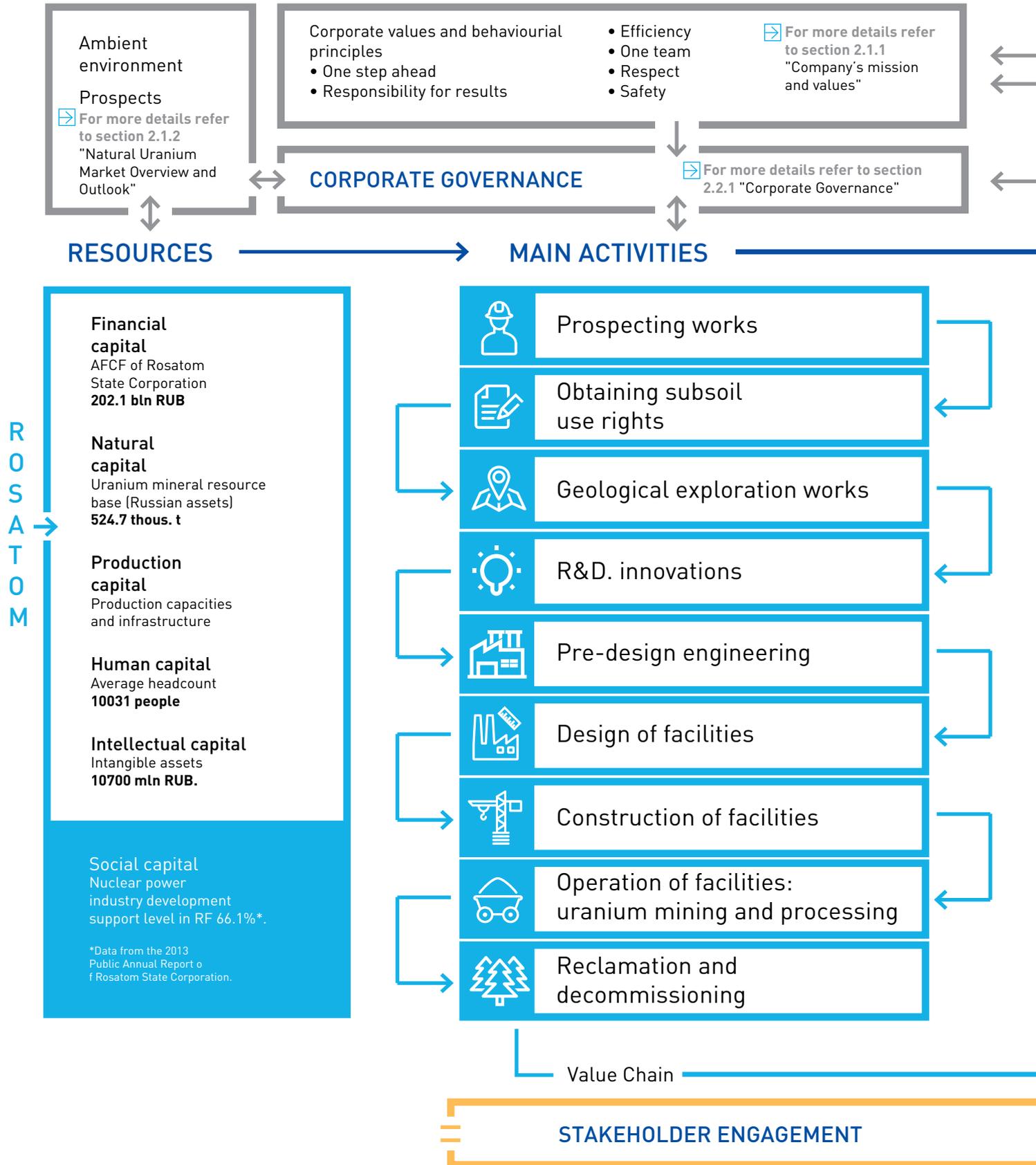


Fig. 5. JSC Atomredmetzoloto Business Model

Strategic goal — assistance in the realization of national objectives and the corporate purposes of the main shareholder: Rosatom Corporation

Mission — assure the long-term competitiveness of raw-material supplies for the development of Russian technologies in the nuclear-power industry

Risks  
Opportunities  
For more details refer to section 2.2.3 "Risk Management"

MAIN PRODUCTS

RESULTS

	Natural uranium concentrate
	Brown coal (power generating)
	Electrical power
	Heat power
	Sulphuric acid
	Services

<p><b>Financial capital</b> Uranium production cost reduced <b>by 5%</b></p> <p><b>Natural capital</b> Environmental protection expenses <b>233.41 mln RUB.</b></p> <p><b>Production capital</b> Production program (<b>2901 uranium tons</b>) was implemented in full</p> <p>Specific uranium production was increased <b>by 10%</b> (as compared to 2013)</p> <p><b>Human capital</b> Accident number reduction <b>by 2 fold</b></p>	<p>Social expenses volume <b>313.9 mln RUB.</b></p> <p><b>Intellectual capital</b> Costs for implementation of the Holding's development innovative program were <b>310.3 mln. RUB.</b></p> <p>Integrated investment performance indicator <b>120%</b></p> <p>Total investment volume <b>4.3 bln. RUB</b></p> <p>R&amp;D <b>92.05 mln. RUB.</b></p>
<p><b>Social capital</b> Financing of charitable and social initiatives <b>4 mln RUB.</b></p> <p>"Bank of vacancies" of Krasnokamensk town makes up <b>120 people</b></p>	<p>Range of measures for small business promotion - <b>16 grants by 50 thous. RUB.</b></p>

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For more details refer to section 3.6 "Social capital management"

and chapter 4 "Interaction with stakeholders when drafting the Report"

**57,000**

TONS

2014 GLOBAL  
NATURAL URANIUM  
PRODUCTION  
VOLUME

**1,000**

JOB

CREATED THANKS  
TO THE HOLDING'S  
BUSINESS  
DIVERSIFICATION  
PROGRAM

ARMZ URANIUM HOLDING CO.'S MISSION IS TO PROVIDE COMPETITIVENESS  
OF LONG-TERM RAW MATERIAL DELIVERIES FOR THE DEVELOPMENT  
OF RUSSIAN TECHNOLOGIES, ABOVE ALL IN NUCLEAR POWER ENGINEERING

CHAPTER 2

STRATEGY

**and management system**

## 2.1. Business Strategy

### 2.1.1. Corporate Mission and Values

ARMZ Uranium Holding Co.'s mission is to provide competitiveness of long-term raw material deliveries for the development of Russian technologies, above all in nuclear power engineering.

The strategic goal of JSC Atomredmetzoloto is to promote implementation of state tasks and corporate goals of the main shareholder – State Corporation Rosatom.

As part of the State Corporation, ARMZ Uranium Holding is responsible for the development of mining division on the

*ARMZ Uranium Holding Co.'s mission is to provide competitiveness of long-term raw material deliveries for the development of Russian technologies, above all in nuclear power engineering*

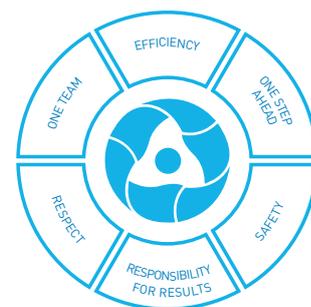
territory of the Russian Federation. Holding's advantages are availability of cutting-edge scientific potential, high-tech production assets and a qualified team which has competences for deposit management and operation in challenging natural and climate conditions.

➤ For more details see sect. 1.3. Value Chain and Business Model.

### Key Corporate values

ARMZ Uranium Holding Co. carries out its activities on the basis of its unified corporate values which were formulated and approved by State Corporation Rosatom in 2014\*. Their adoption strengthens ARMZ'

image as a stable and responsible company prepared for mutual favourable customer, supplier and contributes to the efficient solution of set tasks.



\* Minutes of the Strategic Board of State Corporation Rosatom No. 1-CC/3-Пp dated 03.07.2014.

**Table 2. Corporate values and principles of conduct**

Corporate Values	Implementation at JSC Atomredmetzoloto
«One step ahead»	<ul style="list-style-type: none"> <li>● maximize potential of markets of operation;</li> <li>● develop state-of-the-art Russian and global practices and technologies in geological exploration, production, corporate governance and social policy;</li> <li>● implementation of business diversification projects assuring its scope and stability growth.</li> </ul>
«Responsibility for Results»	<ul style="list-style-type: none"> <li>● trouble-free and stable provision of Russian and foreign consumers with products meeting quality standards;</li> <li>● socially responsible business, attention to the development of areas of operation.</li> </ul>
«Efficiency»	<ul style="list-style-type: none"> <li>● implementation of principles of Rosatom Production System (RPS) at a production facility and daily operations;</li> <li>● optimum management system assuring the balance of initiative and control, responsibility and resources;</li> <li>● transparent procurement system raising expenditure efficiency;</li> <li>● rational and responsible use of production and financial resources;</li> </ul>
«One team»	<ul style="list-style-type: none"> <li>● continuous advanced training, motivation and personnel social security enhancement;</li> <li>● organization of cultural, sports and charitable activities.</li> </ul>
«Respect»	<ul style="list-style-type: none"> <li>● building long-term trust relationships with customers, suppliers and local communities;</li> <li>● openness for state authorities, investment and industrial communities, partners, employees and other stakeholders.</li> </ul>
«Safety»	<ul style="list-style-type: none"> <li>● ensure industrial and labour safety guaranteeing preservation of employee health and environmental welfare;</li> <li>● observe technical standards during the mining and processing of natural uranium, including standards for nuclear and radiation safety;</li> <li>● comply with regulatory requirements and raise environmental production safety.</li> </ul>

## 2.1.2. Natural Uranium Market Overview and Outlook

### Overview of the Natural Uranium Market in 2014

#### Global uranium demand and supply

In 2014, global reactor demands in terms of uranium were 66 thousand tons, never recovering after the accident on Fukushima-1 NPP in Japan. Herewith, global market deliveries reached 74-76

thousand tons (taking into account secondary sources which include warehouse stock reserves of power companies and some states, lean uranium hexafluoride additional enrichment, regenerated uranium etc.). As a result, since producers did not reduce the output (at plants with a low production cost in Kazakhstan, Canada, Australia which retained efficiency), oversupply in the amount of up to 8-10 thousand tons was formed, which resulted in subsequent deterioration of market conditions: drop of quotations and player activity level.

### Global uranium production in 2014

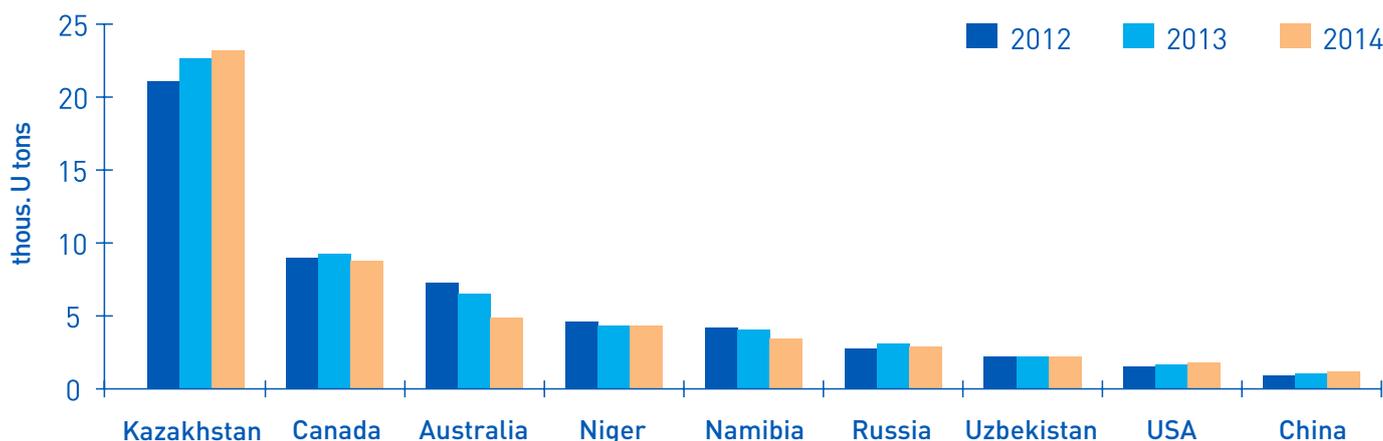
In 2014, 57 thousand tons of natural uranium were mined

**In 2014, 57 thousand tons of natural uranium were mined worldwide, which demonstrates a 3% year-on-year drop.**

worldwide, which demonstrates a 3% year-on-year drop.

On the global scale mining reduction has been observed for the first time since 2006. It was related to production optimization (above all in assets with a high production cost) and to problems at a number of large plants.

Nine largest countries – natural uranium producers (with output of over 1 thousand tons per annum) in 2014 provided 93% of production.



**Fig. 6. Uranium Production by World Countries, 2012-2014, thousand tons**

Sources: estimate of JSC Atomredmetzoloto based on press-release and company report data, US Energy Information Administration (U.S. EIA).

Kazakhstan is still the first among uranium suppliers which increased uranium production and share on a global market (up to 40% versus 38% in 2013). In Canada, which ranks number two, the production volume demonstrated a slight decrease as compared to worldwide in general, as a result of which its share was 16% (in 2013 – 15%).

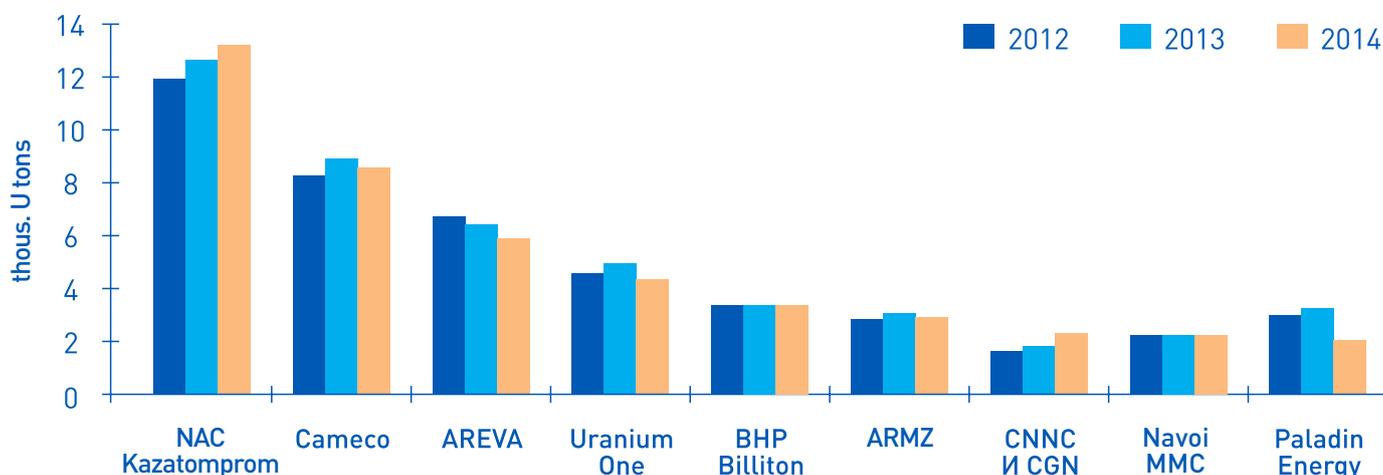
Australia ranked 3-rd faced a sharp decrease of production volumes (by 21% of countries – producers to the minimum level from 1998). As a result, its specific weight in global production decreased from 11 to 9%.

The total amount of uranium produced by nine major companies (over 2,000 tons)

**Nine largest countries – natural uranium producers (with output of over 1 thousand tons per annum) in 2014 provided 93% of production.**

comprised about 80% of the global output.

Since 2010, the world's biggest uranium company has been JSC NAC Kazatomprom (National Atomic Company Kazatomprom), which extracted 13.2 thousand tons of uranium (23% of global production). Cameco is in second place (market share - 15%),



**Fig. 7. Uranium Production by Major Companies, 2012-2014, thousand tons**

Sources: press releases and corporate reports. Data for Navoi Mining and Metallurgical Combinat (NMMC) assessed by JSC Atomredmetzoloto. Extraction volume calculated as a proportion to the ownership ratio.

with about 8.8 thousand tons. Rosatom State Corporation controlling JSC Atomredmetzoloto and Uranium One Inc. (shown separately in Figure 7) ranked third with more than 7.4 thousand uranium tons.

**3-rd place**  
in uranium production is claimed by Rosatom State Corporation

In 2014, NAC Kazatomprom was the only industry leader to demonstrate a uranium production increase (by 4% as compared to 2013). The remaining players posted a production decline, with the sharpest drop posted by Rio Tinto – almost by two fold as compared to 2013 – due to implications of accidents which took place at both company plants in 2013 and production program optimization. The growth of Chinese companies’ (CGN and CGNPC) indicators is mainly connected with the transaction for acquiring a share in the capital of Langer Heinrich Namibia.

### Mergers and Acquisitions in the Uranium Industry

The total M&A transactions volume in the industry in 2014 was reduced by more than threefold as compared to 2013 and did not exceed 500 mln. dollars. Low activity in M&A was caused by persistent unfavourable market trends.

The major transaction in the production area in 2014 was acquisition by the Chinese CNNC of a 25% share in Langer Heinrich in Namibia (owned by Paladin Energy) in the amount of 190 mln dollars. The transaction was closed in the mid-2014. Like in the past year, junior companies, which solved tasks of promising project consolidation and fund-raising.

### Development of existing and future projects

Due to unclear prospects in the nuclear power industry in Japan and a number of other countries and subsequent deterioration of market conditions, uranium mining companies in 2014 continued to reconsider plans for current plants and future projects. Faced with serious financial problems the Australian Paladin Energy (the only company which remained independent from major vertically integrated or diversified players) was forced already in the first six months to preserve Kayelekera mine in Malawi and sell 25% of its second plant (Langer Heinrich, Namibia) to Chinese CNNC for financing its optimization and reducing a debt burden. Energy Fuels (USA) announced the suspension of natural uranium production at White Mesa factory in USA due to a low price level. Canadian Cameco and French AREVA terminated operations for a number of promising projects at early development stages. A number of companies (Cameco, Rio Tinto, BHP Billiton) in 2014 – early 2015 implemented or planned optimization of personnel number at their current plants.

Problems at some major plants resulted in additional reduction of production volumes in 2014. In particular, Ranger mine (owned by Rio Tinto) in Australia as well as Rossing mine (Rio Tinto) and Langer Heinrich (Paladin Energy) mine in Namibia faced accidents and process problems. Regulatory problems resulted in production reduction on mines in Niger operated by AREVA (Arlit and Akouta). At McArthur River, the largest uranium mining plants of the world, in Canada (operator – Cameco) a short-term production suspension occurred due to a strike.

Despite a difficult market situation, active work continued in 2014 on a number of promising projects supported by low production costs or favorable long-term contracts. Two new plants producing by the state-of-the-art in-situ leaching – Four Mile in Australia (General Atomics) and Nichols Ranch

in USA (Uranerz Energy) were commissioned. Besides, commercial uranium production started on the Cigar Lake mine (key shareholders – Cameco and AREVA) – expected to emerge over the long-term as one of the world’s largest plants, whose commissioning was delayed for two years due to technical reasons. Approximately 850 uranium tons in total were produced at new plants in 2014. Besides, the

**850 uranium tons** were produced at new plants in 2014

first work stage for Husab mine construction in Namibia (owned by Chinese CGN, the production start is expected in 2016) was completed.

Junior companies continue to look for opportunities for the development of their promising projects in Canada, USA, Australia, countries of Africa and South America with a view to improve the market situation in the long-term but their work pace was reduced due to difficulties with fund-raising.

### Forecast for 2015

During 2015 (and up to nuclear power industry recovery in Japan and overall stabilization of economic and political market situation) high volatility will be preserved on the uranium market. However, uranium production will grow next year – in view of its recovery at plants which operated with reduced capacity in 2014 and planned productivity increase of plants which have been recently commissioned.

### Uranium Market Outlook

#### Global Nuclear Power Industry Development Outlook

As of today, the nuclear power industry is ranked fourth in the

global electrical power balance with the share of approximately 11% – after coal (43%), gas (21%) and hydropower industry (16%).

Difficulties faced by the nuclear industry after the accident at Fukushima-1 NPP changed its growth trajectory. Uncertainty about the nuclear power industry future occurred in a number of countries. In Japan itself all NPPs were shut down and have not been re-started yet. However, no drastic changes occurred in the global power industry structure, and the nuclear power industry is still its important component. Both in developed and developing countries, NPPs continue to be a stable, safe, environmentally-friendly and cost-effective power-generation source. Most world countries (including those with no operating NPPs at this point) not only stayed the course with respect to development of the nuclear-power industry but continued to actively pursue new NPP projects expected to be commissioned over the long-term.

**The most ambitious nuclear power development programs are implemented in China and India**

China, India, South Korea and Middle East countries (UAE, Iran, Turkey etc.) and RSA will continue to be the key foreign countries pursuing the active construction of new NPPs. The most ambitious nuclear power development programs are implemented in China and India which plan to substantially increase a NPP share in the power balance. In its turn, gradual nuclear generation capacity reduction is expected in Western Europe in the long term (as a result of refusal from nuclear power engineering in Germany, possible limitation of its share in France and transition to broad use of renewable power sources).

## Global Natural Uranium Market Outlook

In the mid-term, the global uranium market conditions will remain unstable due to slower nuclear power engineering development growth pace and oversupply, which was formed in 2011–2014 after the accident at Fukushima-1 NPP. The market recovery pace will be defined by fundamental factors (real Japanese NPP re-start pace; implementation of plans for new NPP construction in key world countries; scope and dynamics of deliveries from secondary sources, etc.). Under these conditions, key producers will continue to maintain current capacities, however, their possibilities for major new project implementation will be limited.

In the long term, as nuclear-power engineering recovers in Japan and new NPPs are commissioned on a large scale, uranium demand will grow. For their coverage, amidst the gradual depletion of the “cheapest” reserves in Kazakhstan, Canada, Australia and other countries at deposits whose intensive operation supports the business stability of major market players, new, major projects with higher production costs will have to be implemented. This, combined with accumulated cost inflation at current plants, will result (starting from 2022–2024) in sustainable fundamental market price growth. By 2030, uranium demand may reach 86 thous. tons. Uranium production will be built up in accordance with its demand dynamics. Full production increase potential within the specified period is up to 97 thous. tons, and no market uranium deficit is forecasted, despite possible reduction of its deliveries from secondary sources.

### 2.1.3. Marketing and Sales Policy

In 2014, JSC Atomredmetzoloto continued to carry out operations as part of the key areas of its marketing and sales policy:

- satisfaction of the demands of Russian nuclear-power engineering and industry for uranium over the long-term;

- assurance of efficient sales organization and sales infrastructure development;
- long-term contracting of manufactured products in order to secure a guaranteed source of financing for programs targeting the operational development and diversification of uranium-production plants.

In 2014, pursuant to the natural-uranium sales arrangement approved by State Corporation Rosatom, natural uranium produced in Russia was sold by the Holding through United Uranium Companies LLC, the joint venture with Uranium One Holding N.V.

That said, all contractual obligations to supply customers were discharged in full.

The existing system of long-term contractual relationships with Russian customers, production plants and processors as well as availability of operational material stock assure the required reliability level and trouble-free material deliveries.

### Customer satisfaction assessment

JSC Atomredmetzoloto pays particular attention to customer satisfaction. The Holding maintains continuous

cooperation with customers and promptly responds to their requests and expectations.

### Quality management

Product quality assurance is one of the key priorities at ARMZ. In accordance with requirements of a number of existing and potential foreign consumers of Holding



Nikolai Krailin, advisor to the Director General of JSC Atomredmetzoloto, responds to a stakeholder’s proposal to broaden disclosure of the competitiveness topic and pay more attention to product quality enhancement and customer requirements:

“ARMZ has always paid close attention to its product quality as the basis of its competitiveness. For this very reason, quality management systems were established and certified in accordance with international standards in the Holding, while at its subsidiaries, ARMZ is taking the necessary steps to ensure finished-product quality conformity with international standards.”

All contractual obligations to supply products to customers have been executed in full

products, the entire finished product delivery chain must be certified in accordance with international quality and environmental standards.

In 2014, JSC Atomredmetzoloto and its subsidiaries of

#### Cooperation with customers

For the purposes of raising the overall level of customer satisfaction, and in accordance with a request by JSC Tekhsnabexport, JSC Atomredmetzoloto and its subsidiaries conducted certification in 2014 for compliance with international quality and environmental standards.

PJSC PIMCU and JSC Khiagda\* were certified for compliance with international standards ISO 9001:2008 of the quality management system and ISO 14001:2004 of the environmental management system.

As a result, all enterprises of the Holding’s uranium chain obtained the certificate of conformity IQNet, Quality Austria of the integrated company management system with requirements of MS ISO 9001, MS ISO 14001 international standards.

➔ For more details see section 2.2.3. Risk management.

The certification testifies to the Holding’s reaching a new qualitative level and contributes to its product customer satisfaction increase. It will allow expanding possibilities for delivery of natural uranium of Russian origin and its enrichment products to international markets.

The Holding labels its products according to Federal Law No. 170-FZ on Nuclear Energy Use dated November 21, 1995. JSC Atomredmetzoloto entities are licensed for the safe handling of nuclear materials by Ros-tekhnadzor.

#### Product quality

For the purposes of product quality assurance in accordance with a request of JSC TVEL, work for product quality enhancement was performed in JSC Dalur. In 2014, installation was completed and commissioning works for drying equipment start-up was started, which is expected to result in finished-product quality enhancement by 2015. In future, it is planned to use the experience gained also for finished product quality enhancement of another holding’s plant – JSC Khiagda.

#### 2015 and future plans:

An inspection audit for compliance with ISO 9001 (quality management system) and ISO 14001 (environmental management system) standards is planned in 2015. Besides, in-situ leaching plants will be converted to finished product output meeting the “base specification”. Works in JSC Dalur will be completed in 2015, in JSC Khiagda - in the mid-term.

\* JSC Dalur passed certification in 2013.

## 2.1.4. Long-Term Strategy and Current Status of the Company

Having passed a number of stages in its development, uranium business of State Corporation Rosatom became one of global uranium industry leaders.

In 2014, the uranium production cost was first reduced at PJSC PIMCU, which enabled to overcome a negative trend of the last decade. Costs were reduced on production assets of JSC Atomredmetzoloto, and uranium production per capita (in kind) was increased. Geological exploration and engineering subsidiaries dramatically increased revenues from external orders. Such results achieved in unfavourable market conditions confirm corporate strategy correctness and balance.

### Company's Strategic Tasks

The business strategy of JSC Atomredmetzoloto was formed based on a realistic evaluation of advantages and specifics of Russian uranium producing plant development.

Availability of own natural uranium production facility on the territory of the Russian Federation allows to guarantee reliability of deliveries to foreign partners and customers and long-term security of raw-materials provision for Russian nuclear-power generation. Assurance of a competitive production cost is a key condition for Russian uranium demand.

After the accident at Fukushima-1 NPP in Japan the situation on the global uranium market became more difficult, its negative impact was reflected in 2014 on Russian asset development. Plants mining uranium by the in-situ leaching method

*This determined the key tasks of JSC Atomredmetzoloto – boosting performance and assuring loss-free operation while ensuring the satisfaction of customer demands.*

(JSC Dalur and JSC Khiagda) preserved development efficiency and potential even under these conditions. "At the same time, PJSC PIMCU – the largest plant in Russia and one of the largest in the world – turned out to be "beyond the market."

This determined the key tasks of JSC Atomredmetzoloto – boosting performance and assuring loss-free operation while ensuring the satisfaction of customer demands. Their resolution will be assured not only by means of cost optimization but also by means of system changes in production capacity management – uranium production share increase by a more efficient in-situ leaching method.

The Holding plans to address its strategic tasks by:

- reducing the level of non-profitable uranium production in PJSC PIMCU (on poor reserves) with simultaneous plant restructuring and significant production and infrastructure cost reduction; in the mid-term a transfer to the development of Zherlovoye and Argunskoye deposits is planned (Mine No. 6);

- balanced build-up of cost effective uranium production in JSC Dalur and JSC Khiagda with long-term preservation of a stable current production level in the Russian Federation.

For long-term in-situ leaching, there is substantial resource potential determined as a result of prospecting works by means of federal budget funds within the Vitimskoye uranium mining region in the Republic of Buryatia.

Solution of these tasks will be supplemented by the development of non-uranium projects, which, in turn, guarantees the Holding's ability to withstand market risks and address the tasks associated with operating region development.

By 2030, natural uranium production and processing will still be the main type of operations of JSC Atomredmetzoloto. However, the Holding itself will be transformed into a "development company" – dynamic, proficient in strategic metal production and processing.



Marina Liborakina, deputy general director for business strategy and development of JSC Atomredmetzoloto, responds to a stakeholder's proposal to expand the section dedicated to the strategy and digitize the information it contains, if possible:

"The Holding is facing a strategic task to assure operating performance, including due to specific natural uranium underground mining cost by underground method by 30% and by in situ leaching method (ILM) – by 10% during 2014–2019".

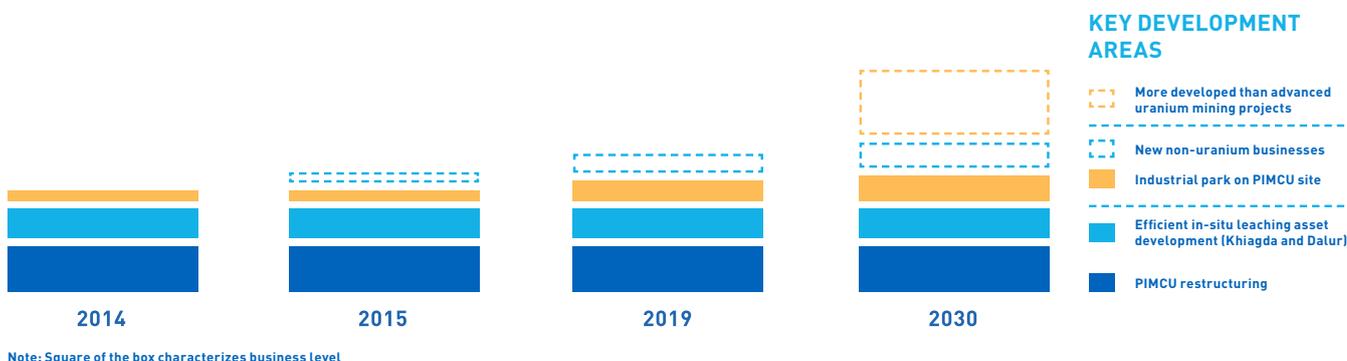


Fig. 8. Key tasks and development areas of ARMZ Uranium Holding in the long-term for up to 2030

## 2.1.5. Plans for 2015 and the mid-term

### Plans for uranium production development

In 2014, JSC Atomredmetzoloto implemented the uranium production plan in full volume

In 2015 and subsequent years its production volume will be maintained at the level of around 3 thous. tons per annum (with adjustment based on tasks of State Corporation Rosatom).

Product quality assurance is one of the key priorities at ARMZ. An inspection audit for compliance with ISO 9001 (quality management system) and ISO 14001 (environmental management system) standards is planned in 2015. Besides, in-situ leaching plants will be converted to finished product output meeting the "base specification". Works in JSC Dalur will be completed in 2015, in JSC Khiagda - in the mid-term.

Development of a competitive uranium-production facility and the launch of a diversification program remain the critical mid-term tasks of JSC Atomredmetzoloto. Deep uranium chain restructuring with a transition to new deposit development will be carried out in PJSC PIMCU. In the meantime, balanced build-up of cost effective uranium production will continue in JSC Dalur and JSC Khiagda.



Evgeniy Palchikov, director for development of JSC Atomredmetzoloto responds to the stakeholder's proposal to reflect diversification in the Report structure and consider possible introduction of a separate section dedicated to this topic:

In 2014, JSC Atomredmetzoloto generated the new business area development program. As part of the program, priority projects were defined. The program "core" - development of diversification projects based on existing competences of PJSC PIMCU in mining and related industries ("Pyrite Cinder Processing", "Rare-earth Metal Refining and Separation Centre"). Projects will presumably be implemented on the territory of Krasnokamensk Industrial Park in the form of public-private partnership with foreign investors. Other projects aimed at diversifying the Holding's revenue source and solving the socio-economic tasks associated with the development of Southeastern Trans-Baikal Territory. ("Cement Plant", "Biochemical Facility Construction", "Coal-Diesel" project etc.) are developed around the core. Pavlovskoye project on Novaya Zemlya archipelago will be implemented in accordance with approved plans. According to the diversification program roadmap, project commissioning is planned for 2017-2019."

**Table 3. Main Business Diversification Initiatives**

Main Business Diversification Initiatives	<b>Pavlovskoye project (Novaya Zemlya)</b>
	Target products: Refined zinc, refined lead Target job creation /people: 400
	<b>Pyrite cinder processing (man-made waste)</b>
	Target products: Gold, iron-oxide pigments, iron-containing concentrate Target job creation /people: 75
	<b>Cement Plant Construction</b>
	Target products: Cement Target job creation /people: 230
	<b>Coal conversion into synthetic diesel fuel</b>
Target products: Synthetic diesel fuel. Associated chemical products (naphtha, liquefied petroleum gas, sulphur) Target job creation /people: 1000	
<b>Associated rare-earth metal (REM) and scandium oxide mining (P3M) from uranium solutions</b>	
Target products: Total REM oxide concentrate, scandium oxide	
<b>"Green chemistry"</b>	
Target products: Inulin, fructooligosaccharides, other products (fructose syrup, combined feed) Target job creation /people: 390	

Along with existing production facility efficiency enhancement, JSC Atomredmetzoloto will continue to develop promising projects (Kaldera and Mine No. 6). Implementation will provide PJSC PIMCU with a higher-quality raw-materials base and create a reserve for its subsequent development. Plans envision the gradual commissioning of major new projects, including the Elkon project, by roughly 2030, as uranium demand recovers and prices begin to climb sufficiently to ensure the required cost-effectiveness indicators.

## Business Diversification Plans

The project is implemented as part of solving state tasks for Russian Arctic Zone development. Production start on the field is planned in 2019.

Formation of Krasnokamensk Industrial Park, boasting well-developed industrial and power infrastructure, workforce potential and production capacity in Southeastern Trans-Baikal Territory, remains an important development area. Projects whose implementation is planned at the park in part-

nership with foreign investors support both expansion of the park's core industries (cement, metallurgy, etc.) and the development of high-tech production facilities for the manufacture of high-added-value products (including through import substitution). JSC PIMCU's participation in these projects will make it possible to diversify the plant's revenue sources, create new jobs for personnel previously engaged in uranium production, and assure the efficient utilization of existing infrastructure. Overall, by 2019, the diversification program will make it possible to create

over one thousand new jobs in Krasnokamensk and Krasnokamensk Region.

Development of Pavlovskoye lead-zinc field became one of the priority diversification areas in 2014

## 2.1.6. REM and scandium production development

ARMZ Uranium Holding is implementing a significant associated REM production project. The project is aimed at creating a REM production facility on the basis of existing production infrastructure, formed human resources and process competences of mining division plants of State Corporation Rosatom.

### 2014 results:

- Under the "Rare and Rare-Earth Metal Industry Development" Subprogram of "Industry development and its competitiveness enhancement" program, the industrial institute JSC VNIPIpromtekhologii entered into state contracts for the associated REM and scandium extraction technology and total REM concentrate separation technology;
- the range of laboratory works for the scandium and REM concentrate production technology was implemented;
- the concept of monazite concentrate relocation to its processing and UralMonazit base area rehabilitation place was developed in JSC VNIPIpromtekhologii;
- an agreement on cooperation in the area of rare and rare-earth metal processing was entered into with LLC TriArk Mining\*;
- agreements of intent were entered into with Energiya Group of Companies and JSC TVEL on the development of associated scandium and REM production development in JSC Dalur and JSC Khiagda with subsequent

upstream operations' product manufacturing in JSC CMW;

- an agreement of intent was entered into with JSC ICC Uralchem for industrial development of REM concentrate decontamination and concentrate separation into group/individual REM technology.

### 2015 Plans:

- Develop the scandium concentrate production and refining technology in a test mode;
- start design documentation drafting for scandium oxide pilot production.

## 2.1.7. Cooperation with foreign partners



Vladislav Matus, deputy general director of JSC Atomredmetzoloto, responds to the stakeholder's proposal to disclose Company's reaction to the complication of a foreign political situation and imposition of anti-Russian sanctions:

"Foreign challenges and circumstances capable of affecting the company's operations are regularly monitored in JSC Atomredmetzoloto, response measures are worked out – both prompt and strategic ones. In order to respond to arising challenges, the Holding fully takes advantages of integration in State Corporation Rosatom structure – one of the leading players of the global nuclear industry. Efficient cooperation with contract parties, timely introduction of advanced standards and technologies, efficient investment attraction and stable product sales are assured due to integration. Active cooperation with regional, federal and local authorities, Russian and foreign investors, allows the Company to solve business tasks comprehensively along with the socio-economic development of its areas of operation."

\* LLC TriArk Mining – joint venture of ICT Group and RT-Global resources company of State Corporation Rostekh established with a view to develop rare-earth metal and niobium mining and refining in Russia, provision of the Russian industry with high-tech REM materials.

**Table 4. Main areas of cooperation with international partners of ARMZ Uranium Holding in 2014**

Country	Company	Project	Project goal	Results
People's Republic of China	Beijing Triumph International Engineering Co. Ltd. (BTIEC), GR Application Technology Co. Ltd.	"Cement Plant"	Cement production localization in Southeastern Trans-Baikal Territory. Major cement producers on the PRC market are project partners.	<ul style="list-style-type: none"> <li>● a preliminary feasibility study was developed and a project data sheet was generated.</li> </ul>
People's Republic of China	China National Machinery Import & Export Corp, SYNFUELS CHINA, GR Project Management Co. Ltd.	"Coal-diesel"	Development of a high-tech industrial coal refining facility with production of synthetic diesel fuel and associated chemical products. The project contemplates synthetic fuel plant construction. Consortium of Chinese companies is the project partner.	<ul style="list-style-type: none"> <li>● potential construction site visit was arranged and input data for design were collected;</li> <li>● Urtuyskiy open-pit coal mine visit as one of potential raw material source (at the first stage) for future production was arranged.</li> </ul>
Republic of Kazakhstan	Nuclear Physics Institute	"Geological Environmental Assessment"	Monitoring of underground nuclear explosion facilities for peaceful purposes on Karachaganak oil and gas condensate field.	<ul style="list-style-type: none"> <li>● in accordance with the contract works on the following subject were performed: "Conducting a geological environment assessment containing underground vessels generated by nuclear explosions, according to the underground vessel stability forecast and overview of methods for rendering similar facilities safe."</li> </ul>
Czech Republic	Susharny Praha	"Yellow cake drying in JSC Dalur for finished product output in accordance with ASTM "Base specification" international standard"	Process upgrading in JSC Dalur for finished product output in accordance with ASTM "Base Specification" international standard	<ul style="list-style-type: none"> <li>● equipment was accepted for pilot production;</li> <li>● finished product output in accordance with ASTM "Base Specification" standard;</li> <li>● improved product quality assured all nuclear-cycle chain efficiency enhancement;</li> <li>● a pilot project in the form of the EPCM project was implemented by the Engineering Centre of JSC VNIIPromtekhologii.</li> </ul>
United Republic of Tanzania	Mantra Tanzania Ltd.	"Geotechnological studies for the field"	Implementation of geotechnological studies for uranium fields with complicated radiological conditions to justify the possibility for application of the in-situ leaching method during their development.	<ul style="list-style-type: none"> <li>● the report was drawn up and defended based on the results of radiological ore property study of NYOTA field;</li> <li>● the possibility and efficiency of application of the Russian method for radiological ore property study and gamma log data interpretation for reserve quantification in complicated radiological conditions of NYOTA field were confirmed.</li> </ul>

## 2.2. Management system

### 2.2.1. Corporate governance

#### Approach to corporate governance

Maintenance of a high corporate governance level and operational transparency is regarded as one of the most important areas of the Company's strategy implementation, the overarching purpose of which is to maximize mining business value for shareholders.

JSC Atomredmetzoloto has the following priority corporate governance objectives:

- to comply with Russian and international corporate governance standards;
- to enhance the efficiency of governing bodies;
- to increase transparency for investors, companies from the same industry, business partners, employees, and other stakeholders.

*The Company ensures strict compliance with the law. The corporate governance system is improved with the use of best Russian and global practices*

The Company ensures strict compliance with the law. The corporate governance system is improved with the use of best Russian and global practices and OECD corporate governance principles.

On the website (<http://www.disclosure.ru/issuer/7706016076/>) you can find the Charter and internal documents regulating activities of management and supervising bodies, and disclosure of significant facts and events related to ARMZ Uranium Holding Co.

#### ARMZ Uranium Holding Co. Authorised Capital and Shareholders

As of December 31, 2014:

- JSC Atomredmetzoloto's authorized capital was RUB 25 055 248 440;
- the Company placed 25 055 248 440 registered ordinary shares with the nominal value per share being RUB 1.00 (issue registration numbers: 1-01-03912-A and 1-01-03912-A-006D);
- three shareholders are registered in the Register of Shareholders (Rosatom State Corporation, JSC Atomenergoprom, and JSC TVEL).

# 4.69

billion

The total funds raised through the 2014 additional issue

#### Changes to Equity Capital Structure in 2014

In 2014, the Company privately traded an additional issue of shares to raise funds for the investment program; 1 547 293 730 ordinary shares were placed for the benefit of JSC Atomenergoprom. The total funds raised through the 2014 additional issue were RUB 4.69 billion.

#### Changes to the Company's Management in 2014

- In September 2014, JSC Atomredmetzoloto closed a deal to divest 50% of the authorized capital of Runex Uranium (Pty.) Ltd.
- In November 2014, JSC Atomredmetzoloto concluded a transaction to divest 100% of the authorized capital of ARMZ NAMIBIA (Pty.) Ltd.

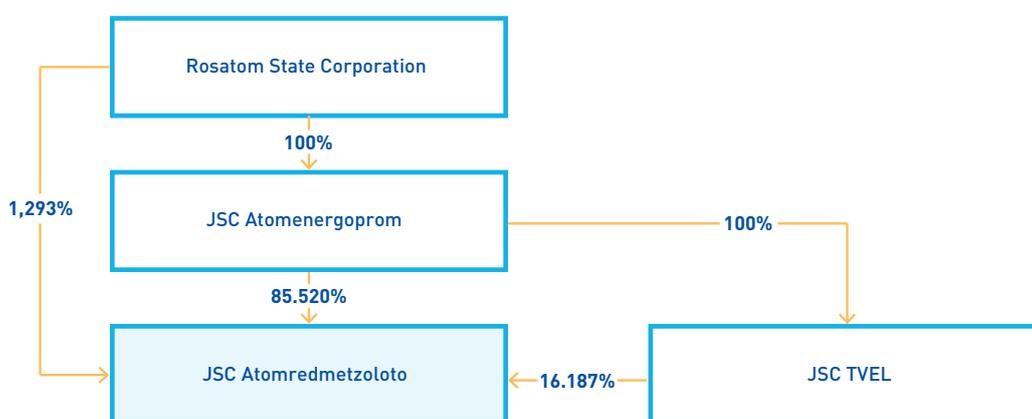
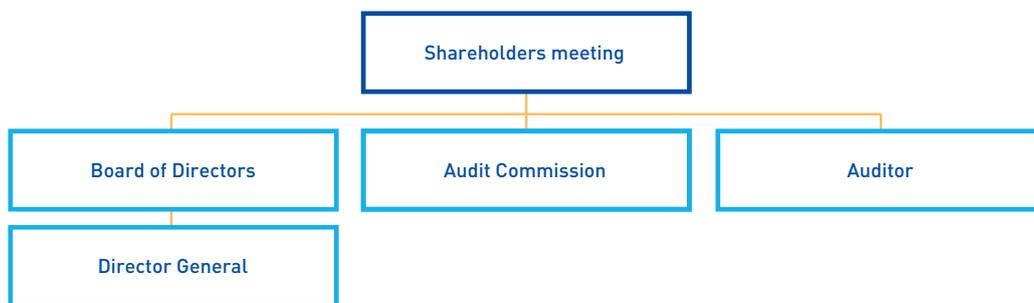


Fig. 9. Shareholders' structure as of December 31, 2014

Table 5. Shareholder Structure Dynamics in 2012-2014, %

Shareholder	Stake in JSC Atomredmetzoloto's authorized capital		
	as of 31.12.2012	as of 31.12.2013	as of 31.12.2014
JSC Atomenergoprom	80,475	81,370	82,520
JSC TVEL	18,081	17,252	16,187
State Corporation Rosatom	1,444	1,378	1,293



**Fig. 10. Structure of ARMZ Uranium Holding Co. Managing and Supervising Bodies**

## Management system

The corporate management system serves as the basis for the Holding's activities and has several layers.

## Management and Supervisory Bodies

### General Shareholders Meeting

The General Shareholders Meeting of JSC Atomredmetzoloto is its supreme management body. Its authorities, procedure for convocation and conduction are defined by provisions of the Company's Charter as well as regulatory acts of the Russian Federation. The Regulation "On General Shareholders Meeting" has not been approved in the Company.

In 2014 five General Shareholders Meeting were held, at which resolutions regarding Company's management were adopted, including:

- increase of the Company's authorized capital by means of additional shares placement;
- amendments to the Company's Charter;
- establishment of the Company's management and supervisory bodies;
- approval of the annual report, annual financial statements for 2013 and profit distribution;
- approval of the Company's Charter in a new wording.

### Board of Directors

Competence of the Board of Directors is defined by provisions of the Charter and internal documents of the Company as well as regulatory acts of the Russian Federation.

Members of the Board of Directors do not own Company's shares.

Candidates for membership on the Board of Directors are nominated in accordance with requirements of art. 53 of the

Federal Law "On joint-stock companies".

Meeting of the Board of Directors are convened as necessary. Meeting is convened by the Chairman of the Board of Directors at his own initiative, upon a request of a member of the Board of Directors, General Director and auditor.

➔ **For more details see section 2.2.2. The Report of the Board of Directors on the results of Company's development as per priority area of operations.**

The Chairman of the Board of Directors is not concurrently the Company's sole executive body. The Chairman at the same time. The Board of Directors consists of five people.

From June 28, 2013 to June 29, 2014 the Board of Directors included:

1. Vadim Lvovitch Zhiron – chairman of the Board of Directors;
2. Kirill Borisovitch Komarov;
3. Vladislav Igorevitch Korogodin;
4. Yekaterina Victorovna Lyakhova;
5. Yury Alexandrovich Olenin.

From June 30, 2014 to December 09, 2014 the Board of Directors included:

1. Aleksandr Markovitch Lokshin – chairman of the Board of Directors;
2. Vladimir Nikolaevitch Verkhovtsev;
3. Vadim Lvovich Zhivov;
4. Vladislav Igorevitch Korogodin;
5. Yekaterina Victorovna Lyakhova.

As of December 31, 2014, the Company's Board of Directors was comprised of:



**04.2006—06.2008** first Deputy Director General, Acting Director General of FSUE RosEnergoAtom Concern.

**06.2008—present.** Deputy Director General, Deputy Director General – Head of NPC Directorate, First Deputy Director General for Operational Management of State Corporation Rosatom.

### Aleksandr Markovitch Lokshin

Member of the Board of Directors from 30.06.2014, chairman since 01.07.2014

Was born in 1957, place of birth – Chita, graduated from the Leningrad Kalinin Institute of Polytechnics. Honoured power engineer of the Russian Federation.



Command of Armed Forces, PhD in Technical Sciences

**1999—2011** ran the 12th Central Administration of the Russian Ministry of Defence.

**09.2011—present.** Deputy Director General, Director General of JSC Atomredmetzoloto.

### Vladimir Nikolaevitch Verkhovtsev

Member of the Board of Directors since 30.06.2014

Was born in 1955, place of birth – Lyal Mikar settlement of the Jarkurgan district of the Surkhandarya region, graduated from the Felix Dzerzhinsky Military Academy, Military Academy of the Russian Central.



**Vladislav Igorevitch Korogodin**

Member of the Board of Directors since 07.09.2007

Born in Moscow in 1969. Graduated from the Moscow Institute of Physics and Technology.

**06.2004—10.2007** Deputy Chief, Directorate of Nuclear Materials Industry, Rosatom, Deputy Chief, Directorate of Nuclear Power and Nuclear Fuel Cycle, Rosatom.

**10.2007—03.2010** Director, Department of Marketing and Markets; Deputy Director, JSC Atomenergoprom.

**03.2010—present.** Deputy Director of the NPC Directorate, Director for NFC and NPP Life Cycle Management at Rosatom.



**Yekaterina Victorovna Lyakhova**

Member of the Board of Directors since 30.06.2011

Born in 1975, place of birth – Yekaterinburg, graduated from the Urals. State Law Academy and the Universiteit Antwerpen Management School

**07.2008—02.2010** Director General of JSC Koltsovo-Invest.

**02.2010—03.2011** Vice-President of JSC TVEL.

**04.2011—present.** Deputy Director of JSC Atomenergoprom.

**07.2011—present.** Deputy Director of the NPC Directorate, Director for Investment Management and Operating Efficiency of Rosatom State Corporation.



**Vladimir Sergeevitch Vysotskiy**

Member of the Board of Directors since 30.06.2014

Born in 1954, place of birth – Komarino village of the Gorodokskiy district of Lvov region, Ukrainian SSR, graduated from the Military Academy of the General Staff of the Armed Forces of the Russian Federation.

**2007—2012** Commander in Chief of the Russian Federation Navy, admiral.

**2013—present.** Deputy Director General, Deputy Director General for Special Projects of JSC Atomredmetzoloto.

## General Director

Daily operations of the Company are managed by the sole executive body, the Director General.

In accordance with requirements of art. 69 of the Federal Law "On Joint-Stock Companies", art. 9 of the Company's Charter the Director General arranges for implementation of resolutions of the General Shareholders Meeting and the Company's Board of Directors.

The Company's Director General – Vladimir Nikolaevitch Verkhovtsev, was elected to the post by the resolution of the Extraordinary General Shareholders' Meeting (minutes dated 27.05.2013 No. 15).

V.N. Verkhovtsev does not own any shares of JSC Atomredmetzoloto.

The Director General participates directly in formulation of the Company's development strategy – both at the mission-and-values level and at the level of functional strategies. Corresponding documents are approved by the Director General who subsequently assures their approval at the level of State Corporation Rosatom.

## Results of the Director General's KPI system application\*

The personnel performance management system based on KPIs (key performance indicators) operates at plants of ARMZ Uranium Holding. The implementation of KPIs has become one of the main

mechanisms for boosting labor productivity.

Its utilization has made it possible to measure the productivity and form the performance criteria for each plant, structural division and individual employee. Employee's remuneration depends on his perfor-

mance and implementation of key performance indicators. KPI of the Holding's director is generated with a focus on the achievement of strategic goals

and KPIs. These indicators are then broken down and relayed to subordinate levels and applied to structural divisions and individual employees.



Anatoly Ostroukh, deputy director general for personnel – head of the remuneration, benefit and HR record management department responds to the stakeholder's proposal to disclose additional information about the KPI system:

"The KPI system provides assessment of achievements and performance of the Company, its structural divisions as well as managers and individual specialists and is an instrument of strategic and operational management enabling to plan operational results at all organizational levels and direct employee efforts, above all from among managers to their achievement".

\* KPI of the Director General is approved by a resolution of the board of directors.

**Table 6. Target key performance indicators JSC Atomredmetzoloto (KPI) for 2014**

KPI name of the Director General of JSC Atomredmetzoloto, measurement unit	Target value	Actual value*
Corrected free cash flow (CFCF) of State Corporation Rosatom, bln. RUB.*	186,300	202,100
Engagement rate, %	49,000	42,000
Labour productivity, mln. RUB./people	1,460	1,476
Working capital, bln. RUB.	5,000	4,240
Integrated investment performance indicator, %	100,000	120,000
Lost-time injury frequency rates LTIFR, %	10% improvement from the base period level	0,900
Natural uranium production cost (for RF), bln. RUB	9,588	9,184

\* CFCF (corrected free cash flow) – in view of substantial working capital growth in 2011-2012, buoyed by simultaneous growth in investment applications, the EBITDA indicator was replaced with a monetary indicator characterizing the dynamics of cash flows suitable for development investment. Adjusted free cash flow (FCF) was deemed the most expedient indicator for CFCF purposes. CFCF is distinct for its ease and clarity of dividend calculation, direct link to sources of extra-budgetary financing, and incorporation of more instruments for the achievements of set targets. Considering the tremendous significance of CFCF for State Corporation Rosatom as a whole, this indicator is singled out in the KPI maps of managers at all of the Corporation's divisions.

**Basic provisions of the Company's remuneration and/or cost compensation policy, information about remuneration and/or cost compensation**

For participation in the operation of the board of directors members of the Board of Directors may receive a remuneration based on financial-economic results of Company's operations. The amount of remuneration is fixed by the General Shareholders Meeting.

Members of the Board of Directors being full-time employees of the Company receive salary in accordance with the Unified Industrial Payroll System established by State Corporation Rosatom for joint-stock companies of the Corporation and subsidiaries of JSC Atomenergoprom. Remunerations and compensations to members of the Board of Directors are paid in accordance with labour contracts and valid local regulatory payroll documents of the Company.

In the reporting period the amount of remunerations as well as the amount of expenses connected with execution of functions of mem-

bers of the Board of Directors compensated by the Company was 9.3 mln RUB.

**Information about Company's compliance with principles and recommendations of the Corporate Governance Code recommended by the Bank of Russia**

The Corporate Governance Code recommended for application by letter of the RF CB dated 10.04.2014 No. 06-52/2463 was not approved by the Company.

In the meantime, JSC Atomredmetzoloto adheres to principles and recommendations of the Corporate Governance Code and provides shareholders with all possibilities for participation in company's management and familiarization with information about company's operations in accordance with the Federal Law "On joint-stock companies", Federal Law "On securities market" and regulatory acts of the Bank of Russia.

**Management**

(as of December 31, 2014)



**Vladimir Nikolaevitch Verkhovtsev**  
Director General



**Vladimir Sergeevitch Vysotskiy**  
Deputy Director General for Special Projects



**Victor Stanislavovitch Svyatetskiy**  
First Deputy Director General – executive director



**Marina Ivanovna Liborakina**  
Deputy General Director for Business Strategy and Development



**Vladislav Isaakovich Matus**  
Deputy General Director



**Ilya Ilyitch Korolev**  
Deputy Director General for Administrative Issues



**Victor Mikhailovitch Zakharov**  
Deputy Director General for Economics and Finance (appointed in March 2015)

Atmazhitova – advisor of the nuclear material accounting, monitoring and control department of Rosatom State Corporation;  
● Yelena Vladimirovna Vlasova, Advisor at the Internal Audit Unit of Rosatom State Corporation.

Members of the Audit Commission do not own any Company shares.

The members of the Audit Commission did not receive remuneration in 2014.

By the Resolution of the General Shareholders Meeting (Minutes dated 21.01.2015 No. 22) change to "changes were made to the Charter dealing with disbanding of the Company's internal audit commission of the Company (in accordance with provisions of art. 66.3 of the Civil Code of the Russian Federation (part one)).



**Sergey Aleksandrovitch Migalin**  
Financial Director



**Vera Borisovna Sorokina**  
Chief Accountant



**Vladimir Dmitrievitch Morgun**  
Deputy Director General for Safety (appointed in March 2015)

#### **Committees Activities of the Investment Committee**

#### **2014 results:**

● Total eight meetings of the Investment Committee of JSC Atomredmetzoloto were held (hereinafter – Committee), including for the approval of project investment program limits for 2014 and 2015 of Mining division, approval of project data sheets of PJSC PIMCU, Berezovoye, "Fixed assets and intangible assets of ARMZ, JSC Khiagda and JSC Dalur. In total, 55 investment resolutions were adopted.

● amendments were made in the Regulation on Committee with respect to Authority Delegation Principles of the Investment Committee of Rosatom State Corporation for adjustment of project financing limits and composition of the Project Portfolio of investment planning subjects to the second level investment decision-making bodies.

● the composition of Committee members was updated. The Committee comprises representatives of ARMZ, Rosatom State Corporation and subsidiary companies (PJSC PIMCU, JSC Khiagda, JSC Dalur). Chairman – Director General of JSC Atomredmetzoloto V.N. Verkhovtsev.



**Stanislav Mikhailovitch Anikeev**  
HR Director



**Ilya Aleksandrovich Yaroshevitch**  
Director for Corporate and Legal Relations



**Vsevolod Yurievitch Galinov**  
Chief Security Inspector

#### **Internal Audit Commission**

The Internal Audit Commission acts as a corporate management body to improve the efficiency and transparency of managerial processes. The Audit Commission is responsible for control of the Company's financial and business operations, including:

- auditing financial documents, results of inventory checks, regulatory compliance, legal validity of executed documents;
- analyzing the Company's financial standing, liquidity and financial solvency;
- analyzing the Company's management bodies decisions for their relevance and conformity with the Charter.

The Annual General Shareholders Meeting of JSC Atomredmetzoloto (Minutes dated June 2014, No. 180) elected the following persons to the audit commission:

- Victoria Alexandrovna Andriyenko – chief accountant of State Corporation Rosatom;
- Marina Vladimirovna

⇒ For more details see sect. 3.2.2. Investment activities.

### Activities of the Risk Committee

#### 2014 results:

- In total, nine meetings of the Risk Committee of JSC Atomredmetzoloto were held (2 meetings in presentia, 7 – in absentia);
- draft regulating document for percentage risk management of JSC Atomredmetzoloto and its subsidiary and supervised companies in view of new requirements for transfer pricing were approved;
- monthly subsidiary crediting limits were approved;
- measures for optimization of the hedging transactions concluded in view of business division into Russian and international and currency exchange rate change were approved;
- key risk owners\* of JSC Atomredmetzoloto were appointed;
- the composition of Committee members was updated. The Committee comprises representatives of ARMZ and Rosatom State Corporation. Chairman – first deputy director general of JSC Atomredmetzoloto for economics and finance A.V. Kovalevskiy (in April 2015 V.S. Svyatetskiy, first deputy director general - executive director was appointed chairman of the Committee).

⇒ For more details see sect. 2.2.3. Risk management.

\* **Risk Owner** — role performed by employees (managers at the level of structural division head or higher) within whose scope of work a risk may arise, responsible for the drafting and implementation of measures for risk management and subsequent monitoring.

### Activities of the Charity Committee

#### 2014 results:

- The Charity Committee of JSC Atomredmetzoloto was established, the Regulation on charitable activities of JSC Atomredmetzoloto, Work Regulation and Regulation on the Committee were approved. Chairman of the Committee – deputy director general for business strategy and development – M.I. Liborakina.
- one constituent meeting of the Committee was held, at which the experience of Russian companies in charitable project implementation, including for local employment/self-employment promotion, was reviewed.
- priority areas of charitable activities for 2015 were selected – support for the Company's regions of operation and measures associated with celebration of the 70th Anniversary of Victory in the in the Great Patriotic War.

#### Report on payment of announced (accrued) dividends for Company's shares

Dividends were not paid in the reporting period in JSC Atomredmetzoloto as the resolution on dividend declaration was not adopted. JSC Atomredmetzoloto's dividend policy is set by its management bodies with account of the required investment in accordance with the Company's strategy.

There are no declared or unpaid dividends.

No dividend payment is planned for 2014.

#### Major Transactions and Interested Party Transactions

In 2014 the Company did not enter into any major transactions and interested party transactions which require approval pursuant to the Federal Law On Joint-Stock Companies.

### Information about the Company's Registrar

Company's Registrar is the Open Joint Stock Company Registrar R.O.S.T.

Registrar's details:

OGRN (Primary State Registration Number) 1027739216757, INN (Taxpayer Identification Number) 7726030449.

Registered address: 18 Stroyynka Ul., Bldg. 13, Moscow, Russia

Telephone/fax: +7 (495) 771-73-36.

### 2.2.2. The Report of the Board of Directors on the results of Company's development as per priority area of operations

In 2014 23 meetings of the Board of Directors were held during which decisions regarding the key Company management issues were adopted, including:

- approval of ARMZ Uranium Holding Co.'s target performance (KPI);
- Company organizational structure approved;
- appointment to the position of deputy director general for economics and finance, deputy directors general of the Company approved;
- the amount of remuneration paid to the sole executive body of the Company was defined;
- the decision on additional issue of Company's shares was approved;
- decisions were made on the divestment of Company-owned shares in Runex Uranium (Pty.) Ltd. and ARMZ NAMIBIA (Pty.) Ltd.
- decisions were made on the acquisition of shares in PJSC PIMCU, JSC Khiagda, JSC First Mining Company placed as part of additional securities issues.

### 2.2.3. Risk management

#### Risk Management System

Key results in risk management at JSC Atomredmetzoloto in 2014 were as follows:

- the Corporate Risk Management System (hereinafter referred to as "CRMS") was integrated, including key planning and managerial decision processes ("budgeting", "mid-term planning", "strategic management", and "investment activities management");
- implementation of the approved interest-rate risk management strategy of ARMZ and subsidiaries aimed at interest-rate risk focus on the managing company, substantially reducing the burden on subsidiaries;
- definition of the "Holding's risk preparedness level", critical risk list and risk management measures;
- work on optimizing hedging transactions in accordance with the planned natural-uranium sales schedule, in due consideration of State Corporation Rosatom's asset restructuring in the uranium-mining segment in 2013 and the resulting shift of some hedging transactions to 2015;
- for the purposes of minimizing product non-sales risks at main production plants of the Holding the integrated management system was introduced in 2014, which passed certification for compliance with ISO 9001:2008 and ISO 14001:2004 international quality standards.
- key compliance risk owners of JSC Atomredmetzoloto were appointed.

⇒ For more details see sect. 2.1.3. Marketing and sales policy

**Table 7. Key Risks and Risk Management Methods in 2014**

Risk dynamics:  increase  decrease  without major changes

Risk types	Risk minimization methods	Risk dynamics
<b>Operational risks</b>		
Property risks, asset loss/damage risks	<p>The Holding employs a special system for regular production parameter checks, updated with the requirements of the integrated quality management system and assuring continuous monitoring of Holding plant's operations. Based on monitoring operational decisions are made which takes into account the current situation with the production program implementation, preventive measures to reduce unforeseen expenses, prevent emergency and hazardous situations at Holding's plants are taken, property insurance at its market value is carried out as well as insurance of companies' civil liability insurance to third parties in leading insurance companies of Russia.</p> <p><a href="#">For more details see section 3.3.</a> Production Capital Management.</p>	
International political and regulatory risk	<p>Due to the fact that Holding's operations are performed in the Russian Federation, sanctions imposed by foreign countries has not substantially affected the production process of plants; JSC Atomredmetzoloto and its S&amp;A continuously monitor changes in applicable law related to subsoil use, nuclear power use, environmental requirements and tax regulation, and the peculiarities of the Russian corporate law and the jurisdiction of its presence.</p>	
Reputation risk	<p>Risk increase is predicated on persistently-negative global uranium-price dynamics and the pessimistic forecast of the RF Ministry of Economic Development, which reduces nuclear industry attractiveness in general. For risk minimization in PJSC PIMCU the production efficiency enhancement program was implemented, number of personnel was optimized and a number of measures for social protection of population was conducted.</p>	
<b>Social risks</b>		
Personnel-related risks	<p>Risk management measures being implemented:</p> <ul style="list-style-type: none"> <li>● program for engagement of experienced mining employees from other regions and highly qualified workers from related sectors;</li> <li>● remuneration incentives, benefits and a welfare system are used to retain qualified personnel;</li> <li>● an integrated training program for all levels of personnel is implemented, including managers talent pool program;</li> <li>● The Holding engages in infrastructure development in regions of operation;</li> <li>● due to personnel number optimization performed in 2014 PJSC PIMCU implemented a pool of measures for social protection of population (severance benefit, issue of grants for business operations, search of jobs within the city).</li> </ul> <p>Thanks to the active human resources management policy implemented by the Holding, these risks were substantially mitigated.</p> <p><a href="#">For more details see section 3.5.</a> Human Capital Management.</p>	
Occupational Health and Safety Risks	<p>Amidst ongoing, heightened attention to the state of the nuclear-power industry, the Holding implemented measures aimed at raising the occupational health and safety level at plants and on territories of operation, inter alia, a range of measures was implemented for raising employee security level and dwellers of territories of operation as well as for maintaining the local ecosystem balance, technological natural uranium production and processing rates are strictly observed.</p> <p><a href="#">For more details see section 3.5.9.</a> Occupational health and safety.</p>	
<b>Environmental risks. Nuclear and radiation safety risks</b>		
Technological risks, including radiation safety	<p>Technological natural uranium process risk management, including nuclear-radiation risks, is ensured by implementing a number of special measures, including implementation of process equipment upgrading program at plants of the Holding, strict compliance with current standards in the production process as well as insurance of companies' civil liability to third-parties and companies' employees.</p>	
Environmental risks	<p>The Holding entities involved at different stages of uranium production comply with all statutory environmental standards of countries of operations. Active policy for mitigating such an impact and raising environmental safety of a production cycle.</p> <p><a href="#">For more details see section 3.7.</a> Natural Capital Management.</p>	

Risk types	Risk minimization methods	Risk dynamics
<b>Financial risks</b>		
Exchange risks	Exchange risks are traditionally managed through the centralization of risks at JSC Atomredmetzoloto, which allows Holding operators to focus on core production areas. Exchange risks are mitigated through the Holding's open currency position management. Based on the results of this management the credit portfolio structure is adjusted with a view to balance exchange assets and liabilities of the parent company, through adjustment of financial derivatives.	↑
Tax risks	Tax risk management in the Uranium Holding is ensured through the following measures: <ul style="list-style-type: none"> <li>● preliminary tax due diligence of contracts entered into;</li> <li>● control over pricing within monitored transactions in accordance with requirements of tax legislation;</li> <li>● tax risk monitoring, including transfer pricing risks.</li> </ul>	○
Interest risks	This type of risk when entering into credit agreements is minimized by means of establishing a balance between a floating and fixed tax rate as well as by means of interest risk focus on the managing company.	↑
Insolvency (liquidity) risks	In 2014 liquidity risks did not have a major impact on operations of JSC Atomredmetzoloto due to implementation of a targeted policy for this risk type management during the year, including: <ul style="list-style-type: none"> <li>● setting up limits for Holding companies in several banks;</li> <li>● implementation of a cash-redistribution system inside the Holding through the use of advanced banking products for the purpose of efficient use of group companies' bank account balances;</li> <li>● credit portfolio restructuring and regular monitoring of group companies' liquidity.</li> </ul>	○
Credit risks (risk of default by counterparties)	The main purchasers of the products produced at Holding facilities are Rosatom State Corporation companies, which significantly decreases the credit risk of JSC Atomredmetzoloto. Credit risks related to procuring raw and other materials for the Holding entities are minimized through reduction of advance payments under contracts with counterparties by means of including such a restriction in tender documentation (all procurement is carried out using competitive procedures). <a href="#">▶</a> For more details see section 3.2.1. Financial performance management.	○
Commodity risks	Risk growth is predicated on persistently-negative global uranium price dynamics in 2014. The negative impact of this risk type was minimized through implementation of a balanced price policy and available raw material source management with due account of the existing global practice.	↑
<b>Specific risks: mining production risks</b>		
Risk of incorrect assessment of deposit quality and capacity	JSC Atomredmetzoloto takes the following measures to obtain the most comprehensive and high-quality information about existing fields and to minimize the risk of geological exploration data differing from actual capacity: <ul style="list-style-type: none"> <li>● employment of latest reserve balance recording and resource estimation methods, used as part of a best practice in Russia and globally;</li> <li>● employment of state-of-the-art geological exploration methods using geological-mathematical models at operating plants.</li> </ul>	○
Investment project risk	Holding's operations are connected with acquisition of uranium-containing fields and development of uranium product plants on their basis as well as with business diversification projects. Given a specific nature of investment decisions in the mining industry (significant capital intensity and long project return on investment periods) project risks are assessed when making investment decisions. When making decisions on implementation of a specific project, not only project efficiency calculation, net present value (NPV) indicators, internal rate of return (IRR) but also general strategic goals of Rosatom State Corporation, social impact of a specific decision, territory and country risks are taken into consideration.	○
Compliance risks	Permanent updating of local regulatory framework in accordance with amending requirements of federal legislation for mitigating risks arising in the course of external communications with state regulatory bodies as a result of non-compliance with legislation, which may result in application of penalties.	

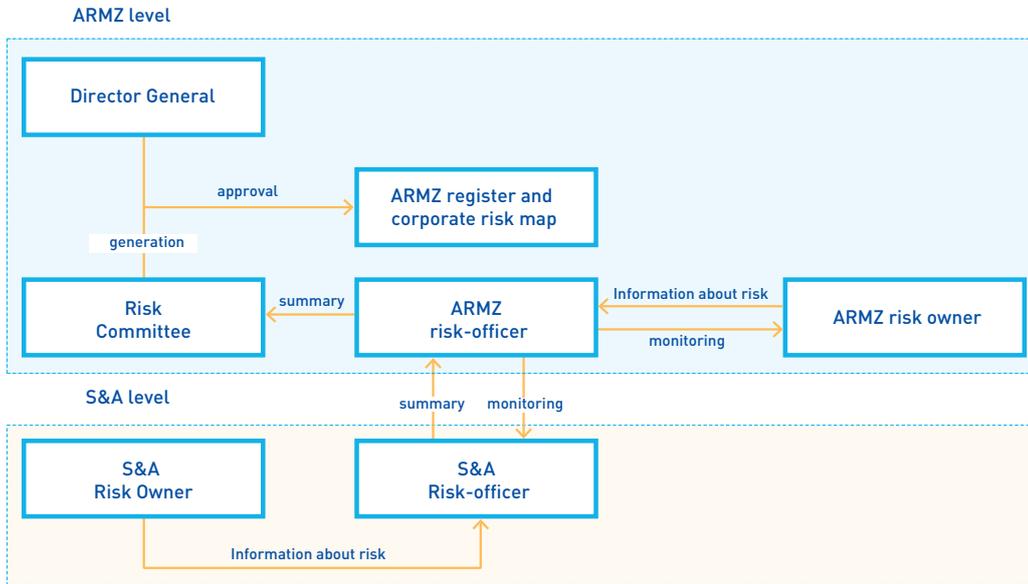


Fig. 11. Risk Management Structure at ARMZ Uranium Holding Co.

### 2015 and future plans

In the future, the risk management system development will be focused on practical application of accumulated risk management experience. The task aimed primarily at proactive risk identification and work with owners of risks for implementation of measures minimizing risks with due account of a close interrelation of these business-processes with planning and managerial decision making processes ("budgeting", "mid-term planning", "strategic management", and "investment activities management").

### 2.2.4. Internal Monitoring System. Assets Protection

#### Internal monitoring system

The internal monitoring system of JSC Atomredmetzoloto is aimed at raising efficiency of Company's operations and enables to obtain sufficient confidence in Company's achievement of main objectives as well as detect deviations from set objectives.

Internal monitoring covers JSC Atomredmetzoloto and its S&A.

#### Main monitoring activities:

- monitoring of procurement operations of ARMZ;
- inspections of construction, production, financial, and business activities and appropriate funds application;
- internal audits to identify business process risks and their impact on Company's objectives achievement, with their levelling method development.

#### 2014 results:

- Under the Integrated Monitoring Plan of Specialised Internal Inspection and Audit Bodies of Rosatom State Corporation, 11 scheduled inspections were conducted in 2014, including:
  - inspections of the Company's financial and business activities, investment program implementation, and construction organization at S&A;
  - five audits;
  - five inspections of financial and business activities of JSC Atomredmetzoloto, its subsidiaries and other companies;
  - one centralized inspection;
  - employees of specialized

internal monitoring bodies of JSC Atomredmetzoloto and S&A carried out 24 unscheduled inspections and internal audits;

- corrective action plans were drafted and their implementation monitoring is carried out.

#### 2015 plans:

Priority activities are:

- planning and performance of inspections and internal audits under the Integrated Monitoring Plan of Special-

ized Internal Inspection and Audit Bodies of Rosatom State Corporation.

### Safety Management System

#### 2014 results:

- Commercial operation of the integrated physical security system (IPSS) was launched on the main production site of Khiagda uranium field under the Rosatom analytical programme called "Enhancement of Physical Protection of Nuclear Materials, Nuclear Plants and Nuclear Storages up to 2015;
- Compliance was ensured with the Regulations for Physical Protection of Nuclear Materials, Nuclear Plants and Nuclear Storages as approved by Russian Government Decree No. 456 dated July 19, 2007. No faults were found in the course of verifying the validity of licenses for nuclear equipment operation on the part of physical protection carried out by the Federal Service for Environmental, Technological, and Nuclear Supervision (Rostekhnadzor);
- all of the Holding's nuclear-hazardous facilities were transferred for safekeeping to divisions of the federal state unitary enterprise "Departmental Security Service of Rosatom";



Victor Zakharov, deputy director general for economics and finance of JSC Atomredmetzoloto responds to the stakeholder's proposal to show the risk growth or decline dynamics in 2014 :

"The risk management system in the Holding is integrated with key planning and managerial decision-making processes, which enables to forecast the key identified risk impact level on operations of our company and implement relevant measures for mitigating the possible adverse impact. At the same time, external factors associated with the unstable Russian economy in the second half of 2014 dramatically heightened financial risks as compared to 2013: currency risks prompted by growing ruble exchange-rate volatility coupled by the interest risks predicated on the appreciation of financial resources on the heels of the RF Central Bank's key rate hike.

- required safety measures were assured amidst a terrorist threat at Holding's facilities during the XXII winter Olympic Games in Sochi;
- a supervisory audit was successfully carried out for compliance with requirements of the international information security standard ISO/IEC 27001:2005, which certified compliance of the Company's information security management system with requirements of the Standard;
- the ruggedized information system was certified for compliance with requirements of information security requirements of the Federal Service for Process and Export Monitoring of Russia (FSTEC of Russia) for "1G" protection class;
- information security requirements of regulators (Federal Security Service of

Russia (FSS of Russia) and FSTEC of Russia) and Rosatom State Corporation are fulfilled;

- the commercial secret regime was set with due account of requirements of the Unified Nuclear Industry Commercial Secret Protection Policy; JSC Atomredmetzoloto was entered in the database of Rosatom State Corporation companies which set the commercial secret regime;
- licenses of FSS of Russia were reissued for works using information constituting a state secret and for implementing measures and (or) rendering commercial secret protection services. JSC RUSBURMASH and JSC First Mining Company reissued licenses of FSS of Russia for works using data constituting a state secret.

#### 2015 plans:

- To upgrade the physical protection system at certain facilities of JSC PIMCU;
- To raise awareness of ARMZ employees in the field of information security;
- To certify informational support objects of S&A of JSC Atomredmetzoloto for compliance with information security requirements of FSTEC of Russia.

#### Anti-Larceny Program

JSC Atomredmetzoloto continued to ensure economic safety and asset protection and to combat corruption and other violations.

#### 2014 results:

- Procurement monitoring to diminish economic damage

risks to the Company and its S&A was enhanced;

- Contracts were checked for signs of corruption and JSC Atomredmetzoloto counterparties' good faith was verified;

- Methods for checking messages coming through the Rosatom hotline were improved.

#### 2015 plans:

- To assure implementation of measures in JSC Atomredmetzoloto of the Anti-corruption Plan of Rosatom State Nuclear Power Corporation for 2014-2015;

- To promote anti-corruption enlightenment of Holding's personnel.



JSC PIMCU

## 2.2.5. Procurement Management

### Procurement

- JSC Atomredmetzoloto and its S&A use the following documents regulating their procurement policies, procurement parties' functions and authorities, procurement methods and types, additional elements of procurement procedures, the general procurement procedure, etc.:
- Federal Law No. 223-FZ on Goods, Work and Service Procurement by Certain Types of Legal Entities dated July 18, 2011 (as amended by Federal Laws No. 401-FZ dated December 6, 2011, No. 324-FZ dated December 30, 2012, No. 115-FZ dated June 7, 2013, No. 160-FZ dated July 2, 2013, and No. 396-FZ dated December 28, 2013);
- The Integrated Industry Procurement Standard (hereinafter referred to as the "Procurement Regulations") developed by Rosatom State Corporation and approved by the JSC Atomredmetzoloto Board of Directors. You can find the above documents at the official website [www.zakupki.rosatom.ru](http://www.zakupki.rosatom.ru) designed for the purposes of the placement of orders for goods, work and services for Rosatom.

➤ **For more details** on the Holding's key procurement principles and objectives, see the 2012 JSC Atomredmetzoloto Annual Report, p. 89.

### Procurement monitoring

Information about the Holding's procurement activities is published at official websites: [www.zakupki.rosatom.ru](http://www.zakupki.rosatom.ru), [www.zakupki.gov.ru](http://www.zakupki.gov.ru).

#### Key procurement principles:

- procurement information transparency;
- equality, non-discrimination and no unjustified competition restrictions with respect to procurement procedure participants;
- assurance of targeted and cost effective money expenditure on acquisition of goods, works, services and implementation of measures aimed at reducing customer's expenses;
- timely and full provision of customers with equipment, feedstock, materials, works and services for assuring a continuous production process;
- free admission to participation in procurement procedures due to elimination of unmeasured requirements for procurement participants.

#### Main procurement objectives:

- To generate market prices for products purchased by customers and reduction of customer expenses;
- To expand possibilities for participation in procurement

and promote such participation, fair competition development;

- To ensure the openness, transparency and clarity of the procurement process;
- To prevent corruption and other abuses in procurement;
- To use procurement procedures for implementing the nuclear industry development strategy (both in general and in individual aspects).

#### 2014 results:

- According to 2014 results, over one thousand competitive procedures were carried out for Holding plants' needs. The economic effect (difference between the initial procurement price and successful tenderer's bid value) based on the results of competitive procedures carried out constituted 1.2 bln RUB. 98.94% of procedures were carried out in electronic form, which contributes to maximum procurement transparency.
- LLC ARMZ Service, the authorized procurement body, established in 2014 for the purposes of raising efficiency of product, work and service procurement for S&A comprising the management structure of JSC Atomredmetzoloto is successfully operating.
- From 30.09.2014 to 01.10.2014 the Procurement Directorate of JSC Atomredmetzoloto with the support

of the government of the Trans-Baikal Territory ATOMMEX REGION-2014 regional forum was conducted in the city of Chita (Trans-Baikal Territory).

#### 2015 plans:

1.3 thousand competitive procurement procedures are planned.

1.2

bln. RUB.

The economic effect based on the results of competitive procedures

98.94%

of procedures were carried in the electronic form



## 2.3. Holding's operating results and uranium chain development prospects

2014 was one of the most difficult years for all enterprises constituting the Holding's uranium chain. Reduction of global market uranium prices and, at the same time, reduction of metal contents in ore on fields developed by PJSC PIMCU had a negative impact on the main product cost. Competitiveness turned out to be virtually "beyond the market" and losses grew swiftly. A program for bringing enterprises to the loss-free operating level was developed to correct the situation.



Victor Svyatetskiy, first deputy director general of JSC Atomredmetzoloto, responds to the stakeholder's proposal to include brief sections dedicated to the Holding's uranium assets in the Report:

"Indeed, the past year was a difficult one but we managed to solve all tasks set for ourselves and subsidiaries. A vast amount of work was completed by our enterprises constituting the "uranium chain." And this work deserves to be highlighted in a special, unified section. We provided equal opportunities for each enterprise to relay their operations over the past year in our report."

### 2.3.1. Operations of PJSC PIMCU (Trans-Baikal Territory, Krasnokamensk)

#### Interview with Sergey Vyacheslavovich Shurygin, Director General



#### — Sergey Vyacheslavovich, which indicators are the most important for you?

— The main task was to overcome the growth of losses accumulated at the plant in recent years. And we succeeded. For the first time since PJSC PIMCU was transferred under the control of JSC Atomredmetzoloto, we have reduced specific uranium mining cost at the plant by 6.45%. The product cost growth

trend was stopped! Meanwhile, semi-fixed costs for the union's infrastructure and activities maintenance have just begun to reduce, and a full-fledged effect from optimization and cost saving may be estimated only in 2015–2016. If uranium market price parameters will support efforts for raising the plant's performance, then we may hope for reaching a loss-free operating level already within one-two years.

For me as Director General, it is very important that all personnel understand their assigned task and utilize all available resources towards its fulfillment. One may say that the uranium market situation pushed PIMCU specialists to develop unique technologies which enable not only to achieve a major economic effect but also to solve multiple old problems. Technical improvements formed an integrated mining-chemical technology which assured optimum combination of heap and in-situ leaching and X-ray radiometric enrichment. This assured a reduction of the produced natural uranium concentrate cost.

#### — What main measures were implemented?

— The whole range of measures included both difficult and painful measures for cost optimization, labour productivity growth and development programs and process innovations.

A prime example is the non-commercial dump-ore separation project developed by the Central Research Laboratory. For 45 years around 7 mln. tons of ore mass with extremely low metal contents have been accumulated on our industrial site. The ore separation plant helps to separate marketable ore with a very low production cost from these raw materials, from which we produce additional finished products by the heap leaching method. Except for the production task – production of additional metal volumes, we are also solving the environmental task – reclamation of production off-spec ore dumps. We also plan to use barren ore left from dumps. For example, by means of recrushing ballast for process road filling may be produced, or it may be used during backfilling.

Similar projects were elaborated by almost all divisions. Hydrometallurgists are developing a new pattern of ore preparation for processing, the Mining-Recovery Production Directorate started to apply cement-free backfilling and miners are using advanced breakage methods. Our subsidiaries are also involved in implementation of the efficiency enhancement program. Thus, the re-equipment program is being implemented at LLC Repair-Mechanical Plant to increase production volumes and the product range. New equipment enabled the plant to develop new product types and make its price affordable.

I will emphasize once again: the efficiency enhancement program was supported at all levels. For 2014 we introduced 381 improvement proposals submitted by the plant's employees. Their implementation enabled to reduce time costs and costs for consumables, improve job organization, safety indicators etc.

Construction plan projects also helped a lot. For example, "Tophole vertical drilling process optimization by 2KB combine" project enabled to increase tophole vertical drilling performance from 36 to 57 running meters per month per one combine due to reduced time for preparatory works during combine movement. Due to implementation of "Rock Mass Shipment Process Time Reduction" project, we reduced transportation time by 40% from loading in rail-cars to ore pass.

But we're not going to rest on our laurels: we've developed projects that will make it possible to reduce production costs in 2015 and over the mid-term.

**— What are the prospects for resource base growth at PJSC PIMCU over the short- and mid-term?**

— Through its own efforts, PIMCU is currently exploring uranium fields from underground mining, ensuring average operating-reserve growth of roughly 300 tons per annum. In the mid-term

– implementation of Kaldera project aimed at discovering and commercial estimation of new uranium deposits in Streltsovskiy ore field. The project financing amount is approximately 1 bln RUB.

As a result of these works, geologists plan to discover objects with high uranium contents. Discovery of deposits will enable to provide reproduction of the mineral resources base of PJSC PIMCU with cost effective reserves for many decades to come. It is important to note that the project became possible due to application of state-of-the-art domestic technologies and unique "hidden" and surface weakly developed uranium deposit forecast and search methods.

**— Won't the need to reduce costs affect implementation of Krasnokamensk social infrastructure development program, which is financed by funds of Rosatom Consolidated Taxpayer Group?**

— The question contains the answer. The program is implemented not by PIMCU funds but



Dmitry Teplinskiy, first director general of PJSC PIMCU, responds to a stakeholder's proposal to provide comments on production performance results:

"This year when drafting the Holding's annual report, we faced exactly this task. In particular, we tried to show the dynamics of the loss-free operation assurance program implementation of the largest uranium mining plant of Russia not only in terms of barren figures. Quite a detailed interview of the director general of the Plant is published, a specific list of implemented and future measures is given".

exactly by funds of the most cost effective of Rosatom State Corporation enterprises as of today. By the principle: today we were helped, and tomorrow when we solve our problems, we will be able to help others. Understanding the difficult situation of PIMCU, Sergey Kirienko, director general of Rosatom State Corporation signed an Agreement on cooperation with the Government of the Trans-Baikal Territory, which helped to raise additional funds in the budget for the development of the town's social infrastructure development.

Under the program, Argungym reconstructions was completed in 2014, two new kindergartens were commissioned, construction of a living house for public sector workers and employees of PIMCU was completed. Three times a week a new airplane began to fly on Chita-Krasnokamensk-Chita route, construction of Krasnokamensk-Matsievskaya asphalt road construction is under way. The town continues to develop and is becoming all the more comfortable for life.

**Historical background and other information about the joint-stock company**

Priargunsky Industrial Mining and Chemical Union was established by Decree of the USSR Council of Ministers dated 20.02.1968 No. 108-31 for development of the uranium ore production and processing plant in the south-east of Chita region on the basis of the deposit of Streltsovskiy ore field.

Full Company Name from 13.01.2015: Public Joint-Stock Company Priargunsky Industrial Mining and Chemical Union.

Abbreviated Company Name: PJSC PIMCU.

Company's location – Russia, Trans-Baikal Territory, Krasnokamensk town.

Main type of PJSC PIMCU operations is mining, enrichment and processing of mineral and other types of raw materials

for the purpose of production of natural uranium salts, molybdenum compounds and various product types on their basis, non-ferrous and precious-metal concentrates with base gold and highly-pure element production.

As of today, PJSC PIMCU has a developed infrastructure and provides itself with almost all required for uranium product output: materials, water, compressed air, heat, electrical power, mineral uranium raw materials, coal, limestone,

sulphuric acid, mining and chemical mechanical engineering products.

PJSC PIMCU is Trans-Baikal Territory's largest multi-industry mining and city-forming plant – the flagship of the Russian uranium-mining industry and one of the world's largest uranium-mining plants.

Since August 2008 PJSC PIMCU has been a subsidiary of JSC Atomredmetzoloto as part of Rosatom State Corporation.

## 2014 Key Events

### January

a Collective Agreement for 2014 – 2015 was signed.

### February

a new crushing complex was commissioned on Urtuyskiy open-pit coal mine.

### March

start of the technical re-equipment investment program of the Repair-mechanical plant. The Mine Frame modified computer engineering maintenance and mining design system was implemented on mines.

### April

new buses were purchased for carrying the union's employees.

### May

start of cooperation with Beijing Triumph International Engineering Co., Ltd. (BTIEC) for implementing the project of the cement production plant construction in Krasnokamensk.

### June

equipment of PIMCU mines with mining-underground communication was completed.

### July

the pilot-commercial operation of the system "Personnel and INsite equipment positioning" was put in operation on mines of PJSC PIMCU.

### August

start of the non-commercial dump ore separation project implementation. A youth park was opened in the centre of Krasnokamensk.

### September

a new administrative building of Urtuyskoye surface mine office was commissioned.

### October

drilling of the 7-th level of mine No. 8 started. Start of implementation of an integrated project for residue reserve development of Tulu-kui quarry.

### November

construction of the concentrate recrushing building of the X-ray-ore-concentration plant started on the site of the Hydrometallurgical Factory. The local emergency alert system was introduced.

### December

employees of PJSC PIMCU received keys from flats in a new house. A 3D-cinema was opened in Dauria cultural centre.

## 2014 Key Performance Indicators

Development of the program for reaching the loss-free operation:

- optimization of costs by 1.9 bln. RUB. in the course of implementing the program for reaching loss-free operation;
- for the first time since 2010 it was able to overcome the uranium production growth trend and reduce it by 3%;
- optimization of PJSC PIMCU structure and number of personnel by 34% (3064 people);
- repair and supporting investment costs were reduced by 0.3 bln RUB;
- the procurement program was reduced by 5.6 bln RUB (the production need was optimized with due account of long-term contracts), based on bid results procurement prices were reduced by the total amount of 1.7 bln RUB from the initial contract price, which affected 2015 scheduled cost reduction by 300 mln. RUB;
- the level of warehouse stocks was reduced by 1.0 bln RUB from 4.1 to 3.1 bln. RUB;
- optimization decisions were implemented on Mines No. 1 and Mine No. 8
- solid stowing volume was reduced by 16%;
- mining operations' productivity was increased by 10%;
- the first mining volume was reduced by 5%;

- investments were reduced by 1.8 for annual maintenance of PJSC PIMCU - will be kept at the level of 2 bln. RUB per annum for the next years. cost-intensive investment reduction of the division by 10% to the last year level was assured.

## 2014 main operating results

**Uranium production volume – 1,970 tons**

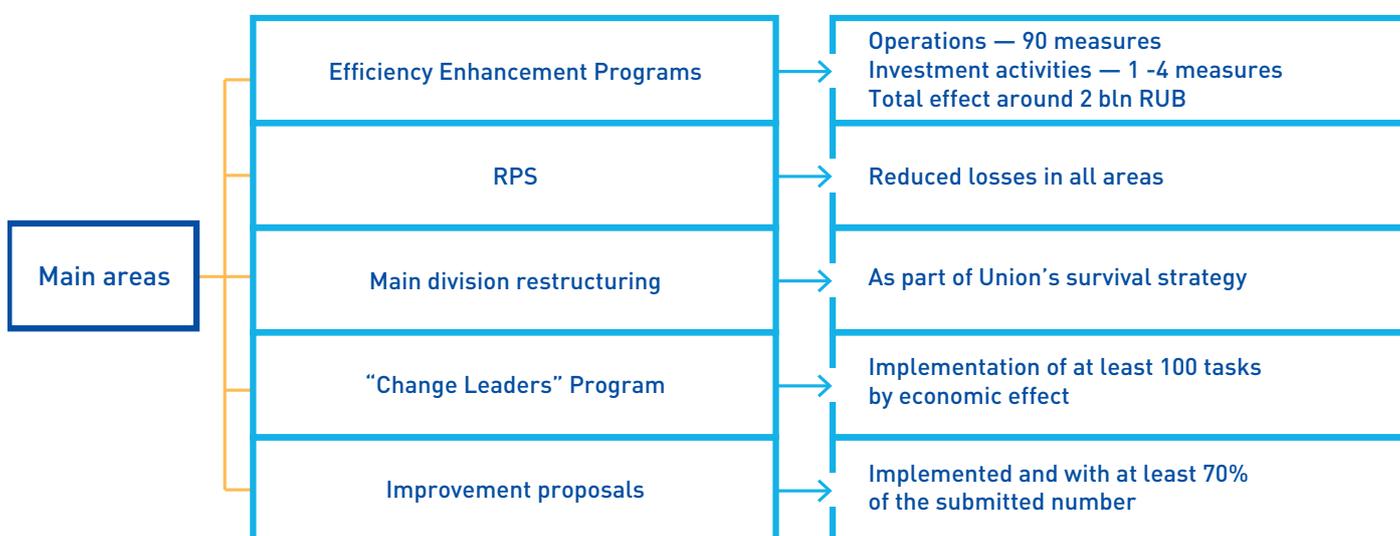


Fig. 12. Main efficiency improvement programs of PJSC PIMCY in 2014

## Implementation of the 2014 effectiveness improvement program

For more details see section Uranium production of PJSC PIMCU

**1,197**  
bln. RUB.

the result of the implementation of efficiency programs of PJSC PIMCU

**Table 8. Effect of the efficiency improvement program of PJSC PIMCU in 2014**

Division	Efficiency improvement achieved	Effect from program implementation
Urtuyskoye surface mine office	Reduction of blasting work volume by 20% for development and treatment operations, adjustment of explosives' consumption rates	30 mln. RUB.
Underground uranium mine No. 1 (UUM No. 1)	Reduction of main rated material (forest material) consumption standards	16 mln. RUB.
Underground mining-auxiliary production Directorate (UMAPD)	Cement specific consumption reduction.	20 mln. RUB.
Hydrometallurgical plant (HMP)	Material cost optimization	73 mln. RUB.
All divisions	Cost optimization	1.197 bln. RUB.

### 2.3.2. Operations of JSC Dalur (Kurgan region, Uksyanskoye village)

One of the flagship enterprises of Kurgan Region's industry – JSC Dalur – celebrated its 13th anniversary in 2014

#### Interview with Nikolay Anatolievitch Poponin, Director General



— Nikolay Anatolievitch, what, in your opinion, is the main achievement of the plant for past years?

— Creation of a high-tech and environmentally friendly natural gas production facility to assure raw materials' demands of the Russian nuclear industry. Besides, at present JSC Dalur is the most cost effective uranium mining plant from all three plants located in Russia. Even today,

in complicated economic conditions of global market uranium prices, we are able to operate at a profit. The low, as compared to other producers, final product cost – is not only the result of implementation of the most environmentally friendly, cost effective and safe in-situ leaching technology, advanced machinery and equipment, innovative software but also the merit of all personnel permanently working over performance and resource usage efficiency enhancement. It is precisely the creation of excellent, united, hard-working team that constitutes another our achievement. By the way, staff turnover in JSC Dalur is the lowest in the Kurgan region.

— What future JSC Dalur development prospects do you see?

— The mineral resource base of the plant are hydrogenous uranium deposits of the Trans-Urals uranium-ore region – Dalmatovskoye, Khokhlovskoye and Dobrovolnoye. Available reserves assure long-term

stable operation of JSC Dalur. At present, we are continuing commercial development of Daltamovskoye deposit as well as pilot-industrial works on Khokhkovskoye deposit. For 2016, the start of pilot works on Dobrovolnoye deposit is planned, we plan to start its commercial development from 2023.

Despite the specific features of the mining division of Rosatom State Nuclear Power Corporation, one may say that we, like any other plant, are focused on the customer. The final product is delivered to plants of Rosatom State Corporation fuel company – JSC TVEL. The uranium compound suspension humidity, which we could have assured earlier, was up to 30%. In 2014, the uranium compound suspension (yellow cake) drying system was installed at our plant. The process line was purchased from the Czech Susharny Praha, the project was developed and implemented on a "turnkey" basis by JSC VNIIPromtekhologii comprising the management

structure of ARMZ Uranium Holding Co. Once advanced drying technology is introduced, humidity will drop to 2%. Thus, we will reduce not only logistics costs but will also assure its convenient subsequent processing.

— In 2014, the Agreement on social-economic partnership of JSC Dalur and Government of the Kurgan region was signed. How is the plant involved in the life of the constituent entity of the Federation? What real assistance does the regional government provide?

— Under the agreement, JSC Dalur confirmed a trend to subsequent production potential growth. The text states that the volume of investments in the plant's upgrading and development in 2014 will make up 608.5 mln. RUB. The majority of funds is allocated for the development of Khokhlovskoye and Dalmatovskoye deposits. We also assured all 447 jobs in 2014 and provision of the average salary in the amount of 36.9 thousand rubles.

The Government of the Kurgan region, in its turn, provides possible assistance to us for production potential preservation and build-up. In particular, by order of the Governor of the region No. 109-R dated April 04, 2014 JSC Dalur was included in the consolidated register of investment sites on the territory of the Kurgan region. Due to this, we obtained certain tax benefits. Today,

when we are at the investment phase, developing the production facility, it is very important.

Annual social expenses of our plant are allocated for the construction of housing for employees, land improvement and commissioning of infrastructural objects (motor roads, electrical and gas supply networks), education, fitness and sports

support in rural settlements, organization and conduction of cultural-mass measures. On an annual basis we provide material assistance to schools, orphanages and cultural-leisure centres. In particular, based on 2014 results, JSC Dalur spent 22.6 mln. RUB on social program implementation (VMI and non-state pension provision, mortgage loan interest compensation etc.). Under the

program for support of the social-economic and infrastructural development of the areas of Dalmatovskoye and Shumikhinskoye districts of the Kurgan region, 15 mln. RUB were allocated for the construction of a new school in Uksyanskoye village in 2014, 500 thousand rubles were allocated for the development of orphanages and support of cultural-leisure centres.

## Historical background and other information about the joint-stock company

Dalmatovskoye uranium deposit was discovered by the Zelenogorsk expedition in 1979 as part of systematical study of uranium mineralization of platform formations of the Trans-Urals. For a period from 1984 to 1994 pilot-industrial works were performed in the Central deposit, the annual uranium mining level was up to 45 tons. In 1995, due to lack of financing, all works on Dalvatovskoye deposit were stopped, the process unit and production ground were preserved.

JSC Dalur was registered on June 13, 2001. JSC TVEL and FSUGE Urango were founders. The main company objective is to develop the mineral

resources base of the Trans-Urals of the uranium-ore district and raw material production for providing the nuclear power industry with nuclear fuel.

In 2004, a license for geological exploration of Khokhlovskoye deposit was obtained. In 2006, the main process building for processing product solutions with the capacity of up to 700 uranium tons per annum was commissioned on Dalvatovskoye deposit.

In 2010, a method of intensifying In-Situ Leaching (ISL) was introduced with industrial-scale use of an oxidizer (sodium nitrite) in JSC Dalur. In 2011, construction of a road and bridge via the Barneva river from a central production site (CPS) to Ust-

Uksyanskoye local sorption unit (LSU) was completed with a view to prevent hazardous cargo transportation through populated areas. Besides, works for sulphuric acid warehouse reconstruction on a railroad base were completed.

Activities associated with development and implementation of the quality and environmental management system were completed in 2012. Following the results of external (certification) audit, the ISO 9001 and ISO 14001:2004 compliance certificates were granted.

In 2013, facilities of the pilot area were commissioned on Khokhlovskoye deposit: product and return solution settlement tanks, wellhouse and a switchboard room were

commissioned. Pilot works for examining the possibility of associated REM and scandium recovery in the form of collective concentrate from product solutions were started.

Full Company Name from 10.12.2014: Joint-Stock Company Dalur.

Abbreviated Company Name: JSC Dalur.

Company's location – Russia, Kurgan region.

The main type of operations is natural uranium mining.

Since August 2008, JSC Dalur, part of State Corporation Rosatom, has been a subsidiary of JSC Atomredmetzoloto (ARMZ Uranium Holding Co.).



JSC Dalur



Leonid Ivanchikov, head of the human resources department of JSC Dalur responds to the stakeholder's proposal to support a balance in the disclosure of information about uranium assets, disclosing not only production indicators but also data on the environment, personnel and safety:

“This year we made special sections in the annual report dedicated to our main production plants, their 2014 performance indicators and prospects for development. However, given the public's heightened interest in data on our environmental policy, including with respect to our environmental-safety provisions and HR policy, information on these issues is presented in other sections of the Report.”

## 2014 Key Events

### February

the plant's car fleet updating program was implemented;

### May

an agreement on social-economic partnership of the Government of the Kurgan Region and JSC Dalur was signed;

### October

commissioning tests of the uranium compound suspension drying system started;

### November

testing of innovative mining-geological computer 3D-technologies and software for three-dimensional simulation of ore deposit structure and uranium in-situ leaching process was completed;

### December

construction of two residential buildings for JSC Dalur employees was completed.

implementation of the local sorption section upgrading project of the Central deposit of Khokhlovskoye field was completed.

## 2014 Key Performance Indicators

- Stably profitable even amidst low prices – forecasted net profit 212 mln. RUB.

- The yellow cake drying unit was put in pilot-industrial operation – product compliance with the requirements of customer's base specification (JSC TVEL) was assured.
- No accidents based on level 2 and higher INES scale.



## 2014 main operating results

- Uranium production volume – 578.06 tons.
- the main volume of geological exploration works was completed for Khokhlovskoye uranium deposit in the Shumikhinskiy district. In total, 95 boreholes with the total volume of 56 thous.m. were drilled. Based on work results one may forecast uranium reserve increase on the deposit from previously known 4.7 thous. tons to 5.5 thous. tons.
- pilot-industrial development of the Central deposit of Khokhlovskoye field continued;
- the local sorption section was upgraded;
- the possibility for raw materials processing depth

increase was elaborated – the associated scandium production technology was developed. State contracts for associated REM production technologies were entered into with the RF Ministry of Industry and Trade. Raw material resources will make it possible to organize to organize scandium production in the amount of up to 10 tons and REM of up to 450 tons by 2019.

➤ For more details see section

Uranium production of JSC Dalur (Kurgan region, Uksyanskoye village).

## Implementation of the 2014 effectiveness improvement program

In-situ leaching technology optimization was the main activity in JSC Dalur in 2014 aimed at production process efficiency enhancement. This project implementation result was chemicals cost reduction by 19.6 mln RUB./year. Besides, the work for implementation of the following measures was performed successfully:

- building the permanently operating geotechnological mining facility model;
- comparative multi-factor block development analysis;
- standardization of the work process for anionite exchange between the main process building and local sorption units;
- standardization of the work process for repair-restoration

works on process boreholes of the geotechnological field section.

## 2015 and future plans:

it is planned that implementation of the efficiency enhancement program for 2015 will continue under the following optimization areas:

- production program, production process management and process initiatives:
  - comparative multi-factor block development analysis;
  - variation of the operating unit acidification technology (transfer from air lift to pump solution elevation);
  - production process control when constructing operating units (personal draft construction plan, director general of JSC Dalur);
  - in-situ leaching technology optimization to reduce chemicals consumption at all unit development stages;
- operating cost reduction;
- building the permanently operating geotechnological field (GTF) model;
- elimination of the filtration operation from the process (factory draft construction plan).

➤ For more details also see section

Uranium production of JSC Dalur.

## 2.3.3. Operations of JSC Khiagda (Republic of Buryatia, Badgadin Village)

Buryatia is one of the Russian Federation's richest constituent entities in terms of natural-resource wealth. The potential

of the Vitimskiy uranium-ore district is estimated at over 350 thousand uranium tons, where workers of JSC Khiagda have been mining the metal required for the country for already 17 years. Under the most difficult natural conditions workers of the plant develop deposits of the Khiagda ore field increas-

ing production volumes on an annual basis.

Creation of the efficient uranium-producing plant in the Bauntovskiy Evenki district of Buryatia is one of the most serious projects being implemented today by ARMZ Uranium Holding Co. The total volume of invest-

ments in development made up over 19 bln. RUB.

2014 was one of the most important years for JSC Khiagda. The main industrial site facilities, radioactive waste disposal point site and solid household waste dump were commissioned.

**Interview with  
Aleksey Andreevitch  
Dementiev,  
Director General**



**— Aleksey Andreevitch, the uranium market situation is known to be extremely difficult. The more difficult it is for the plant at the investment development stage. Is JSC Khiagda able to retain loss-free efficient production?**

— It is very important that even today, amidst global market uranium price reduction, we are able to show good financial results. This happens because we have neither expected nor expect construction completion for solving the main task of any plant – continuous efficiency enhancement. Yet when generating the 2014 budget we planned to improve our performance. And we managed to reduce production cost by 12% as compared to the actual 2013. I consider it very important to note that the measures devel-

oped, despite the complicated uranium market situation, enabled us to keep the team – in 2014, we did not cut the number of personnel.

In future, the situation must only be improved. In 2015, commissioning of the in-house sulphuric acid production facility will help. In particular, we will save a lot on logistics, reduce the cargo transportation volume by three fold.

**— How is new equipment being developed?**

— In 2014, we did our best not only to fulfill the production plan but also to assure progressive development in the long-term. The main milestone is completion of construction and assembly works and launching of the main production building in the integrated testing mode. With its commissioning we can build up uranium production confidently.

Deserving of special mention is our personnel, who demonstrated stable, accident-free work. I hope that this will continue in future as well. Of course, we will have to do much more. And I want to emphasize that we need not breakthroughs, not records but continuation of daily meticulous work of each member of our labour team. The core of in-situ leaching – process monitoring and correct process control as this happens today.

**— How will the Khiagda ore field be developed in future?**

— We are prepared to develop and even accelerate in development. Already now the plant is facing the task to reach the design capacity that is 1000 tons of uranium per annum in 2018. Previously reaching the design capacity was planned for 2024.

To fulfill the set task, we start to develop two new deposits – Istochnoye and Vershinnoye.

In essence, today we have a solid foundation for development for at least 40–50 years. Future prospects are connected with integrated development of deposits of Vitimskiy uranium-ore district, the potential which is estimated at over 350 thousand tons of uranium. Based on the order of the Federal Subsurface Management Agency of Russia prospecting works on Amalatskaya and Antaseyskaya areas are planned and performed as well as on the North-Baisykhanskiy, Barkasunskiy and Kulariktinskiy sections. In the event that potential estimates are confirmed, the production site of JSC Khiagda will turn out to be in the very centre of the richest region, and, of course, the plant expects further production capacity growth.

**— Aleksey Andreevich, funds from Rosatom's Consolidated Taxpayer Group have been allocated for the budget of**

**the Republic of Buryatia. For what purposes have they been earmarked?**

— Indeed, in December 2012 the Government of the Republic of Buryatia and Rosatom entered into a cooperation agreement. Under the agreement, JSC Khiagda was included in the Consolidated Taxpayer Group of Rosatom, which enabled to increase allocations to the budget of the Republic of Buryatia.

Authorities of the Republic of Buryatia understand that we need good infrastructure for development, thus, funds are primarily invested in the construction of roads, repair of bridge facilities on the section from the production site of JSC Khiagda to the border of the Trans-Baikal Territory and reconstruction of power grids in the region. JSC Khiagda is prepared to transfer a bridge via the Vitim river in Romanovka village in the Republic of Buryatia, which was constructed by funds of Rosatom State Corporation. For the short-term we are holding negotiations on funding of 110 kV back-up line from Sosnovo-Ozersk to the industrial site of JSC Khiagda, on fiber optical communication.

It should also be noted that we reasonably hope to receive state support of the investment project for the development of deposits of Vitimskiy uranium-ore district at the republican level.



**JSC Khiagda**



Bella Mikhailovskaya, head of the human resources department responds to the stakeholder's proposal to elaborate a template of reporting information disclosure on uranium assets of the Holding in special brief sections:

“I hope that the information disclosure form, which we reviewed in the 2014 annual report, became as convenient for all Report's readers as possible. The first part of the Reports presents brief information, our main performance indicators. Subsequently, in corresponding sections, information was expanded to the maximum to present a complete picture of operations for each area”.

## Historical background and other information about the joint-stock company

Since 1947 Sosnovskaya expedition of the First Main Geological Exploration Directorate has been engaged in prospecting and exploration of radioactive ore deposits on the territory of the Irkutsk and Chita regions as well as the Buryatia ASSR. In 1959, based on research materials Imskoye uranium deposit as a large ore object with lean ores was discovered on the territory of Vitimskiy uranium-ore district.

In 1980–1987 the expedition explored the group of deposits constituting Khiagda ore field. Due to various financial, climate and geotechnical conditions, it was only in 1997 that the decision was made to start pilot works at the location of the current main industrial site in Bauntovskiy Evenki district. JSC Khiagda was established as a result of the pilot in-situ leaching section spin-off from JSC ZabGOK.

In the 1990s, were obtained for subsurface use on Khiagda deposit, first process boreholes were drilled and uranium mining works started by the in-situ leaching method, the most environmentally friendly and safe mining method.

In the 2000s, construction of a power substation and a 40 km long OL-110 was completed, the project for expansion and reconstruction of existing pilot-industrial ground and processing unit with the capacity of 150 uranium tons per annum was prepared.

In 2008 as part of nuclear industry restructuring JSC Khiagda was included in ARMZ Uranium Holding Co.

In 2013, units of mine No. 7 were put in operation, uncovering and binding of mine No. 3 of Khiagda deposit was completed, construction of the 1-st phase of the process facility and infrastructural objects of the main production site was completed, geological exploration works were completed and reserves on Dybrynskoye, Kretkondinskoye, Namaruskoye, Kolichikanskoye and Vershinnoye deposits were approved.

Works for additional exploration of Khiagda deposit were completed.

Full Company Name from 12.12.2014: Joint-Stock Company Khiagda;

Abbreviated Company Name: JSC Khiagda.

Company's location – Russia, Chita.

The main type of operations is uranium ore mining, including in-situ and heap leaching.

### 2014 Key Events

#### April

the plant's car fleet updating program was implemented;

#### June

construction of a fire station and fire-extinguishing pumping station was completed at the main production site of JSC Khiagda;

#### July

operation of the main production building started on the main production site of JSC Khiagda in the integrated test mode;

#### October

the information system of the production facility was launched in the test mode in JSC Khiagda;

JSC Khiagda became winner of the regional stage of the All-Russian contest "Russian High Social Efficiency Organization";

#### November

a back-up diesel-power station was put into operation on the main industrial site;

the program of equipment upgrading and main building reconstruction of the Central Logistics Base was implemented;

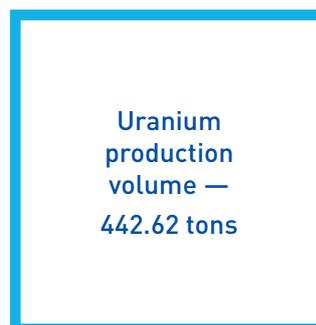
#### December

certificates of compliance with the plant's quality management system with ISO 9001:2008 international standard and the plant's environmental management system with ISO 14001:2004

international standard were obtained.

### Key Performance Indicators

- The production cost was reduced by 12% as compared with the actual 2013;
- certification for compliance of the quality management system with ISO 9001:2008 international standards and the environmental management system with ISO 14001:2004.



### 2014 main operating results

- Uranium production volume – 442.62 tons;
- start-up facilities construction was completed;
- integrated equipment load tests were completed, and a certificate of compliance of the constructed facility with design documentation and requirements of technical regulations (hereinafter – CoC) was obtained for the main building and other facilities of the 1-st construction stage;
- main construction-installation works of the sulphuric acid production workshop were completed; the end of commissioning works is planned in October–November, 2015;
- back-up power supply was increased from 2.2 to 5.8 MW, full redundancy of the processing facility and production ground power supply was assured.

### Results of the 2014 effectiveness improvement program

In 2014, a number of measures aimed at efficiency improvement and production process optimization was implemented:

- reduction of sulphuric acid and sodium nitrite specific consumption rates for leaching due to production process optimization;

- reduction of sulphuric acid prices due to entry into a direct supply contract with JSC OC Rosneft;
- creation of the in-house repair and recovery work (RRW) service and, as a consequence, refusal from costly services of third-party organizations;
- reduction of the volume of third-party organization services for sulphuric acid transportation due to cargo transportation increase by own efforts.

Besides, power efficiency measures are implemented at the plant. For example, at the end of 2014, works were undertaken on the reconstruction of lighting at the Central Logistics Base and section 6 of the in-situ leaching workshop deposit, which will make it possible to significantly reduce power-consumption rates. Works for current load unbalance rectification in 0.4 kV networks, are implemented on a permanent basis, and variable frequency drive control devices are implemented.

### 2015 and future plans

Commissioning of the processing facility and the sulphuric acid production workshop with infrastructure on the central site of Khiagda deposit will enable JSC Khiagda to increase product outputs gradually from 2015. The planned finished product output in 2015 must make up 508 t. The target value for 2018 – 1000 tons of uranium per annum.

At present, JSC Khiagda is preparing for industrial facility construction at the Istochnoye and Vershinnoye deposits. Geological exploration works were performed on Istochnoye deposit, engineering surveys were implemented and the development project was prepared. Engineering surveys are being performed on Vershinnoye deposit for design. In 2016, the start of process borehole drilling as well as road, power line, local control network and remaining infrastructural object construction is planned.

The sulphuric acid workshop (first stage) planned for commissioning in 2015 is designed for the annual capacity of up to 110 thousand tons per annum. In-house workshop start-up will allow for a three-fold reduction in

specific cargo-transportation volume. The strategic objective of JSC Khiagda is to create a high-tech, cost effective and

environmentally friendly natural gas production facility to assure raw materials' demands of the Russian nuclear industry.

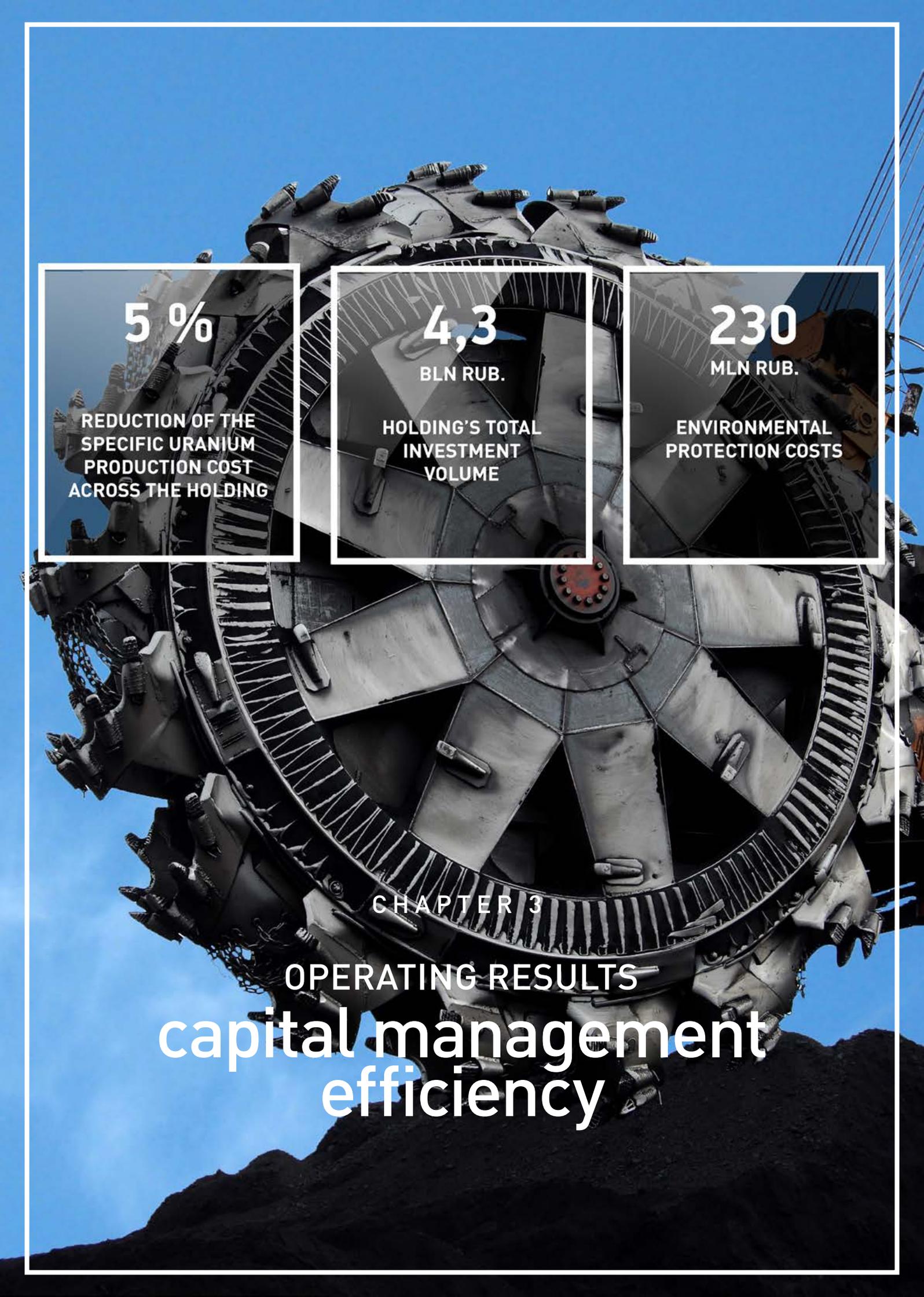
For more details also see section 3.3.3.3. Uranium production of JSC Khiagda.

### Results of the efficiency-improvement program at JSC Khiagda

- process optimization
- reduction of external services



Urtuysky coal mine, PJSC PIMCU



**5 %**

REDUCTION OF THE  
SPECIFIC URANIUM  
PRODUCTION COST  
ACROSS THE HOLDING

**4,3**

BLN RUB.

HOLDING'S TOTAL  
INVESTMENT  
VOLUME

**230**

MLN RUB.

ENVIRONMENTAL  
PROTECTION COSTS

CHAPTER 3

OPERATING RESULTS  
**capital management  
efficiency**

## 3.1. The Company's capital assets

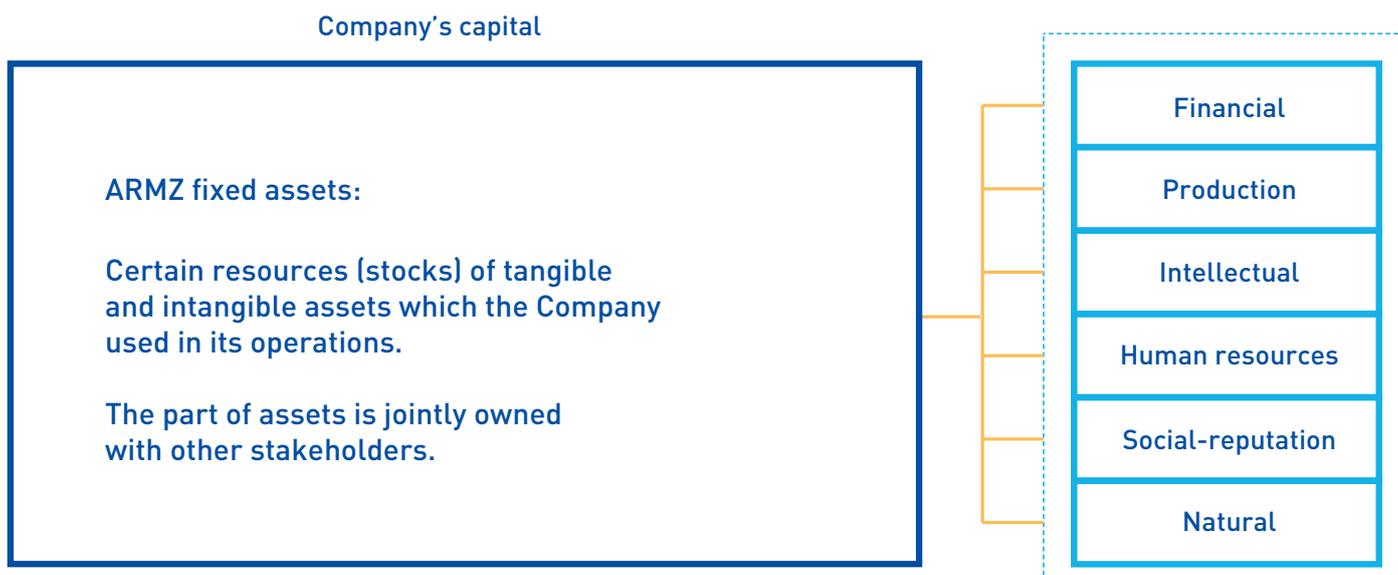


Fig. 13. Capitals of JSC Atomredmetzoloto

## 3.2. Financial capital management

### 3.2.1. Financial performance management

Financial capital management of JSC Atomredmetzoloto is based on consecutive implementation of the general financial policy of Rosatom State Corporation.

#### 2014 results:

- the Holding's financial recovery strategy was implemented, which implies interest load reduction by means of raising relevant funds from the shareholder (JSC Atomredmetzoloto);
- financial assistance measures of PJSC PIMCU with respect to preferential interest rate imposition for financial loans from the managing company of JSC Atomredmetzoloto in accordance with the approved interest risk management strategy in the Holding for 2014;
- the regulatory-methodological framework of consolidated credit limit distribution between Holding's companies was developed and

implemented, which enables to implement measures of preventive monitoring of debt burden exceedance beyond financial parameters for each subsidiary in JSC Atomredmetzoloto management structure;

- additional subsidiary current payment financial monitoring mechanisms were implemented as a countermeasure to crisis phenomena being developed and appearance of debts to customers in a number of subsidiaries.

Expansion of the financial monitoring structure from the Company was implemented, inter alia, due to implementation of new functionalities of the automated corporate system of Rosatom State Corporation, "Financial Settlements Treasury Centre" allowing for the prompt, preventive monitoring of a wide range of financial transactions as well as for the obtainment of managerial financial information.

In terms of debt and invested capital management, it we were able to improve JSC Atomredmetzoloto's performance, inter alia, due to:



Sergey Migalin, financial director of JSC Atomredmetzoloto, responds to the stakeholder's proposal to disclose information about the Company's history in the Report:

"In the reporting period the Company had no cases of delay or default to credit institutions and other contract parties, which made it possible to retain the Company's high reliability-and-solvency rating with Partner-Banks and sustain the positive credit history of JSC Atomredmetzoloto.

- completion of the action plan implementation for ARMZ Uranium Holding Co. bank loan restructuring with their replacement with single intragroup financing with a single centre in JSC Atomenergoprom, under which a range of transactions was entered into with banks for debt refinancing, in particular, of JSC Khiagda in the volume of 3.6 bln. RUB;
- completion of a number of measures for spin-off of the international business segment, under which a loan agreement between JSC Atomredmetzoloto and

Uranium One Holding N.V. was terminated with repayment of over 25 mln USD to ARMZ. Apart from consecutive implementation of financial policy principles of Rosatom State Corporation which enable JSC Atomredmetzoloto to retain financial stability, ARMZ in 2014 focused on production cost management processes for the purposes of profitability improvement and liquidity maintenance amidst limited working capital of the Holding.

Amidst persistently-low commodity quotations on the global uranium market

in 2014, a cost optimization program was implemented at all of the Holding's mining and service plants, which allowed it to achieve a 5% reduction in specific uranium-production cost as compared to 2013 and save over RUB 3 bln in the total costs of group enterprises in 2014. The greatest effect in cost optimization was reached in PJSC PIMCU due to structure and personnel number optimization, process solutions and reduction of the production need in basic and auxiliary materials, which enabled to retain the maximum credit portfolio level of PJSC PIMCU in 2014 at the planned budget level. Another cost reduction area in 2014 was JSC Atomredmetzoloto personnel structure optimization by over 30% as well as management cost reduction by 28%.

The results of implemented measures had a positive impact on consolidated performance of ARMZ Uranium Holding Co. for 2014.

➔ For more details see the section "Financial performance of ARMZ Uranium Holding Co".

At the same time, in 2014, the Company actively pursued optimization of the Holding's consolidated working capital optimization, inter alia, due to implementation of the warehouse stock reduction program, including non-liquid inventories, implementation of active budget monitoring when fixing maximum prices of procurement carried out on a competitive basis on electronic trading platforms under the unified procurement standard of Rosatom State Corporation, which made it possible to achieve an optimization effect and reap working-capital savings in the amount of over RUB 2 bln.

An important element of the Holding's financial policy for financial capital optimization was elimination of all types of losses on financial transactions, receipt of maximum profit from temporary disposable monetary funds. The level of 2014 average daily consolidated balances for the Holding was reduced by 21.5% as compared to a similar figure for 2013.

The average annual ARMZ external loan value for 2014 is estimated by 26% lower than relevant indicators published by the RF Central Bank as indicative for the financial market. The combination of the aforementioned efforts enabled the Company to confidently assert its fulfillment of State Corporation Rosatom's general corporate financial policy in 2014 as an integral part of building an efficient and competitive vertically-integrated company.

### Financial performance of ARMZ Uranium Holding Co.

All Holding's enterprises generate individual financial statements in accordance with Russian accounting standards (RAS). Apart from this, JSC Atomredmetzoloto annually generated consolidated financial statements in accordance with international financial reporting standards (IFRS).

Due to the fact that Rosatom State Corporation made a strategic decision in

The Holding's specific uranium-production cost fell by 5%

2013 on the spin-off of the international uranium mining asset segment in the individual holding Uranium One Holding N.V., since 2013, the management structure of JSC Atomredmetzoloto has included only Russian mining and service companies.

The process of legal foreign asset transfer in Uranium One Holding N.V. ownership structure as of the end of 2014 was not completed; thus, financial reporting indicators as per IFRS given below include performance of both Russian and foreign S&A of JSC Atomredmetzoloto.

## Indicators of consolidated financial reporting of JSC Atomredmetzoloto as per IFRS for 2012–2014.

**Table 9. Consolidated loss and profit and other aggregate income report of JSC Atomredmetzoloto**

mIn. RUB.	2012	2013* (recounted)	2014
<b>Continued operations</b>			
Sales revenue	33,810	32,914	15,607
Sold product cost**	(27,705)	(28,017)	(16,200)
<b>Gross profit/(loss)</b>	<b>6,105</b>	<b>4,897</b>	<b>(593)</b>
Administrative expenses and product sales expenses***	(4,781)	(5,195)	(4,401)

\* Indicators for 2013 may differ from similar indicators specified in the 2013 Annual Report of JSC Atomredmetzoloto.

\*\*Including depreciation.

\*\*\* Including depreciation.

<b>mln. RUB.</b>	<b>2012</b>	<b>2013*(recounted)</b>	<b>2014</b>
Other income/(expenses)	(188)	(82)	974
<b>Operating profit /(loss)</b>	<b>6,105</b>	<b>(380)</b>	<b>(4,020)</b>
Loss from fixed asset devaluation	(49)	(4,820)	(1,019)
Loss from intangible asset devaluation	-	(3,403)	(11,704)
Loss from goodwill devaluation	(10,630)	(10,713)	-
Loss from exploration and appraisal asset devaluation	(260)	(3,938)	(2,554)
Financial income	378	167	1,537
Financial expenses	(715)	(2,096)	(1,326)
Share in the loss of financial investments calculated by the equity method	(4)	(3)	(4,880)
<b>Loss before income tax</b>	<b>(10,144)</b>	<b>(25,186)</b>	<b>(23,966)</b>
Income tax	(938)	913	4,649
<b>Annual loss from continued operations</b>	<b>(11,082)</b>	<b>(24,273)</b>	<b>(19,317)</b>
Terminated operations			
Profit from terminated operations, net of income tax	2,047	10,331	-
<b>Loss for the period</b>	<b>(9,035)</b>	<b>(13,942)</b>	<b>(19,317)</b>
<b>Profit / (loss) for the period payable to:</b>			
Shareholders of JSC Atomredmetzoloto	(9,071)	(11,417)	(17,798)
Minority interest	36	(2,525)	(1,519)
<b>Total profit for the period</b>	<b>(9,035)</b>	<b>(13,942)</b>	<b>(19,317)</b>
<b>Annual loss from continued operations</b>	<b>(11,082)</b>	<b>(24,273)</b>	<b>(19,317)</b>
<b>Profit from terminated operations</b>	<b>2,047</b>	<b>10,331</b>	
<b>Annual profit</b>	<b>(9,035)</b>	<b>(13,942)</b>	<b>(19,317)</b>
Items which won't be subsequently reclassified to profit or loss			
Revaluation of pension plans with fixed payments	(211)	(55)	-
<b>Total</b>	<b>(211)</b>	<b>(55)</b>	<b>-</b>
Items which were or may be subsequently reclassified to profit or loss			
Exchange rate differences when calculating foreign company performance from other currencies	(1,818)	1,093	22,088
Hedging reserve	185	(601)	(7,226)
<b>Total</b>	<b>(1,633)</b>	<b>492</b>	<b>10,636</b>
<b>Other aggregate profit / (loss) from continued operations</b>	<b>(1,844)</b>	<b>437</b>	<b>10,636</b>
<b>Other aggregate profit / (loss) from terminated operations</b>	<b>(7,027)</b>	<b>1,393</b>	<b>-</b>
Total other aggregate profit / (loss)	(8,871)	1,830	10,636
<b>Total aggregate loss from continued operations</b>	<b>(12,926)</b>	<b>(23,836)</b>	<b>(8,681)</b>
<b>Total aggregate profit / (loss) from terminated operations</b>	<b>(4,980)</b>	<b>11,724</b>	
<b>Total aggregate loss per annum</b>	<b>(17,906)</b>	<b>(12,112)</b>	<b>(8,681)</b>
<b>Total aggregate loss per annum payable to:</b>			
Shareholders of JSC Atomredmetzoloto	(15,647)	(10,884)	(7,397)
Minority interest	(2,259)	(1,228)	(1,284)
<b>Total aggregate loss per annum</b>	<b>(17,906)</b>	<b>(12,112)</b>	<b>(8,681)</b>

\* Indicators for 2013 may differ from similar indicators specified in the 2013 Annual Report of JSC Atomredmetzoloto.

\*\*Including depreciation.

\*\*\* Including depreciation

**Table 10. Consolidated report on JSC Atomredmetzoloto financial position**

mIn. RUB.	2012	2013* (recounted)	2014
<b>ASSETS</b>			
Fixed assets	39,373	35,833	33,614
Intangible assets	26,014	14,869	10,700
Goodwill	28,052	–	–
Exploration and appraisal assets	8,068	4,931	4,811
Financial investments in affiliates	1,207	28,760	37,008
Financial investments in joint ventures	49,758	–	–
Other non-current assets	3,171	7,677	1,717
<b>TOTAL Non-current assets</b>	<b>155,643</b>	<b>92,070</b>	<b>87,850</b>
Reserves	10,189	6,720	5,911
Income tax prepayment	605	196	104
Receivables and advances issued	7,641	4,907	2,312
Monetary funds and their equivalents	16,713	1,166	1,233
Other working assets	1,851	3,364	10,764
<b>TOTAL Working Assets</b>	<b>36,999</b>	<b>16,353</b>	<b>20,324</b>
<b>TOTAL ASSETS</b>	<b>192,642</b>	<b>108,174</b>	<b>108,423</b>
<b>CAPITAL</b>			
Shareholder capital	22,430	22,430	23,508
Share premium	56,962	61,962	65,572
Reserve connected with affiliation	7,201	7,201	7,235
Exchange rate difference reserve	(502)	687	17,775
Other reserves	–	(656)	(7,288)
Undistributed profits / (accumulated loss)	7,950	(19,614)	(37,670)
<b>JSC Atomredmetzoloto shareholder capital</b>	<b>94,041</b>	<b>72,010</b>	<b>69,132</b>
Minority interest	37,686	(2,086)	(3,488)
<b>TOTAL CAPITAL</b>	<b>131,727</b>	<b>69,924</b>	<b>65,644</b>
<b>LIABILITIES</b>			
Credits and loans	30,581	18,583	21,319
Reserves	8,700	6,218	4,456
Delayed tax liability	5,520	3,684	565
Other debt	1	427	–
<b>TOTAL Long-term liabilities</b>	<b>44,802</b>	<b>28,912</b>	<b>26,340</b>
Short-term credits and loans and current part of long-term credits and loans	8,170	1,595	2,584
Payables and accruals	7,114	7,175	12,903
Current income tax liabilities	14	34	136
Payables for other taxes	815	783	567
<b>TOTAL Short-term liabilities</b>	<b>16,113</b>	<b>9,587</b>	<b>16,190</b>
<b>TOTAL LIABILITIES</b>	<b>60,915</b>	<b>38,499</b>	<b>42,530</b>
<b>TOTAL CAPITAL AND LIABILITIES</b>	<b>192,642</b>	<b>108,423</b>	<b>108,174</b>

\* Indicators for 2013 may differ from similar indicators specified in the 2013 Annual Report of JSC Atomredmetzoloto.

Foreign assets, in particular, loss from non-current asset devaluation (fixed assets, intangible assets, exploration and appraisal assets) of Mantra Resources Limited

in the total amount of 15 277 mln. RUB as well as a share in the loss of financial investments calculated by the equity method due to Uranium One Holding N.V.

in the amount of 4 876 mln. RUB had a major negative impact on consolidated financial performance of the Holding for 2014 (as per IFRS reporting).

**Consolidated financial performance of JSC Atomredmetzoloto and Russian companies in its management structure for 2013-2014.  
(based on RAS data)**

**Table 11. Consolidated financial performance of JSC Atomredmetzoloto and companies in its management structure for 2013 – 2014**

mln. RUB.	2013	2014
Revenues	31,528	14,815
Production cost	(28,851)	(16,039)
<b>Gross profit / (loss)</b>	<b>2,677</b>	<b>(1,225)</b>
Commercial expenses	(416)	(351)
Management expenses	(1,729)	(1,251)
<b>Sales profit / (loss)</b>	<b>532</b>	<b>(2,827)</b>
Profits from participation in other companies	18	1
Interest receivable	217	305
Interest payable	(662)	(548)
Other income	10,518	1,675
Other expenses	(60,535)	(1,739)
<b>Profit (loss) before tax</b>	<b>(49,913)</b>	<b>(3,132)</b>
Income tax (including deferred tax asset/deferred tax liabilities variation)	3,381	(219)
<b>Net profit / (loss)</b>	<b>(46,532)</b>	<b>(3,351)</b>
<b>EBITDA</b>	<b>(18,586)</b>	<b>(1,390)</b>

**Table 12. Consolidated balance sheet of JSC Atomredmetzoloto and companies in its management structure**

mln. RUB.	As of		
	on 31.12.2012	on 31.12.2013	on 31.12.2014
<b>Asset</b>	165,446	126,725	127,069
<b>Non-current assets</b>	<b>141,911</b>	<b>102,290</b>	<b>106,157</b>
Intangible assets	4,711	1,659	2,353
Fixed assets	22,321	32,524	33,118
Long-term financial investments	112,943	65,763	66,082
Other non-current assets	1,936	2,344	4,604
<b>Current assets</b>	<b>23,535</b>	<b>24,435</b>	<b>20,912</b>
Reserves	9,127	6,259	5,188
Value added tax for purchased values	731	314	132
Receivables	7,802	12,992	11,119
Short-term financial investments	1,462	2,098	1,764
Monetary funds	4,382	2,747	2,675
Other working assets	30	24	34
<b>Liability</b>	<b>165,446</b>	<b>126,725</b>	<b>127,069</b>
<b>Capital and reserves</b>	<b>145 314</b>	<b>98 841</b>	<b>93 346</b>
including authorized capital	28,718	28,724	29,801
<b>Long-term liabilities</b>	<b>7,112</b>	<b>14,613</b>	<b>14,047</b>
Long-term loan funds	6,697	13,516	13,239
Other long-term liabilities	415	1,098	809
<b>Short-term liabilities</b>	<b>13,020</b>	<b>13,271</b>	<b>19,675</b>
Loan funds	7,346	2,409	2,581
Payables	3,922	4,075	11,032
Deferred revenue	291	153	210
Provisions for future expenses	1,461	1,634	1,164
Other liabilities	0	5,000	4,688

**Table 13. Key financial indicators of JSC Atomredmetzoloto**

Name	2012	2013	2014	2014/2013 variation	% 2014/2013
<b>Financial stability indicators</b>					
Equity	0.63	0.64	0.73	-0.05	-6%
<b>Liquidity indicators, unit share</b>					
Current liquidity ratio	2.5	1.7	1.8	0.0	2%
Quick assets ratio	1.6	1.0	1.3	0.3	28%
<b>Sales profitability indicators, %</b>					
Sales profitability	25.1%		-8.3%	-16.8%	-197%

Performance dynamics was mainly affected by:

- drop in market quotations for natural uranium, resulting in a 15% decrease in the average weighted uranium sales price as compared to 2013.

- decision of Rosatom State Corporation, in accordance with which starting from 2014 JSC Atomredmetzoloto terminates uranium deliveries of non-Russian origin (approximately half of uranium volume sold in 2013).

### 3.2.2. Investment activities

Investment activities of the Holding are aimed at reaching

strategic objectives of Rosatom State Corporation, in particular:

- satisfy demand for Russian uranium at a competitive production cost;
- assure operating efficiency, including due to reduction of specific natural uranium production cost in 2014-2019 by:
  - 30% for underground mining
  - 10% for in-situ leaching mining;
- reach in the short-term loss-free operation (by 2016) and in future – Holding’s stable profitability, including by means of business diversification.

#### 2014 results:

- Investments in the development of raw materials base and natural uranium

mining in the RF accounted for the bulk of investment structure in 2014.

- The investment program was 98% financed by means of shareholder funds and Company equity.

Including investments in development and maintenance of operating uranium-mining plants made up 3.1 bln. RUB. and were allocated for:

- performance of construction-installation works at production facilities, infrastructural objects and power facilities;
- production facility design;
- performance of mining-capital and mining and development operations;
- implementation of upgrading and re-equipment of a production facility;
- IT support;

- performance of design works, R&D;
- safety assurance;
- acquisition of production and drilling equipment.

**4.3**  
bln. RUB.  
Holding’s total investment volume in 2014

**Main investment objects**  
Development projects of PJSC PIMCU, JSC Khiagda, JSC Dalur, JSC First Mining Company and investments in operating production facility maintenance

In accordance with the gateway project management principle in place at the Holding, B2 “Decision on construction/implementation start” decision-making point was passed in 2014 for three projects of PJSC PIMCU:

- R&D project (Minutes of the Investment Committee of JSC Atomredmetzoloto dated 16.01.2015 No. 003-10/10-5-Пp),
- project “Construction of Urtuyskiy water removal channel” (Minutes of the Investment Committee of JSC Atomredmetzoloto dated 19.12.2014 No. 003-10/10-171-Пp),
- project “Reconstruction of hydraulic structures” (Minutes of the Investment Committee of JSC Atomredmetzoloto dated 19.12.2014 No. 003-10/10-171-Пp).

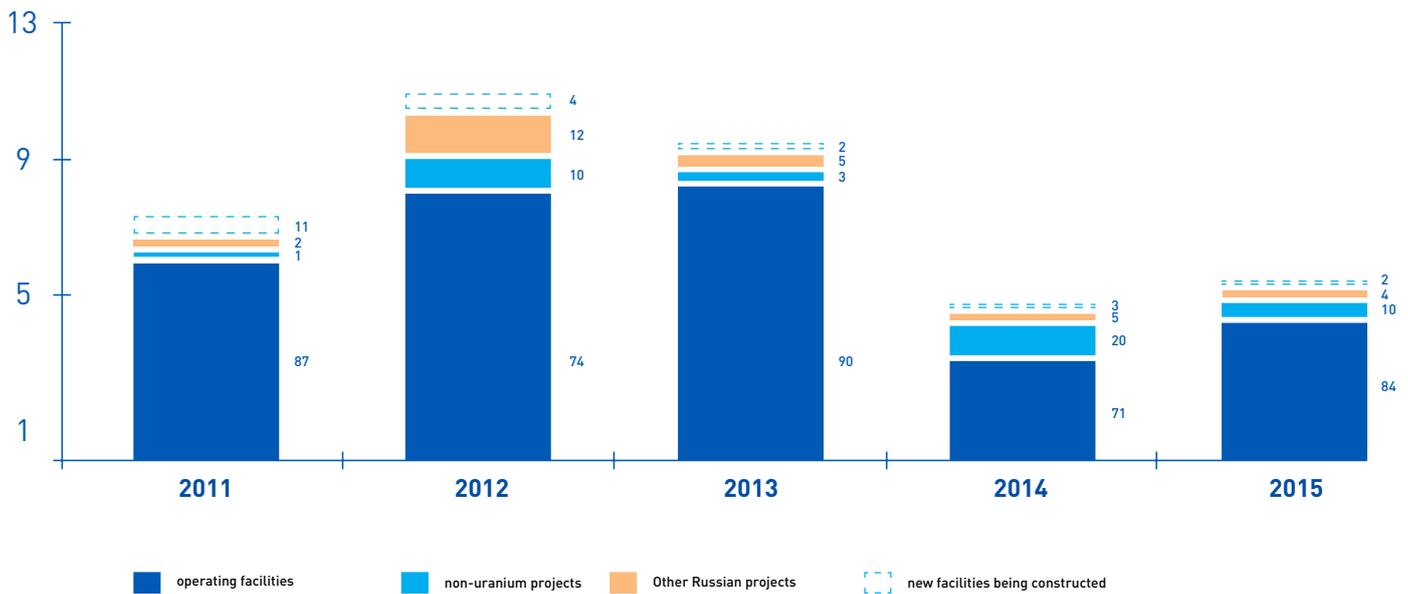


Fig. 14. Investment dynamics by project groups in 2011-2015

- Investment reduction is predicated on:
- 2012-2013 marked the peak of large-scale investments in the development of production facilities of JSC PIMCU and JSC Khiagda (construction of the sulphuric acid production workshop (SAPW) and the main building etc.).
- investments in PJSC PIMCU maintenance were reduced in 2014.

The share of investments in uranium operating assets as compared to the previous period fell from 90% to 71%, reflecting the ramping-up of the Holding's business diversification efforts.

In particular, in 2014, the volume of investments in Pavlovskoye project (JSC First Mining Company) almost doubled due to the start of field exploration works on Novaya Zemlya archipelago as part of implementation of subsoil license conditions.

### 2014 investment management results:

- control over financing source flow and compliance with investment limits of investment project operators was enhanced;
- control over the key milestones of investment-program implementation was improved – pilot operation of the automated project management system (Primavera PPIMS, Monitoring PPIMS) started. Now, management reports by milestone and the financing of divisional investment projects are automatically generated in the PPIMS;
- it was able to overcome the annual PJSC PIMCU maintenance investment growth dynamics: maintenance measures were optimized by 2.5 fold and will be retained at the level of maximum 1.2–1.8 bln. RUB. per annum during the next 5 years;
- a program approach to the management of investment activities was implemented, enabling management not

by individual projects but by whole interrelated project programs;

- the scenario analysis of individual project/program implementation impact on consolidated performance in terms of the holding. In accordance with methodology of Rosatom State Corporation Division's activities planning was implemented for the first time for a mid-term period using a financial and economic model assuring scenarios of main consolidated financial indicators.

### 2015 plans:

In accordance with the mid-term operating plan the volume of the investment program of JSC Atomredmetzoloto for 2015–2019 according to a preliminary estimate may be over 40 bln. RUB.\* A key trend will be build-up of efforts for implementing diversification projects and implementing new optimization solutions for reducing uranium product cost.

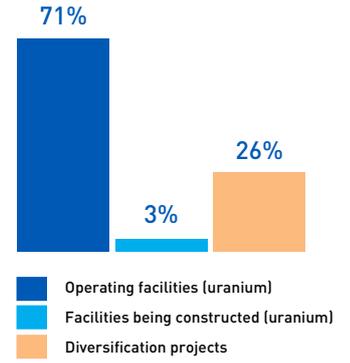


Fig. 15. Investment project groups in 2014

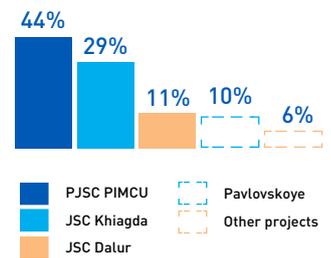


Fig. 16. Key investments of ARMZ Uranium Holding Co. in 2014

The investment committee of Rosatom State Corporation approved data sheets of the following Holding's projects:  
 Pavlovskoye (minutes dated 23.05.2014 No. 1-ИК/15-Пр),  
 Khiagda (minutes dated 19.12.2014 No.1-ИК/42-Пр-КТ).



Drilling tower, JSC RUSBURMASH

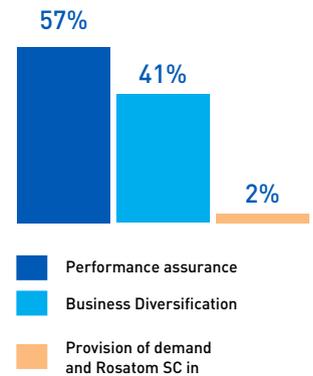


Fig. 17. Investment structure in the mid-term period for 2015–2019

\* In accordance with the strategic scenario of 2015–2019 MTSP due to all financing sources.

## 3.3. Production capital management

### 3.3.1. Raw Material Base Development

The uranium mineral resources base (MRB) of JSC Atomredmetzoloto as of

01.01.2015 makes up 524.7 thous. tons. By its volume the Company is ranked second among the largest uranium-mining companies of the world.

Holding's MRB in 2014 was reduced by 13.5 thous. tons of uranium due to the surrender of a subsoil license for Olovskoye deposit (CJSC UMCC) and by 0.4

thous. tons of uranium as uranium reserves of Lunnoye deposit based on geological exploration work results were transferred to off-balance ones (JSC Lunnoye).

**Table 14. Reserves and resources of Russian enterprises of ARMZ Uranium Holding Co. as of 31.12.2014, thous. tons**

Enterprise	Reserves	Resources P1**	Total MRB
PJSC PIMCU	106.6	-	106.6
JSC Dalur	9.2	6.5	15.7
JSC Khiagda	39.3	1.4	40.7
JSC Elkon MMP	357.1	-	357.1
JSC UMC Gornoye	4.6	-	4.6
Total:	516.8	7.9	524.7

\*\*Forecast resources for partially explored and for discovered but not yet explored ore bodies in the deposit's area.

### Geological exploration works in Russia

In 2014, geological exploration works were performed on Khokhlovskoye deposit (Kurgan region) and Pavlovskoye deposit (Novaya Zemlya archipelago). Besides, implementation of Kaldera project aimed at uranium deposit prospecting with rich ores within the Streltsovskiy ore field continued. The total volume of investments in geological exploration works was 621.5 mln. RUB.

### 2014 main measures and results:

- Exploration works continued on Khokhlovskoye deposit and pilot works for uranium mining by the in-situ leaching method are underway;
- under Kaldera project for performing prospecting-appraisal works within the Streltsovskiy ore field in 2013–2020 the third "Forecast works" stage was completed and promising areas for prospecting work organization were highlighted;

- prospecting-appraisal works were completed on the mineral resources section in the area of the Bezmyannaya river of Novaya Zemlya archipelago;
- a license for exploration and mining on Pavlovskoye polymetallic deposit based on actual deposit's discovery was obtained;
- exploratory works on Pavlovskoye deposit started, 15.0 thous. r.m. were drilled;
- The Feasibility Study of permanent exploration conditions and a report with calculated reserves

on Lunnoye deposit were approved.

### 2015 plans:

- Pilot development on Khokhlovskoye deposit continued;
- implementation of Kaldera project for prospecting new deposits within the Streltsovskiy uranium-ore field continued;
- design documentation drafting for Pavlovskoye deposit to prepare it for commercial development started.

### 3.3.2. Uranium mining methods

In PJSC PIMCU mining is performed by underground mining method and operations for implementing a new mining method – block in-situ leaching are carried out.

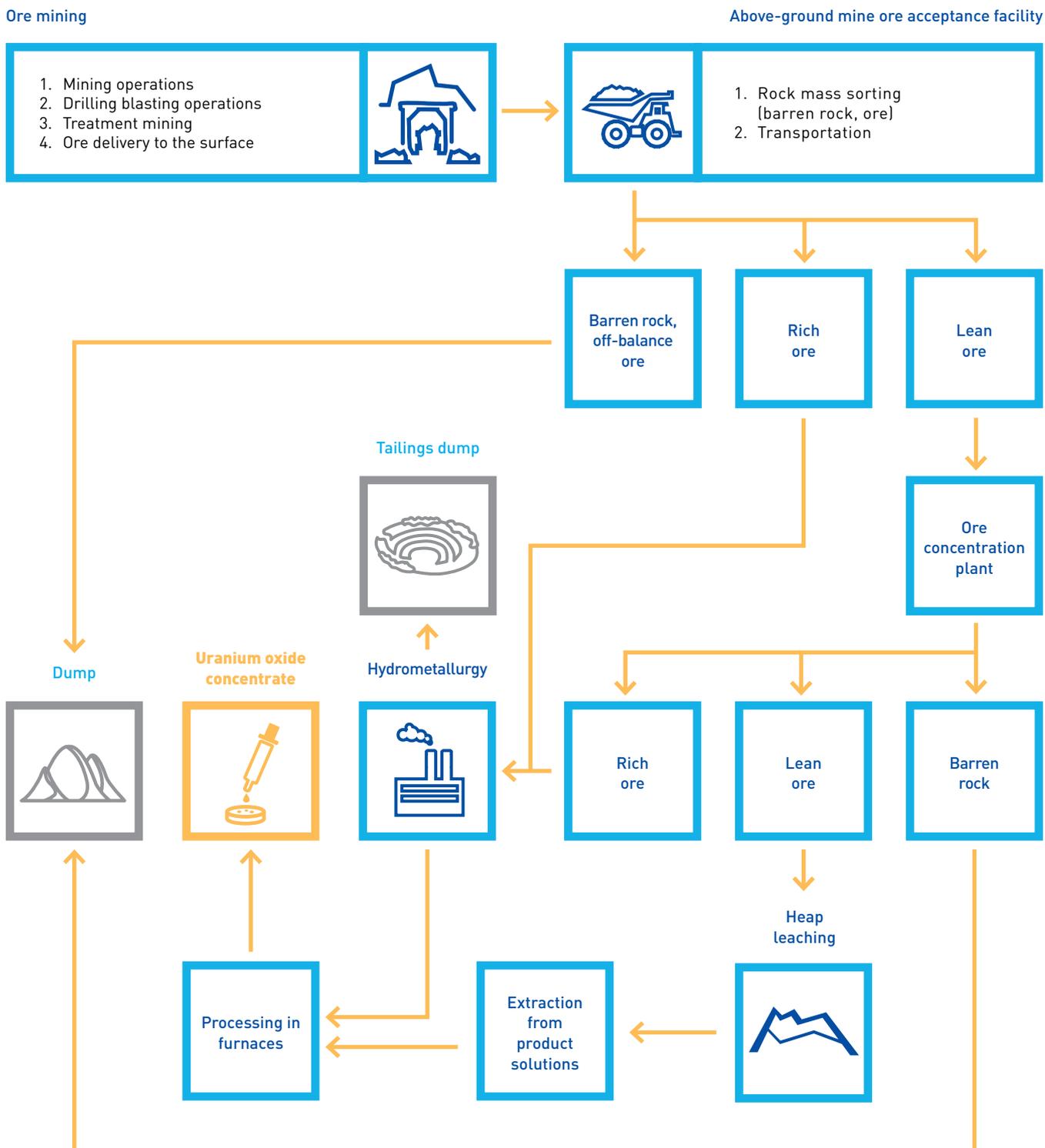


Fig. 18. Uranium mining pattern in PJSC PIMCU\*

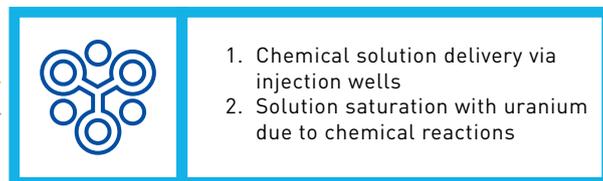
\* A video about these mining methods is available on the website of JSC Atomredmetzoloto <http://www.armz.ru/ore-main.php>.

In JSC Khiagda and JSC Dalur mining is performed by drill-hole in-situ leaching method – the most environmentally-friendly and safe uranium mining method with a closed waste-free production cycle.

**Drilling, construction and hook-up of process boreholes**

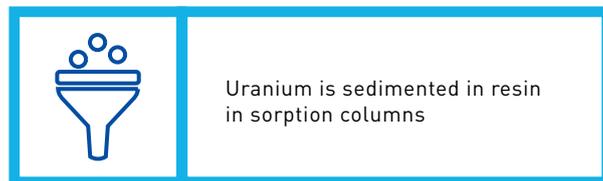


**Ore body acidification, leaching**

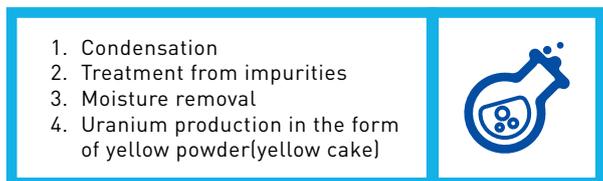


Return solutions

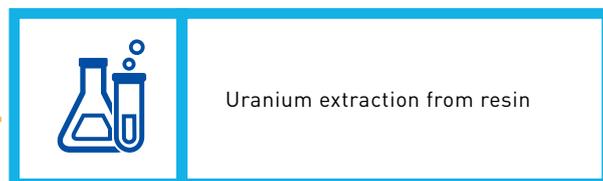
Extraction and delivery of product solutions for sorption, sorption



**Sedimentation, filtration, drying**



**Solution processing, desorption**



**Fig. 19. Uranium mining pattern in JSC Khiagda and JSC Dalur \***

\*A video about these mining methods is available on the website of JSC Atomredmetzoloto <http://www.armz.ru/ore-main.php>.

**3.3.3. Uranium Production by JSC Atomredmerzoloto Russian Entities**

**Uranium production of PJSC PIMCU**

**2014 results:**

- 1 970 tons of uranium were produced (-163 tons as compared to 2013 results);
- INsite personnel and mining equipment positioning system was put into commercial operation on underground mine No. 1;
- Mine Frame engineering support and mining design system was put into operation on mine No. 8;
- the non-commercial dump

ore separation technology was developed, a decision on project launch on a commercial scale was made;

- 2 962.8 thous. tons of coal were produced (517.2 thous. tons less than 2013 volume);
- the validity term of a subsoil license for Urtuyskoye brown coal deposit was extended till the end of 2026.

**2015 plans:**

- Production of 1 914.13 tons of uranium (-55,87 tons as

- compared to 2014 results);
- construction of the pilot block in-situ leaching operation area;
- technical upgrading of the ore preparation pattern via the ore-concentration plant (OCP) for processing by heap leaching (HL) and hydrometallurgy (HM) methods;
- mine No. 6 construction design (development of a financial and economic model, project data sheet and correction of design-estimate documentation);

**Table 15. Uranium production volume and reserves in 2012 – 2014**

	2012	2013	2014
Production volume, tons	2,001	2,133	1970
Uranium reserves, thous. tons	111.06	108.7	106.6

**106.6**  
 thous. tons  
**Uranium reserves**  
**PJSC PIMCU**

### Mid-Term Plans:

- Reach a loss-free operating level;
- implementation of the innovative uranium mining

- method by block in-situ leaching;
- transfer to mining scheduling on the basis of mine 3D-models;
- cement plant construction;

- pyrite cinder processing (products – gold, silver, non-ferrous metals, iron; scheduled putting into pilot operation – January 2016, putting into commercial

operation – December 2017).

➤ For more details see section 2.3.1. Operations of PJSC PIMCU (Trans-Baikal Territory, Krasnokamensk).

# 8.6

thous. tons

Uranium reserves  
JSC Dalur

### Uranium production in JSC Dalur

#### 2014 results:

- 578.1 tons of uranium were produced (+16.1 tons as compared to 2013 results);
- construction and installation works for Ust-Uksyanskaya LCN were completed;

- reconstruction of the pilot plant at the Khokhlovskoye deposit was completed. Capacity of the processing facility was increased from 70 to 200 t/year of uranium;
- the three-dimensional deposit structure and uranium in-situ leaching process simulation software was implemented.

#### 2015 plans:

- Production of 590 tons of uranium (+11.9 tons as compared

- to 2014 results);
- preparation of reserves on Khokhlovskoye deposit (reserves uncovering, process unit hook-up, acidification, drillhole construction, start of scoping FS development works);
- finished product output in accordance with ASTM C967-08 interim standard "base specification".

#### Mid-Term Plans:

- Smooth production volume build-up reaching 615 tons

of uranium/year by 2017, in accordance with the "Mid-term Development Program" of JSC Dalur for 2013-2020;

- development of associated rare-earth metal (REM) and scandium concentrate mining;
- start of geological-exploration and pilot operations for Dobrovolnoye deposit.

➤ For more details see section 2.3.2. Operations of JSC Dalur (Kurgan region, Uksyanskoye village)

**Table 16. Uranium production volume and reserves in 2012–2014**

	2012	2013	2014
Production volume, tons	529	562	578.06
Uranium reserves, thous. tons	10.7	9.9	8.6

# 39.3

thous. tons

Uranium reserves  
JSC Khiagda

### Uranium production in JSC Khiagda

#### 2014 results:

- 442.62 tons of uranium were produced (+2.62 tons as compared to 2013 results);
- the road map of Khiagda ore field development was approved, which assures

- reaching 1000 tons of uranium/year production level in 2018, with subsequent capacity increase up to 1200-1300 tons/year;
- physical start-up of the main production building.

#### 2015 plans:

- Production of 508.66 tons of uranium (+66 tons as compared to 2014 results);
- commissioning of phase-one facilities at the main production site;

- launch of the SAPW in integrated testing with finished sulphuric acid production;
- start of Istochnoye deposit development (process borehole drilling and construction of infrastructural objects on the deposit).

#### Mid-Term Plans:

- Uranium production volume build-up by 2018 reaching 1 000 tons of uranium/year

production level;

- commissioning of phase-two facilities at the main production site;
- start of uranium commercial mining on Istochnoye deposit;
- development and start of commercial mining in Vershinnoye deposit.

➤ For more details see section 2.3.3. Operations of JSC Khiagda (Republic of Buryatia, Bagdarin village)

**Table 17. Uranium production volume and reserves in 2012–2014**

	2012	2013	2014
Production volume, tons	332	440	442.62
Uranium reserves, thous. tons	31.9	39.8	39.3

### 3.3.4. Other Entities

#### Geological exploration works

##### JSC RUSBURMASH

**403**  
thous. run. m.  
volume of drilling operations for Holding's mining plants

Comprehensive geological exploration company with a powerful drilling service implementing geological exploration projects and works for borehole construction on solid mineral resources

deposits in Russia, Asian and African countries.

The volume of drilling operations for mining plants of Atomredmetzoloto uranium holding – 403 thous. run. m.

##### 2014 results:

- The second geological operation stage was implemented on Pavlovskoye lead-zinc deposit (Novaya Zemlya archipelago);
- the second stage of ore gold prospecting operations was held within Verkhne-Bryantinskoye ore cluster (Amursk region);
- engineering-geological surveys were successfully implemented for the subject: "Hydroelectric pumped storage power plant study and justification" (Voronezh region);
- an electronic database was generated as part of the target

"Performance of forecast works for uranium within Streltsovskiy ore field in 2013– 2014";

- an electronic database on boreholes drilled from 1977 to 1991 on Zarechnoye deposit (South-Kazakhstan region) was generated;
- an electronic database for deposits of the Khiagda ore field (Republic of Buryatia) was generated;
- a final geological report with calculated reserves for Koretkodinskoye deposit was prepared and delivered for storage in state funds;
- radiological ore peculiarities were examined, and gamma-log data interpretation for verification of reserves on NYOTA deposit (Tansania) was carried out;
- works for constructing degassing holes at facilities of OJSC SUEK-Kuzbass. Implementation of drilling operations is estimated till the end of 2015;

- a contract for prospecting and structural-prospecting borehole drilling operations at Pravoberezhniy-2 facility of OJSC DC Alrosa in 2015 – 2017 was entered into;
- economic effect due to implementation of efficiency enhancement measures in 2014 made up 56.3 mln RUB.

##### 2015 plans:

- development of exploratory scoping FS and a report with calculated reserves, including GDM for Pavlovskoye deposit (Novaya Zemlya archipelago);
- implementation of the third stage of ore gold prospecting works within Verkhne-Bryantinskoye ore cluster (Amursk region);
- continuation of the Efficiency Enhancement Program implementation;
- business diversification continuation.

##### JSC FIRST MINING COMPANY

The Company performs geological exploration works in the area of subsoil study and mineral resources base reproduction on the territory of the Russian Federation and abroad with due account of the global and domestic mineral raw materials market conditions.

The company is the user of subsoil sections in the basin of the Bezymyannaya river of Novaya Zemlya archipelago of the Arkhangelsk region.

##### 2014 results:

- a license for lead-zinc ore exploration and mining on Pavlovskoye deposit in the Arkhangelsk region was obtained;
- a range of field exploration work was performed on Pavlovskoye deposit. 15 000 run. m of core

holes were drilled with a range of accompanying geophysical and geological operations; 5607 m<sup>3</sup> worth of bulldozer ditches were dug; hydrogeological, geophysical, topographic-geodetic and environmental work was performed;

- prospecting-appraisal operations in Bezymyannoye ore cluster were completed. C2 category reserve growth amounted to 647 thous. tons of nominal zinc. Predicted P1 category resources with the total volume of 3.8 mln. tons of nominal zinc were tested by FSUE CNIGRI.
- administrative expenses were reduced by 16% from the approved level, and the total investment project program reached 97%.

##### 2015 plans:

- Completion of geological exploration works on Pavlovskoye deposit (laboratory-analytical and

**Pavlovskoye project implies construction of the cost effective production facility based on Pavlovskoye silver-containing lead-zinc deposit (Bezmyanniy ore cluster, Yuzhniy island of Novaya Zemlya archipelago, Arkhangelsk region) having a powerful mineral resource base in the amount of over 37 mln. tons of ore (C1+C2 category reserves).**

process studies, compilation of the database of geological-geophysical materials and geological-mathematical model of the deposit, development of exploratory scoping FS, implementation of calculations of main and associated mineral

component reserves by B, C1 and C2 categories);

- drafting Prefeasibility Study (PFS) report on the development of Pavlovskoye silver-containing lead-zinc ore deposit.

##### CJSC OLOVSKAYA MINING CHEMICAL COMPANY (CJSC OMCC)

Uranium-mining plant for the development of Olovskoye deposit in the Trans-Baikal Territory.

##### 2014 results:

- due to a refusal from subsequent project implementation, the Olovskoye deposit subsoil license was surrendered.

## JSC ELKON MINING-METALLURGICAL PLANT (JSC ELKON MMP)

The company is engaged in geophysical operations, exploration, mining and processing of uranium ores.

### 2014 results:

- Implementation of the range of measures for preservation of the previously developed materials for Elkon project;
- storage of drill core, analytical sample duplicate and other rock material

on field operation area in Zarechniy village of Aldanskiy district of Sakha republic (Yakutia);

### 2015 plans:

- Maintain operations of companies-operators of JSC

Elkon MMP and JSC EGМК-Projekt with a view to preserve competences and previously developed project materials. If macroeconomic conditions deteriorate, it is planned to consider the issue on pre-design work active phase resumption.

## LLC UNITED URANIUM PLANTS

The company carries out natural uranium trade activities both on the Russian and foreign markets; mediatory, advisory and marketing activities; organization and implementation of international and domestic cargo shipments.

### 2014 results:

- Preparatory works for the start of material delivery for industry's needs as per the agent-based system.
- the material sales structure was agreed in 2014;
- negotiations for assuring deliveries and their parameters were held with customers (JSC Tekhsnabexport and JSC TVEL);
- terms and conditions

of transferring rights and obligations to the Company for executing corresponding material sales contracts were agreed;

- material delivery activities for industry's needs was carried out.

### 2015 plans:

- Works for obtaining a license for handling nuclear materials;
- works for inclusion of legal entities in the List which may own nuclear materials.

In 2014 was awarded as the Best Taxpayer by the Entrepreneurship Development Promotion Fund

## Engineering companies

### JSC VNIPIPROMTEKHNOLOGII

JSC VNIPIpromtekhologii carries out works for engineering surveys and design of mineral-raw materials production facilities and social infrastructure in Russia, performs research works for radiation safety problems, handling RAW, decommissioning of radiation-hazardous facilities, production efficiency enhancement and their safety provision as well as works for rehabilitation of former uranium-mining plants both in Russia and abroad according to the international standard "Reclamation of territories of EurAsEC member-states which were subjected to the exposure of uranium-mining production facilities" (Tajikistan and Kyrgyzstan).

### 2014 results:

- Work under fewer than 102 contracts was performed, the total volume of company's revenue made up 920 mln. RUB;

The first "pilot" project in the area of engineering – reconstruction of the finished product drying department of JSC Dalur was implemented

- the whole range of works for the project "UKS-120 Drying Unit with a gas treatment station" was performed from R&D and design to procurement, customs procedures and construction and installation works. The

drying unit designed by JSC VNIPIpromtekhologii is unique by its features;

- the two following projects passed the Main State Expert Review and obtained a positive decision: "Reconstruction (protective dam reinforcement and additional impervious screen laying) of Srednee radioactive waste storage and "Optimization of design solutions for Urtuyskiy open-cut water removal channel construction" (PJSC PIMCU);
- The project "CHP plant ash dump construction" (PJSC PIMCU) passed the Main Environmental Expert Review;
- the Argunskoye and Zherlovoe deposit development concept was developed for PJSC PIMCU, which will become the basis for Mine No. 6 project;
- the drafted design documentation for Srednee tailing dump preservation will make it possible to justify a reduction in payment tariffs

for radioactive waste from 330 RUB/m<sup>3</sup> to 71 RUB/m<sup>3</sup> (preservation).

### 2015 plans:

- CAD system implementation;
- development of the general contractor service provision area;
- work on the implementation of promising 2015-2019 projects:
  - for PJSC PIMCU – reconstruction of Srednee tailing dump, ash dump of cogeneration plant (CHP) and construction of Urtuyskiy open-cut water removal channel,
  - for JSC Khiagda – works for settlement tank arrangement on Istochnoye deposit, Drying "turnkey" project implementation.

## Service companies

### LLC ARMZ SERVICE

Authorized body for organization of procurement procedures of ARM Uranium Holding enterprises, transport services and personnel provision services.

#### 2014 results:

- 1.58 mln tons of coal produced on PJSC PIMCU open-cut;
- 412 competitive procurement

procedures for needs of Mining division's plants were organized for the total amount of 3 617 mln. RUB. Reduction from the initial maximum purchase price 260 mln. RUB (for procedures, in which minimum one participant was admitted) was achieved.

#### 2015 and future plans:

- Improvement of competitive procurement procedure process organization and implementation;
- Provision of advisory services aimed improving

the economic efficiency of procurements and fostering a competitive environment when holding procurement procedures, transport services, personnel provision service, agency coal sales services;

- implementation of design activities as part of ARMZ Uranium Holding new business area development program;
- implementation of procurement expediency and rationality of mining division's plants, creation of a competitive bidding environment and enhancement

of the economic efficiency of procurements.



### 3.3.5. Rosatom Production System. Complying with Product Quality Requirements

#### Implementing RPS Projects

The introduction of the Rosatom Production System at the Holding entities started in October 2011. In 2014 the work focused on the scaling of the RPS culture and philosophy at the Holding entities and identification and promotion of production system leaders. Based on 2014 results, 418 employees were involved in the implementation of various parts of RPS programs. 33 people were recognized RPS leaders.

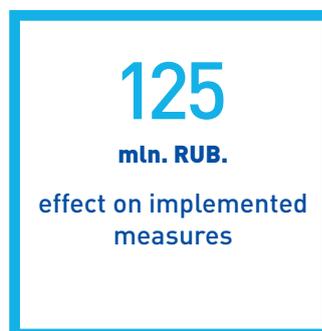
#### 2014 results:

- Due to labour organization, cost reduction, schedule development and approval of works between the silo launcher and mode control panel No. 1, the time of combine movement from point to point was cut in half (from 189 to 94 hours) when implementing the project for "Tophole vertical drilling process optimization by 2KB combine" on PJSC PIMCU;
- due to machine operator work standardization electric locomotive when carrying rock mass, rail-car loading and unloading scheme change, installation and use of pulling winches, the process flow time was reduced by 32 minutes (from 75 to 43 minutes) when implementing the project for "Rock Mass Shipment Process Reduction for the 5-th horizon of Underground Mine No. 8 of PJSC PIMCU;

- based on the results of the year the total actual effect on implemented measures made up over 125 mln. RUB.

#### Key RPS implementation results at Holding's plants:

- work processes of chemicals acceptance on a railroad base and anionite exchange between MWD PED and LSU were standardized in JSC Dalur;
- process operations were optimized in JSC Khiagda during pumping unit assembly-disassembly;
- projects aimed at performance enhancement and cost reduction with the total effect of 45.8 mln. RUB (the amount is included in 125 mln. RUB) were implemented in JSC RUSBURMASH.



#### 2015 Plans:

In 2015, the Holding plans to continue RPS work in three key areas:

- production operations;
- business process efficiency;
- administrative efficiency;
- establishment of an exemplary RPS plant on JSC Khiagda;
- Process Factory training software development on PJSC PIMCU.

**Table 18. Power resources consumption in JSC Atomredmetzoloto**

Enterprise	Electrical power		Electrical power		Diesel fuel	
	TDL	thous. RUB.	TDL	thous. RUB.	TDL	thous. RUB.
JSC Atomredmetzoloto	10	3,675	4	3,046	0	0

## Comprehensive energy saving and efficiency improvement program

The energy saving and efficiency program in JSC Atomredmetzoloto has been implemented in JSC Atomredmetzoloto since 2010 in accordance with orders of Rosatom State Corporation.

### 2014 results:

Other power resources types (coal, fuel oil, natural gas) are not used in JSC Atomredmetzoloto. The

Company rents its office premises. Under the office rent agreement, consumed power is included in the common list of municipal services and is paid for on a monthly basis under a separate bill among other services. Within the reporting period, the Company used about 816 545 kWh of electric power in the total amount of RUB 3.7 million.

Savings due to reduced power consumption for 2014 was 135 million RUB (in monetary terms) as compared to 2009 under comparable conditions.

### 2014 results:

#### PJSC PIMCU:

- Commissioning of the automated power efficiency management system (APEMS);
- installation of a variable frequency electrical drive (VFD) on MMP, CHP equipment;
- implementation of installation works for the automated power resource information and measurement system (APRIMS);
- implementation of installation and commissioning works for the automated information

and measurement electrical power fiscal metering system (AIMEPFMS) and automated information and measurement electrical power technical metering system (AIMEPTMS);

- replacement of transformers with power efficient ones;
- compressor operating mode adjustment.

#### JSC Dalur:

- Commissioning of the automated power efficiency management system (APEMS);
- 12 submerged pump control stations with VFDs were purchased and installed.

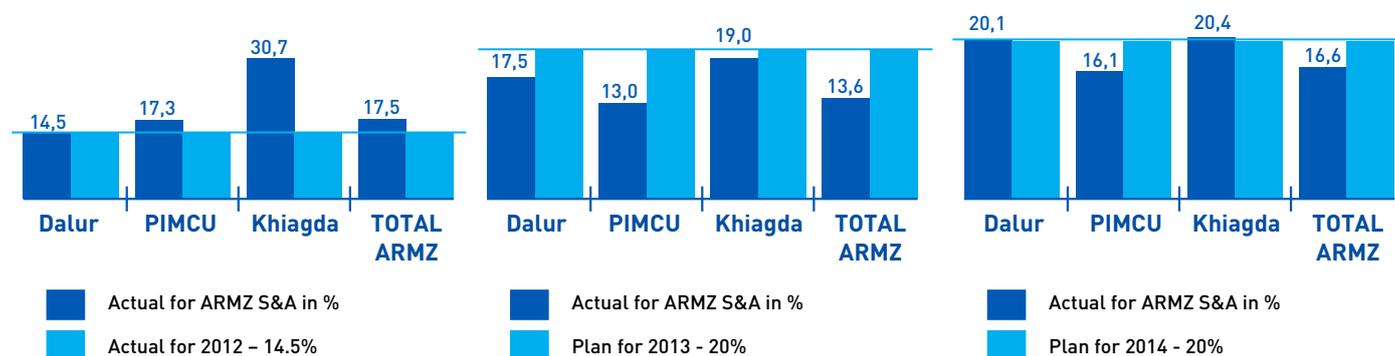


Fig. 20. Power saving and efficiency figures for 2012 – 2014, %

#### JSC Khiagda:

- The lighting system upgrading was carried out with the replacement of lighting fixtures with LED ones (power saving) on Central Logistics Base of JSC Khiagda;
- works for 6 deposit lighting area upgrading of the in-situ leaching workshop of JSC Khiagda started, with the replacement of lighting fixtures with LED ones (power saving);
- application of electrically conductive lubricant was expanded in accordance with its type (vertical break contacts, bolting etc.);

- automatic voltage control points (AVCP) were installed – on OHL-10 kW deposit No. 3, OHL-10 kW deposit No. 7.
- the 2015 power saving and efficiency program of JSC Khiagda was updated with introduction of new measures.

#### 2015 plans:

#### PJSC PIMCU:

- Conduct a repeated power audit;
- continue commissioning works and put into operation of APRIMS;
- finish commissioning works and put into operation of

the power metering system (AIMEPFMS, AIMEPTMS);

- continue works for the second stage of relay protection and automatic protective devices upgrading project on 110 and 220 kV OHL;
- continue works for variable frequency drive installation on electric drives of MMP electric motors.

#### JSC Dalur:

- Conduct a repeated power audit;
- 38 submerged pump control stations with VFDs were purchased.

#### JSC Khiagda:

- Conduct a repeated power audit;
- reconstruction of the central motor road lighting system of the in-situ leaching workshop with the replacement with power saving lighting fixtures;
- expansion of the automated information-measurement technical metering system (AIMTMS);
- 75 submerged pump control stations with VFDs were purchased.
- generation of the electrical power quality control system.

## Complying with Product Quality Requirements

ARMZ Uranium Holding Co. (PJSC PIMCU, JSC Khiagda, JSC Dalur) products are consumed by JSC Chepetsky Mechanical Plant and JSC Siberian Group of Chemical Enterprises. Products must comply with TU

(Technical Specifications) 95 1981–2009 for Uranium Oxide Concentrate and TU (Technical Specifications) 95–2002 for Ammonium Polyuranate (Yellow cake). In 2014, all products manufactured were in compliance with technical specifications and there were no claims from the consumers.

# 135

**mln. RUB.**

**Savings due to reduced power consumption**

## 3.4. Intellectual Capital Management

### 3.4.1. Innovative activities

In 2014, total expenses for investment projects, including R&D, made up 310.3 mln. RUB, from which 92.05 mln. RUB were allocated for R&D. Innovative projects of JSC Atomredmetzoloto were financed from the Holding's own funds as well as based on the subsidy of the Ministry of Education and Science of the Russian Federation.

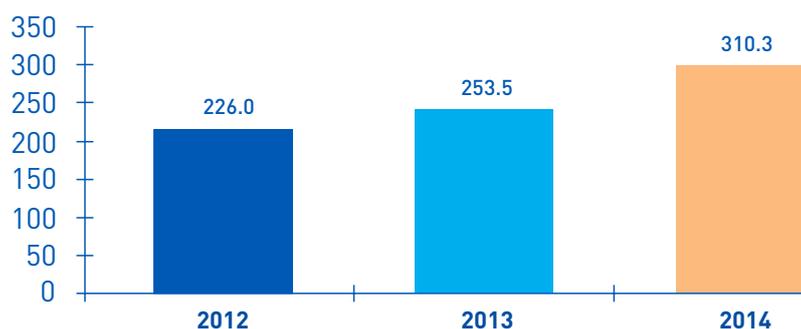


Fig. 21. Expenses for the Holding's development investment program, mln. RUB.

#### Innovative development program

The innovative development program of JSC Atomredmetzoloto is a component of the Innovative and Process Modernization Program of Rosatom State Corporation till 2020.

Key objectives of the Holding's Innovative Development Programs till 2020 are:

- uranium production efficiency enhancement at operating uranium-mining plants;
- loss-free operation of current uranium-mining plants;

- diversification for product line expansion.

Plans for the development of groundbreaking, obligatory (environmental protection and assuring industrial safety) and support technologies are grouped in six innovative projects.

**310.3**  
mln. RUB.  
total expenses for investment projects, including R&D

#### Project No. 1. Creation of a new process uranium mining platform by geotechnological methods

The project is focused on the creation of innovative highly economical and environmentally friendly geotechnologies for uranium deposit development at all project stages (from exploration and mining to mineral resources and surface reclamation).

##### 2014 results:

- Implementation of innovative mining-geological

computer technologies and software continued in JSC Dalur. Unique software was developed by Severskiy technological institute of MIFI National Research University. Application of the software will make it possible to enhance reserve calculation accuracy, operational block design quality and Dalmatovskoye and Khokhlovskoye uranium deposit development efficiency.

- Construction of uranium concentrate drying unit was completed in JSC Dalur. Drying technology makes it possible to reduce

final product humidity from 30% to less than 2.0% and significantly reduce transport expenses for finished product transportation to the Consumer. The project was implemented by JSC VNIPIpromtekhologii using state-of-the-art equipment manufactured by the Czech Susharny Praha.

- Scientific research was completed in JSC Khiagda by specialists of JSC VNIPIpromtekhologii for selecting decolmatation solutions for in-situ leaching boreholes. Implementation of the borehole decolmatation

process regulation developed in the course of research will make it possible to reduce operating costs during the development of the Khiagda uranium deposit group.

- Implementation of the computer software designed by Severskiy technological institute of MIFI National Research Nuclear University is underway at JSC Khiagda for selecting optimum ore deposit uncovering schemes and production schedule development aimed at significant uranium mining increase and operating cost reduction.

#### Project No. 2. Development of refractory uranium ore enrichment and processing of Elkon and Streltsovskoye uranium-ore district deposits

- Approximately 80% of commercial uranium reserves

in Russia are represented by refractory ores of Elkon and Streltsovskiy uranium-ore district deposits. Amidst high capital-intensity and low uranium extraction level during the development of this ore type, this project objective is to reduce final product cost based on implementation of

advanced high-performance technologies and integrated mineral resources development.

##### 2014 results:

- Pilot tests of the improved agitation uranium uncovering technology were performed in PJSC PIMCU, as a result

of which a two-fold oxidant consumption reduction was achieved during uranium leaching as well as material, chemicals and electrical power consumption reduction on ore preparation operations, which made it possible to reduce aggregate costs for hydrometallurgical ore raw material processing.

### Project No. 3. Implementation of mine geological simulation systems and mining planning. Generation of a unified geological database

#### 2014 results:

- Based on the results of multiple-option geomechanical simulation pilot works for reducing the volume of filled mined-out area from 80 % to 67%, which gives significant saving on filling works.

92.05

mln. RUB.

were allocated  
for R&D in 2014

### Project No. 4 Development of a next-generation hardware-methodical logging complex for direct uranium estimations in boreholes by the instantaneous fission neutron method

#### 2014 results:

- Metrological tests of two prototypes of AMK KND-M-48 borehole device for direct uranium estimation in ores in-situ by the instantaneous neutron method and pilot operations for measurement method certification were

held. Apparatus according to ING-12-50-100BT neutron generator operating life meets foreign counterparts and by the borehole probe small outside diameter size – 48 mm – is unique. Measurement method certification works will be completed in 2015.

### Project No. 5 Improvement of in-situ and heap uranium leaching methods from ores of Streltsovskiy ore field deposits

#### 2014 results:

- Pilot works for off-balance dump processing technology development were completed in PJSC PIMCU. The ore separation plant was put into operation. Produced uranium ore concentrates are sent for processing by the heap leaching method, barren rock left after separation is sent for a crushing unit for ballast production. In 2014, 162 thousand tons of marketable uranium ore were produced from off-balance dumps. In

2015, ore separation complex expansion and a two-fold capacity increase – to 300 thous. tons of marketable ore per annum are planned.

- A project was designed by JSC VNIIPromtekhnologii for performing pilot uranium mining tests on mine No. 4 of PJSC PIMCU by the highly-efficient block in-situ leaching method. The project implementation start is planned for 2015.
- The A.A. Trofimuk Oil and Gas Geology and Geophysics Institute of the Siberian Department of the Russian Academy of Sciences (OGGGI of the SD of the RAS) designed a range of geophysical methods for monitoring uranium ore heap leaching process which makes it possible to separate developed and underleached

stockpile areas based on the results of electrical tomography and frequency electromagnetic probing. Application of these methods will make it possible to reduce heap-leaching stockpile development and increase their development quality.

- Pilot-process works for heap leaching (HL) and block in-situ leaching (BIL) process intensification using surface-active agents (SAA) continued in PJSC PIMCU. The most efficient SAAs were determined for off-balance ore separation product HL conditions. Based on 2014 results uranium extraction increase by 4.1% as compared to the current level was achieved.
- The project “Creation of the integrated lean-balance

uranium raw material development technology by geotechnological methods” subsidized by the RF Ministry of Education and Science started in 2012. Scientific research performed by the Trans-Baikal State University in 2014 were financed from subsidy funds in the amount of 50 mln. RUB. The project of uranium reserves modification at the bottom of Tulukuy open pit by the highly-efficient in-situ block leaching method. Project implantation will make it possible to include residual uranium reserves at the open pit bottom and walls in development and perform its reclamation in future. In 2015, 70 mln. RUB from the subsidy of the RF Ministry of Education and Science are provided for R&D for this project.

### Project No. 6 Improvement of underground uranium deposit mining

#### 2014 results:

- Research works were completed under the project for geodynamic ground (GDG) development of the Streltsovskiy ore field of PJSC PIMCU. The main geodynamic ground system components were put into pilot operation.

The geodynamic ground is a multi-level complex of scientific-methodical and technical tools of geodynamic process monitoring, forecasting and warning in the Streltsovskiy ore field deposit development area designed involving the Ore Deposit Geology, Petrography, Mineralogy and Geochemistry Institute of the Russian Academy of Sciences (IGEM of the RAS), Mining Institute of the Kola Research Centre of the RAS (MI of KRC of the

RAS), Mining Institute of the Far Eastern Department of the RAS (MI of the FED of the RAS) and Mining National Mineral Resources University.

- The system is aimed at assuring and increasing underground mining safety on mines of PJSC PIMCU.
- In 2014, the project was launched for integrated pyrite cinder processing of the sulphuric acid plant of PJSC PIMCU providing for the development of the integrated

pyrite cinder full disposal technology. Comparison was made, and selection of cost effective pyrite cinder processing technologies was performed. In 2015, verification and pilot tests of the most efficient technology under current economic conditions are planned. A foreign Investor was attracted for project financing. Project implementation will make it possible to improve the environmental situation in the vicinity of the plant.

## 3.5. Human Capital Management

### 3.5.1. Management system

The personnel management system is based on the following principles:

- strict compliance with the Russian Labour Code;
- integral and socially oriented personnel policy;
- increase of labour productivity;
- priority and career development of own employees.

### 3.5.2. Human Capital Features

#### Number of personnel

The average staff headcount in 2014 as compared to the previous year was reduced by 13.9% (1 626 people) and made up 10 031 people. The main reasons for headcount reduction were organizational measures in PJSC PIMCU, as a result of

which the average headcount figure was reduced by 1 384 people (85.1%), and reduction of drilling operation volume in JSC RUSBURMASH which resulted in average headcount reduction by 200 people (12.3%).

In 2015, average personnel headcount reduction by 1485 people as compared to 2014 is planned, including due to personnel number optimization measures performed in the fourth quarter of 2014 in PJSC PIMCU.

Herewith, in 2015 employee headcount increase by 0,06 thous. people is expected by the end of the year, which is stipulated by commissioning of a new sulphuric acid production workshop in JSC Khiagda and planned work volume growth in JSC RUSMURMASH on drilling area No. 2 and No. 3 (projects: Pavlovskoye, Verkhne-Bryantinskoye, SUEK) and work area for JSC Khiagda.



Svetlana Pomuleva, head of the recruitment, training and development department of JSC Atomredmetzoloto, responds to the stakeholder's proposal to include a subsection in the Report on involvement:

"The Holding has been engaged in the study of involvement level for four years. Involvement level reduction for 2014 is caused by a modification of organizational structures of plants, production restructuring and personnel number optimization. Herewith, I would like to note, that the work for employee involvement increase is continuously performed. This is an important task for the Holding, over which all manager levels work. Involvement increase plans are developed annually based on the involvement level study performed, which are further implemented. However, we deemed it impractical to introduce a separate section dedicated only to involvement given the close relationship between personnel involvement and the plant's business performance, which is disclosed across the entire Report specifying its dynamics.

In 2015 – 2019, gradual personnel number reduction by 25.2% is expected mainly due to further optimization of the organizational and staff structure of PJSC PIMCU.

**10,031**  
people

The average staff headcount

Table 19. Dynamics of the average headcount in 2012 – 2014, people

	JSC Atomredmetzoloto	PJSC PIMCU	JSC Dalur	JSC Khiagda	JSC VNIPIpromtekhnologii	JSC RUSBURMASH	LLC ARMZ Service	TOTAL
2014	156	7,929	448	413	402	587	96	10,031
2013	228	9,313	442	409	409	787	69	11,657
2012	236	8,753	437	336	442	757	64	11,025

**Table 20. Average headcount dynamics in main regions of operation in 2012-2014, people**

	2012	2013	2014
<b>Moscow*</b>	813	773	711
<b>Kurgan Region</b>	567	563	554
<b>Irkutsk region</b>	137	127	119
<b>Trans-Baikal Territory</b>	9,070	9,695	8,261
<b>Republic of Buryatia</b>	438	499	387
<b>Total:</b>	11,025	11,657	10,031

\* Including data by ARMZ Service LLC (ESK ARMZ LLC) which were not reflected in 2012 and 2013 public reports of the Company.

The same trend is traced in headcount dynamics for regions of operation. Headcount reduction is observed in the Trans-Baikal and Republic of Buryatia – regions of operation

of PJSC PIMCU and JSC RUSMURMASH. In the reporting time, 67 people worked part-time, which made up less than 1% of the total average headcount

of the Holding. The number of employees working under a fixed-term labour contract rose as compared to the previous year from 2.9% to 4% and made up 345 people (3.5% of total number), of which 45%

(156 people) was recorded at JSC RUSBURMASH, which is typical of drilling-operation volume change, whose value determines the overall number of production personnel.

**Table 21. ARMZ Uranium Holding Co. personnel distribution by labor contract and employment type in 2012-2014, people**

Year	Headcount	Employees working under a labour contract concluded for an indefinite term	Employees working under a fixed-term labour contract
2014	8,430	8,085	345
2013*	11,719	11,379	340
2012*	11,920	11,515	405

\* Including data by ARMZ Service LLC (ESK ARMZ LLC) which were not reflected in 2012 and 2013 public reports of the Company.

### Gender-age personnel composition

**Table 22. ARMZ Uranium Holding personnel distribution by gender in 2012 – 2014, people**

Total	Year	Men		Women	
		Number	% of men from the total number	Number	% of women from the total number
	2014	6,064	72	2,366	28
	2013*	8,441	72	3,278	28
	2012*	8,613	72	3,307	28

\* Including data by ARMZ Service LLC (ESK ARMZ LLC) which were not reflected in 2012 and 2013 public reports of the Company.

**Personnel  
distribution by age**

**Table 23. ARMZ Uranium Holding personnel distribution by age in 2012 –2014, people**

Total	Year	Under 35 years old		From 36 to 50 years old		Over 50 years old	
		employee headcount	employee share (from the total number)	employee headcount	employee share (from the total number)	employee headcount	employee share (from the total number)
	2014	3,544	42%	2,954	35%	1,932	23%
	2013*	5,100	44%	3,805	33%	2,814	24%
	2012*	5,159	43%	3,808	32%	2,953	25%

\* Including data by ARMZ Service LLC (ESK ARMZ LLC) which were not reflected in 2012 and 2013 public reports of the Company.

In 2014, the share of employees aged from 36 to 50 years old grew mainly due to the reduction of employee share, whose age exceeds 50 years old.

**Staff turnover**

In the reporting period, the total turnover in the Holding increased from 24.9 to 40%. The total

turnover growth is stipulated by personnel number optimization measures (JSC Atomredmetzoloto, PJSC PIMCU), increase of the fixed-term labour contract share

number (JSC RUSBURMASH) and employee layoff due to retirement

(PJSC PIMCU, JSC VNIPIpromtehnologii).

**Table 24. Staff turnover breakdown by gender in 2012 – 2014, %**

Year	Men		Women		Total turnover
	Number of dismissed for any reason	% from the total number	Number of dismissed for any reason	from the total number	
2014	2,938	29.3	1,076	10.7	40
2013*	2,334	20.0	567	4.9	24,9
2012*	1,786	16.2	886	8.0	24.2

\* Including data by ARMZ Service LLC (ESK ARMZ LLC) which were not reflected in 2012 and 2013 public reports of the Company.

**Table 25. Number of dismissed employees broken down by regions of operation in 2012-2014, people**

	2012	2013	2014
Moscow*	208	235	266
Kurgan Region	31	85	72
Irkutsk region	47	28	76
Trans-Baikal Territory	2,308	2,461	3,254
Republic of Buryatia	78	92	346
Total:	2,672	2,901	4,014

\* Including data by ARMZ Service LLC (ESK ARMZ LLC) which were not reflected in 2012 and 2013 public reports of the Company.

**42%**  
young employees share from the total number



**Awards for the participation the ARMZ Uranium Holding Co. Olympics**

The company provides assistance to employees dismissed as a result of staffing measures, including by means of their employment at other plants, in cooperation with regional employment services, in access to databases of vacancies placed on regional websites and social networks. For the purpose of supporting laid-off employees of PJSC PIMCU, an agreement was signed in 2014 between Rosatom State Corporation and OJSC MMC Norilsk Nickel on cooperation in employment, cooperation with the employment centre and plants in Krasnokamensk was organized, the database of dismissed workers was generated for their preferential employment in PJSC PIMCU when vacancies are open, and the following measures were conducted: social entrepreneurship contest "Your Business Start"; social entrepreneurship exhibition; social idea fair; webinars on the topic "Own business in a small town". As a result of measures conducted in PJSC PIMCU, 1 729 people were employed, including re-employed by PJSC PIMCU –291 people.

### 3.5.3. Remuneration System

**Table 26. Expenses and deductions connected with remuneration, at plants of ARMZ Uranium Holding Co. in 2012 – 2014, mln. RUB.**

Figure	2012*	2013*	2014
Payroll fund (including provisions)	6,467	7,391	6,281
Personal income tax	783	932	841
Taxes (insurance contributions) for PF	1,550	1,959	1,787

\* Including data by ARMZ Service LLC (ESK ARMZ LLC) which were not reflected in 2012 and 2013 public reports of the Company.

**Table 27. Amount of salary at plants of ARMZ Uranium Holding Co. in 2012-2014, RUB.**

Figure	2012	2013	2014
PJSC PIMCU	36,659	42,658	41,220
JSC Dalur	31,845	35,086	36,507
JSC Khiagda	52,631	55,347	56,545
JSC VNIIPromtekhologii	73,750	96,551	93,352
JSC RUSBURMASH	58,024	60,849	74,566

#### 2015 Plans:

- Further performance of measures for unified remuneration system harmonization.

### 3.5.4. Social Policy of the Company

The volume of social expenses was reduced in the reporting period as compared to the previous year by 1.1% due to employee number reduction and made up 313.9 mln. RUB.

Herewith, specific expenses for social payments in terms of the number unit rose by 15.1% and made up 27.5 thous. RUB per annum per one employee



The ARMZ Uranium Holding Co. Olympics

**313.9**

mln. RUB.

the volume of social payments in 2014

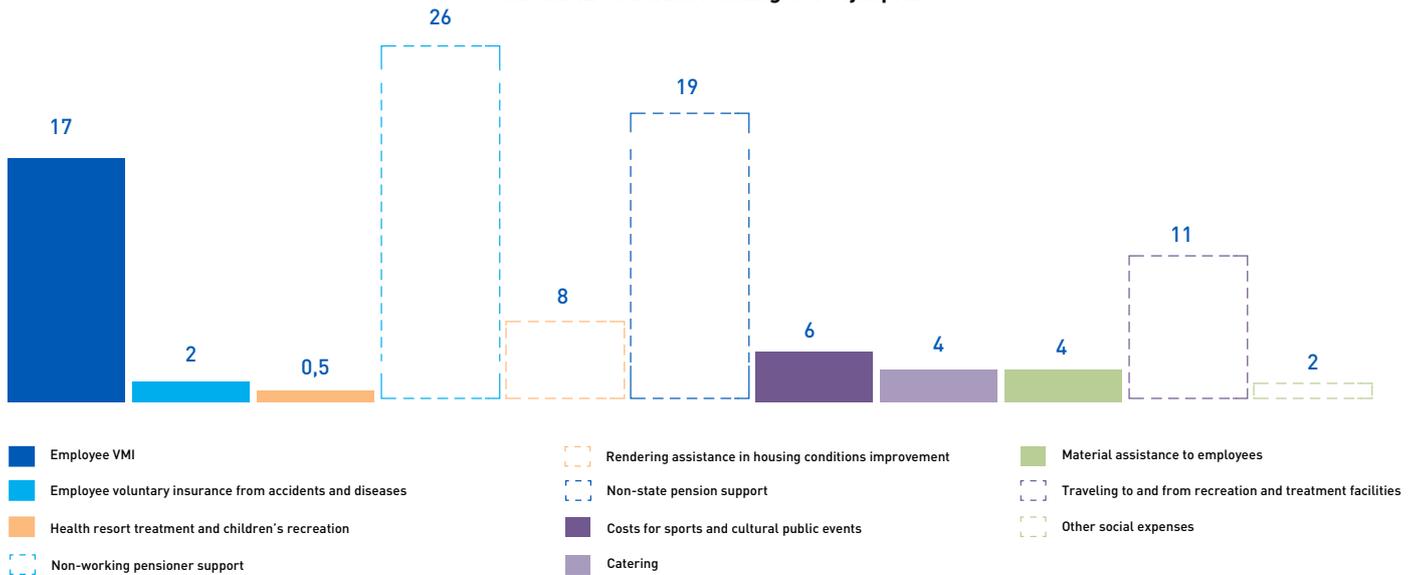


Fig. 22. Social payments to employees, %

Table 28. Social expenses in 2012-2014, mln. RUB.,%

Social programs	2012	2013	2014	
			thous. RUB.	%
Employee VMI	50.9	41.9	47.5	17
Employee voluntary insurance from accidents and diseases	5.5	5.9	6.1	2
Health resort treatment and children's recreation	1.4	0.5	1.3	0.5
Non-working pensioner support	54.5	65.0	72.2	26
Rendering assistance in housing conditions improvement	15.6	20.9	23.4	8
Non-state pension support	2.3	38.0	51.7	19
Costs for sports and cultural public events	24.6	41.2	16.2	6
Catering	6.8	9.0	11.1	4
Material assistance to employees	14.3	15.8	10.4	4
Traveling to and from recreation and treatment facilities	12.5	32.3	31.5	11
Other social expenses	6.9	8.1	5.3	2
<b>Total social expenses</b>	<b>195.6</b>	<b>278.9</b>	<b>276.8</b>	<b>100</b>
Expenses for social infrastructure object maintenance			<b>7.9</b>	
Taxes (contributions) for social expenses			<b>29,3</b>	
<b>Total social expenses</b>			<b>313,9</b>	

## 2015 plans:

- Continue implementation of the unified social policy in the Holding as part of implemented Rosatom values: One step ahead, Responsibility for the Result, Efficiency, One Team, Respect, and Safety.

## 3.5.5. Employee professional training and development

## 2014 results:

### "Rosatom's Man of the Year - 2014" contest

For acknowledgment of our employee merits at a high level Rosatom State Corporation for the second consecutive year held "Rosatom's Man of the Year - 2014" contest. 50 nominations were established by three key areas: professions of divisions, general corporate and special nominations of the director general of Rosatom State Corporation. Contest committees define one winner and two nominees in each nomination. The main selection criteria were major work results, original approaches to problem-solving corporate value sharing and professional qualifications of candidates. In total, Holding's employees submitted 56 applications (in 2013 – 26) for consideration by contest committees, from them 40 – for divisional nominations, 12 – for general corporate nominations, 4 – special nominations of the Director General of Rosatom State Corporation. 5 employees of the Holding became winners. The winner-awarding ceremony was held in Moscow. The contest is gaining in popularity, with employee interest doubling from the previous year!



Contest "Man of the Year"

**Table 29. Implemented measures as part of employee training and development of ARMZ Uranium Holding in 2014**

<p><b>Employee value</b></p>	<p>Spartakiad was held among Holding's employees involving teams from JSC Atomredmetzoloto, PJSC PIMCU, JSC Dalur, LLC ARMZ Service, JSC RUSBURMASH and JSC VNIPIpromtekhologii. A separate team was represented by students of Moscow and regional higher educational establishments who won in "Youth talents - 2014" contest. Children of the Holding's employees also formed their own select team, for whom the special program "Funny starts" including a family relay race. Participants competed in eight kinds of sports: mini-football, volleyball, table tennis, chess, darts, badminton, relay race and kettle bell lifting.</p>
<p><b>Internal communications</b></p>	<p>Three employee-awareness days were held. On average, each Awareness Day's coverage surpassed 7,000 people.</p>
<p><b>Professional development and training</b></p>	<p>Training measures were organized and held for functional areas featuring employees of JSC Atomredmetzoloto and subsidiaries.</p> <p>The list of professions participating in "The best young worker by the profession of PJSC PIMCU" annual contest was expanded.</p> <p>Career-guidance measures were held to select candidates for entry into higher educational establishments in 2014.</p> <p>Implementation of the program of plant's employee education in higher educational establishments and specialized secondary educational establishments (targeted education) continued.</p> <p>JSC Khiagda focused on precertification training of volunteer emergency response teams of the plant. This program is unique. It was developed specially for the nuclear industry and fully takes into consideration specific features of plant's operation.</p> <p>Implementation of the mentor training program continued in PJSC PIMCU on the basis of the Union's training centre. Mass training of middle managers in "Involvement Management" program was organized and held.</p> <p>As part of implementation of the industrial project "Career and succession management" Holding's key position succession plans were developed, as a result, two managers were promoted in 2014.</p>
<p><b>Talent Pool</b></p>	<p>Talent pool programs of Rosatom State Corporation were implemented (for senior management level – "Rosatom Heritage" program, for middle management level – "Rosatom Capital" program, for junior management – "Rosatom's talents"). Two managers from the current talent pool were appointed to senior positions, cross-divisional displacements of two employees were implemented. Employees of the managing company and subsidiaries were additionally selected to the Managerial Talent Pool. Based on selection results, 22 people were enrolled in talent pool.</p>

**Table 30. Number of training hours per person broken down by ARMZ Uranium Holding plant in 2012-2014, hours/people**

	Category	2012	2013	2014
JSC Atomredmetzoloto	Managers	13	25	29
PJSC PIMCU		56	31	24
JSC VNIIPromtekhologii		28	47	25
JSC Dalur		30	60	40
JSC RUSBURMASH		30	18	60
JSC Khiagda		134	73	50
JSC Atomredmetzoloto	Subsidiaries	0	0	27
PJSC PIMCU		66	59	49
JSC VNIIPromtekhologii		0	0	24
JSC Dalur		9	133	104
JSC RUSBURMASH		16	16	159
JSC Khiagda		54	92	105

**Table 31. The planned actions within training and development of ARMZ employees for 2015**

<b>Employee value</b>	Continuation of sports undertakings in the Company and corporate Spartakiad performance
<b>Internal communications</b>	Three Awareness Days are planned in 2015
<b>Professional development and training</b>	Development and implementation of the mentorship program at plants Development and implementation of programs aimed at developing managerial skills of middle and junior managers Performance of junior managers' training in "Involvement Management" program
<b>Talent Pool</b>	Implementation of talent pool development programs "Rosatom Capital", "Rosatom Heritage" and "Rosatom Talents" as well as performance of new selective measures with a view to form the pool of highly-potential middle and junior managers for preparation to work on key positions and projects

### 3.5.6. Work with youth and students

Search, attraction and support of talented young people having required theoretical knowledge and practical skills, – is one of the priority areas of the human resources policy of ARMZ Uranium Holding.

Staffing support of research and production potential development for a long-term and provision of succession inside the Holding also continued to be key objectives of the work with youth and students in 2014.

The following youth work measures are implemented in the Holding:

- training of employees and their family members in higher educational establishments (targeted training);
  - engagement of higher educational establishments' students in production and pre-graduation internship;
  - mentorship organization;
  - organization of training and advanced training work etc.
- Participants of "Rosatom Talents" talent tool took part in "Forsazh" youth innovative forum of Rosatom State Corporation. Forsazh youth forum has been held on the territory of the Kaluga region since 2011. Forum format – field camp with living in tents. Spartan conditions allow getting away from domestic problems and working routine and fully submerge in Forsazh creative atmosphere.

#### "Youth Talents" contest

On September 19, 2014 results of "Youth talents – 2014" contest were summed up, which has been organized by the Holding for the fourth consecutive year. Students of over 15 Russian higher educational establishments took part in the contest. 3-rd, 4-th and 5-th year students could take part in the contest this year. Contest winners were 10 students, from them 7 3-4-th year students were awarded with personalized scholarships, three 5-th year students participated in a special nomination, which was organized by JSC VNIIPromtekhologii and were awarded with money prizes.



**Award winners "Youth Talents"**

## 2015 plans:

Continuation of active work with students and youth, including as part of "Young Talents" program. The company is committed to retaining talented employees, assuring comprehensive personnel development in various training programs, as well as promoting employees with material remunerations for successfully implemented projects. Efficient and promising employees are included in the talent pool. Individual development plans aimed at development of not only professional-technical knowledge but also corporate and management competences are developed for employees. Employee training is mainly conducted on the basis of training centres of ANO Rosatom Corporate Academy and ROSATOM-CICE&T which

draft specialized employee programs for industry's needs.

### 3.5.7. Veteran-pensioner support

Support of non-working pensioners of JSC Atomredmetzoloto is carried out in accordance with the Corporate Social Non-working Pensioner Support Program. 15 people are currently registered in ARMZ veteran organization B, 14 of them – merited pensioners, 1 – merited pensioner of JSC Atomredmetzoloto.

#### 2014 results:

- provision of medical service insurance program;
- material assistance payment to the Victory Day holiday and 69-th nuclear



Stanislav Anikeev, human resource director of JSC Atomredmetzoloto, responds to the stakeholder's proposal to refine a human resources management section focusing on company's work for personnel retention, human capital development plans and laid off staff support and adaptation:

"The company is committed to helping those employees who were selected for optimization measures, by means of their employment at other plants. In 2014, assistance in employment was provided to employees made redundant, including creation of a real vacancy data base in Krasnokamensk companies and the Trans-Baikal Territory, employment assistance groups in Odnoklassniki social network and work with the employment service of the Krasnokamensk district. Agreements were signed between Rosatom State Corporation and MMC Nornickel on cooperation, including recruitment of laid-off employees of PJSC PIMCU.

- industry anniversary;
- congratulations and product orders to the New Year;
- invitation tickets were allocated for the festival

concert to the Nuclear Industry Worker Day to the Russian Army Theatre, where memorable gifts were also handed over.

**Table 32. Number of registered non-working pensioners in 2012-2014, people**

Number of registered non-working pensioners	2012	2013	2014
<b>Total</b>	3,659	3,586	3,652
<b>including</b>			
<b>Merited nuclear industry pensioners</b>	971	1,030	1,252
<b>Honorary nuclear industry pensioners</b>	2,675	2,556	2,400

### 3.5.8. Trade unions and collective agreements

As of 31.12.2014, 7 working employees and 17 non-working veteran-pensioners were registered by the trade union organization of JSC Atomredmetzoloto.

At present, trade union organizations are operating in PJSC PIMCU and JSC VNIIPromtekhologii, in which 5 736 staff members are registered. In JSC Dalur employee interests are represented by the Staff Board, which takes active participation in interaction with the employer.

**Table 33. Share of employees covered by collective agreements and included in trade unions in 2012-2014, people**

	2012	2013	2014
<b>Number of collective agreements in force at the plant</b>	3	3	3
<b>Number of employees covered by collective agreements</b>	10,400	10,198	7,097
<b>Number of trade union organizations at the plant</b>	3	3	3
<b>Number of trade union organization members</b>	8,804	8,333	5,743

In accordance with the RF Labour Code the minimum period of employee notification of organizational changes – 2 months is applicable at all Holding’s plants.

### 3.5.9. Occupational health and safety

#### Ensuring Radiation Safety

Within the reporting period, the individual effective exposure at JSC Atomredmetzoloto companies was not more than 20 mSv. The individual exposure of 100 mSv was never exceeded from 2009 to 2014.

**Table 34. Average effective dose in 2013 – 2014, mSv**

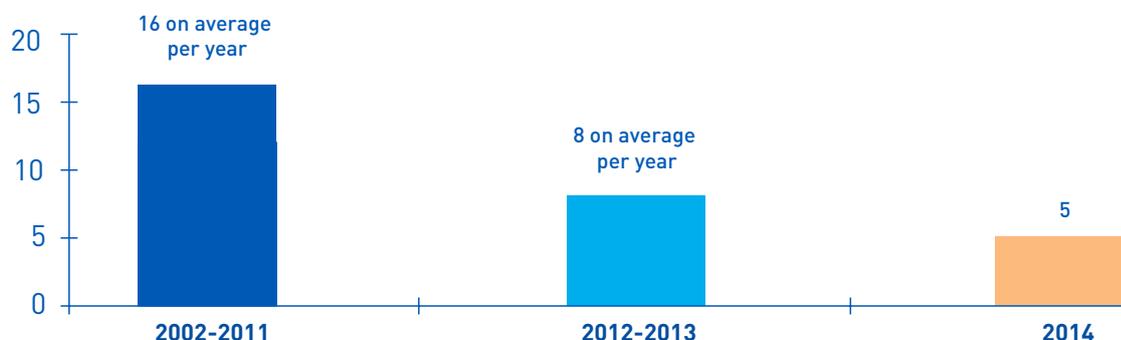
	2012 average effective dose	2013 average effective dose	2014 average effective dose
PJSC PIMCU	3.00	3.30	2.80
JSC Dalur	1.44	1.37	1.44
JSC Khiagda	1.05	1.19	1.08
JSC VNIPIpromtekhologii	1.35	1.32	1.36

#### 2014 results:

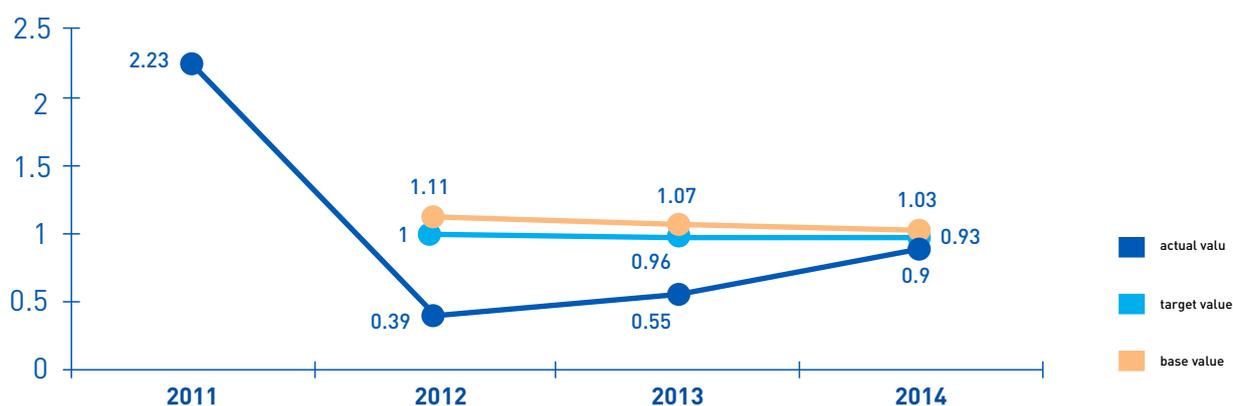
● LTIFR at JSC Atomredmetzoloto entities went down by 12 % (absolute value from 1.03 to 0.9) as compared to the previous three years. The target value fixed by JSC

Atomredmetzoloto - 10% (absolute value 0.93). ● accidents occurred only in PJSC PIMCU, and the number of accidents for the past 12 years was reduced by three fold;

● In 2014 at JSC Atomredmetzoloto there were no casualties subject to investigation in accordance with federal norms and regulations.



**Fig. 23. Injury rate dynamics at JSC Atomredmetzoloto plants in 2002 – 2014, un.**



**Fig. 24. Lost-time injury frequency rates (LTIFR) at JSC Atomredmetzoloto plants in 2011 – 2014**

**Table 35. Fatal injury frequency rate (FIFR)**

2012	2013	2014
0.01	0.02	0.01

**Table 36. Lost days rate (LDR)\***

2012	2013	2014
13.74	18.98	19.61

**Table 37. Occupational Diseases Rate (ODR)**

2012	2013	2014
0.75	0.05	0.09

\*2013 and 2014 data were recalculated due to the fact that since 2015 the LDR has been calculated based on the formula: (Number of lost days from accidents and occupational diseases/number of worked days)\*200,000. 200,000 factor is calculated based on 50 work weeks, each lasting 40 work hours multiplied by 100 employees.

LTIFR value in 2014 as compared to 2013 was increased, however, the actual LTIFR value in 2014 was improved, 0.9 indicator was reached with the target value of 0.93 (-10%).

Positive results for injury rate level reduction and safe labour condition provision were possible due to implementation of the following key measures:

- implementation of the safety culture development project continued based on the best world practices with Dupont Science and Technologies:

- behavioral safety audits were organized at all divisions of PJSC PIMCU, which made it possible to identify and correct employees' dangerous actions (behavior), eliminate hazardous working conditions capable of resulting in occupational injury and disease;

- for safety culture development project replication on other S&A, internal trainers of PJSC PIMCU conducted training

in manager and specialist behavioural audit rules of JSC Dalur, JSC Khiagda and JSC RUSBURMASH;

- for the purposes of boosting the level of employee incentivization at PJSC PIMCU, assessment criteria for the preventive work of HS division managers were developed under the "Regulation on Personal Responsibility," and the regulation on safe face-labor motivation was implemented at PJSC PIMCU. These measures enabled to raise responsibility and involvement of manager and workers in daily health and safety work;
- mentor HS training was performed, measures for existing personnel training system improvement for main profession groups were implemented;
- for labour safety management system improvement, the electronic detected violation recording and monitoring implementation system was introduced in PJSC PIMCU, inspections at night and evening time were organized, measures for injury prevention from destruction

and during underground transport operation were implemented.

### 2015 and future plans:

- Injury rate reduction as compared to the base 2012 – 2014 period due to:

- inclusion of RPS method personnel training in the introductory briefing program when hiring.

- provision of electronic labour safety cabinet operation for training, briefings, health and safety knowledge check, engineering and technical personnel safety training and certification for underground worker groups of PJSC PIMCU.

- continuation of mentor and HS specialist training in "Technosphere Safety".

- conduction of unscheduled inspections, sudden inspections at night and evening time;

- setting more stringent target detected violation reduction levels;

- blasting suspension in the

event of detecting violations posing a threat to personnel life and health;

- tightening applicable disciplinary measures when detecting violations due to rock wall and underground transport operation:

- monthly assessment of the preventive work of HS division managers based on developed criteria.

- introduction of an isolation indicator in division manager assessment criteria when summing up monthly HS work results, non-application of disciplinary measures by management for violating HS requirements due to rockfall and underground transport operation.

- updating measures for injury rate reduction from rockfall and during underground equipment operation based on the 2013-2014 work result review.

- implementation of the electronic PPE issue recording system by means of tests and selection of the most efficient PPE to reduce occupational diseases.

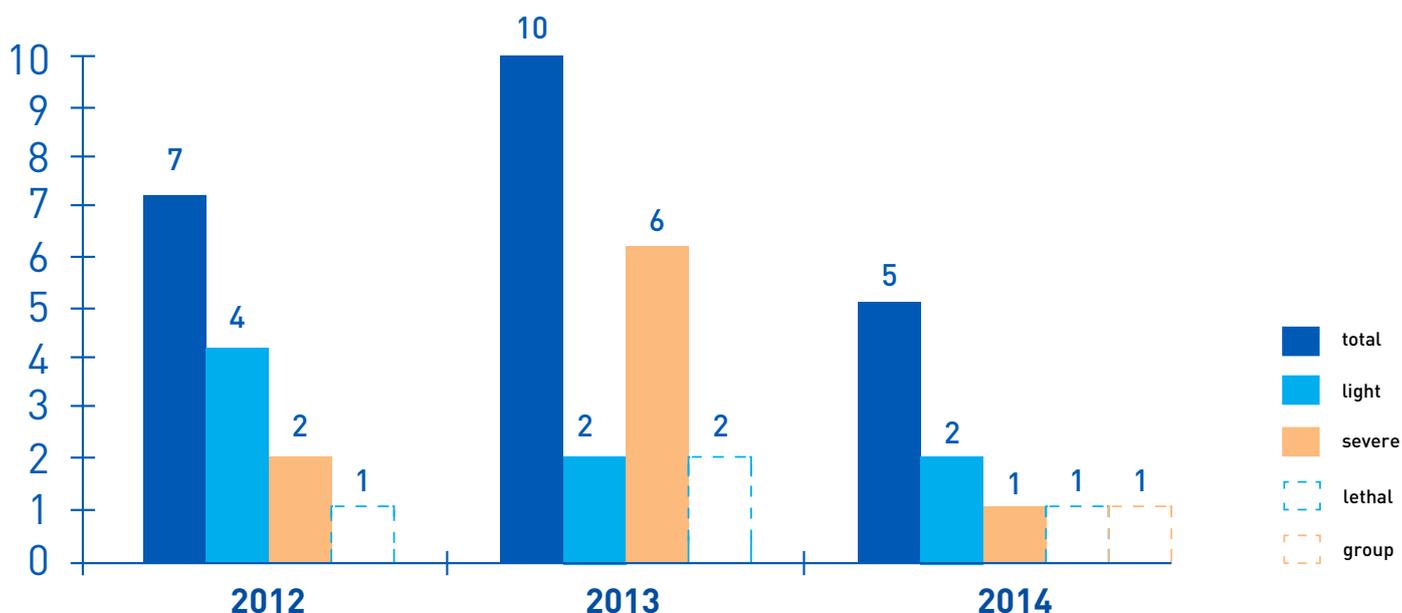


Fig. 25. Total number of accidents at JSC Atomredmetzoloto plants in 2012 – 2014

# 3.6. Social Capital Management

## 3.6.1. Stakeholder Definition

JSC Atomredmetzoloto is guided by the operation openness and transparency principle with due account of objective restrictions

intrinsic to the nuclear industry. For a timely response to possible, above all, social and reputation risk occurrence, the Holding continuously works with stakeholders and systematizes, analyzes their requests and proposals.



Exhibition-Fair of social ideas, Krasnokamensk

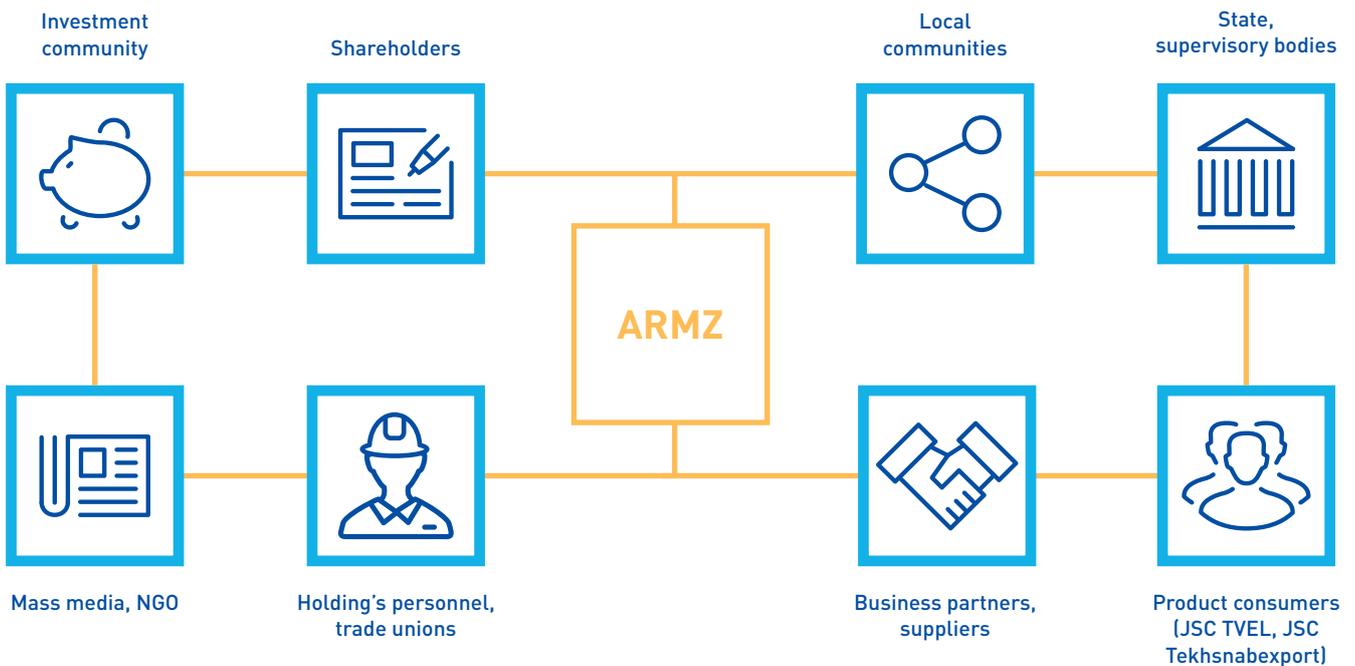


Olga Scherbakova, human resources director of PJSC PIMCU, responds to the stakeholder's proposal to show Holding's restructured personnel as a stakeholder:

"Of course, we took into account this proposal. I would like to add that in our daily work we are guided by the operation openness and transparency principle. And not only for stakeholders but also, above all, for plant's employees. For example, major programs for personnel information and involvement in the managerial decision-making process are implemented in PJSC PIMCU.

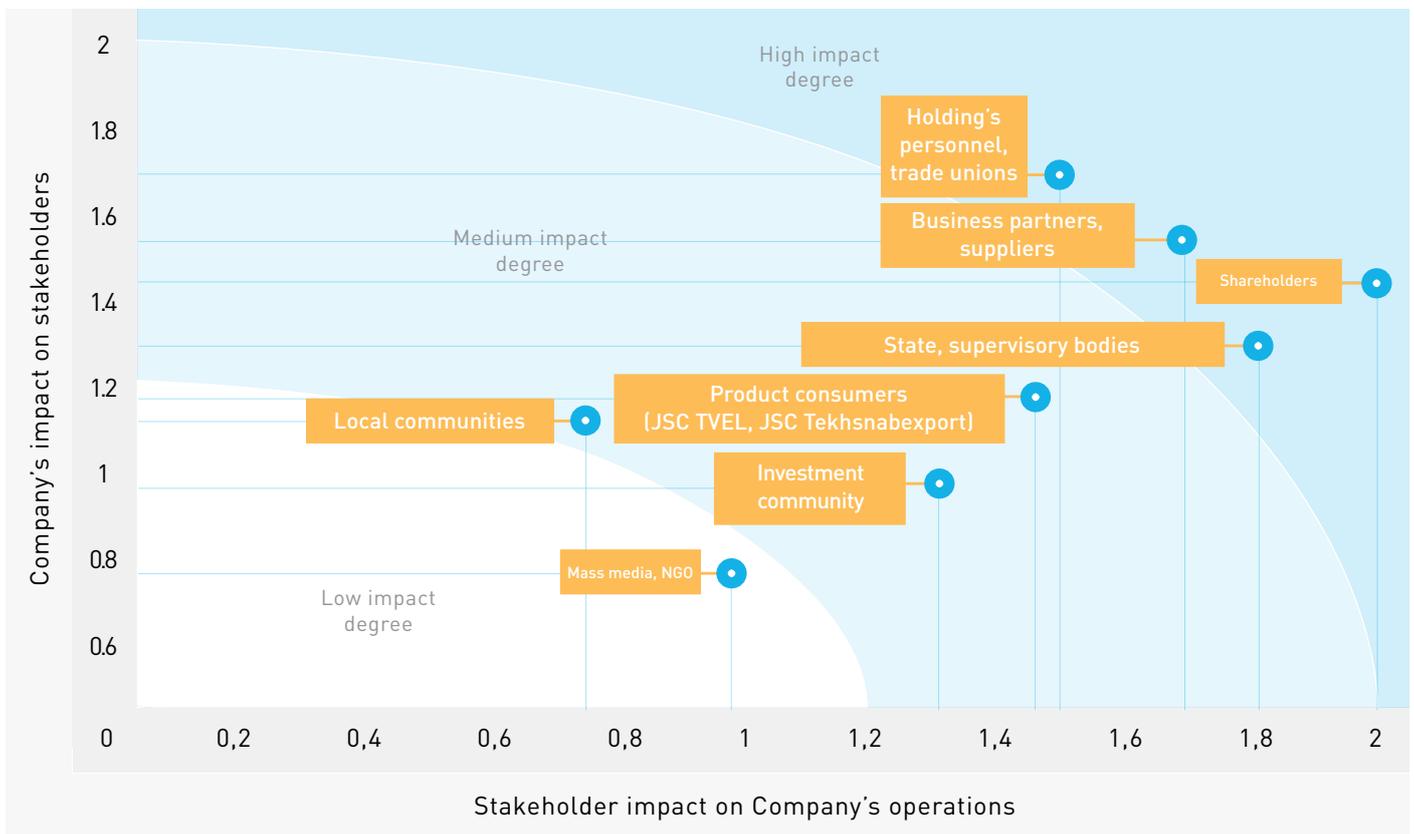
In 2014 based on ARMZ Uranium Holding management polls, comparative analysis of international, domestic and industrial practices the

stakeholder rank map was updated, which reflects an interdependence between them and the Company.



**Table 38. 2014 Stakeholder Engagement**

Stakeholders	Interests	Engagement mechanisms	Operating performance in 2014
Shareholders	<ul style="list-style-type: none"> <li>● building up and diversifying resource base;</li> <li>● effective use of investments;</li> <li>● safety priority;</li> <li>● approved figure achievement.</li> </ul>	<ul style="list-style-type: none"> <li>● convening General Meetings of Shareholders;</li> <li>● information disclosure on an external website;</li> <li>● regular reporting;</li> <li>● annual report presentations as part of dialogues.</li> </ul>	<p>☞ Refer to “Corporate Governance” section, “Strategy and Management system” chapter</p>
Investment community	<ul style="list-style-type: none"> <li>● effective use of investments and good growth quality.</li> </ul>	<ul style="list-style-type: none"> <li>● regular meetings;</li> <li>● information disclosure on an external website.</li> </ul>	<p>☞ Refer to “Social Capital Management” section, “Operating results: capital management efficiency” chapter</p>
Local communities	<ul style="list-style-type: none"> <li>● social-economic development of regions;</li> <li>● social project implementation in regions of operation;</li> <li>● maintaining a stable population employment level;</li> <li>● environment.</li> </ul>	<ul style="list-style-type: none"> <li>● public opinion polls;</li> <li>● public hearings related to annual report publications;</li> <li>● public hearings related to the construction of new facilities;</li> <li>● information via mass media.</li> </ul>	<p>☞ Refer to the “Social Capital Management” section, “Operating results: capital management efficiency” chapter</p>
State (federal authorities, authorities of constituent entities of the Russian Federation), local government authorities, supervisory authorities	<ul style="list-style-type: none"> <li>● operating efficiency and stability;</li> <li>● operating safety and transparency;</li> <li>● zero environmental impact;</li> <li>● regular tax deductions;</li> <li>● developing regions of operation;</li> <li>● environmental responsibility;</li> <li>● responsible personnel and social policy.</li> </ul>	<ul style="list-style-type: none"> <li>● entering into cooperation agreements;</li> <li>● regular meetings;</li> <li>● annual report presentations as part of dialogues and public hearings;</li> <li>● Annual Report publication on the official website.</li> </ul>	<p>☞ Refer to the “Social Capital Management” section, “Operating results: capital management efficiency” chapter</p>
Business partners, suppliers	<ul style="list-style-type: none"> <li>● stable cooperation;</li> <li>● protecting and complying with shareholders’ rights and interests;</li> <li>● development plan implementation;</li> <li>● stable financial standing;</li> <li>● procurement system transparency;</li> <li>● financial solvency;</li> <li>● stable orders.</li> </ul>	<ul style="list-style-type: none"> <li>● meetings and negotiations;</li> <li>● information disclosure on external websites;</li> <li>● using a procurement website with a feedback system;</li> <li>● monitoring of compliance with the unified industrial procurement standard;</li> <li>● annual report presentations as part of dialogues and public hearings.</li> </ul>	<p>☞ Refer to the “Production Capital Management” section, “Operating results: capital management efficiency”</p>
Holding’s personnel, trade unions, including restructured personnel of the Holding	<ul style="list-style-type: none"> <li>● fair, stable remuneration;</li> <li>● training, development, and career prospects;</li> <li>● competitive social benefits;</li> <li>● advanced training;</li> <li>● zero environmental impact;</li> <li>● developing regions of operation;</li> <li>● guaranteed employment, stable salary;</li> <li>● socially-responsible employer;</li> <li>● professional development.</li> </ul>	<ul style="list-style-type: none"> <li>● drawing up and signing collective agreements;</li> <li>● Awareness Days;</li> <li>● regular meetings between managers and workers to discuss Holding activities, including the Foremen Council at JSC PIMCU;</li> <li>● internal mass media and feedback;</li> <li>● annual report presentations as part of dialogues and public consultations.</li> </ul>	<p>☞ Refer to the “Human Capital Management” section, “Operating results: capital management efficiency” chapter</p>
Product consumers (JSC TVEL, JSC Tekhnabexport)	<ul style="list-style-type: none"> <li>● stable and reliable supplies;</li> <li>● product quality and price.</li> </ul>	<ul style="list-style-type: none"> <li>● regular meetings;</li> <li>● feedback system;</li> <li>● quality assessment;</li> <li>● analysis of expectations;</li> <li>● information disclosure on an external website.</li> </ul>	<p>☞ Refer to the “Operating results: capital management efficiency” chapter</p>
Mass media, research and production and environmental organizations	<ul style="list-style-type: none"> <li>● company’s operation efficiency, openness and transparency;</li> <li>● industry and city-forming enterprise development prospects;</li> <li>● environmental production safety;</li> <li>● major developments, key performance indicators;</li> <li>● social responsibility.</li> </ul>	<ul style="list-style-type: none"> <li>● press-releases;</li> <li>● press conferences and Awareness Days;</li> <li>● annual report presentations as part of dialogues and public consultations;</li> <li>● comments on issues related to ARMZ Uranium Holding activities.</li> </ul>	<p>☞ Refer to the “Social Capital Management” section, “Operating results: capital management efficiency” chapter</p>



**Fig. 26. Stakeholder rank map of JSC Atomredmetzoloto**

### 3.6.2. Holding's information openness as the main stakeholder interaction principle

Information openness implies compliance with the public interest and commercial secret balance of Holding's plants.

In accordance with RF legislation, Regulation of the Central Bank of the Russian Federation dated 30.12.2014 No. 454-П ("Regulation on Information Disclosure by Equity Securities Issuers"), Holding's plants disclose information in the form of publication of resolutions adopted by the Company's Board of Directors, disclosure of securities issue procedure stages, Annual Report, Annual accounting (financial) reporting and other documents. For this information disclosure, in particular, please refer to web-sites of JSC Atomredmetzoloto ([http://www.armz.ru/eng/shareholders\\_and\\_investors/information\\_disclosure/](http://www.armz.ru/eng/shareholders_and_investors/information_disclosure/)) and S&A.

As part of the open information policy, ARMZ Uranium Holding is widely represented on all information resources of Rosatom State Corporation: on the web-site <http://www.rosatom.ru>, in "Rosatom Country" newspaper, in State Corporation's video blog and "Rosatom Country" radio program.

Relevant information about all aspects of ARMZ Uranium Holding operations is published by federal, regional and foreign mass media. Mass media representatives may send inquiries and applications via the web-site of JSC Atomredmetzoloto ([http://www.armz.ru/eng/press/contacts\\_for\\_mass\\_media/](http://www.armz.ru/eng/press/contacts_for_mass_media/)) and relevant sections of S&A web-sites.

Corporate newspapers are published for employees of ARMZ Uranium Holding and dwellers of regions of operation. Issue of the Gornyak Priargunya (Priargunye Mine-worker) newspaper in PJSC PIMCU – Khiagda Herald in JSC Khiagda, in JSC Dalur – Dalur News. Besides, PJSC PIMCU is the main shareholder

of CJSC TV-centre (Krasnokamensk) – local TV-company broadcasting its own programs on TNT channel frequency on the basis of federal licenses and a corresponding contract. the Gornyak Priargunya (Priargunye Mine-worker) newspaper is among TOP-10 of the rating of corporate publications of industrial companies, annually conducted by "Production Management" portal <http://www.up-pro.ru/specprojects/rating-corporativnyh-izdanij/rating-2015.html>.

A permanent hotline with V.N.Verkhovtsev, director general of JSC Atomredmetzoloto, is organized at the following address <http://www.priargunsky.armz.ru/eng/> Here, you may leave your comments and proposals on the operation of ARMZ Uranium Holding and S&A and ask an interesting question. Time for reply does not exceed one working day.

Official groups of PJSC PIMCU were created in popular Odnoklassniki (<http://ok.ru/gruppaoop>)

Honorary certificate of the communications department of Rosatom State Corporation for successful cooperation with mass media in 2014

An official page of PJSC PIMCU was created in Odnoklassniki social network as the most popular among Krasnokamensk dwellers.

ranked first by information activity in the Trans-Baikal territory based on 2014 results\*

\* based on IA examination

and Vkontakte (<http://vk.com/club72036988>) social networks. Here, union's news are published, important topics are discussed and feedback with PIMCU management is possible. Time for reply during the working hours does not exceed three hours.

In PJSC PIMCU, JSC Dalur and JSC Khiagda feedback is also possible via corporate newspapers and enterprises' personnel services. For stakeholder comments, questions and applications official web-site of JSC

### TOP-100 of the most information open Russian enterprises\*

\* Political and Economic Communication Agency

Atomredmetzoloto and all S&A has a feedback form.



Vladimir Vysotskiy, deputy director general for special projects of JSC Atomredmetzoloto, responds to the stakeholder's proposal to include the new subsection "Information openness of ARMZ Uranium Holding":

"ARMZ press-service motto – responsiveness, professionalism and constant readiness for dialog. In 2014, our PR-service did everything in its power to promptly furnish you with updated, reliable information and provide comment from the Company's chief executives. The prospect for next years – to assure integration of a high level of social responsibility and involvement of the entire multi-thousand team into successful operation of the Holding.

### 3.6.3. Development of the Regions of Operation

#### Operation in regions

Enterprises of ARMZ Uranium Holding are located in

various parts of the Russian Federation – Kurgan region, Republic of Buryatia, Trans-Baikal Territory and other regions. The company is committed to demonstrating a high social responsibility level with due account of possible social-economic implications

of the decisions made. Social tension in regions may cause reputational damage to the Holding, thus posing a threat to reliable natural raw material supplies. Due to this, operation in the region and constant integrated cooperation

with all stakeholders has an important role for the Company, above all, with state and local government authorities.

**Table 39. Taxes paid by ARMZ Uranium Holding Co. key entities to regional budgets, mln. RUB.**

Regional budget	ARMZ Uranium Holding entities	Amount of paid taxes, mln. RUB.				
		2012	2013		2014	
			by the company	CTG	by the company	CTG
<b>Regional budget</b>	<b>total, including</b>	<b>277</b>	<b>148</b>	<b>59</b>	<b>139</b>	<b>81</b>
	JSC Dalur	270	142	52	134	72
	JSC RUSBURMASH	7	6	7	5	9
<b>Kurgan Region</b>	<b>total, including</b>	<b>122</b>	<b>159</b>	<b>74</b>	<b>138</b>	<b>70</b>
	JSC Khiagda	101	139	57	132	64
	JSC RUSBURMASH	21	20	17	6	6
<b>Republic of Buryatia</b>	<b>total, including</b>	<b>685</b>	<b>1 034</b>	<b>562</b>	<b>999</b>	<b>798</b>
	PJSC PIMCU	641	988	539	955	765
	JSC RUSBURMASH	16	21	13	21	18
	JSC Khiagda	27	25	10	23	14
<b>Trans-Baikal Territory</b>	<b>total, including</b>	<b>10</b>	<b>7</b>	<b>5</b>	<b>7</b>	<b>6</b>
	JSC RUSBURMASH	10	7	5	7	6
<b>Irkutsk region</b>	total, including	0	0	0	2	2
	JSC RUSBURMASH	0	0	0	2	2
<b>Amursk region</b>	<b>total, including</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	JSC RUSBURMASH	1	0	0	0	0
<b>Total:</b>		<b>1 095</b>	<b>1 349</b>	<b>700</b>	<b>1 290</b>	<b>958</b>

## Economic impact of areas of operation

Creation of a consolidated taxpayer group (CTG) in 2012 in the nuclear industry will make it possible to increase income tax deductions in regional budgets, where production capacities are registered and operate. The CTG comprised 34 companies of the nuclear industry, including 5 Holding's enterprises (JSC Atomredmetzoloto, JSC Khiagda, JSC Dalur, PJSC PIMCU and JSC RUSBURMASH). The most significant gain was observed in the Trans-Baikal Territory budget due to PJSC PIMCU operation on its territory – RUB 809 mln in tax deductions were received in addition to the plan in 2014.

### 2014 results: Trans-Baikal Territory, Chita town, Krasnokamensk town

During the second year of the Krasnokamensk and Krasnokamensk District Social-Economic Development Program operation (was adopted in 2013.):

- L-410 small capacity airplane was purchased, the number of flights along Chita–Krasnokamensk–Chita route was increased to three per week. Airfare is maintained

at an affordable level for passengers due to offsetting of the carrier's cost by the Government of Trans-Baikal territory;

- Argun sport gym was opened in Krasnokamensk in November 2014 after the overhaul;
- two kindergartens were opened (one completely reconstructed, the second one - constructed), which solved the problem of queues in children's pre-school institutions in Krasnokamensk town;
- an apartment building was commissioned in Krasnokamensk;
- RUB 100 mln was invested in an intra-city road network.

### Kurgan region, Dalmatovskiy and Shumikhinskiy districts

- 15 mln. RUB were allocated in the budget of Dalmatovskiy district for implementation of important social projects, 500 thous. RUB - in the budget of Shumikhinskiy district.
- free financial assistance was provided to educational, children's pre-school and other social institutions, in particular, the focus was on financing of school construction in Uksyanskoye village of Dalmatovskiy district, the total volume of which was 30 mln. RUB
- two apartments buildings were commissioned.



Vera Sorokina, chief accountant of JSC Atomredmetzoloto, responds to the stakeholder's proposal to disclose information about the CTG more broadly:

"Participation in the CTG made it possible to reduce the aggregate income-tax burden of the Holding's enterprises with a simultaneous tax-deduction increase in the budgets of areas of operation. For example, only for 2014 under the CTG 958 mln RUB were paid in regional budgets by Holding's entities."

**Table 40. Financial assistance received by PJSC PIMCU from state authorities in 2012-2014, mln. RUB.**

2012	2013	2014
7.98	9.20	8.26

### Financial assistance received from state authorities

Only PJSC PIMCU received financial assistance from the state in 2014. For 2012-2014, subsidies of the Ministry of Education, Science and Youth Policy of the Trans-Baikal Territory were received to reimburse part of the expenses for the improvement of children's health and recreation,

according to the decree of the Government of the Trans-Baikal Territory.

PJSC PIMCU did not receive financial assistance from the state in the form of tax privileges.

JSC Khiagda, JSC Dalur, JSC RUSBURMASH and JSC VNIPIpromtehnologii did not receive financial assistance from the state.

**Table 41. Ratio of minimum salary in the region of operation to the initial level salary in 2012-2014, RUB.\***

Region Name	2012	2013	2014
<b>Minimum salary amount at Holding's plants in the region of operation</b>			
Moscow	14,038.0	14,212.0	22,500.0
Kurgan Region	8,462.0	8,462.0	8,557.0
Irkutsk region	29,610.0	29,610.0	29,610.0
Trans-Baikal Territory	7,289.0	7,289.0	7,289.0
Republic of Buryatia	10,926.4	11,702.4	12,486.4
<b>Minimum salary amount fixed in the region</b>			
Moscow	11,700.0	12,200.0	12,600.0
Kurgan Region	5,683.0	6,207.0	5,554.0
Irkutsk region	4,611.0	5,205.0	5,554.0
Trans-Baikal Territory	4,611.0	6,782.0	5,554.0
Republic of Buryatia	6,693.0	6,693.0	6,693.0

\* Region of operation – RF constituent entity where the Holding carries out its operations: Moscow, Trans-Baikal Territory, Kurgan region, Republic of Buryatia and Irkutsk region.

## Impact on local population in regions of operation

ARMZ Uranium Holding is committed to following business social responsibility principles and, given geography of operations, sees one of its main objectives in the maintenance of stable jobs and creation of new jobs both on territories of own operations and on territories of business partners – suppliers and contractors.

To achieve these tasks, the Holding initiates corporate social programs for assuring population employment in regions of operation.

➤ **For more details refer to the subsection** “Investments in social infrastructure and charity”

The unified remuneration system (URS) being implemented allowed to define a single approach to generation of salaries in the Holding and assure stable salary to employees. Interaction with regional authorities, development of corporate social programs and timely salary payment contribute to the reduction of social tensions in the regions and the enhancement of Holding companies’ attractiveness as employers.

The minimum salary at all enterprises is higher than the minimum wage in regions of operation.

Median salary rose by an average of 3%.

Preference when hiring is given to local population provided that qualified personnel is available in the region of operation. Over half of senior managers of ARMZ Uranium Holding in regions of operation is hired from local population.

In the reporting period, as a result of Company’s facilities construction voluntary and/or non-voluntary local population relocation was not performed.

## Economic impact on suppliers and contractors

ARMZ Uranium Holding is able to affect contractor organizations by means of applying sanctions for default stipulated by contracts as well as by means of payment withholding till execution of obligations in full. Sanctions are contained in a contract forming an integral part of procurement documentation and are the same for all participants.

## Investments in social infrastructure and charity

ARMZ Uranium Holding has a major impact on the social and economic development of areas of operation, not only participating in the CTG and generating an income basis of regional and local budgets but also implementing a range of social and charitable programs.

In 2014, the Charity Committee was established at JSC Atomredmetzoloto, whose functions include determination of the objectives and priority areas of charitable activities.

➤ **For more details refer to the section** “Activities of the Charity Committee”.

In accordance with the Regulation on Charitable Activities priority areas include:

- educational program and project support;
- cultural-educational initiatives and cultural heritage preservation;
- environmental measures support;
- popularization of grassroots and amateur sports and a healthy lifestyle;
- patriotic values support and patriotic education.

The Charity Committee of Rosatom State Corporation approved the List of charitable initiatives of JSC Atomredmetzoloto for 2014 in the amount of 4 mln. RUB.



Yuri Murashko, PR and mass media director of PJSC PIMCU, responds to the stakeholder’s proposal to highlight the social responsibility topic broader and tell about social programs implemented by ARMZ in regions of operation:

“With active support of the Holding, Trans-Baikal Development Fund, regional and urban authorities held “Your Business Start” contest in 2014. Each dweller of the Krasnokamesk district was able to file an application for grant. Funds were earmarked for implementing projects in the area of social entrepreneurship. Prerequisites were project implementation on the territory of the Krasnokamensk district, financial stability and social orientation. Preference was given to initiatives aimed at creating new jobs and alternative self-employment methods, because many district residents were in a difficult economic situation.”

- “Your Business Start” contest (18 grants by 50 thous. RUB.): business-ideas were supported to open a children’s creativity and development product shop, sweet bakery product cafe, creation of the sports-health improvement club “Mother and a baby” etc.
- “Create your own social business” Educational Course
- “Social Entrepreneurship Ideas” exhibition-fair
- Master-classes of working entrepreneurs
- Series of webinars “Social entrepreneurship fundamentals”

**Fig. 27. Range of measures for promoting population self-employment and social entrepreneurship support in Krasnokamensk town**

In 2014, a range of measures for the development of population self-employment in Krasnokamensk was performed.

JSC Atomredmetzoloto does not provide assistance to commercial organizations, donations to political parties and does not take part in state policy development and lobbying.

### 2015 plans:

In 2015, a contest for entrepreneurial initiative support will be held in Krasnokamensk.

## Settlement of disputes for interaction with local communities

Provision of nuclear power development public acceptability is one of the priority strategic tasks of Rosatom State Corporation. JSC Atomredmetzoloto carries out activities in this area guided by the information openness principle.

➤ **For more details see section 3.6.2.** Holding’s information openness as the main stakeholder interaction principle.

To raise operational transparency and expand interaction with all stakeholders, since 2008 the Holding has been a key company (in terms of reporting) of Rosatom State Corporation publishing integrated annual reports every year.

In case of problems of interaction with the company, the Holding will be guided by RF legislation and requirements of Rosatom State Corporation.

No complaints about the impact on local community have been received in JSC Atomredmetzoloto.

### Marketing communications

Marketing communications, including promotional measures, advertisements, participation in exhibitions – one of the most areas of JSC Atomredmetzoloto operations. Work in this area

makes it possible to enhance the attractiveness of products and services for the target audience: thorough informing of potential customers allows us to convince them to give their preference to the mining-division products of State Corporation Rosatom.

In 2014, as part of marketing activities JSC Atomredmetzoloto took part in 20 events which included such major industrial events as "ATOMEXPO 2013"

International Forum, "ATOMEX 2013" International Nuclear Industry Suppliers , 39-th annual symposium of the World Nuclear Association etc. Not only ARMZ Uranium Holding but also key S&A took part in these events. In 2015, the Company plans to continue implementation of the marketing communication plan in terms of participation in exhibitions, conferences and forums dedicated to innovative developments and advantages of Holding plants' products.



Exhibition-Fair of social ideas, Krasnokamensk

## 3.7. Natural Capital Management

### 3.7.1. Environmental Policy of the Company

Operations of JSC Atomredmetzoloto in terms of environmental protection and rational use of natural resources is aimed, above all, at meeting legislative requirements.

The environmental policy of JSC Atomredmetzoloto was developed based on ISO 14001 international standard and Environmental Policy of Rosatom State Corporation.

#### Main objectives are:

- develop and implement measures to ensure maximum environmental impact reduction;
- conserve the environment in the production areas, recultivate land;
- reduce industrial effluents and emissions discharge;
- reduce emissions of pollutants into atmospheric air;
- efficient use of energy resources;
- continuous environmental monitoring.
- reduce the environmental aspect relevance level.

### 3.7.2. Protection of land resources and biodiversity

The in-situ leaching method is the most environmentally-friendly, as the natural landscape remains virtually undisturbed when it is used. This method is used at JSC Khiagda and JSC Dalur plants.

If deposits are developed by a mining method (PJSC PIMCU), a mined underground space is formed; in order to ensure its safety and minimize its radon yield, the Plant fills it in with a cement-sand and gravel mixture.

After deposit's development works for disturbed land reclamation are performed.

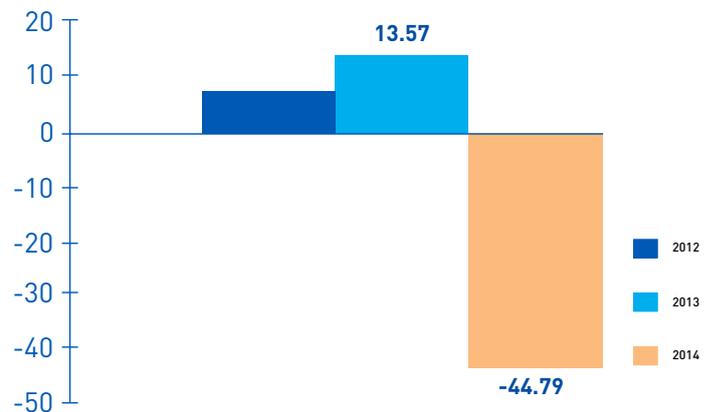


Fig. 28. Total number of disturbed lands in PJSC PIMCU in 2012 – 2014, ha\*

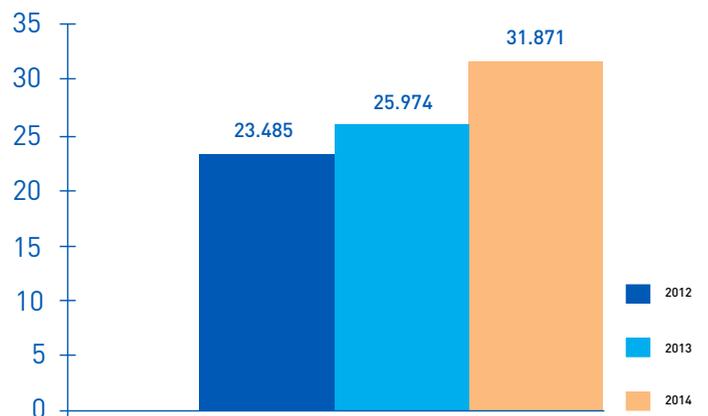


Fig. 29. Total number of disturbed lands in JSC Dalur in 2012 – 2014, ha\*

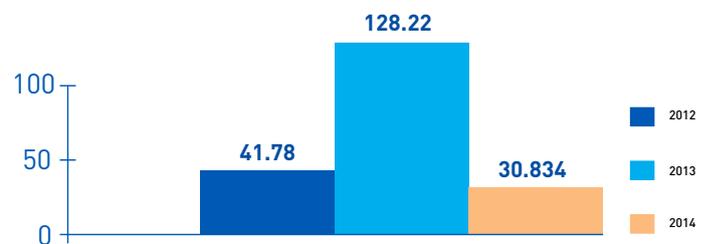


Fig. 30. Total number of disturbed lands in JSC Khiagda in 2012 – 2014, ha\*

\*2014 negative values are explained by reduced number of disturbed lands (more lands were reclaimed than were disturbed)

### 3.7.3. Water resource protection

#### Water intake

**Table 42. Water Intake by Purposes and Holding's Companies, in 2013 – 2014, thous. m<sup>3</sup>**

Enterprise	Water intake for production needs		Water intake for domestic and drinking needs		Total water intake		Subsurface sources		Exceeding the limits	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
PJSC PIMCU	22,043.81	22,260.99	6,998.99	6,060.14	34,279.19	34,159.97	28,960.59	28,359.97	0	0
JSC Dalur	41.13	46.00	48.71	47.55	89.84	93.55	89.84	93.54	0	0
JSC Khiagda	59.2	157.15	17.84	18.49	74.04	185.65	81.97	185.65	0	0

Reduction of water intake in PJSC PIMCU for domestic and drinking needs is explained by populations and entrepreneurs' installing water meters for a more accurate water consumption metering and population outflow from the town.

**Table 43. Effluent water discharge of PJSC PIMCU in 2012 – 2014, thous. m<sup>3</sup>**

Year/water volume	2012	2013	2014
Number of discharge effluent waters	12,768.9	13	12,720.07

#### Effluent water discharge

##### JSC Dalur

Due to a closed process cycle, effluent waters containing harmful chemicals and radionuclides were not discharged.

Domestic effluent water discharges from the sewerage system are removed to treatment facilities of a specialized plant on a contract basis.

##### JSC Khiagda

No effluent water discharge in surface-water bodies. Discharge is made on terrain but of solely treated waters. This discharge is not rated.

### 3.7.4. Atmospheric air protection

**Table 44. Emissions of pollutants in the atmosphere in 2012 – 2014, PJSC PIMCU, tons**

Year/pollutant name	2012	2013	2014
Carbon oxide	870.9	929.2	809.0
Sulfur dioxide	6,424.9	6,462.7	5,541.0
Nitrogen oxides (in terms of NO <sub>2</sub> )	1,864.9	2,043.6	1,987.5
Nonorganic dust	205.7	179.3	172.3
Other coal ash	5,223.3	6,477.0	5,626.8
Total			14,595.92

#### PJSC PIMCU

Reduction of carbon oxide emissions is stipulated by boiler unit repair works in 2013 – 2014 and burning mode optimization on boiler units No. 1, 6, 7.

Reduction of sulphur dioxide emissions is mainly due to sulphur contents reduction in burnt coal from 0.204% to 0.189%, reduction of sulphuric acid production in sulphuric acid production

facility and vanadium catalyst replacement.

Ash emissions' reduction due to commissioning of boiler unit No. 1 in February 2014 after gas treatment system

reconstruction, with 99.6% ash collection efficiency. Boiler units No. 8 and 5 with 88.4% and 91.4% efficiency were decommissioned for repair.

## JSC Khiagda

Emission volume increase in 2014 stems from reconstruction of the coal boiler-house of the in-situ leaching workshop, whose capacity grew by a factor of 2.07, entailing a coal consumption increase; moreover, new production facilities were commissioned and a modular boiler-house at a rotation camp was installed.

## JSC Dalur

In 2014, 15% more emissions were produced as compared to 2013 due to the receipt of new limits from December 11, 2013 for Khokhlovskoye deposit, from December 25, 2014 for Dalmatovskoye deposit (volume of limits was increased due to expansion of production volumes, hence, waste generation was increased).

**Table 45. Emissions of pollutants in the atmosphere in 2012 – 2014, JSC Khiagda, tons**

Year/Pollutant Name	2012	2013	2014
Carbon oxide	73.82	69.57	167.809
Sulfur dioxide	9.88	9.37	20.985
Nitrogen oxides (in terms of NO <sub>2</sub> )	4.60	11.26	9.953
Nonorganic dust	0.14	0.35	1.282
Other coal ash	0.35	2.96	29.937
Total	106.73	118.013	247.684

**Table 46. Emissions of pollutants in the atmosphere in 2012 – 2014, JSC Dalur, tons**

Year/Pollutant Name	2012	2013	2014
Carbon oxide	4.50	3.92	4.532
Sulfur dioxide	0	0	0.00016
Nitrogen oxides (in terms of NO <sub>2</sub> )	1.983	1.727	1.995
Nonorganic dust	0.001	0.001	0
Other coal ash	3.59	3.63	0
Total	10.40	9.56	10.431



**The Argun River, Trans-Baikal Territory**

### 3.7.5. Waste Handling

In JSC Dalur 33% more emissions were produced as compared to 2013 due to the receipt of new limits from October 1, 2013, 08 for Khokhlovskoye deposit, from October 8, 2014, 2014 for Dalmatovskoye deposit (volume of limits was increased due to expansion of production volumes, hence, waste generation was increased).

**Table 47. All Hazard Classes Waste Generation in 2012 – 2014, tons**

Enterprise	Year	PJSC PIMCU	JSC Dalur	JSC Khiagda
Hazard class, year				
1 Hazard class	2012	3.810	0.007	0.087
	2013	3.430	0.010	0.066
	2014	3.580	0.008	0.084
2 Hazard class	2012	1.390	0.122	2.018
	2013	0.640	0.000	1.963
	2014	0.260	0.000	1.521
3 Hazard class	2012	930.900	0.336	1.385
	2013	152.560	0.000	4.739
	2014	321.360	0.120	3.328
4 Hazard class	2012	2020.600	22.800	5,131.500
	2013	2650.900	45.000	3,380.700
	2014	2453.800	44.228	18,553.699
5 Hazard Class	2012	21,279,598.000	7.600	7,082.900
	2013	24,467,312.300	6.900	1,893.800
	2014	24,578,781.600	25.071	4,281.092
Total	2012	21,282,555.000	30.870	12,217.400
	2013	24,470,120.000	51.900	5,281.200
	2014	24,581,560.600	69.427	22,839.724
Waste used at the plant, located on operated facilities, tons (%)	2013	24,469,897.370 (99.99%)	0.000	4,950.860 (93.7%)
	2014	24,482,362.500	0.000	3,918.084
Waste transferred to specialized contractors for processing and decontamination, tons (%)	2013	38,213.632 (0.001%)	25.600 (50%)	332.690 (6.3%)
	2014	60,914.900	23.048	463.534
Exceeding the limits	2013	none	none	none
	2014	none	none	none

### 3.7.6. Expenses Related to Environmental Conservation

Expenses were increased by 22% in 2014 due to JSC Dalur (increase of tariffs of specialized companies rendering environmental-measurement services and an increase in environmental measurement volumes (volumes of sample emissions into the atmosphere).

**Table 48. Environmental protection expenses in 2014, thous. RUB.**

Name of activity	PJSC PIMCU	JSC Dalur	JSC Khiagda
Atmospheric air protection	50,765.000	242.000	2,236.000
Water resource protection	37,255.000	392.000	16,297.000
Mineral resources protection	35.320	-	-
Waste Handling	35,517.000	286.000	761.000
Rational use, protection and rehabilitation of lands	50,047.000	94.000	6,587.000
Fee for negative impact	8,417.431	26.900	546.000
Ensuring Environmental Radiation Safety	3,165.000	2,790.000	2,965.000
Miscellaneous expenses	4,823.680	1,679.100	5,088.410
Total	190,025.430	5,510.000	34,480.410

**4**

**DIALOGUES WITH  
STAKEHOLDERS WERE  
HELD DURING REPORT  
PREPARATION**

**REPORTING INFORMATION QUALITY  
STANDARDS:**

**GLOBAL REPORTING INITIATIVE  
(GRI, VERSION G4.0);**

**SERIES OF STANDARDS AA 1000  
INSTITUTE OF SOCIAL AND ETHICAL  
ACCOUNTABILITY;**

**INTERNATIONAL INTEGRATED RE-  
PORTING FRAMEWORK (IR 1.0).**

**THE COMPANY RECORDED RECOMMENDATIONS OF STAKEHOLDERS  
IN PROTOCOLS OF DIALOGUES AND PUBLIC CONSULTATIONS,  
HELD A THOROUGH ANALYSIS AND TOOK THEM INTO CONSIDERATION NOT ONLY DURING  
PREPARATION OF THE FINAL REPORT VERSION BUT ALSO IN COMPANY'S OPERATIONS**

**CHAPTER 4**

**INTERACTION  
with stakeholders  
when drafting  
the Report**

## 4.1. Dialog with Stakeholders in the Course of Report Preparation

JSC Atomredmetzoloto is committed to assuring a high level of openness and transparency of its operations, maintaining active communications with all stakeholders, which are implemented when drafting public reports.

➤ For more details about interaction principles, key stakeholder interests and interaction mechanisms refer to sect. 3.6.1. Stakeholder Definition.

In accordance with the Standard on interaction with stakeholders AA1000SES when drafting the Report four dialogues were held to discuss the concept, priority topic and draft annual report. Besides, stakeholders participated in the procedure of Report's major aspect highlighting and public assurance.

### Dialogue No. 1. Discussion of JSC Atomredmetzoloto 2014 annual report concept

**December 05, 2014 from 10:00 to 12:00**

Main production results of the mining division of Rosatom State Corporation in 2014, main parameters and future Report's specific features were discussed at the event.

### Dialogue No. 2–3. Structural transformations in the mining division of Rosatom State Corporation and development of JSC Atomredmetzoloto

**February 19, 2015 from 09:00 to 12:00**

Issues of Rosatom mining division's evolution amidst global changes on the global uranium market and JSC Atomredmetzoloto development concept were discussed.

### Public consultations No. 4. Discussion of the 2014 JSC Atomredmetzoloto annual report draft

**April 29, 2015 from 10.00 to 11.30**

The 2014 JSC Atomredmetzoloto annual report draft was prepared with due account of stakeholder comments voiced during dialogues was presented on public consultations on April 29, 2015. Based on the event's results stakeholders put forward proposals for improving the Report text and interaction process.



Victoria Dolina, annual report preparation project manager responds to the stakeholder's proposal to include in the Report quotes of Holding's employees responsible for implementation of landmark projects:

"For the first time this year we decided to place Holding's employee quotes in the Report. And we decided to do it in a close link "stakeholder's question asked at the dialogue – Company's representative answer". In our opinion, such a form discloses a close relationship of the annual report preparation process with the opinion of stakeholders".

➤ For more details about past events refer to the web-site of JSC Atomredmetzoloto <http://www.armz.ru/eng/press/news/?id=669&p=1>

## 4.2. Taking into Account Stakeholder Suggestions

**Table 49. Fulfillment of obligations assumed when drafting the 2013 annual report**

Stakeholder proposals based on the results of dialogues with stakeholders	Accounting of JSC Atomredmetzoloto proposals
A proposal to make strategy development a priority topic of the annual report of the next reporting period.	Considered. "Enhancing business efficiency of ARMZ Uranium Holding as a key strategic area" was selected as the priority one.
GRI G4 compliance level must be verified by a non-financial audit.	Considered. Due to annual report drafting budget optimization, a decision was made not to perform a non-financial audit.
Add the chapter "Operating Results" to the table of contents."	Considered. The chapter "Operating Results: capital management efficiency" is provided in the Report's structure
Include major events beyond the reporting period in the subsection "Key Events".	For the future. Will be taken into account when drafting the 2014 report concept.
Disclose capital in a specific business model, i.e. show each capital type and volume at the start of the reporting period, plus source of increment (value creation) based on annual results.	Considered. The business-model reflects Company's value creation highlights.

**Table 50. Accounting of the most significant stakeholder proposals put forward in dialogues when drafting the 2014 Report**

№.	Stakeholder proposals based on the results of dialogues with stakeholders	Proposals' accounting	Employees who provided comments
1	Make a Smart-PDF version of the Report.	Considered when preparing the made-up version of the Report.	Ivan Krupyanko, Head of ARMZ PR and regional authorities relations department <a href="#">For more details see pages 7</a>
2	Disclose the competitiveness topic more broadly, focus on output-product quality improvements and customer requirements.	Considered when modifying section 2.1.3. "Marketing and sales policy".	Nikolay Krailin, Advisor to the Director General <a href="#">For more details see pages 23</a>
3	Expand a section dedicated to the strategy, if possible, digitize information specified in it. Add information explaining strategy selection, its focus.	Considered when drafting section 2.1.4. Long-Term Strategy and Current Status of the Company.	Marina Liborakina, Deputy Director General for ARMZ Business Strategy and Development <a href="#">For more details see pages 24</a>
4	Reflect diversification in the Report's structure, consider a possibility for introducing a separate section dedicated to this topic.	Considered when drafting section 2.1.5. Plans for 2015 and the mid-term.	Evgeniy Palchikov, ARMZ Director for Development <a href="#">For more details see pages 25</a>
5	Reflect the foreign-affairs context, imposition of anti-Russian sanctions and their impact on Holding's performance.	Considered when drafting section 2.1.7. Cooperation with foreign partners.	Vladislav Matus, ARMZ Deputy Director General <a href="#">For more details see pages 26</a>
6	In addition, disclose information about the KPI system, about Company's management remuneration.	Considered in section 2.2.1. "Corporate Governance".	Anatoly Ostroukh, Deputy HR Director – head of ARMZ compensation, benefit and HR record management department <a href="#">For more details see pages 30</a>
7	Show risk growth or decrease dynamics in 2014.	Considered when modifying the section "Risk Management".	Victor Zakharov, ARMZ Deputy Director General for Economics and Finance <a href="#">For more details see pages 36</a>
8	Place brief sections in the Report dedicated to ARMZ uranium assets.	Considered when drafting the Report's structure, section 2.3 was introduced. Holding's uranium chain development prospects and strategy.	Victor Svyatetskiy, First Deputy Director General <a href="#">For more details see pages 39</a>
9	Provide results of plants' production operations disclosed in the report with comments.	Considered in the report text.	Dmitry Teplinskiy, First Deputy Director General of PJSC PIMCU <a href="#">For more details see pages 40</a>
10	Sustain a balance in the disclosure of information about uranium assets, disclosing not only performance indicators but also data on the environment, personnel and safety.	Considered partially when modifying sections 2.3. "Holding's operating results and uranium chain development prospects", 3.5. "Human Capital Management" and 3.7. "Natural Capital Management"	Leonid Ivanchikov, Head of the human resources management department of JSC Dalur <a href="#">For more details see pages 43</a>
11	Elaborate a template of reporting information disclosure about Company's uranium assets in special brief reports	Considered when modifying sections 2.3. "Holding's operating results and uranium chain development prospects", 3.5. "Human Capital Management" and 3.7. "Natural Capital Management"	Bella Mikhailovskaya, Head of the human resources management department of JSC Khiagda <a href="#">For more details see pages 45</a>

№.	Stakeholder proposals based on the results of dialogues with stakeholders	Proposals' accounting	Employees who provided comments
12	Disclose information about Company's credit history in the Report.	Considered in section 3.2. "Financial Capital Management".	Sergey Migalin, ARMZ Financial Director <a href="#">For more details see pages 49</a>
13.	Create a subsection in the report dedicated to personnel involvement.	Partially considered in section 3.5. "Human Capital Management".	Svetlana Pomuleva, ARMZ selection, training and development team leader <a href="#">For more details see pages 67</a>
14	Modify the human capital management section focusing on company's work for personnel retention, human capital development plans as well as support and adaptation of laid-off staff.	Considered when modifying section 3.5. "Human Capital Management".	Stanislav Anikeev, ARMZ HR Director <a href="#">For more details see pages 74</a>
15	Revise the list of Company's stakeholders, show restructured personnel of ARMZ Uranium Holding as a stakeholder.	Considered in section 3.6. "Social Capital Management".	Olga Scherbakova, HR Director of PJSC PIMCU <a href="#">For more details see pages 77</a>
15	Include the subsection "Information Openness of ARMZ Uranium Holding".	Considered when modifying the Report's structure, section 3.6.2 was introduced. Holding's information openness as the main stakeholder interaction principle	Vladimir Vysotskiy, ARMZ Deputy Director General for Special Projects <a href="#">For more details see pages 80</a>
17	Disclose information about the CGT more broadly in the Report	Considered in section 3.6.3. "Development of Areas of Operation".	Vera Sorokina, ARMZ Chief Accountant <a href="#">For more details see pages 81</a>
18	To highlight the Holding's social responsibility topic more broadly in the Report, disclose information about social programs implemented in regions of operation in 2014.	Considered in section 3.6. "Social Capital Management".	Yuri Murashko, PR and mass media relations director of PJSC PIMCU <a href="#">For more details see pages 82</a>
19	Include in the Report quotes of Holding's employees responsible for landmark project implementation.	Considered when drafting the Report's text.	Victoria Dolina, ARMZ annual report preparation project manager <a href="#">For more details see pages 89</a>
20	Consider the business diversification topic (in terms of interaction with other divisions of Rosatom State Corporation) as a priority for the 2015 annual report of the Company.	For the future. Will be considered when drafting the 2015 annual report concept.	



Dialogue for discussing the annual report concept

## 4.3. Report's Statement of Public Assurance

### Background

JSC Atomredmetzoloto management (hereinafter referred to as "ARMZ Uranium Holding Co." or the "Company") submitted its 2014 Integrated Annual Report (hereinafter referred to as the "Report") for us to review in terms of completeness and relevance of information disclosed in it as well as evaluate management's actions for response to stakeholder wishes and remarks.

For this purpose, the Company provided us and our representatives with the opportunity to participate and put forward our comments in four meetings with stakeholders, which were held:

- on 05.12.2014. Dialogue No. 1. Discussion of JSC Atomredmetzoloto 2014 annual report concept;
- 19.02.2015. Dialogue No. 2. "On main 2014 results and measures for PJSC PIMCU efficiency enhancement"
- 19.02.2015. Dialogue No. 2. "On main 2014 results and measures for JSC Khiagda and JSC Dalur efficiency enhancement"
- 29.04.2015. Public consultations to discuss the draft annual report.

### Draft Report Evaluation Procedure

We have the required competence and experience in the area of corporate responsibility, sustainable development and non-financial reporting.

Our statement is based on the comparative analysis of two Report versions (draft Report for public consultations and final Report version) and materials submitted to us based on dialogue results and consultations (minutes of events, stakeholder remark accounting table) as well as on comments received from management and employees of the Holding during measures for Report's public assurance.

*We note that Company for the second year already has been using the method for evaluation of operational aspect significance based on international standards*

During the Report's public assurance we did not set the task to verify information authenticity. Verification of the degree of Report's compliance with any reporting systems, both Russian and international ones, is also not included in the task of this statement.

We confirm our independence and the objectiveness of our appraisals, express our personal expert opinion and not the opinion of the companies we represent. All participants of public consultations were absolutely free to express their opinion. We confirm that have not received any remuneration from the Company for participation in the public assurance procedure.

Our work results are executed in the form of this Statement of Public Assurance containing judgments, in respect of which we have reached overall agreement.

### Evaluations, remarks and recommendations

We positively evaluate the Report in terms of its structure and contents. JSC Atomredmetzoloto prepared an informative and well-structured report meeting our expectations. We find it very important that the Report has been prepared voluntarily for seven consecutive years now and is a good example of an enhanced transparency on the part of the Company. In preparing the Report, the Company demonstrated that it intended to ensure public and environmental satisfaction and was prepared to engage in open dialogue with stakeholders about various issues concerning its activities. We can see that the Company's management

realizes the importance and prospects of engaging stakeholders.

Another obvious advantage of the Report is that it was prepared in compliance with international standards (Global Reporting Initiative (GRI rev. G4.0), AA1000 Institute of Social and Ethical Accountability standards, and International Integrated Reporting Framework (IR 1.0)). Report's contents, completeness, relevance and significance of information presented in it enable to note positive Company's development dynamics and its operation efficiency enhancement.

We deem it necessary to emphasize constructive interaction with stakeholders demonstrated by Holding's management both during Report's drafting and during dialogues and public consultations held and high quality of these events.

We are not aware of any facts that could undermine the accuracy of the data included in the Report. We think that the information disclosed in the Report is sufficient both in terms of compliance with international public reporting standards and taking into account stakeholder comments made at the Report preparation stage. We believe that it is the integrated Report that should represent the official position of the Company's management with regard to socially significant issues and activities of the Company.

### Significance of Information

We think that all the most important topics for the Com-

pany and stakeholders were discussed in the Report. The Report reflects issues of strategic development, financial and economic performance, and social, environmental, and economic impact. Herewith, major operational aspects, as we understand, are those aspects which deal with actual or potential impacts on stakeholders or which may affect evaluations and decisions of key stakeholders.

We note that for the second year already, the Company has been using a method for the evaluation of operational aspect significance based on international standards, which enables the Company to consider the stakeholder opinion. In our view, there are no reasons to doubt in topic priority setting result authenticity and relevance.

The priority topic of the Holding's Report "ARMZ Uranium Holding Business Efficiency Enhancement as a key strategic area disclosed in a separate chapter of the Report, has cross-references with other chapters, which assures information disclosure coherence. We acknowledge that the Company on dialogues offered stakeholders to generate recommendations for the priority topic disclosure in the Report. In our opinion, all significant information for priority topics has been disclosed.

### Comprehensiveness

We believe that the Report contains all significant information. Information is presented quite comprehensively in a balanced manner: almost all sides of Company's operations, which affect economy, social area and the environment and represent an interest for stakeholders, were described. To ensure compliance with the comprehensiveness principle, the Report contains references to regulating documents and additional public sources, including the corporate website of the Company.

We are not aware of significant information non-disclosure.

## Company's Reaction to Stakeholders' Comments and Suggestions

When drafting the Report, four events with stakeholders were performed. We believe that the Company regularly involves stakeholders in annual report drafting and responds to all questions received during public dialogues. The Company's management constructively

responds to stakeholder remarks, proposals and recommendations.

The Company recorded stakeholder recommendations in minutes of dialogues and public consultations, carried out a thorough analysis and took them into consideration not only when drafting the final version of the Report but also in Company's operations. Besides, the Company reacted to stakeholder remarks put forward during a previous reporting campaign.

Thus, in the course of Report preparation the Company

## The Company has undertaken tremendous work in order to expand the audience and engage new stakeholder representatives

demonstrated that it was eager to react to stakeholder suggestions and recommendations and deal with the issues raised.

We note high public dialogue preparation and organization quality, in which representatives of a wide range of stakeholders took

part. We note separately that the Company has undertaken tremendous work in order to expand the audience and engage new stakeholder representatives.

## Signatures of assurers:

### Stepan Mikhailovitch Zhiryakov

member of the Federation Council of the Federal Assembly of the Russian Federation from the Trans-Baikal Territory - representative in the Federation Council of the Federal Assembly of the Russian Federation from a legislative (representative) state authority of the Trans-Baikal Territory

### Grigory Anatolievitch Mashkovtsev

Director General of the N.M. Fedorovskiy All-Russian Scientific Research Institute of Mineral Resources (FSUE VIMS)

### Olga Kanunnikova

Acting Head of the Town of Krasnokamensk Council

### Ivan Aleksandrovitch Kiselev

Deputy of the Legislative Assembly of the Trans-Baikal Territory

### Aleksandr Anatolievitch Morozov

Deputy of the Municipal District Council "Town of Krasnokamensk and Krasnokamensk District"

### Sergey Aleksandrovitch Zaikin

Deputy of the Municipal District Council "Town of Krasnokamensk and Krasnokamensk District"

### Dmitry Sergeevitch Suvorov

Deputy head of local administration ME "Bauntovskiy – Evenki district"

### Olga Vladimirovna Plyamina

Executive Director of V.I. Vernadskiy Non-Governmental Environmental Foundation

### Alan Vladimirovich Khasiev

Chairman of Oka interregional public environmental movement

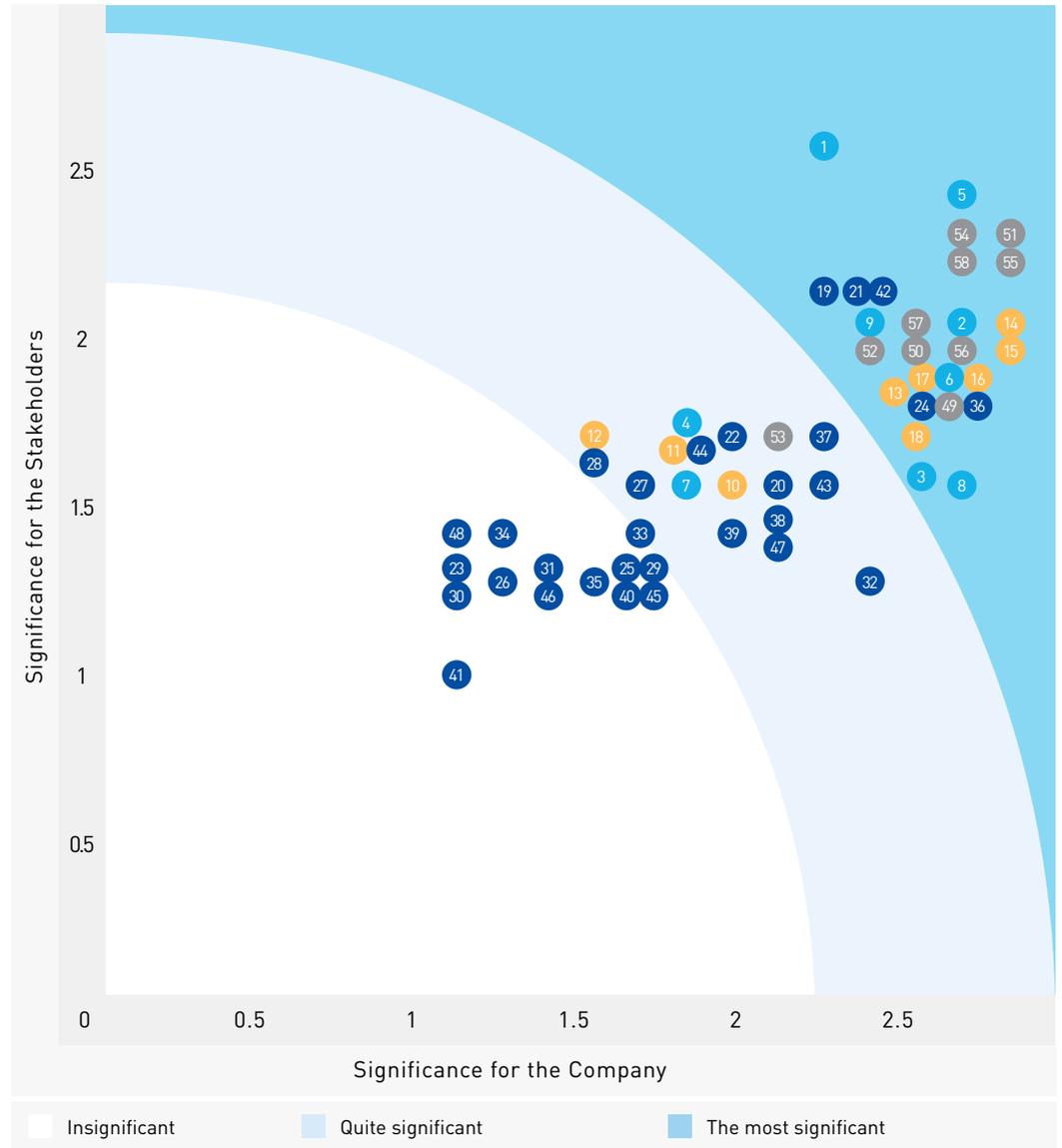
# Appendices

## Appendix 1. Matrix of the Company's Activities and Sustainable Development Data Significance

The average score given to each of the aspects was determined separately on the basis of evaluation by JSC Atomredmetzoloto representatives and external stakeholders' representatives. A data significance matrix was developed on the basis of the above analysis (see Figure 30 Matrix of Company's Activities and Sustainable Development Data Significance).

The most significant aspects were aspects which received maximum scores in a questionnaire.

The horizontal axis demonstrates significance for the Company and the vertical one demonstrates significance for external stakeholders.



- Economic**
- 1 Financial result
- 2 Uranium markets
- 3 Non-direct economic impacts
- 4 Procurement
- 5 Business Sustainability
- 6 Innovations
- 7 Cormanagement
- 8 Diversification
- 9 Investment
- Environmental**
- 10 Materials
- 11 Energy
- 12 Water
- 13 Emissions and waste
- 14 Product safety
- 15 Compliance with environmental standards

- 16 Investment for environment
- 17 Environmental standards
- 17 Environmental impact management
- 18 Emergency preparedness
- Social Approaches for Labour Organization and Decent Work**
- 19 Employment
- 20 Employees and managers cooperation
- 21 Health and safety
- 22 Education
- 23 Equal possibilities
- 24 Social security
- 25 Suppliers
- 26 Complaints
- 27 Remuneration

- Human Rights**
- 28 Non-discrimination
- 29 Freedom of association
- 30 Child labour
- 31 Compulsory labour
- 32 Security
- 33 Rights
- 34 Complaints
- Society**
- 35 Local Communities
- 36 Anti-corruption
- 37 State policy
- 38 Rivalry encumbrance
- 39 Compliance
- 40 Societal impact
- 41 Complaints
- 42 Impact in the territories of operation
- 43 Marketing

- Responsibility for Production**
- 44 Customer's Health and Safety
- 45 Labels
- 46 Local entities
- 47 Compliance with requirements
- 48 Privacy right
- Specific aspects**
- 49 Place in NFC
- 50 Global uranium markets
- 51 Development strategy
- 52 Value Chain
- 53 Cooperation with partners
- 54 Future Forecast
- 55 Raw Material Base Development
- 56 Efficiency Management
- 57 Occupational health and safety

Fig. 31. Matrix of the Company's Activities and Sustainable Development Data Significance

## Appendix 2. Table of Standard GRI Disclosures (in accordance with the “Core” level)

GRI	GRI Subclause	Reflected in the Report	Report Section/Clause	Page	Comments
<b>GENERAL STANDARD DISCLOSURES</b>					
<b>Strategy and Analysis</b>					
1	G 4-1 Statement of the senior manager	+	Address by the Chairman of the Board of Directors and Address by the Director General	4	
2	G 4-2 Description of key impacts, risks, and opportunities.		3.6. Social Capital Management 2.2.3. Risk management	77 33	
<b>Organization Profile</b>					
3	G 4-3 Name of the organization	+	1.1. General Information about JSC Atomredmetzoloto	12	
4	G 4-4 Types of products and services	+	1.1. General Information about JSC Atomredmetzoloto	12	
5	G 4-5 Location of the organisation’s headquarters	+	Contact information	109	
6	G 4-6 Countries where the organisation operates	+	1.1. General Information about JSC Atomredmetzoloto	12	
7	G 4-7 Nature of ownership and legal form	+	1.1. General Information about JSC Atomredmetzoloto	12	
8	G 4-8 Main markets	+	1.2. Market Presence	14	
9	G 4-9 Scale of the organisation	+	2014 Key Performance Indicators, 3.5.2. Human Capital Features, 1.1.3. Holding’s Structure, 3.2.1. Financial Management	8 67 13 49	
10	G 4-10 Number of employees	+	3.5.2. Human Capital Features	67	Substantial portion of the organization’s work performed by workers who are legally recognized as self-employed, or by individuals other than full-time or freelance employees, including full-time or freelance employees of contractors — not registered. No major seasonal changes in the number of personnel.
11	G 4-11 Percentage of total employees covered by collective bargaining agreements	+	3.5.8. Trade unions and collective agreements	74	
12	G 4-12 Supply chain	+	1.3. Value Chain and Business Model	15	
13	G 4-13 Changes regarding the organization’s size, structure, or ownership	+	1.1. General Information about JSC Atomredmetzoloto	12	Changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers — none.
14	G 4-14 Precautionary principle	+	2.1.3. Marketing and sales policy 2.2.3. Risk management	23 33	
15	G 4-15 Externally developed charters, principles, or other initiatives	+	1.1. General Information about JSC Atomredmetzoloto	12	
16	G 4-16 Membership in organizations and associations	+	1.1. General Information about JSC Atomredmetzoloto	12	

GRI	GRI Subclause	Reflected in the Report	Report Section/Clause	Page	Comments
<b>GENERAL STANDARD DISCLOSURES</b>					
<b>Strategy and Analysis</b>					
<b>Identified Material Aspects and Boundaries</b>					
17	G 4-17 Reporting outline	+	Information about the Report	6	
18	G 4-18 Process for defining the report content and the Aspect Boundaries	+	Information about the Report	6	
19	G 4-19 Material Aspects	+	Information about the Report	6	
20	G 4-20 Material Aspect Boundaries inside the organization	+	Information about the Report	6	
21	G 4-21 Material Aspect Boundaries outside the organization	+	Information about the Report	6	Information about material aspects is presented only on the organization's profile
22	G 4-22 Restatements as compared to the previous report	+			No figures were restated within the reporting period. There were no material changes in measurement and calculation procedures.
23	G 4-23 Scope and Aspect Boundaries Changes	+	Information about the Report	6	Data on human capital features are given including data by ARMZ Service LLC (ESK ARMZ LLC) which were not reflected in 2012 and 2013 public reports of the Company
<b>Stakeholder Engagement</b>					
24	G 4-24 List of stakeholder groups	+	3.6.1. Stakeholder Definition	77	
25	G 4-25 Identification and selection of stakeholders with whom to engage	+	3.6.1. Stakeholder Definition	77	
26	G 4-26 Organisation's approach to stakeholder engagement	+	3.6.1. Stakeholder Definition	77	
27	G 4-27 Key topics and concerns that have been raised through stakeholder engagement	+	4.2. Taking into Account Stakeholder Suggestions	89	
<b>General Information about the Report</b>					
28	G 4-28 Reporting period	+	Information about the Report	6	
29	G 4-29 Date of most recent previous report	+			The 2013 JSC Atomredmetzoloto Annual Report was published on the Holding's website <a href="http://www.armz.ru">www.armz.ru</a> (Shareholders and Investors > Information disclosure > Annual Reports) on July 1, 2014.
30	G 4-30 Reporting cycle	+	Information about the Report	6	
31	G 4-31 Contact point	+	Contact information	109	
32	G 4-32 GRI Content Index table	+	Appendix 2. Table of Standard GRI Disclosures (in accordance with the "Core" level)	94	
33	G 4-33 External assurance of the Report	+	4.3 Public assurance of the report	92	
<b>Corporate governance</b>					
34	G4-34 Corporate Governance structure	+	2.2.1. Corporate Governance, 2.2.3. Risk Management, 3.2.2. Investment activities	28 33 55	

GRI	GRI Subclause	Reflected in the Report	Report Section/Clause	Page	Comments
<b>GENERAL STANDARD DISCLOSURES</b>					
<b>Strategy and Analysis</b>					
35	G4-35 Authority Delegation Procedure	+	2.2.1. Corporate governance	28	
36	G4-36 Liability for decisions on environmental, economic and social issues	+	2.2.1. Corporate governance	28	
37	G4-37 Procedures for consultations on economic, environmental and social problems	+	3.6. Social Capital Management	77	
38	G4-38 Composition of the supreme corporate governance body	+	2.2.1. Corporate governance	28	
39	G4-39 Concurrent holding posts of the Chairman of the Board of Directors and the Director General	+	2.2.1. Corporate governance	28	
40	G4-40 Procedure for nomination and selection of candidates to the Board of Directors	+	2.2.1. Corporate governance	28	
41	G4-48 Report Approval	+	Information about the Report		
42	G4-51 Remuneration Rules	+	2.2.1. Corporate governance	28	
43	G4-52 Procedure for remuneration definition	+	2.2.1. Corporate governance	28	
<b>Ethics and good faith</b>					
44	G4-56 Values, principles, standards, and norms of behaviour	+	2.1.1. Corporate Mission and Values	20	
<b>SPECIFIC STANDARD DISCLOSURES: Information about management approaches</b>					
45	G4-SMA Financial performance		3.2. Financial capital management	49	
46	G4-SMA Uranium markets		2.1.2. Natural Uranium Market Overview and Outlook	21	
47	G4-SMA Non-direct economic impacts		3.6.3. Development of the Regions of Operation	80	
48	G4-SMA Procurement		2.2.3. Risk management	33	
49	G4-SMA Business Sustainability		2.1. Business Strategy	20	
50	G4-SMA Innovations		3.4.1. Innovative activities	65	
51	G4-SMA Corporate governance		2.2.1. Corporate governance	28	
52	G4-SMA Diversification		2.1.5. Plans for 2015 and the mid term	25	
53	G4-SMA Investments		3.2.2. Investment activities	55	
54	G4-SMA Materials		3.3.1. Raw Material Base Development	57	
55	G4-SMA Energy		3.3.5. Rosatom Production System. Complying with Product Quality Requirements	63	
56	G4-SMA Water		3.7.3. Water resource protection	85	
57	G4-SMA Emissions and waste		3.7.5. Waste Handling	87	
58	G4-SMA Product safety		3.5.9. Occupational health and safety	75	
59	G4-SMA Compliance with environmental standards		3.7.1. Environmental Policy of the Company	84	

GRI	GRI Subclause	Reflected in the Report	Report Section/Clause	Page	Comments
<b>GENERAL STANDARD DISCLOSURES</b>					
<b>Strategy and Analysis</b>					
60	G4-SMA Environmental protection expenses		3.7.6. Expenses Related to Environment Conservation	87	
61	G4-SMA Environmental impact management		3.7.1. Environmental Policy of the Company	84	
62	G4-SMA Emergency preparedness		3.5.9. Occupational health and safety	75	
63	G4-SMA Employment		3.5.2. Human Capital Features	67	
64	G4-SMA Health and safety		3.5.9. Occupational health and safety	75	
65	G4-SMA Social support		3.5.4. Social Policy of the Company	71	
66	G4-SMA Remuneration		3.5.3. Remuneration System	70	
67	G4-SMA Safety assurance		3.5.9. Occupational health and safety	75	
68	G4-SMA Anti-corruption		2.2.4. Internal Monitoring System. Risk Protection	34	
69	G4-SMA Impact on territories of operation		3.6.3. Development of the Regions of Operation	80	
70	G4-SMA Marketing policy		2.1.3. Marketing and Sales Policy	23	
71	G4-SMA Place in Rosatom NFC		1.1.4. The Company's Role in Rosatom's Production Cycle	14	
72	G4-SMA Global uranium markets		2.1.2. Natural Uranium Market Overview and Outlook	21	
73	G4-SMA Development strategy		2.1. Business Strategy	20	
74	G4-SMA Value Chain		1.3.1. Value Chain	15	
75	G4-SMA Partner Engagement		2.1.3. Marketing and Sales Policy	23	
76	G4-SMA Future Forecast		2.1.5. Plans for 2015 and the mid term	25	
77	G4-SMA Raw Material Base Development		3.3.1. Raw Material Base Development	57	
78	G4-SMA Efficiency Management		Chapter 3. Operating results: capital management efficiency	48	
79	G4-SMA Risk management		2.2.3. Risk management	33	
<b>Specific standard disclosures: Performance indicators</b>					
<b>"Economic" Category. "Economic performance" Aspect</b>					
80	Key 2014 results, 3.2.1. Financial Management, 3.5.3. Remuneration System, 3.5.4. Social Policy of the Company, 3.6.3. Development of regions of operation, 2.2.1. Corporate governance	+	Key 2014 results, 3.2.1. Financial Management, 3.5.3. Remuneration System, 3.5.4. Social Policy of the Company, 3.6.3. Development of regions of operation, 2.2.1. Corporate governance	8 49 70 71 80 28	
81	EC3 Coverage of the organization's defined benefit plan obligations	+	3.5.7. Support of veteran-pensioners 3.5.4. Social Policy of the Company	74 71	

GRI	GRI Subclause	Reflected in the Report	Report Section/Clause	Page	Comments
<b>GENERAL STANDARD DISCLOSURES</b>					
<b>Strategy and Analysis</b>					
<b>“Economic” Category. “Market Presence” Aspect</b>					
82	EC4 Financial assistance received from the state	+	3.6.3. Development of the Regions of Operation	80	
83	EC5 Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	+	3.6. Social Capital Management	77	
84	EC7 Development and impact of investments in infrastructure and free services	+	3.6. Social Capital Management	77	
85	EC8 Major non-direct economic impacts, including impact area	+	3.6. Social Capital Management	77	
<b>“Environmental” Category. “General Information” Aspect</b>					
86	EN 6 Power consumption reduction	+	3.3.5. Rosatom Production System. Complying with Product Quality Requirements	63	
87	EN 8 Total amount of withdrawn water broken down by sources	+	3.7.3. Water resource protection	85	
88	EN 13 Preserved and restored habitats	+	3.7.2. Protection of land resources and biodiversity	84	
89	EN 21 Emissions of significant pollutants into the atmosphere	+	3.7.4. Atmospheric air protection	85	
90	EN31 Total environmental protection expenditures and investments by type	+	3.7.6. Expenses Related to Environment Conservation	87	
<b>“Social” Category. “Employment” Aspect</b>					
91	LA1 Total number and rates of new employee hires and employee turnover by age group, gender, and region	+	3.5.2. Human Capital Features	67	Information on new employee hires is not collected.
92	LA2 Benefits provided to full-time employees, which are not provided to temporary or part-time employees broken down by major regions of operation	+	3.5.4. Social Policy of the Company	71	
<b>“Social” Category. “Employee and management relationships”</b>					
93	LA4 Minimum period of notification of material changes in company’s operation and whether it is defined in a collective agreement	+	3.5.8. Trade unions and collective agreements	74	
<b>“Social” Category. “Occupational Health and Safety”</b>					
94	LA6 Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	+	3.4.10. Occupational health and safety	75	
<b>“Social” Category. “Training and Education” Aspect</b>					
95	LA9 Average hours of training per year per employee by gender and by employee category	+	3.5.5. Employee professional training and development	72	

GRI	GRI Subclause	Reflected in the Report	Report Section/Clause	Page	Comments
<b>GENERAL STANDARD DISCLOSURES</b>					
<b>Strategy and Analysis</b>					
96	LA10 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	+	3.5.5. Employee professional training and development	72	
<b>Category: "Society". "Public Policy" Aspect</b>					
97	SO6 Total value of political contributions by country and recipient/ beneficiary	+			

## Appendix 3. Table of Disclosures as per the Reporting Standard of Rosatom State Corporation

Indicator Name	Indicator	Report Section
1.3. Market Presence	1.3.1. Natural Uranium Market Description	2.1.2. Natural Uranium Market Overview and Outlook
	1.3.2. Share on the natural uranium market	2.1.2. Natural Uranium Market Overview and Outlook
1.4. Structure and main areas of operation	1.4.1. Number of organizations, revenues and number of employees by Corporation's areas of operation	3.2. Financial capital management 3.5. Human Capital Management
2.1. Financial Capital	2.1.1. Net asset value 2.1.2. Current liquidity ratio 2.1.3. Quick assets ratio 2.1.4. Absolute liquidity ratio 2.1.6. Structure of capital and liabilities (specifying the ratio of borrowed and own funds)	3.2. Financial capital management
2.2. Production capital	2.2.1. Uranium mining production capacities, tons/year (uranium production volume)	3.3.3. Uranium Production by JSC Atomredmerzoloto Russian Entities
2.3. Intellectual capital	2.3.1. Intangible assets value, bln. RUB.	
2.4. Human Capital	2.4.1. Average headcount broken down by areas of operations, thous. people 2.4.4. Average personnel age, years old 2.4.5. Share of specialists under 35 years old, % 2.4.6. Personnel involvement, % 2.4.9. Total number of employees broken down by the employment contract, region and gender 2.4.12. Number of employees covered by collective agreements	3.5. Human Capital Management
2.5. Social capital	2.5.3. Industrial mass media	3.6.2. Holding's information openness as the main stakeholder interaction principle
2.6. Natural Capital	2.6.1. Volume of monitored uranium raw materials base with a competitive production cost, Russian assets), thous. t. 2.6.2. Affiliation, size, protection status and value in terms of biodiversity of water bodies and related habitats, on which discharges of the organization and surface effluent from its territory have a major impact	3.3.1. Raw Material Base Development 3.7. Natural Capital Management Natural Capital Management
3.2. Risk management	3.2.1 Risk and risk management system description 3.3.1. Number and results of in-house checks, including performed by the internal control department, with respect to financial-business activities of the company	2.2.3. Risk management 2.2.4. Internal Monitoring System. Asset protection
3.10 - Personnel Expenses	3.10.1 Personnel Expenses Structure	3.5. Human Capital Management
3.14. Social-Reputational Capital Management	3.14.2. Activities with stakeholders as part of public reporting drafting	4.1. Dialog with Stakeholders in the Course of Report Preparation



**JOINT-STOCK COMPANY  
ATOMREDMETZOLOTO**

**The opinion based on the internal audit results of non-financial data of 2014 JSC  
Atomredmetzoloto annual report**

The annual report (hereinafter - Report) was drafted in accordance with order dated 31.12.2014 No. 003/341-P "On the organization of work for drafting 2014 JSC Atomredmetzoloto annual report.

The Internal Control Directorate of JSC Atomredmetzoloto controlled the process of the Company's 2014 annual report drafting, including collection and consolidation of data important for stakeholders and provision of completeness and authenticity of the information disclosed.

Our responsibility lies in expressing an opinion about the efficiency of the internal control system of public annual reporting generation process and about compliance of the Report generation procedure with requirements of current legislation, standards of Rosatom State Corporation, internal regulatory documents of JSC Atomredmetzoloto in the area of public reporting.

Based on the performed control activities, it may be stated that the information presented in the Report fully reflects operations of JSC Atomredmetzoloto in 2014 in all material aspects. The document contains the required information about the control system, key projects of the Company and their implementation results, main events and plans.

**Internal Control Director**

**N.V. Sytnik**

## Appendix 5. Auditor's opinion on consolidated financial statements as per IFRS

Joint-Stock Company KPMG	Telephone	+7(495) 937 4477 10
Presnenskaya emb.O	Fax	+7 (495) 937 4400/99
Moscow, Russia 123317	Internet	www.kmpg.ru

### Auditor's Opinion

To the Shareholders and Board of Directors of JSC Atomredmetzoloto

We have audited the attached consolidated financial statements of JSC Atomredmetzoloto and its subsidiaries (hereinafter referred to as the «Group») consisting of the consolidated financial position report as of December 31, 2014 and consolidated profit and loss statement and statements of other aggregate income, changes in equity and cash flows in 2014, as well as comments offering a summary of the Group's accounting policy and other explanatory information.

#### *Responsibility of the management of the audited entity for the consolidated financial statements*

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

#### Auditor's responsibility

Our responsibility is to express our opinion on the accuracy of these consolidated financial statements based on our audit. We conducted our audit in accordance with Russian federal auditing standards and the International Standards on Auditing. These standards require that we comply with ethical norms and plan and perform the audit so as to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

Audited entity: JSC Atomredmetzoloto (JSC ARMZ)  
Registered by the Interdistrict Inspectorate of the Federal Tax Service No.43 for Moscow.  
Certificated dated August 02, 2002  
Series 77 N°007893992 Entered into the Unified State Register of Legal Entities under the Principal State Registration Number 1027700043645 on August 02. 2002.  
109004. Moscow.22 Bolshoi Drovynoipereulok.

The independent auditor JSC KPMG. Company registered in accordance with legislation of the Russian Federation, member of KPMG independent companies network comprising KPMG International Cooperative («KPMG International») registered in accordance with the legislation of Switzerland

Registered by the registration chamber. Certificated dated May 25,1992 No.011 .585.

Entered in the Unified State Register of Legal Entities by the Interdistrict Inspectorate of the Ministry of the Russian Federation for Taxes and Levies No. 39 for Moscow under No. 1027700125628 on August 13. 2002 Certificate of 77 series No. 005721432. Member of the Non-profit partnership Auditor's Chamber of Russia.

Principal Registration number of the entry in the state register of auditors and audit companies 10301000804

An audit involves performing procedures to obtain audit evidence supporting the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the professional judgement of the auditor, including an assessment of the risks of material misstatement, whether due to fraud or error. In assessing this risk, the auditor considers the system of internal controls relevant to the preparation and accurate presentation of the consolidated financial statements in order to draft the appropriate audit procedures, but not for the purpose of expressing an opinion on the effectiveness of internal controls. An audit also includes evaluating the appropriateness of accounting policies adopted and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of (consolidated) financial statements.

We believe that the audit evidence we have obtained in our audit serves as a reasonable basis for expressing our audit opinion on the accuracy of these consolidated financial statements.

*Opinion*

In our opinion, the consolidated financial statements fairly present in all material respects the financial position of the Group as of December 31, 2014, and the results of its operations and its cash flows for 2014 in accordance with International Financial Reporting Standards.

**A. A. Kim.**

**Director, power of attorney dated March 16, 2015 No. 11/15**

**JSC KPMG A**

**April 30, 2015**

**Moscow, Russian Federation**

## Appendix 6. List of abbreviations and terms

GRI	Global Reporting Initiative
IRR	Internal Rate Of Return, Generally Accepted Abbreviation Irr) — Interest Rate, At Which Net Presentvalue (Npv) Is 0.
M&A	Engl. Mergers and Acquisitions
NPV	(Engl. Net Present Value, Generally Accepted Abbreviation Npv) — Sum Of Discounted Payment Flow Values Specified By Today.
PFS	Prefeasibility Study
SAP SRM	Engl. Supplier Relationship Management
U1H	Uranium One Holding
AIMEPFMS	Automated Information and Measurement Electrical Power Fiscal Metering System
AIMTMS	Automated Information-Measurement Technical Metering System
APRIMS	Automated Power Resource Information and Measurement System
AEMS	Automated Environmental Monitoring System
NPP	Nuclear Power Plant
BIL	Block In-Situ Leaching
ES	Explosive Substances
OL	Overhead Lines
SC DG	Director General Of Rosatom State Corporation
GDG	Geodynamic Ground
SCMR	State Commission on Mineral Reserves
HMP	Hydrometallurgical Plant
HM	Hydrometallurgy
MI of KRC of the RAS	Federal State Budgetary Enterprise Mining Institute Of The Kola Research Centre Of The Ras
FP	Finished Products
GE	Geological Exploration
GTF	Geotechnological Field
S&A	Subsidiary and Associated Companies
VMI	Voluntary Medical Insurance
CSP	Crushing and Screening Plant
EPCM	Engineering, Procurement, Construction and Project Management
SURS	Single Unified Remuneration System
UOC	Uranium Oxide Concentrate
SoC	Statement Of Compliance Of The Constructed Facility With Design Documentation and Requirements Of Technical Regulations
MI of the FED of the RAS	Federal State Budgetary Educational Institution Mining Institute Of The Far Eastern Department Of The Ras
IGEM of the RAS	Order Of The Red Banner Of Labour Federal State Budgetary Institute Ore Deposit Geology, Petrography, Mineralogy and Geochemistry Institute Of The Russian Academy Of Sciences
IT	Information Technologies
IPPMS	Information Project Portfolio Management System
HL	Heap Leaching
CTG	Consolidated Taxpayer Group

IPSS	Integrated Physical Security System
LDR	Lost Days Rate
ODR	Occupational Diseases Rate
KPI	Key Performance Indicators
CSR	Corporate Social Responsibility
CRMS	Corporate Risk Management System
LSU	Local Sorption Unit
IAEA	International Atomic Energy Agency
MS	Mass Systems
RMB	Raw Materials Base
IIRC	International Integrated Reporting Council
IFRS	International Financial Reporting Standards
Procurement	Financial and Logistical Procurement
R&D	Research and Development
NRNU MEPHI	National Research Nuclear University Mephi (Moscow Engineering Physics Institute)
NFC IS	Initial Stage Of The Nuclear Fuel Cycle
EIA	Environmental Impact Assessment
PW	Pilot Work
MWTF	Mine Water Treatment Facilities
PTW	Pilot Technical Works
OECD	Organization For Economic Cooperation and Development
SAA	Surface-Active Agents
AVCP	Automatic Voltage Control Point
ISL	In-Situ Leaching
SGM	Sand and Gravel Mixture
NWBS	Nuclear Waste Burial Site
DEW	Design and Exploration Work
EEP	Efficiency Enhancement Programme
PS	Product Solution
DISL	Downhole In Situ Leaching
DED	Design and Estimate Documentation
RPS	Rosatom Production System
UUM	Underground Uranium Mine
RAW	Radioactive Waste
RR	Repair and Restoration
REM	Rare Earth Metals
Rosnedra	Federal Subsoil Resources Management Agency
OCP	Ore Concentration Plant.
AS	Average Salary
SAP	Sulphuric Acid Plant
TDES	Technical Data Exchange System

JV	Joint Venture
DISL	Downhole In-Situ Leaching
AFCF	Adjusted Free Cash Flow
SRO	Self-Regulating Organizations
FPS	Fuel and Power Sector
FS	Feasibility Study
TPP	Thermal Power Plant
TSC	Transport and Storage Container
UMAPD	Underground Mining-Auxiliary Production Directorate
FSTEC of Russia	Federal Service For Technical and Export Control
FFMS	Federal Financial Markets Service
FTP	Federal Target Program
KhOF	Khiagda Ore Field
CLB	Central Logistics Base
SAPS	Sulfuric Acid Production Shop
VFD	Variable Frequency Drive
LF	Launch Facility
NFC	Nuclear Fuel Cycle

## Feedback Questionnaire

### Feedback: Your opinion is very important to us

You have read the 2014 Annual Report of JSC Atomredmetzoloto. Your opinion regarding the Report is critical to us. We would appreciate your answering several simple questions to help us improve the quality of the Company's reporting.

1. Have you found in the Report any meaningful information that addresses your concerns?

- Yes
- No
- Just looked through the report

Please identify the most important information and what is missing in this Report

2. Does the information provided in the report of JSC Atomredmetzoloto contribute to more efficient interaction with the Company?

- Yes
- No
- I don't need it

3. What information did you find most useful and what was lacking?

4. Which sections of the report have you found particularly interesting?

5. Which sections of the report were the least interesting to you?

6. Have you found this report to be accurate and fair?

7. Will you be looking forward to the next annual report of JSC Atomredmetzoloto?

- Yes
- No

8. What would you like the next report to be like?

9. What recommendations on the Holding and its S&A performance improvement would you like to give?

10. Other comments.

11. Please indicate what group of stakeholders you represent (you can select no more than two options):

- Shareholder
- Investor
- Contractor/supplier
- Company operating in the same industry
- Industrial consumer
- Small and medium business representative
- Representative of federal governmental authorities
- Representative of regional governmental authorities
- Representative of local authorities
- Representative of a non-governmental environmental organization
- Representative of a business association or another public association
- Representative of mass media
- ARMZ Uranium Holding Co. employee
- Employee of a Holding's subsidiary or affiliate
- Other (please specify).

To receive a reply to your comments, please indicate your contact details (full name, post box, zip code, phone number, e-mail), and we will contact you.

Thank you!

## Contact information

<b>Full company name</b>	Joint-Stock Company Atomredmetzoloto
<b>Abbreviated company name</b>	JSC Atomredmetzoloto
<b>Location of headquarters (principal business office) and post address</b>	22 Bolshoy Drovyanoy Per., Moscow, 109004 Russia
<b>Phone/fax:</b>	(495) 508-88-08 / 508-88-10
<b>E-mail</b>	info@armz.ru
<b>Registering authority, registration number and date</b>	Moscow Registration Chamber, No. 004.997 dated 22.02.1995
<b>OGRN (Principle State Registration Number)</b>	1027700043645
<b>INN (Taxpayer Identification Number)/ KPP (Tax Registration Reason Code)</b>	7706016076 / 774850001
<b>Main type of activities</b>	Geologic exploration and production of natural resources, including resources containing nuclear and radioactive materials, and uranium concentrate production
<b>Web-site</b>	<a href="http://www.armz.ru">http://www.armz.ru</a>
<b>Information about the Company's Registrar</b>	Open Joint-Stock Company R.O.S.T.  Registrar's details:  OGRN (Primary State Registration Number) 1027739216757, INN (Taxpayer Identification Number) 7726030449.  Registered address: 18 Stromynka Ul., Bldg. 13, Moscow, Russia  Telephone/fax (495) 771-73-36.

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