2011

THE NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

annual report

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ANNUAL REPORT 2011

KAZATOMPROM
NATIONAL ATOMIC COMPANY

CONTENT

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

I am pleased to present the first consolidated annual report of the National Atomic Company (NAC) Kazatomprom's Group of companies. This report continues the tradition begun by the Company in 2010 to prepare annual reports and reports on the sustainable development of NAC Kazatomprom JSC. The reports provide information to the public on the economic, social and environmental aspects of the Company's operations. Continuing to improve its corporate governance, the Company decided to combine all important data on 2011 performance indicators into a single report, prepared in accordance with best international practices of corporate integrated reporting.

2011 was a difficult year for the nuclear power industry. The accident at the Fukushima-1 nuclear power plant in March 2011 in Japan affected the global nuclear industry and provoked heightened concerns from politicians, regulatory agencies and civil society about the use of nuclear energy. However, despite the grave consequences of the accident at Fukushima and a continued global trend since 2002 towards reducing the number of nuclear reactors in operation, their aggregate capacity has increased to 370 GW, while the events in Japan have not in fact led to the cancellation or deferment of existing contracts. The nuclear industry continues to be supported by the world's leading economies – the U.S., Germany and France, as well as by developing countries, particularly India and China.

NAC Kazatomprom JSC retains a leading position in the global uranium market due to constantly expanding uranium reserves and enhancing production processes. Kazatomprom's profit in 2011 was 79,746 million tenge – a 33% increase on 2010.

In the reporting year, new facilities at the uranium ore deposits and the Kharasan-2, Budenovskoye, and Semizbai deposits were put into operation, and, in general, the capacity of the uranium ore deposits increased considerably. Important events included the completion of the Company's first sulfuric acid plant in Kyzylorda oblast.

In 2011 Kazatomprom continued improving its corporate governance system: the Management Board approved the Company's Development Strategy until 2020. In addition, Kazatomprom approved amendments to the Growth Plan until 2015 and a number of internal regulatory documents aimed at dividing responsibilities between the bodies of the Company in the area of risk management, internal control, planning and management.

New documents and policies were developed and approved by the Board of Directors: a new edition of the Code of Conduct, Corporate Social Responsibility Policy, and Confidential Reporting Policy which aims to provide the Companies' employees with a set of measures to anonymously report on any violations related to employee conduct, internal control procedures and presumptive or known facts of fraud. In 2011, there wasn't a single case of corruption reported in the Company.

The introduction of international standards in the area of environmental protection and occupational safety is a top priority for the Company. In 2011, Kazatomprom developed its own policies in relation to occupational safety, environmental protection, and nuclear and radiation safety. The Company is proud that for the entire period of its operation, there has been no recorded case of a member of staff being exposed to radiation levels which exceed permitted levels. Kazatomprom makes every effort to ensure safe and healthy working conditions for all its employees and contractors, and to minimize any adverse effects on the local population.

With the publication of the annual report of the Company, which gives extensive information on the economic, environmental and social results of the past year, we look forward to a continued dialogue between Kazatomprom and all its stakeholders.

On behalf of the Board of Directors, I would like to express my gratitude to all employees and managers for the excellent financial results and performance indicators achieved in 2011.

Chairman of the Board of Directors
NAC Kazatomprom JSC
Kuandyk Bishimbaev

MESSAGE FROM THE CHAIRMAN OF THE MANAGEMENT BOARD

Dear investors, partners and colleagues,

In 2011 Kazatomprom continued the dynamic growth begun in the previous years. Compared to 2010, the volume of uranium ore mining increased, and we commissioned new facilities at the mines. In addition, we proceeded with implementing joint projects with international partners and entered into agreements on setting up innovative knowledge-intensive production facilities.

The growth continued against a backdrop of a difficult situation in the global nuclear industry. On March 11, 2011 a powerful magnitude 9.0 earthquake and subsequent tsunami resulted in massive destruction on the east coast of Japan. A catastrophe entailing radiation contamination from the Fukushima-1 nuclear power plant led to casualties and the evacuation of nearby communities. Japan's disaster negatively affected world uranium prices, which immediately after the event fell almost 30%. This seriously affected uranium producers and energy companies around the globe.

Against such an unfavorable backdrop, Kazatomprom did not slow its pace of growth. The Company's total output in 2011 was 11,079 tonnes of uranium ore – an 11% increase compared to 2010. We have signed new contracts to supply natural uranium concentrate and fuel pellets to France, China and other countries.

In 2011, Kazatomprom produced 107 tonnes of beryllium, which is 26% of total global production. Beryllium production was up 30%, compared to 2010, and up 189%, compared to post-recession year 2009.

Earnings before interest, taxes and depreciation and amortization (EBITDA) for 2011 amounted to 122,300 million tenge, a 33% rise on 2010. It should be noted that the EBITDA / income ratio from sales in 2011 decreased as a result of a rise in costs due to increased production volumes and increased salary payments.

In 2011 we launched several joint projects. We set up a joint venture, the KT Rare Metals Company, with Toshiba, aimed at creating knowledge-intensive end processing production of rare-earth and rare-metal products.

With a French consortium led by Le Commissariat à l'énergie atomique et aux énergies alternatives (CEA, France), we jointly launched a large-scale project to build a solar panel production plant in Astana. The Company acquired solar silicon production companies – LLC Quartz, LLC MK Kaz Silicon, and LLC Kazakhstan Solar Silicon – and founded LLC Astana Solar. Thus 2011 witnessed the emergence of a new industry in Kazakhstan: the production of photoelectric solar panels from Kazakh metallurgic silicon.

New cooperation agreements and protocols were concluded in 2011. A strategic partnership agreement with the Bureau de Recherches Géologiques et Minières (BRGM) and the European Company for Strategic Intelligence (CEIS) was a Kazatomprom initiative to expand the scientific knowledge base and speed up industrial development of the Republic of Kazakhstan. The agreement provides for cooperation on geology, metallogeny, the development of technology for rare-metal and rare-earth metal production, and preparation of feasibility studies for mining projects and ore processing.

A memorandum of cooperation was signed with the German company Chemieanlagenbau Chemnitz GmbH to develop joint Kazakh-German technologies and new knowledge-intensive production in the nuclear, chemical and metallurgical industries.

As part of the Kazakhstan-British Economic Forum, a declaration of intent was signed between the Kazakhstan Development Fund and the Cavendish Laboratory in the UK to carry out joint research projects in chemistry and physics, which will contribute to the development of the nuclear and chemical industries in Kazakhstan.

The National Atomic Company Kazatomprom continues to improve standards and introduce advanced international practices in the area of occupational safety and health and environmental protection .

As of the end of 2011, the environmental management standards ISO 14001 were introduced at 17 subsidiaries and affiliates of the Company, resulting in improved environmental responsibility at all stages of production processes. 18 Kazatomprom enterprises are certified under OHSAS 18001, the international management standard in the area of occupational safety and health and environmental protection.

A great deal of work is in progress to prevent accidents and their causes. Comprehensive programs for training personnel in HSE are being implemented. The occupational injuries rate in 2011 remained at the same level as in 2010, while the injuries severity rate fell by 8.8% compared to the previous year. We held 553 events aimed at improving occupational safety and health and environmental protection, 3.5% up in comparison with the previous year. The costs of these events totaled 1,168 billion tenge, 200 million tenge more than in 2010.

NAC Kazatomprom JSC, the largest player in the global uranium market, is diversifying its activities into related hi-tech industries. We continue to seek new partners and to develop cost-effective and environmentally responsible renewable energy investment projects, which represent a significant and very promising part of the Company's investment portfolio.

Kazatomprom's success in 2011 would not have been possible without our employees, whose professionalism and dedication helped the Company achieve impressive results and lay the foundation for continued growth in the coming year.

Chairman of the Management
Board NAC Kazatomprom JSC
Vladimir Shkolnik

KEY PERFORMANCE INDICATORS

	2011	2010
Uranium production	*11,079 tonnes*	*9,959 tonnes*
Income	*321,951 million tenge*	*230,939 million tenge*
Profit for the year attributable to the shareholders	*78,338 million tenge*	*59 014 million tenge*
EBITDA	*122,300 million tenge*	*91,785 million tenge*
Income tax	*17,125 million tenge*	*13,730 million tenge*
Dividends declared	*8,852 million tenge*	*8,365 million tenge*
Staff headcount at all Kazatomprom enterprises	*24,707*	*23,096*
Payment for labor by the enterprises with controlling stakes	*37,754 million tenge*	*30,497 million tenge*
Social tax and social deductions	*3,503 million tenge*	*2,763 million tenge*
Sponsorship and charity	*1,279 million tenge*	*2,619 million tenge*
Social overhead costs	*887 million tenge*	*1,215 million tenge*
Injuries incidence rate	*0.63*	*0.63*
Expenditure for environmental purposes	*1,834 million tenge*	*1,768 million tenge*

2011 KEY EVENTS

February	*The first start-up complex under the Project of Uranium Production by Using the In-Situ Leaching Technique at the North Kharasan mine, Kharasan-2 site, was put into operation at Baiken-U LLC.*
April	*A memorandum of intent was signed between NAC Kazatomprom JSC and Le Commissariat à l'énergie atomique et aux énergies alternatives (CEA) to implement joint R&D programs with regard to new materials for renewable energy. The Management Board made a decision to set up a joint Kazakh-Japanese enterprise, the KT Rare Metals Company.*
May	*The Ulba metallurgical Plant JSC engaged in tantalum and beryllium production celebrated its 60th anniversary. KATCO, a joint venture between NAC Kazatomprom JSC and AREVA (France), produced its 10,000th tonne of uranium.* *NAC Kazatomprom JSC and German Chemieanlagenbau Chemnitz GmbH executed a memorandum establishing the terms of cooperation on the joint development of world-class innovations, breakthrough technologies and knowledge-intensive productions in the nuclear, chemical and metal industries.*
June	*A renewable and alternative energy cooperation agreement was signed between NAC Kazatomprom JSC and French company AREVA.*
July	*Fitch Ratings affirmed the BBB- long-term default rating of NAC Kazatomprom JSC in the foreign currency and downgraded the rating outlook from stable to negative. The reason for revising the rating outlook was the increase in overall leverage of Kazatomprom.*
August	*The relocation of the headquarters of Kazatomprom from Almaty to Astana is completed. The legal address of the Company changed.*
September	*The NAC Kazatomprom JSC and Toshiba Corporation established a joint venture, the KT Rare Metals Company, for research, development, mining, production and sales of rare metal and rare earth products.* *A strategic partnership agreement on rare and rare-earth metals was signed between Kazatomprom, Bureau de Recherches Géologiques et Minières (BRGM) and the European Company for Strategic Intelligence (CEIS).* *Talks were held in London between NAC Kazatomprom JSC and Cameco on the further implementation of a joint project, including selling one-third of a stake in the Blind River refinery and the Port Hope conversion facility and setting up a joint venture.*
October	*The Fifty Second General Assembly of the Tantalum-Niobium International Study Center (T.I.C.) was held in Almaty, with the support of NAC Kazatomprom JSC. Kazakhstan became the first CIS country to host the assembly.*
November	*A contract to establish a joint venture, LLC The Kazakh Company for Production of Fuels (KFFC) between NACKazatomprom JSC and AREVA was signed.*
December	*Kazatomprom's Council of Directors made a decision on a long-term transaction with the French operator Electricite de France SA (EDF) on the sale of natural uranium concentrate.* *Construction in Kazakhstan of a sulfuric acid plant was completed, to reduce the Company's reliance on foreign supplies.* *Facilities in the first phase of the Budennovskoye mine construction project, site No.3, as well as the facilities in the second phase of the project at the Semizbai mine were commissioned. The Company acquired a 100% stake in LLC DP Ortalyk – an enterprise engaged in producing and processing uranium.* *A number of documents, aimed at strengthening cooperation in the field of new technologies and implementing joint projects to study and process rare metals and rare-earth metals in the Republic of Kazakhstan, were signed between NAC Kazatomprom JSC and French Le Commissariat à l'énergie atomique et aux énergies alternatives (CEA).* *LLC Astana Solar was established. The construction of a solar panel producing plant started. This marked the beginning of the development of a new industry – the production of solar panels from silicon.* *The Company won the "Best Social Project of the Year" award at the 2011 Paryz awards.* *Kazatomprom's Management Board approved the 2011–2020 NAC Kazatomprom JSC Development Strategy.*

COMPANY OVERVIEW

The National Atomic Company Kazatomprom Joint Stock Company ("Kazatomprom", the "Company", or the "Group") is a rapidly growing state-run holding company, engaged in uranium mining, the production of goods and providing services at various stages of the nuclear fuel cycle. The Company currently operates in the following areas:

- The exploration and mining of uranium
- Production of nuclear fuel cycle products
- Non-ferrous metallurgy and the production of construction materials
- Energy resources
- Science
- Social security and training personnel

The Company's operations in the import and export of uranium, rare metals, nuclear fuel, special equipment and dual technologies of the Republic of Kazakhstan in many respects reflect the government's strategic priorities to develop the atomic, rare-metal, chemical and energy industries. As a national operator, the Company is engaged in the implementation of large-scale projects to increase the production of uranium and rare and rare-earth metals, the production and sales of uranium, beryllium and tantalum products, the development of high-end technologies, and the supply of energy resources, including renewable energy. The projects cover all stages of the value chain: exploration, development, production, use and marketing of products.

The scope and quality of the resource base are Kazatomprom's main competitive advantages. The Company provides approximately 20% of the world's supply of uranium. It is largely through the efforts of Kazatomprom that Kazakhstan has held leading positions in global uranium production since 2009, providing nearly 33% of world demand for uranium. The country produced 14 thousand tonnes of uranium in 2009, 17.8 thousand tonnes in 2010, and almost 19.5 thousand tonnes in 2011. Kazatomprom enterprises mined 7.5 thousand tonnes, 10 thousand tonnes and 11.1 thousand tonnes of uranium, in 2009, 2010 and 2011, respectively.

The constant increase in uranium reserves combined with more efficient mining processes allow the Company to retain a leading position in the global uranium market and to increase the Company's profit year on year. Kazatomprom's basic products include the following:

- Uranium production
- Rare and rare-earth metals
- Beryllium products
- Tantalum and niobium products
- Energy resources and alternative energy

The Company operates in the markets of Europe; Central and South-East Asia; the Middle East; and North America. Key sectors to which services are provided are the energy sector; nuclear and electronic industries; metallurgy; telecommunications; and research. The main consumers of the Company's products are the world's largest companies in the nuclear, rare-earth and rare-metal industries.

The Company has 73 operating plants in six regions of Kazakhstan: South Kazakhstan Oblast, East Kazakhstan Oblast, Kyzylorda Oblast, Mangistau Oblast, Akmola Oblast and Almaty Oblast, while outside Kazakhstan there are operating plants in Russia, Ukraine, Germany, China and other countries. The Company's headquarters are located in Astana.

Kazatomprom is a member of the largest international uranium sector organizations, in particular:

- The World Nuclear Association
- The World Nuclear Fuel Market
- The Tantalum-Niobium International Study Centre (T.I.C.)

THE COMPANY'S STRUCTURE

Kazatomprom was established under Resolution No. 3593 dated July 14, 1997 of the President of the Republic of Kazakhstan on the Setting Up of National Atomic Company Kazatomprom as a Closed Joint Stock Company with a 100% Participating Interest of the Government in the Authorized Capital. At present, a 100% stake in the Company is owned by the state in the person of JSC The National Welfare Fund Samruk-Kazyna ("JSC Samruk-Kazyna").

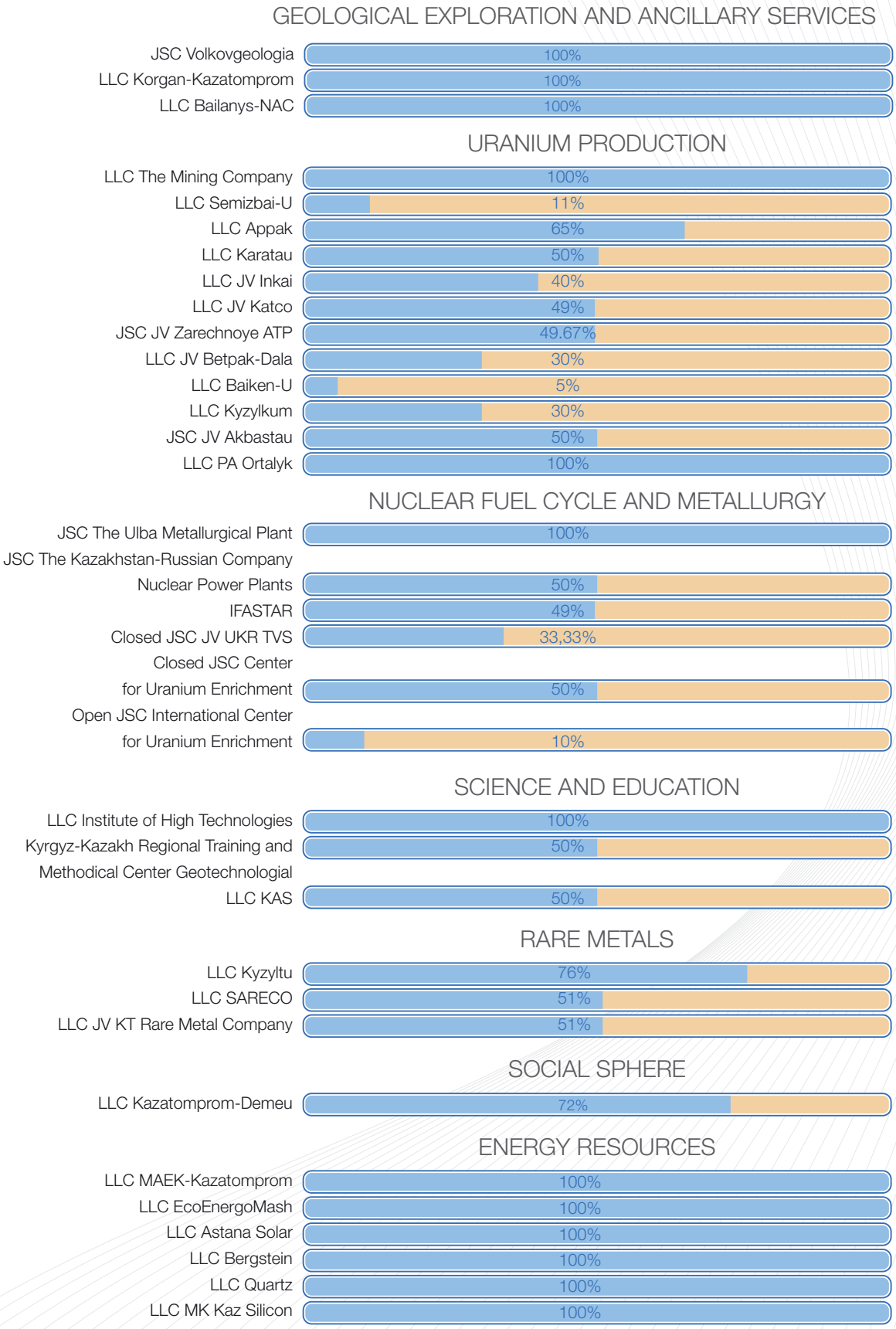
The ownership structure is based on uranium industry specifics and the strategic importance of its development for the Republic of Kazakhstan. The limitations of the global uranium market, and the secrecy of the technologies and the resources required to develop the national nuclear fuel cycle explain the government's dominant control of the industry. The government in turn elaborates and implements the development strategy of the nuclear industry through the national operator Kazatomprom.

MISSION

Kazatomprom's mission as a national company comprises:

- Retaining its leading position in the global nuclear energy market as a diversified competitive transnational company
- Maximizing the Company's shareholder value, profitability and financial sustainability

Kazatomprom's legal structure, showing participating interests in ventures:



- Achieving high standards of corporate governance and maximum transparency through employing best international practices, which will help the Company be fully prepared for an IPO
- Contributing to the industrial and innovative development of Kazakhstan's economy
- Boosting Kazakhstan's strategic importance on the international stage

VISION FOR THE FUTURE

In 2020, the Company will be seen as a transnational diversified company involved in major segments of the global nuclear power industry, as well as in all stages of the nuclear fuel cycle, including the construction of nuclear power plants. Owing to this, Kazatomprom will be a consumer-oriented company, offering a wide and flexible range of nuclear fuel cycleproducts and services.

The Company will continue to hold leading positions in the global uranium market, actively influencing the production and marketing of Kazakh uranium. With its high scientific and technical potential, the Company is aiming to become a global leader in innovative technologies of in-situ leaching, and a competitive producer of rare and rare-earth metals and chemical reagents. In the Republic of Kazakhstan the Company will pioneer the introduction of new alternative and renewable energy technologies and will begin entering external renewable energy markets.

VALUES

Kazatomprom's values reflect the Company's mission, goals and principles of sustainable development and social responsibility. This includes improving production processes and applied technologies to ensure safety, effectiveness, and improved key performance indicators; ensuring decent working conditions and safe operations; contributing to the socio-economic development of the regions where the Company operates; and fulfilling environmental protection-related commitments.

SECTOR OVERVIEW

TRENDS IN THE NUCLEAR POWER SECTOR AND URANIUM INDUSTRY

Due to its specificity and strategic importance, nuclear fuel cycle production often comes under state control whereby the activities and strategies of companies depend on the national strategic priorities in the field of nuclear energy. The participation of the state opens valuable opportunities to nuclear companies in terms of expanding operations, enhancing R&D, and developing and launching breakthrough technologies at their enterprises. For example, over the period 1986 to 2008, national expenditure on the development of nuclear sectors by MEA member countries accounted for 70% of ($140 billion) of the total R&D budget allocated to developing nuclear and alternative energy and energy efficiency. State participation promotes the development of international cooperation, which in turn helps counter issues that hinder the development of the nuclear industry as a whole.

According to the 2010–2011 World Nuclear Industry Status Report, in 2011, at the time of the disaster at the Fukushima Nuclear Power Plant-1, the share of nuclear power in aggregate world electricity generation amounted to approximately 13%. From 2002 to 2011, the number of nuclear reactors in operation fell by seven units to 437 units in 30 countries; however, their total capacity increased by 8 GW to 370 GW. Despite a slight decline in the share of nuclear energy use since 2000, the nuclear industry continues to receive support from the leading world economies – USA, France, South Korea, Japan, Russia, China, as well as from many other countries. According to the World Nuclear Association, in 15 countries the share of nuclear energy in national energy generation is more than 25%. The International Atomic Energy Agency (IAEA) and the International Energy Agency (IEA) expect that the share of nuclear power in global energy generation will reach 10% to 20% by the year 2035. The main growth will come from nuclear programs in developing countries, especially India and China.

Nuclear power is considered the cleanest method of large-scale electricity generation. Due to low carbon content, the development of nuclear energy has become topical in terms of increased global attention to carbon dioxide emissions and supporting policies related to lower carbon emissions. In view of the risk of climate change associated with greenhouse gas emissions into the atmosphere, nuclear energy has gained importance as a factor contributing to sustainable development, i.e. development according to which the needs of the present are met without endangering future generations. The rising popularity of nuclear power is taking place against a background of substituting energy generated from mineral resources with alternative energy, as well as unstable oil supplies and oil price fluctuations. According to the IEA, by 2035, nuclear power, renewable energy, and natural gas may reach two-thirds of world power generation consumption.

Without doubt the disaster at the Fukusima-1 nuclear power plant in Japan affected the world nuclear industry. Nuclear power became the focus of attention from politicians, regulatory agencies and the public. A revision of national policies on energy and safety standards followed the accident; however, no radical measures resulted. According to companies' reports, the tragedy in Japan did not in fact lead to the termination or postponement of effective contracts.

Over the past year, nuclear companies have made considerable efforts to improve safety at enterprises, introduce advanced technologies, and enhance environmental controls. Safety checks were carried out at almost all major reactors in operation and under construction, particularly in tectonically active areas. In Germany, old reactors were decommissioned. In Japan, China and several European countries, nuclear power generation was partially or completely halted. However, this did not seriously affect uranium supplies, in particular from Kazakhstan.

According to the World Nuclear Association, in March 2012 the annual global demand for uranium for operating reactors amounted to 67,990 tonnes, which is several times higher than the uranium production in Kazakhstan. There were 435 nuclear reactors with a total capacity of 372 GW, two reactors less than in 2011. In 2012, 61 reactors were under construction, mostly in China, India, Russia, South Korea and Eastern Europe. 162 more reactors were expected to be built in the future. According to the OECD, their life of service will have to be 45-55 years, on average, which exceeds indicators for previous years. In addition, it is planned to build nuclear power plants in countries which have not developed a nuclear infrastructure to date, including Iran, Turkey, UAE, Indonesia, Thailand, Egypt, Belarus, and Latin America.

According to World Nuclear Association predictions, by 2030 more than 50 countries will consume nuclear energy and most of them will develop their own programs. Thus global nuclear reactor capacity is likely to rise from 367 GW in 2008 to 602 GW to 1,350 GW in 2030 (minimum / maximum estimates).

Despite the World Nuclear Association's optimistic predictions, a slight decrease in global demand for nuclear fuel cycle products is expected in 2012, and uranium prices are likely to continue to fluctuate. In addition, some industry issues, such as a non-transparent pricing policy, remain unresolved. Kazakhstan meets almost one third of the global uranium market demand (40 million pounds[1] of uranium oxide concentrate U_3O_8); thus Kazatomprom's activity both affects world prices and depends on them.

[1] One pound = 0.454kg

Since 1968, the research and consulting firm NUEXCO (TradeTech) has been providing monthly data on uranium market price transactions, based on analysts' publications, market data and other financial information. In March and April 2012, it recorded relatively stable prices of $51–52 per pound of uranium oxide concentrate (U_3O_8)[2].

Similar prices were reported by UxConsulting, a consulting company specializing in the uranium industry, and by analytical publication Nuclear Intelligence Weekly, which uses its own questionnaire Uranium Price Panel to collect data, in addition to the uranium market review. According to these sources, the record indicator of the market value of a pound of U_3O_8 since 2009 amounted to $73 in January 2011, while the average spot price in 2011 was $57. Analysts do not expect a considerable increase in uranium production prices in the near future.

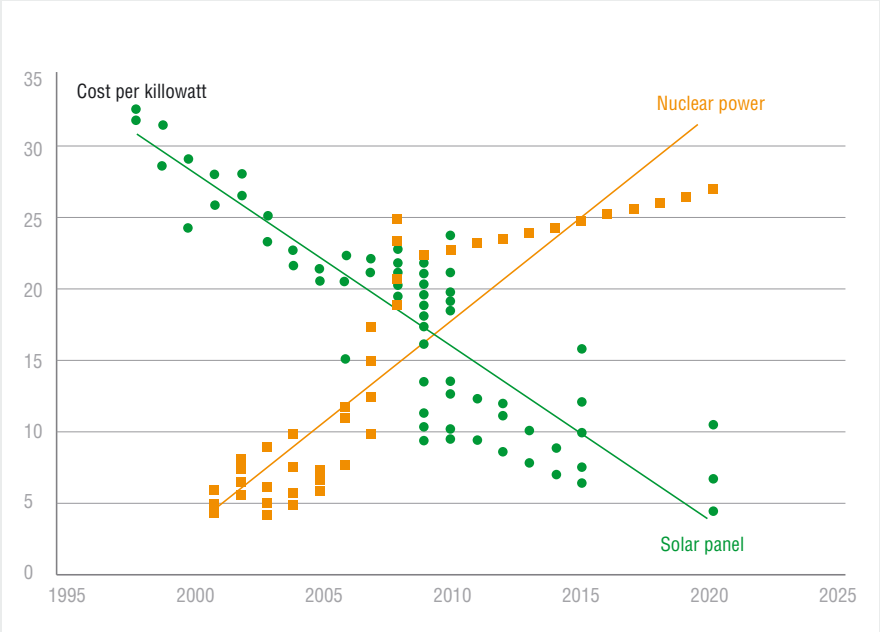
POSITION OF KAZAKHSTAN AND KAZATOMPROM

With the current nuclear market situation, Kazakhstan has a trump-card: rising global demand results in increased production of uranium and other rare and rare-earth metals. Since 2009, Kazakhstan has been the world's largest uranium producer and Kazatomprom has been the world's largest uranium-producing company, with constantly increasing volumes of production and exports of nuclear fuel cycle products. Kazakhstan continues its cooperation with major uranium producers and consumers in the former Soviet Union, America, Europe and Asia.

In 2011, Kazakhstan reached a new level of international cooperation in developing breakthrough technologies and new hi-tech productions in the nuclear, chemical and metal industries, as well as in developing renewable energy. New agreements with France (CEA), Germany (Chemieanlagenbau Chemnitz GmbH), Japan (Toshiba), and other countries are aimed at promoting innovations and new technologies in priority areas of the companies' activity and reflect the national strategic priorities of the participating countries.

Developing the diversified national energy sector and investing in renewable energy, particularly in the manufacture of solar cells, has become a new strategic priority for Kazakhstan. The development of solar energy is in line with international trends and helps strengthen Kazatomprom's position in the international arena.

Cost of electric power generation, in U.S. cents per kilowatt



Source: http://www.uranium.info

[2] http://uranium.info

GROWTH STRATEGY

STRATEGIC DIRECTIONS OF ACTIVITY

Kazatomprom successfully combines an efficient, safe and responsible approach to running industrial and mining operations. The Company achieved its strategic goals declared in 2010 aimed at gaining a leading position in the global nuclear power market, and continues strengthening its position in external markets. The Group of Companies contributes to the industrial and innovative development of the national economy and increasing Kazakhstan's strategic importance at an international level.

In 2011, the Council of Directors of Kazatomprom approved the 2011–2020 Development Strategy of Kazatomprom. The Company identifies the following four strategic areas of development:

- Retaining the leading position in the world uranium market.
- Building a transnational company producing a wide range of uranium products and services at various stages of the nuclear fuel production cycle, including exploration, conversion and enrichment of uranium, production of nuclear fuel and construction of nuclear power plants.
- The setting up on the basis of JSC Kazatomprom of a transnational company engaged in the pre-nuclear fuel cycle, including through participation in foreign assets of the NFC at the stages of extraction, conversion and enrichment of uranium, production of nuclear fuel, and construction of nuclear power plants.
- Diversifying into related hi-tech areas and developing scientific and technological potential.
- Improving the system of corporate governance.

Kazatomprom's main goal is to retain its leading position in the world nuclear power market. Sustained growth in operational and financial performance indicators requires that the Company expands its resource base and product line, to improve manufacturing processes and to develop high technologies. In addition to these business challenges, the Company is striving to ensure a high level of safety and compliance with the best standards of corporate governance and sustainability, since non-financial indicators are important to the Company's success.

The deployment of new advanced technologies is necessary for the Company's growth and to develop its scientific and technological potential. Thus one of the priority areas of the Group's activities is diversifying into related hi-tech areas. Innovation and developing new technologies have become an integral part of Kazatomprom's strategy of cooperation with foreign partners.

The Company aspires to participate in the main segments of the global nuclear energy industry and make strategic decisions concerning the acquisition of new assets in order to build a transnational diversified model on the basis of Kazatomprom. The Company plans to become a full participant in all stages of pre-reactor nuclear fuel cycle (NFC) and in the renewable energy market. Owing to new areas of activity, Kazatomprom will be able to offer a highly flexible range of products and services for the production of nuclear fuels and renewable energy. To achieve these strategic objectives, the Group plans to develop the following activities:

- Providing services related to the conversion of natural uranium concentrates into uranium hexafluoride.
- Providing services related to separating uranium isotopes (enrichment).
- The manufacture and sale of nuclear fuel and its components for nuclear power plants – fuel assemblies; uranium dioxide powder and fuel pellets.
- Participating in the business of building nuclear power plants.
- Producing renewable energy sources: solar panels, heat pumps, wind turbines.

In general, all the strategic directions of development should lead to sustainable growth, minimization of strategic risks, and strengthening of the Company's position in the international arena.

IMPLEMENTATION OF DEVELOPMENT STRATEGY IN 2011

In 2011, the Company strengthened its position as the world leader in uranium production and continued developing and introducing high technologies. Several innovative projects aimed at implementing the development strategy were carried out in 2011. We would like to draw your attention to the following projects and achievements in the area of optimizing production processes and implementing scientific and technical developments:

Production processes at the new sulfuric acid plant in Kyzylorda Oblast are fully automated, which allows maximum efficiency and safety to be achieved, including environmental safety. Energy-saving production techniques are applied at the plant, allowing power to be distributed to the local district network.

The Ulba metallurgical plant (UMP JSC), one of the recognized world leaders in the production of uranium, beryllium, tantalum and niobium products, won the Ratsionalizator.KZ contest in nomination Best System for Support of Innovation at an Enterprise. UMP actively supports innovation activity and encourages employees to develop ideas on how to optimize production processes at the UMP enterprises.

At Kazatomprom's mining enterprises, a package of scientific and technological developments called The Creation, Testing and Introduction of Innovations in the Nuclear Industry in Kazakhstan by the Institute of High Technologies was introduced. These are aimed at ensuring energy and resource saving and reducing the cost of uranium production. Innovative developments to optimize and improve techniques and equipment of in-situ leaching technology operate in "akdala" (LLC Betpak Dala), where about 4,000 tonnes of natural uranium concentrate is obtained by applying the new peroxide deposition technology.

Innovations on cleaning out technological mines have been introduced. Mobile units designed by the Company allow scheduled operations on the development and repair of mines at the uranium mining companies to be carried out quickly, efficiently, and without causing any harm to the environment.

To develop the scientific and technological potential of the Company and to build a transnational diversified model, Kazatomprom strengthens co-operation with foreign partners. As part of this work, the following events were implemented in 2011:

- A joint venture with Japanese Toshiba Corporation was set up to produce rare-earth and rare-metal products with high added value. The new joint venture, the KT Rare Metals Company, where the Company holds a 51% stake, adds to the creation of hi-tech productions producing products of higher added value in the value chain, which will stimulate the development of domestic technologies, science and qualified human resources.
- The Company launched a large-scale project with a French consortium led by Le Commissariat à l'énergie atomique et aux énergies alternatives (CEA, France). The construction of an Astana-based plant to produce solar panels is in progress. The goal of the project is to develop technologies and set up an integrated production line of renewable energy in Kazakhstan.

A strategic partnership agreement was signed between Kazatomprom, Bureau of Geological and Mining Research (BRGM) and the European Company for Strategic Intelligence (CEIS). The agreement is Kazatomprom's initiative to expand scientific knowledge and industrial development in the Republic of Kazakhstan. According to the signed agreement, cooperation between the parties will be implemented in the following areas:

- Geology, metallogeny and analysis of rare and rare-earth metals (RM and REM)
- Developing technologies to produce RM and REM
- The development and certification of analytical methods
- Education and training of personnel
- Preparing preliminary feasibility studies on mining projects and processes

A Memorandum of Cooperation on Innovation between Kazatomprom and the German company Chemieanlagenbau Chemnitz GmbH was signed. The document sets the terms of cooperation on the development of joint Kazakh-German world-class innovations and -tech productions in the nuclear, chemical and metal industries of Kazakhstan, Germany and other countries. The memorandum involves nine projects, including the construction of pilot plants for the production of hydrochloric acid, sodium cyanide, chloride, calcium hypochlorite and other chemicals.

Within the framework of the Kazakh-British Economic Forum in the United Kingdom, a declaration of intent for joint research projects in the field of chemistry and physics, contributing to the development of the nuclear and chemical industries of Kazakhstan, was signed between Kazatomprom, the Cambridge Fund for Development of Kazakhstan, and the Cavendish Laboratory (Department of Physics, University of Cambridge).

A cooperation agreement between Kazatomprom and National Research Nuclear University MEPI was signed on the contractual training of personnel.

OPERATIONS AND RESULTS

FINANCIAL PERFORMANCE INDICATORS REVIEW

Kazatomprom's key consolidated financial performance indicators in 2011 and 2010, in million tenge

Index, mln tenge	2011	2010	Change, %
Income	321,951	230,939	39%
Cost of sale	235,359	166,958	41%
Gross profit	86,592	63,980	35%
Distribution cost	3,108	2,326	34%
Administrative expenses	17,081	13,265	29%
Financial income	5,466	5,307	3%
Financial expenditure	11,198	9,927	21%
(Expenses for)/income on currency translation difference	(411)	427	(196)%
Share in profits of facilities in which investments were made, calculated by using the equity method for associated companies	30,222	27,373	10%
Share in profits of facilities in which investments were made, calculated by using the equity method for companies in joint control	13,493	9,783	38%
Other income	573	813	(30)%
Other expenses	6,949	8,497	(18)%
Expenses on income tax	17,125	13,730	25%
Exchange rate differences from transferring foreign operations	57	172	(67)%
Profit for the year	79,746	60,111	33%

Kazatomprom's 2011 consolidated financial performance indicators considerably exceeded similar indicators achieved in 2010. The positive dynamics of Kazatomprom's indicators in 2011 were due to increased production and sales of uranium. Declared dividends amounted to 8,852 million tenge, a 6% increase on the previous reporting period.

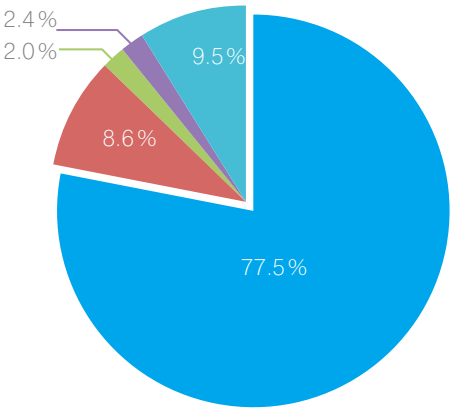
REVENUES FROM PRODUCT SALES

The Group's consolidated revenues from product sales in 2011 amounted to 321,951 mln tenge, which exceeded by 39% the previous year's indicators. The target figures of the plan were exceeded by 29%. The positive revenue dynamics were primarily due to the following factors:

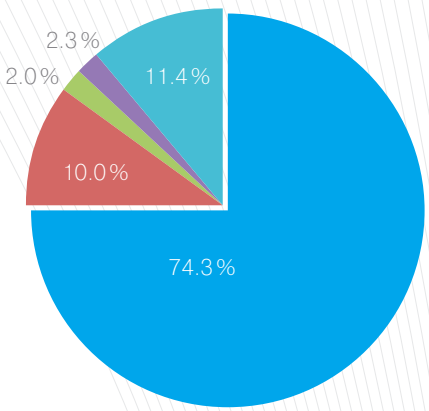
- Increased sales volumes in value terms
- increased average price of uranium products in the global market (by about 13%, on average, according to TradeTech)
- Stronger tenge against the U.S. dollar and Euro (the share of exports in total revenue was about 80%)

Structure of sales by segments:

2011



2010

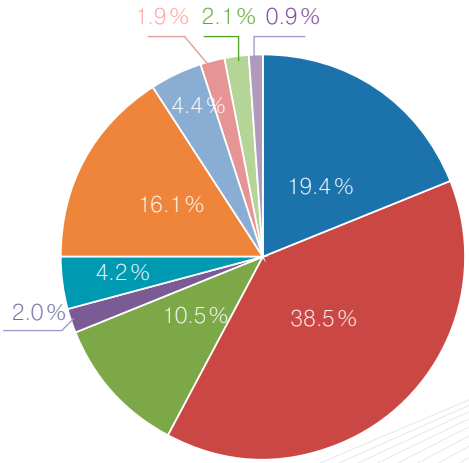


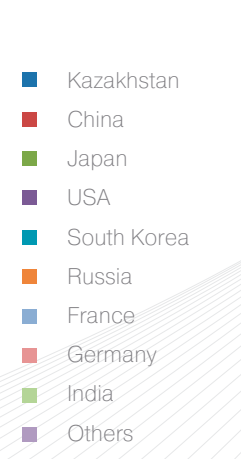
In 2011, 78% of consolidated revenue from sales by Kazatomprom, or 249,616 million tenge, represented proceeds from the sale of uranium products. This was followed by proceeds from the sale of energy resources (9% of total revenues) and proceeds from the sale of beryllium and tantalum products (2% of total Company revenue). Compared to 2010 the structure of sales by segments overall changed slightly in 2011.

In 2011, the main target areas of sales were China (39% of total revenue) and Kazakhstan (19% of total revenue). Sales to Russia (16% of total revenue in 2011, compared to 2% in 2010) saw a notable increase, in comparison with 2010. Sales to Japan in 2011 declined to 11% of total revenue, compared to 14% in 2010. Supplies to other regions comprised 16% of the total Group's revenues.

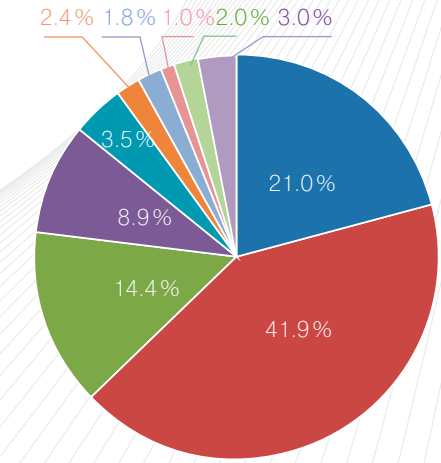
The Group's income from external customers by their geographical location:

2011





2010



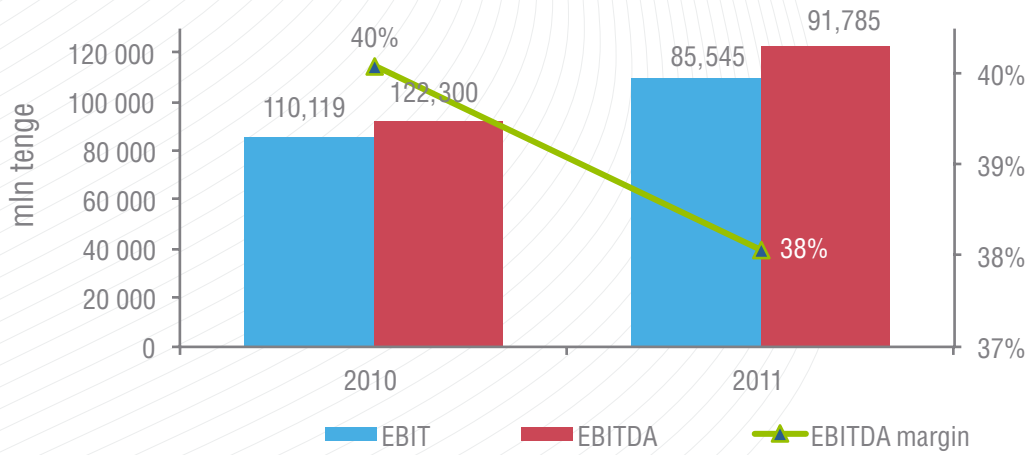
EFFICIENCY INDEXES

Index, mln tenge	*2011*	*2010*	*Change, %*
EBIT	*110,119*	*85,545*	*29%*
EBITDA	*122,300*	*91,785*	*33%*
EBITDA margin	*38%*	*40%*	*(5)%*

The dynamics of earnings before interest, taxes, depreciation and amortization (EBITDA) over the past few years has been positive. The figure for 2011 was 122,300 million tenge, a 33% increase on 2010. A relatively high EBITDA figure in 2011 compared to 2010 is explained by increased revenues from the mining companies, which passed to the phase of production and started generated earnings that have a significant impact on the consolidated financial statements.

The EBITDA margin index decreased in 2011. This resulted from increased material costs due to increased production and growing labour costs due to indexing the wage fund (WF).

Efficiency indexes dynamics, mln tenge



LIQUIDITY AND FINANCIAL STABILITY INDEX

The main source of the Group's liquidity is cash earned from operating activities and debt financing. It is expected that the funds for future economic needs of the Group, including extra capital investment as per the Group's business development strategy, will be obtained by combining cash from the Group's operating activities and cash from external sources of funding.

LIQUIDITY AND FLOATING CAPITAL

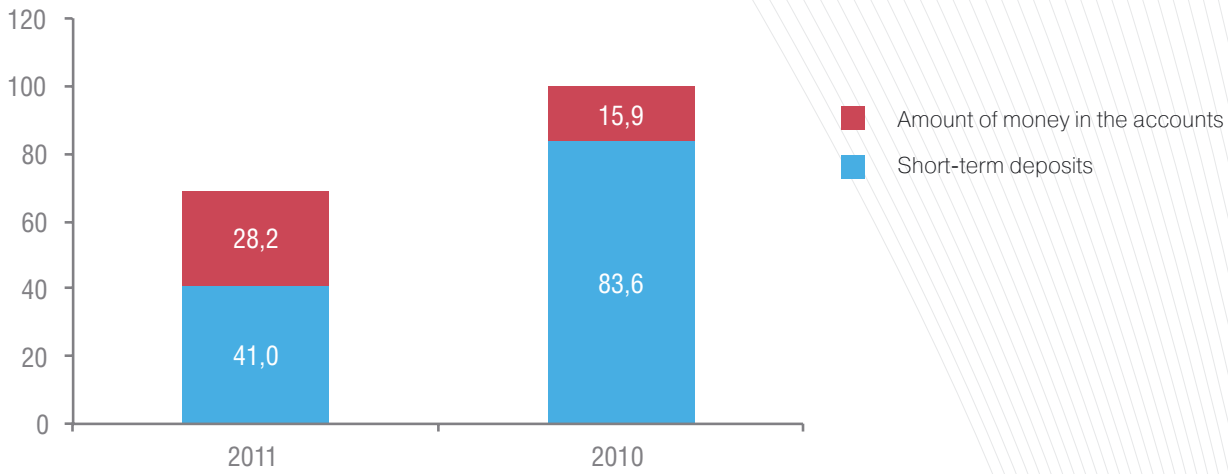
The Group relies on cash earned from operating activities and debt financing as the main sources of liquidity and working capital.

As of December 31, 2011, the liquidity amounted to 69.2 billion tenge. Of this, 41.0 billion tenge was placed on short-term deposits in second-level banks.

CASH FLOWS FROM OPERATING ACTIVITIES

In 2011 cash flows from operating activities amounted to 54,522 million tenge against 22,366 million tenge in 2010 – a 144% rise. This rise was due to a 48% increase in income from operating activities.

Liquidity indexes, in billion tenge



Cash flow retrospective

Indicator, mln tenge	*2011*	*2010*	*Change, %*
Cash flows from operating activities	*54,522*	*22,366*	*144%*
Cash flows (used in)/earned from investing activities	*374*	*(81,004)*	*100%*
Cash flows (used in)/earned from financial activities	*(35,291)*	*51,165*	*(169)%*
Net increase/(decrease) in cash and its equivalents	*19,604*	*(7,473)*	*362%*

CASH FLOWS (USED IN)/EARNED FROM INVESTING ACTIVITIES

Cash flows earned from investment activities in 2011 amounted to 374 million tenge, which is a 100% increase compared to similar cash flows in 2010. This increase resulted from the redemption of term deposits of $54,151 million tenge, as well as from increased dividends received from associated enterprises in the amount of 14,028 billion tenge. In 2010 the Group placed fixed deposits amounting to 78,280 mln tenge, while in 2011 the amount of deposits fell by 63% to 49,018 million tenge.

CASH FLOWS (USED IN)/EARNED FROM FINANCIAL ACTIVITIES

In 2011 cash flows used in financial activities amounted to 35,291 million tenge, compared to a figure of 51,165 million tenge in 2010.

PRIME COST

The cost of products sold by the Group in 2011 amounted to 235,359 million tenge – 41% more than in 2010. The share of cost products consolidated revenues in 2011 and 2010 was 73% and 72%, respectively.

Cost dynamics were influenced by the following factors:

- Increased material costs due to increased production and sales
- Increased depreciation due to putting into operation new facilities of fixed assets at new uranium deposit production complexes under uranium production development programs
- Increased labor costs and charges, primarily due to indexation of the wage fund (WF)

Cost of sale

Indicator, in mln tenge	2011	2010	Change, %
Raw produce and materials	154,934	103,246	50%
Processing and other services	26,322	19,845	33$
Wages and salaries	21,580	15,366	40%
Depreciation and amortization	15,555	10,060	51%
Taxes, except for the income tax	10,759	8,827	22%
Other	6,611	9,614	(31%)
Total	**235,359**	**166,958**	**41%**

Distribution costs

Indicator, in mln tenge	2011	2010	Change, %
The cost of loading, transportation and storage	1,404	1,007	39%
Wages and salaries	598	410	46%
Commission	266	269	(1)%
Raw produce and materials	226	197	15%
Rent	135	80	67%
Expenditure on advertising and marketing	63	47	33%
Cargo insurance	60	50	19%
Other	356	266	34%
Total	**3,108**	**2,326**	**34%**

The cost of sales of products increased 34% compared to 2010, amounting to 3,108 million tenge. The main cost of sale factor was the cost of loading, transportation and storage, which constituted 45% of total expenditure. In 2011, the costs of loading, transport and storage rose by 39% and amounted to 1,404 million tenge. Costs for payment of wages and salaries rose by 46%, to 598 million tenge. Expenses for rent greatly increased by 67%, to 135 million tenge in 2011.

IAdministrative expenses in 2011 amounted to 17,081 million tenge, 29% more than in 2010. Wages and salaries in 2011 increased by 54%, to 11,472 million tenge. This was mainly due to payment of allowances to Kazatomprom's employees who moved to Astana. The cost of rent and expenses on consulting, audit and information services increased considerably, by 79% and 58%, respectively. However, study expenses in 2011 fell substantially by 74%, amounting

Administrative expenses

Indicator, in mln tenge	2011	2010	Change, %
Wages and salaries	11,472	7,426	54%
Taxes, except for the income tax	968	1,658	(42)%
Consulting, auditing and information services	758	480	58%
Depreciation and amortization	665	525	27%
Rent	491	275	79%
Raw produce and materials	397	254	56%
Business trip allowance	386	317	22%
Incentive payments	294	216	36%
Training	287	267	8%
Maintenance and repairs	204	329	(38)%
Bank commission	166	142	7%
Telecommunication services	124	109	13%
Corporate events	98	73	34%
Studies	94	362	(74)%
Utilities	90	83	8%
Other	587	749	(22)%
Total	**17,081**	**13,268**	**29%**

to 94 million tenge, compared with 362 million tenge in 2010.

The Group's financial income in 2011 amounted to 5,466 million tenge, a 3% increase on 2010. Interest income on time deposits and demand deposits and current accounts in 2011 rose by 109% to 3,652 million tenge, compared to 2010.

Financial expenses for the reporting period amounted to 11,983 million tenge, the result of a 21% increase , compared to 2010. The increase in the financial expenses resulted from increased financial liabilities, including the placement of Eurobonds in 2010.

In 2011 the total amount of other expenses decreased by 18%, amounting to 6,949 million tenge. Moreover, in 2011 sponsorship and charity expenses decreased by 51%, and for social spending by 27% to 1,279 mln tenge and 887 mln tenge, respectively. In 2011 a 421% increased loss on the disposal of long-lived assets was equal to 608 million tenge. Losses from business interruptions and impairment of long-term assets also increased by 82% and 56%, respectively.

Financial income and expenses

Indicator, in mln tenge	2011	2010	Change, %
Financial income			
Interest income on time deposits, demand deposits and current accounts	3,652	1,751	109%
Dividend income	1,607	3,552	(55)%
Other financial income	208	4	5100%
Total	**5,466**	**5,307**	**3%**
Financial expenditure			
Interest expense on loans and borrowings	6,311	4,794	32%
Release of the discount on other financial liabilities	4,725	4,388	8%
Release of the discount on provisions	495	353	40%
Loss on sale of foreign currency	81	58	40%
Dividend expense on preferred shares	53	54	(2)%
Other financial expenses	320	280	14%
Total	**11,983**	**9,927**	**21%**

Other expenses

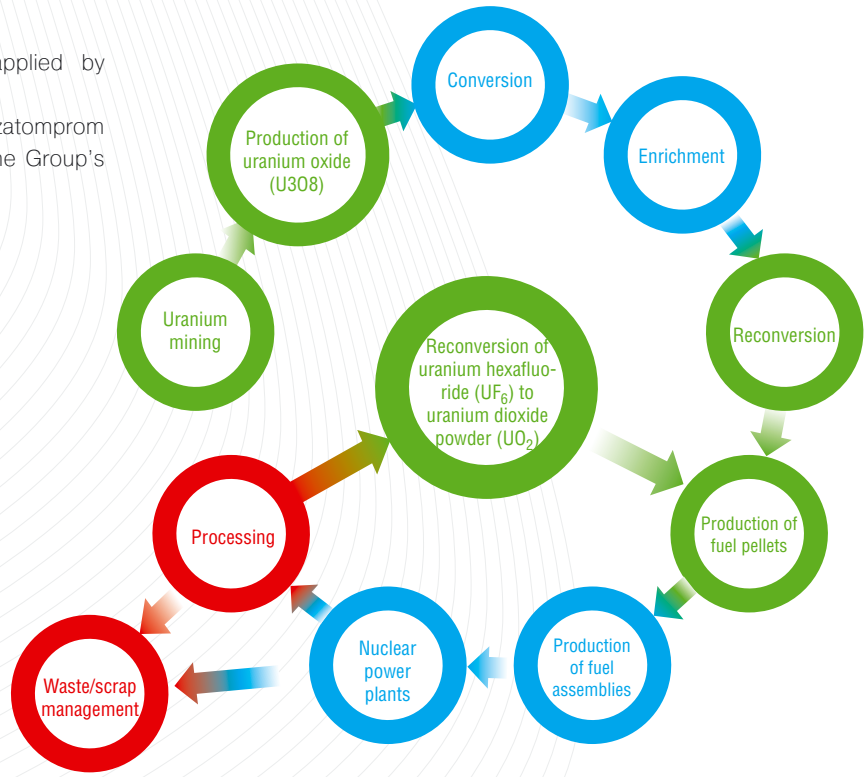
Indicator, in mln tenge	2011	2010	Change, %
Sponsorship and charity	1,279	2,619	(51%)
Devaluation of investments in associated enterprises	992	-	-
Devaluation of long-term assets	974	622	56%
Social overhead costs	887	1,216	(27%)
Loss from withdrawal of long-term assets	608	117	421%
Losses from the halt of production	445	244	82%
Non-refundable value added tax (VAT)	340	2,439	(86)%
Provision for transfer pricing	-	468	-
Other	1,424	772	84%
Total	**6,949**	**8,497**	**(18)%**

URANIUM PRODUCTION

Uranium production involves a number of processes, or stages of the nuclear fuel cycle (NFC), in order to obtain the finished nuclear fuel. In line withdiversification goals, the Company aims to cover almost all phases of the nuclear fuel production cycle.

Complete nuclear fuel cycle from the standpoint of Kazatomprom

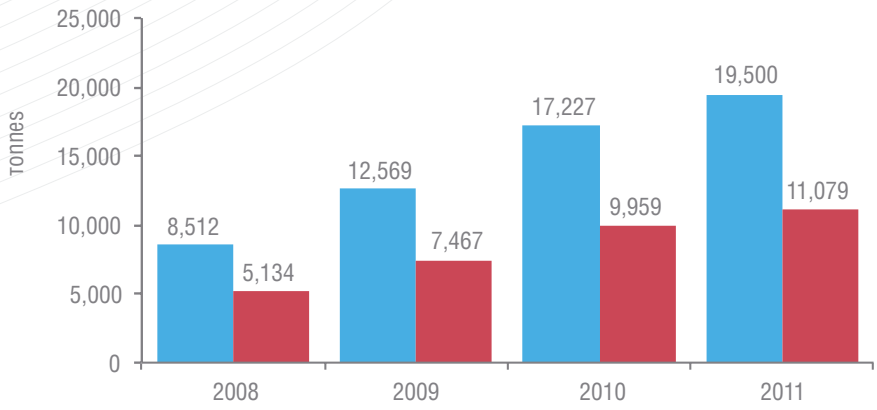
- Nuclear fuel cycle stages currently applied by Kazatomprom
- Nuclear fuel cycle stages which Kazatomprom will obtain as a result of implementing the Group's development strategy
- Unplanned productions



URANIUM PRODUCTION

Total uranium mining in Kazakhstan in 2011 amounted to 19,500 tonnes, which exceeds the amount in 2010 by 11%. The volume of uranium mining by the Group continues to grow year on year. In 2011, the Group produced 11,079 tonnes of uranium, 11.1% more than in 2010. In 2012 the Group expects an increase in uranium production of 11% to 11,880 tonnes, and from 2011 to 2015 an increase of 12.5%, to 13,789 tonnes. Kazatomprom plans to increase its share in the global natural uranium market by 1.8% and 2.3% in 2012 and by 2015, respectively. Kazakhstan's estimated uranium resources will allow the 2010–2011 level of uranium production to be retained in the country for the next 100 years.

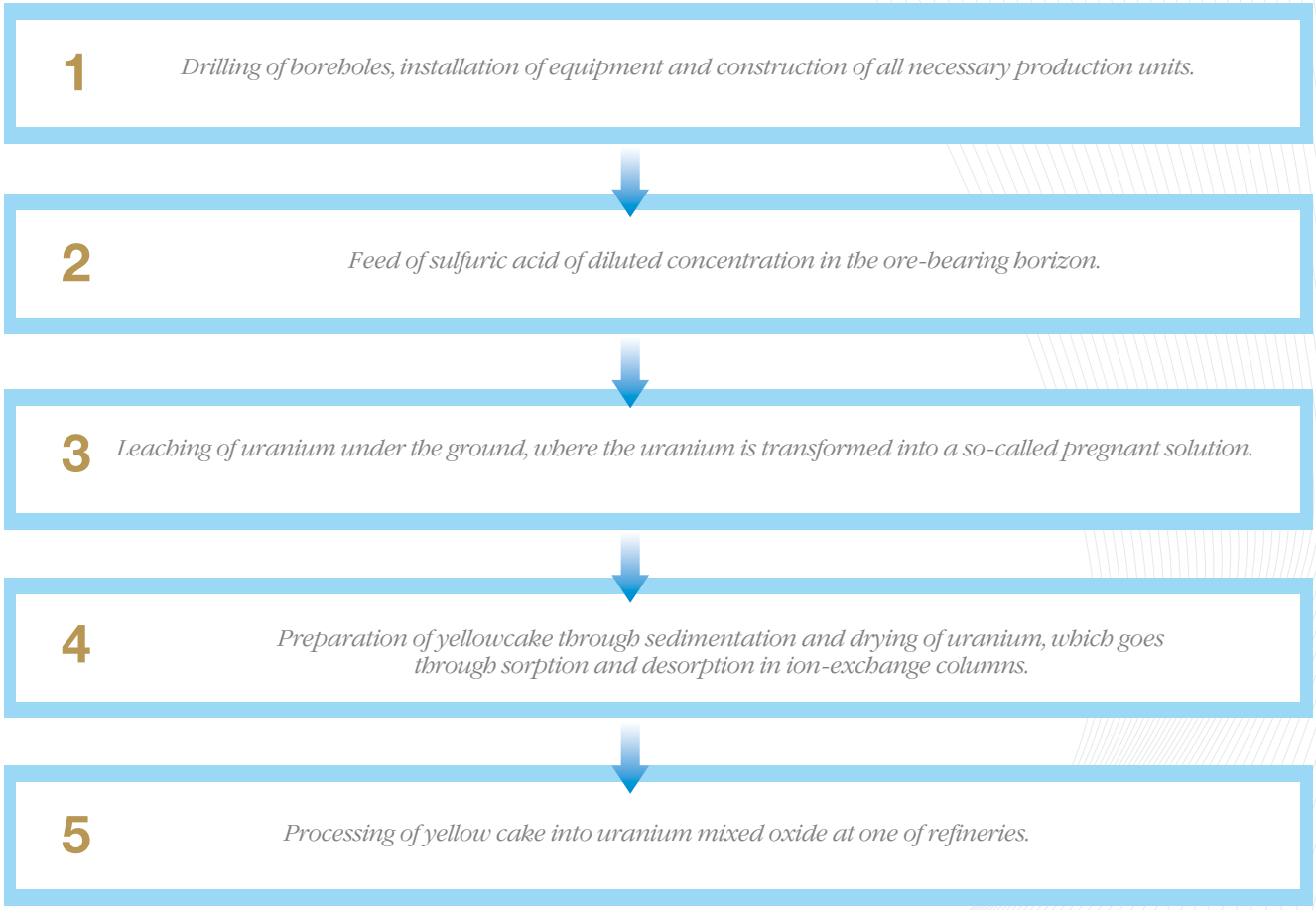
Uranium production, in tonnes



- Uranium production by uranium companies in Kazakhstan, tonnes of uranium
- Uranium production by NAC Kazatomprom, tonnes of uranium

A distinctive feature of the uranium reserves and the Company's uranium resources is that they are concentrated at uranium ore deposits with regional areas of formation oxidation. The latter are developed by the most progressive, relatively cheap and environmentally sound technique of in-situ leaching (ISL).

The Republic of Kazakhstan has 78% of the world proven reserves of uranium, suitable for production by applying the ISL technique. Alternative techniques include open-cast and underground mines. The ISL technique involves the following stages:



A detailed ISL scheme can be found on the Company's website, in the Uranium Production section.

THE COMPANY'S URANIUM RESOURCES

Numerous uranium deposits in Kazakhstan add to Kazatomprom's competitive advantage. The Company has a unique resource base, including the world's largest proven and estimated uranium reserves.

As of the end of 2011, Kazatomprom's mining enterprises had proven reserves of uranium of the category $A+B+C_1+C_2$ (U) of 611 thousand tonnes (62%) and of the category P_1+P_2 of 376 thousand tonnes (38%).

Kazatomprom operates 16 mines in South Kazakhstan Oblast, Kyzylorda Oblast and Akmola Oblast, which enables the Group to carry out large-scale uranium mining and meet growing global demand for uranium production and nuclear power.

Reserves of A category
Proven reserves.
The ore bodies and mine are delineated.
The quality and quantity of ore and the conditions of development of the deposit are determined reliably. Exploration data guarantee the reliability of the targeted development.

Reserves of B category
Relatively in detail explored (established) reserves. The deposit and the greater part of ore bodies are delineated. The quality and quantity of ore and the conditions of their development are determined in detail. Exploration data to a great extent guarantee the reliability of the targeted development.

C_1 category reserves
The reserves explored by a sparse grid network and the estimated reserves.
The contours of the deposit and ore bodies are interpreted reliably. This category also includes the reserves adjacent to the reserves of Category A and B.
The amount of ore is determined by the set average parameters relatively accurately. The quality of ore and the development conditions are determined by experimental studies and by analogy. This category of reserves is used for the design of mines at the deposits with very complex structure and inconsistent nature of mineralization distribution, where the thickening of the grid network for exploration is inexpedient.

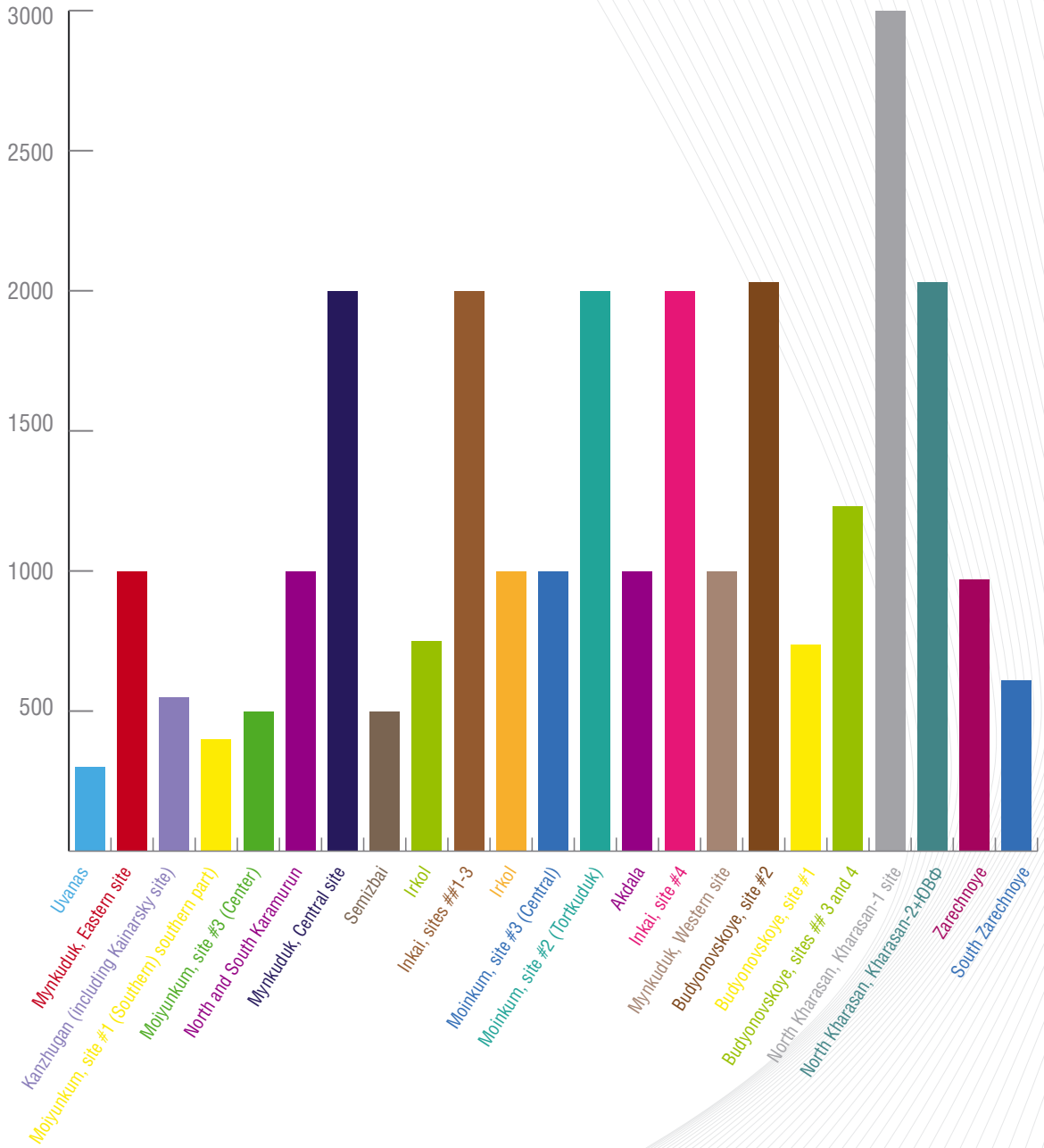
C_2 category reserves
Preliminary estimated (inferred) reserves.
The contours of the ore bodies are determined mainly by extrapolation within the bounds of the known geological structures, and in the area adjacent to the reserves of categories A, B, C_1. The quality and quantity of ore is determined by limited data and can be accepted from experimental studies. C_2 category reserves require further exploration and can only be used by operating companies for design exploration purposes.

P_1 category reserves
Probable preliminary estimated (projected) reserves.
The contours of the ore zones are extrapolated for the ore-bearing geological structures and in the area adjacent to the explored reserves. The quality and quantity of ore is determined by limited data. P_1 category reserves are the main source of reserve increment.

P_2 category reserves
Inferred (projected) reserves.
Productive ore occurrence or ore-bearing zones are interpreted by the geological structures which are characterized by drill-down characteristics.
P_2 category reserves are based on geophysical and geochemical data, and most optimally on the results of single channel intersections.

P_3 category reserves
Potential reserves.
Projections based on theoretical constructs, metallogenic, structural and geological analysis and interpretation of regional geochemical and geophysical data, are classified as P_3 category reserves.

Design capacity of mines in annual tonnes of uranium



The following new facilities at uranium mines were put into operation in 2011:

- The first start-up complex at the North Kharasan deposit, Kharasan-2 site, under operation by Baiken-U LLC;
- The facilities constructed at site No.3 of the Budyenovskoye deposit, in operation by Akbastau JV, with annual capacity of 1,000 tonnes as part of the first phase of the mine construction project;
- The facilities constructed at the Semizbai mine, in operation by Semizbai-U LLC, with annual capacity of 200 tonnes of uranium as part of the second phase of the mine construction project;
- The production shop for processing pregnant solutions at Budenovskoye-2 under operation by Karatau LLC was expanded to process up to 3,000 tonnes of uranium per year.

The below amendments to the Group's mineral production contracts were made in 2011:

Enterprise	*Amendments to the contracts*
Inkai JV LLC	*An addendum was executed to the contract for carrying out uranium mining on sites No. 2 and 3 of the Inkai deposit in South Kazakhstan Oblast of the Republic of Kazakhstan.*
Kazatomprom JSC	*An addendum was executed to the contract for exploration and mining of uranium in the northern section of site No. 3 of the Moinkum deposit with the purpose of assigning mineral production rights from the Mining Company LLC.*
Katco LLC	*An addendum was executed to the contract for exploration and mining of uranium at the Moinkum deposit, to expand mining allotments and include the northern section of the Central site of the Moinkum deposit as part of the Tortkuduk site.*
Appak LLC	*An addendum was executed to the contract for exploration and mining of uranium on the Western site of the Mynkuduk deposit, to extend its validity for one more year.*
Zarechnoye JV JSC	*An addendum was executed to the contract for exploration and mining of uranium at the South Zarechnoye deposit to redistribute the scope of drilling operations.*

Kazatomprom actively engages in the exploration of uranium deposits. Exploration by Volkovgeologia JSC has been successfully conducted for over 60 years. Over the years, more than 40 uranium deposits were discovered, and the world's largest mineral uranium mining industry resource base was created, with aggregate reserves of uranium of more than 1 million tonnes, as of the beginning of 2011.

URANIUM PRODUCTS

The area of production of uranium products by Kazatomprom covers several oblasts of Kazakhstan: South Kazakhstan Oblast, East Kazakhstan Oblast, Kyzylorda Oblast and Akmola Oblast. To date, Kazatomprom enterprises have employed the following production facilities at the following nuclear fuel cycle stages:

- Uranium mining and production of uranium oxide (U_3O_8);
- Reconversion of uranium hexafluoride (UF_6) to uranium dioxide powder (UO_2);
- Production of powder and fuel pellets from enriched and unenriched uranium dioxide.

The Company also plans to produce fuel assemblies.

The biggest large-scale production of uranium products in Kazakhstan is at the Ulba Metallurgical Plant JSC (UMP JSC), which involves:

- Oxides of natural uranium, suitable for direct fluorination;
- Powders of low-enriched uranium of ceramic nuclear purity grade;
- Uranium dioxide fuel pellets for the reactors of nuclear power plants;
- Services in processing of unenriched and enriched uranium, scrap and low-tech turnover/coils of productions for fabrication of nuclear fuels and research enterprises of the uranium industry, including those containing burnable neutron absorbers and pore-forming additives.

PRODUCTION OF URANIUM OXIDE CONCENTRATE (U_3O_8)

The production of uranium oxide concentrate is an integral part of the ISL process. After extracting natural uranium in the form of a pregnant solution, it is dried to produce yellowcake, which in turn is converted into uranium oxide concentrate (U_3O_8). Kazatomprom processes the chemical concentrate of natural uranium (CCNU) into a uranium oxide concentrate at the four refineries located in Kazakhstan (UMP JSC and the plant SMCC LLC in the Taukent settlement in South Kazakhstan Oblast) and in the Kyrgyz Republic (Open JSC Karabalta mining plant).

The Group's uranium products also include yellowcake according the ASTM standard, which is produced at the processing facilities of the five mines. In 2012, the Group plans to increase uranium oxide concentrate production by 8%, compared to 2011, and by 28% by 2015.

SULFURIC ACID

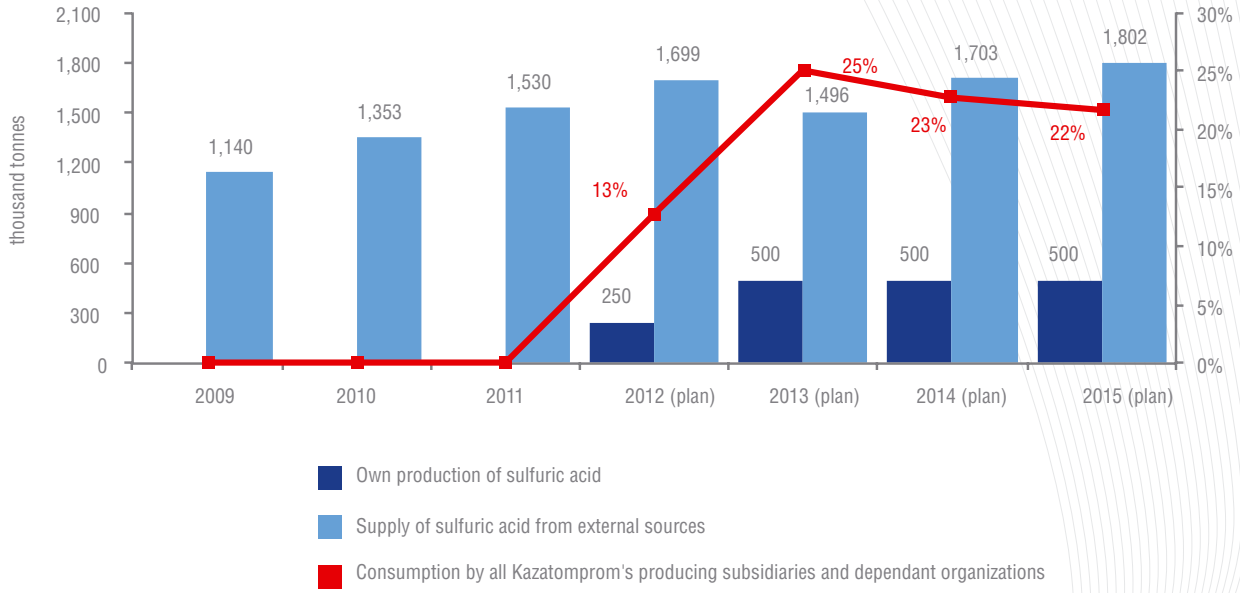
Uranium production by using the ISL technique requires a large amount of sulfuric acid as a reagent for uranium ore solution injected into the mine. By increasing its production of natural uranium and striving to reach a larger share in the global uranium market, Kazatomprom more and more needs stable supplies of sulfuric acid. To cover their needs and to avoid the risk of any disruption of foreign supplies for such a significant element in the uranium mining process, Kazatomprom completed the construction of its own first sulfuric acid producing plant in the Zhanakorgan district of Kyzylorda Oblast in 2011. The plant will be commissioned in August 2012.

The founders of the sulfuric acid plant are:

- The Mining Company LLC (49%);
- Uranium One Inc. (19%);
- SAP-Japan Corporation (32%).

The plant will provide the mines Khorasan-1, Khorasan-2, North Karamurun and South Karamurun with sulfuric acid and will create 270 jobs. In 2012 Kazatomprom will be able to produce 250 thousand tonnes of sulfuric acid, which will represent 12.8% of the total amount of sulfuric acid consumed (1.919 million tonnes). Starting from 2013, the Group plans to increase production of sulfuric acid to the maximum design capacity of the plant: 500 thousand tonnes a year. This will reduce dependence on external supplies of the chemical by 173 million tonnes, or 10%.

Production and supply of sulfuric acid by Kazatomprom, in thousand tonnes



OTHER PHASES OF THE NUCLEAR FUEL CYCLE

CONVERSION AND RECONVERSION

Conversion, or fluorination of uranium, is the next stage of the nuclear fuel cycle after production of uranium oxide concentrate (U_3O_8). In the process of conversion, uranium oxide concentrate reacts with fluorine, and is translated into a gaseous form of uranium hexafluoride (UF_6). Conversion, or the fluorination of uranium, is a necessary step in the production chain before the enrichment of uranium. At present, Kazatomprom does not have its own conversion production.

Reconversion of enriched uranium hexafluoride (UF_6) to uranium dioxide (UO_2) is carried out at the process facilities of the Ulba Metallurgical Plant. Uranium dioxide powder obtained by re-conversion is used in the production of fuel pellets.

ENRICHMENT

Enrichment is the process of isotope separation with increasing concentration of the uranium-235 radioactive isotope from 0.7%, contained in natural uranium, to 3.5%-4.5%, necessary for the use of uranium to produce nuclear fuel. A joint venture of the Company for enrichment of uranium, Closed JSC Uranium Enrichment Center (of which Kazatomprom holds a 50% stake) was set up on a parity basis with Open JSC TVEL based in Novouralsk, Sverdlovsk region, Russian Federation. The parties also plan to buy a participating interest in Open JSC Ural Electrochemical Plant, which will enable them to ensure by 2013 production capacity of 5 million EPP (separative work units).

FUEL PELLETS

The next nuclear fuel cycle stage after enrichment is the production of uranium dioxide (UO_2) fuel pellets. Fuel pellets are a major component of nuclear fuel for nuclear power plants.

In Kazakhstan, fuel pellets are produced at the Ulba Metallurgical Plant (JSC UMP). UMP is one of the largest factories in the world for the production of fuel components for nuclear power plants, with a hi-tech research and production automated complex. For nearly 40 years the plant has been providing highly efficient production of fuel pellets of LWR (light water reactor)

type and HPCTR (high power channel-type reactor) type reactors of Russian design.

In 2011 a number of cooperation agreements were signed that expand the supplies of uranium products by Kazatomprom, including fuel pellets. JSC UMP completed the certification of production of fuel pellets from uranium dioxide under specifications of the AREVA Company for reactors of AREVA design, employed in many countries of the world, as well as certification of fuel pellets at the China National Nuclear Corporation for their supply to China. Thus, the production of fuel pellets by JSC UMP will be expanded.

FUEL ASSEMBLIES

The production of fuel assemblies is the final stage in the production of nuclear fuel. Fuel pellets are put in tubes made of zirconium alloy (tsirkaloya) and so fuel rods are produced – the fuel elements (cartridges), which then are combined in the fuel assembly, ready for use in nuclear power plants.

In 2008 Kazatomprom and the French company AREVA signed an agreement to develop joint activities in the nuclear fuel cycle. Under the agreement, AREVA will provide technical support for the production of fuel assemblies with an annual capacity of 400 tonnes of uranium as part of a joint venture between Kazatomprom (51%) and AREVA (49%), currently being set up for reactors of French design.

NUCLEAR POWER PLANTS

To date, a niche of low- and medium-power reactors in the global nuclear power plants market is vacant. The tendency of Western companies to manufacture reactors with a capacity of 1,000 MW and more and the lack of options of commercial stations of 300 MW to 600 MW in the market enable Kazatomprom jointly with Russian Atomstroyexport to promote reactors with average power – pressurized water reactors VBER-300. In 2006, under the Comprehensive Programme of Russian-Kazakh Cooperation in the Area of Nuclear Energy for Peaceful Purposes, JSC The Kazakhstan-Russian Company Nuclear stations was established to design, build and promote nuclear reactors with power generating units of the new VBER-300 type.

The VBER-300 reactor project was designed on the basis of tested and proven reactors, successfully operating in Russia on the icebreaker fleet and nuclear submarines. The experience of applying marine reactor technologies was proven by long years of operation (the operating time is ~ 6000 reactor-years). The reactor has an international safety class of 3+, which is the highest in the world. The concept of safety of the VBER-300 reactor is fully consistent with the national requirements of the Republic of Kazakhstan, EU standards, global trends and IAEA requirements, and global trends to ensure the increased safety of reactors.

RARE AND RARE-EARTH METALS AND CHEMICAL PRODUCTS

Rare and rare-earth metals also represent a priority area of Kazatomprom's activities. In 2011, the Company set up new assets and signed several cooperation agreements with foreign partners.

Under the 2011–2013 program of the creation and development of a raw material base and high technologies for the production of rare and rare-earth metals (RM and REM) in Kazakhstan, a factory is currently under construction with the aim to set up pilot production of collective concentrates of rare-earth metals. All products will be exported mainly to Japan and EU countries.

In 2010 the Company established a joint venture called Summit Atom Rare Earth Company (SARECO) with Japanese Sumitomo Corporation, where Kazatomprom holds a 51% stake. SARECO was set up to obtain rare-earth compounds and metals from potential sources of raw materials, including man-made mineral formations and rare-earth metal mineral deposits, and exports production to the markets of Japan and Europe. In 2011, SARECO carried out pre-investment activities on the first phase of development, a rare-earth metal extraction project from man-made formations.

In September 2011 the Company established a joint venture Rare Metal CT Company with Japanese Toshiba Corporation for carrying out research and for developing, extracting, producing and selling rare and rare-earth products. Kazatomprom has a 51% stake in the joint venture.

The Company has also signed a number of strategic partnership agreements to develop mining and processing of RM and REM with European partners. In order to increase scientific knowledge and industrial development in the Republic of Kazakhstan a new agreement was signed between Kazatomprom, Bureau of Geological and Mining Research (BRGM) and CEIS. The cooperation of the parties will be carried out in the following areas:

- Geology, metallogeny and analysis of RM and REM
- Development of production technology for RM and REM
- Development and certification of analytical methods
- Training personnel
- Preparation of preliminary feasibility studies for mining projects and processing

Kazatomprom and German Chemieanlagenbau Chemnitz GmbH signed a memorandum of cooperation on innovation in the nuclear, chemical and metallurgical industries. Under the memorandum, nine projects, including the construction of pilot plants for the production of hydrochloric acid, sodium cyanide, chloride, calcium hypochlorite, and other chemicals, will be implemented.

BERYLLIUM PRODUCTS

In 2011, beryllium production at the Ulba Metallurgical Plant (UMP) marked its 60th anniversary.

JSC UMP is among three global companies that have a complete production cycle of beryllium: from processing of ore concentrate to finished product with desired quality parameters. Beryllium master alloys produced at the UMP surpass in quality global counterparts. The products include:

- master alloys nickel-beryllium, aluminium-beryllium and copper-beryllium
- Copper-beryllium alloys
- Technical beryllium
- Transfer bars and items made of beryllium and beryllium bronze
- Oxide and powder

The main consumers of beryllium products are: Russia, Ukraine, United States, Canada, Germany, France, Belgium, India, South Korea, China, and Japan. UMP has close contacts with permanent partners in the U.S. and Europe; in addition a joint venture with Russia, called Beryllium, is in operation. The Company is also working to promote Ulba beryllium in Japan and China, where there are joint ventures – Ulba China and Yingtan Ulba Shine Metal Materials. Finished products made of beryllium and its alloys are used in electronics, communications, and the automotive and oil and gas industries.

In 2011 the Company produced 107 tonnes of beryllium, which constitutes 26% of total world production. In comparison with 2010, the production of beryllium grew by 22.9%. In the next year, Kazatomprom plans to produce 105 tonnes of beryllium, and by 2015 the Group is targeting annual production of 122 tonnes of beryllium, which will represent a quarter of total global beryllium production.

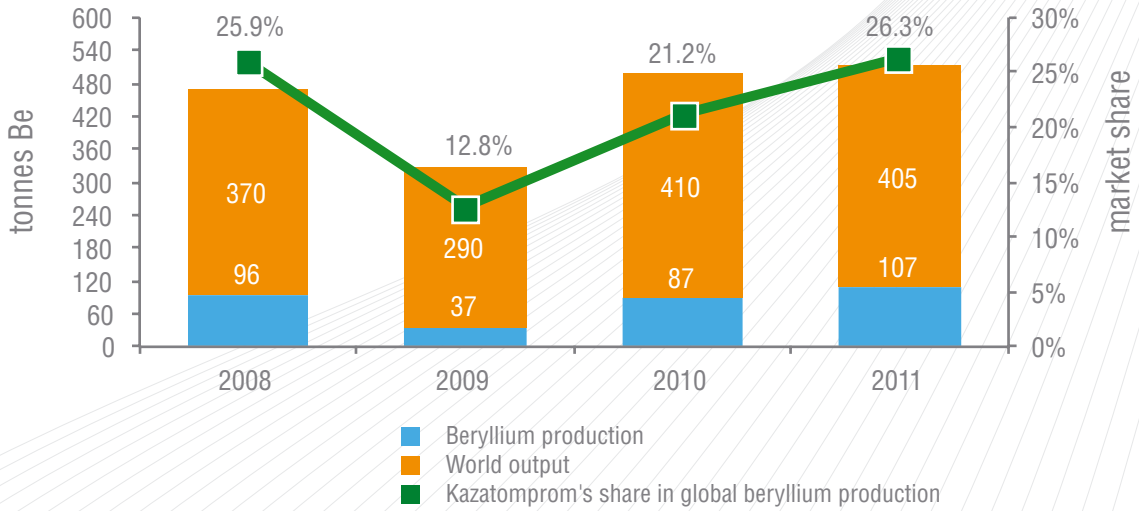
As a leading global beryllium producer, UMP actively participates in an international project to design a controlled thermonuclear reactor ITER (International Thermonuclear Experimental Reactor). The goal of the project is to meet the future energy needs of mankind. Some countries (USA, Japan, Russia, Korea, China, the European Union, and India) have already combined efforts to create a thermonuclear experimental reactor, a prototype of new power plants. UMP is one of two companies in the world capable of providing ITER with unique material – structural metal beryllium. Moreover, UMP became the world's first supplier of superconducting components for tokamaks accelerators, and may take part in the manufacture of superconducting structure elements for ITER.

Through participation in the ITER project, Kazatomprom can become a manufacturer and supplier of the first wall complex for the reactor, and Kazakhstan will be able to become a full participant of the nuclear energy production project and recruit high-skilled specialists for the industry.

TANTALUM AND NIOBIUM PRODUCTS

Tantalum is a metal used in electronic technologies (capacitors, optoelectronics, spraying the target), aircraft engineering, chemical and petrochemical industries and mechanical processing (super-hard alloys). High-heat resistance and resistance to corrosion make tantalum a promising metal.

Production of beryllium, tonnes



UMP's tantalum production is one of the largest in the world. This is the only enterprise in the CIS that involves the complete production cycle, from the processing of raw material to producing a wide range of finished products, such as:

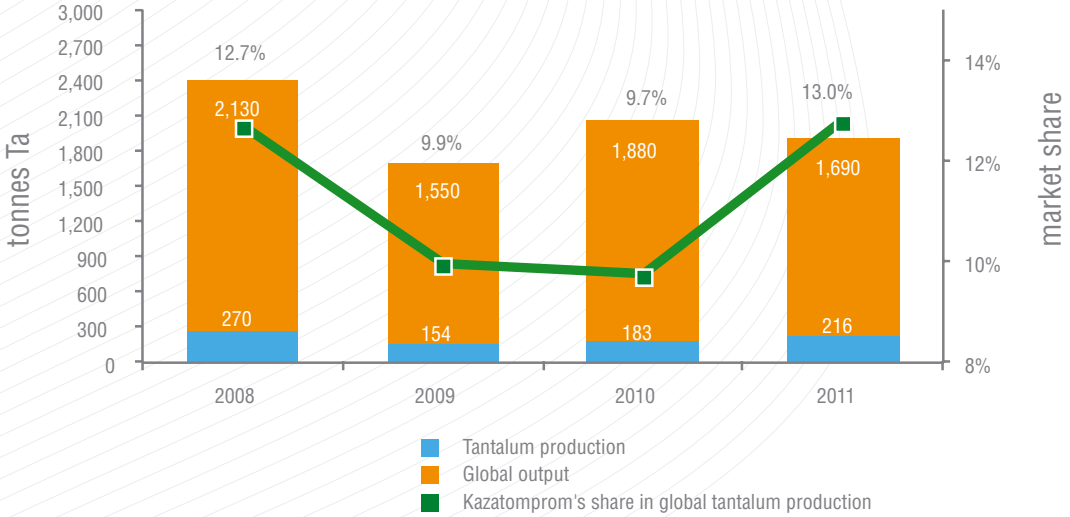
- Bars and chips of tantalum and niobium made through vacuum melting
- Flat and round tantalum and niobium rolled products
- TaW alloys, TaY bars, and tantalum powder
- NbTi alloy ingots
- NbZr alloy ingots
- Wires, rods and other products made of niobium
- Capacitor tantalum and niobium powders, including high-capacity ones

With the support of Kazatomprom, Almaty hosted the 52nd session of the General Assembly of the International Research Center for the Study of Tantalum and Niobium (TIC) in October 2011. Kazakhstan became the first country in the CIS to host the General Assembly of the TIC. This recognizes the authority of the country and the Company as a leading member of the tantalum industry. JSC UMP presented to delegates of more than 30 countries from all over the world three reports: "Current trends in developing production technology of fragmented tantalum powder"; "Development Technology of electron-beam melting"; and "The technology of producing niobium master alloys and high-purity niobium." Selected topics demonstrate the main achievements of the Company.

The production of tantalum products in 2011 greatly exceeded the target, amounting to 216 tonnes, which was 18% more than in 2010. The Company continues to increase its global market share, achieving a 13% rise in 2011.

The main consumers of tantalum and niobium products are Russia, Ukraine, United States, Britain, Germany, France, Czech Republic, Israel, Japan, and China. To further expand production, the Company plans to establish a joint venture with leading consuming countries, or to acquire a facility for the production and processing of raw materials.

Tantalum production, tonnes



ENERGY RESOURCES

Energy resources are among one of the important areas of Kazatomprom's operations. In 2011, 4,521 million kilowatt per hour* of electricity was produced. In addition, more than 99% of the total electricity generated, or 4,506 million kWh, was produced by LLC MAEC-Kazatomprom, which is 5% more than in the previous year. It is planned that in 2012 LLC MAEC-Kazatomprom will increase this figure by 2.9%, and by 2015 the Company will produce in aggregate 5,163 million kWh of electricity, 14.6% more than in 2011.

In 2011, the Company's enterprises produced 3,089 thousand Gcal of heat. The major producers of heat are LLC MAEC-Kazatomprom, with a specific share of heat production of over 96%. The production of heat by AEC-Kazatomprom in 2011 increased by 8.3% to 2,988 thousand Gcal. In 2012, the Company aims to increase thermal production by 2.2%, to 3,055 thousand Gcal. The

remaining share of heat production (4%) is accounted for by LLC PA Ortalyk, JSC Volkovgeologiya, JSC UMP, and LLC Uranenergo.

In addition to electricity production in Mangistau Oblast, where there is no fresh water, the Company undertakes to provide industrial enterprises and the local population with desalinated water.

MAEC-Kazatomprom possesses an integrated energy and desalinated water-producing complex in the Mangistau region of Kazakhstan that has no analogues in Kazakhstan and CIS countries. The use of desalinated water makes the technology of electric power generation and heat production by MAEC-Kazatomprom unique. The enterprise's facilities include thermal power plants and multi-unit distillation desalination plants.

An important step was the decommissioning of the only nuclear reactor BN-350 at Kazatomprom. With financial support from the United States, a project to transport nuclear fuels to specially designated places for their long-term storage and a unique project to remove residual sodium from the reactor vessel were successfully implemented.

RENEWABLE ENERGY

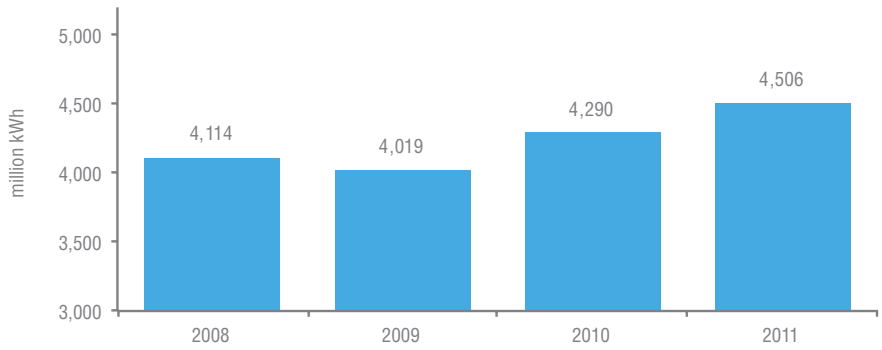
As part of diversification of its activities, Kazatomprom actively engages in the development and production of renewable energy in Kazakhstan. One of the main challenges is to provide remote regions of the country with electric power, with the help of solar panels, heat pumps and wind turbines. Under the State Program of Accelerated Industrial and Innovative Development of Kazakhstan, the share of energy consumption produced from renewable sources will exceed 1% by 2015.

In 2011 the foundation for development of a new industry – the setting up of production of photoelectric solar modules based on silicon – was laid. December marked the construction of an Astana-based plant for the production of solar panels using Kazakh silicon. The project is being implemented in cooperation with Kazatomprom and the French Commissariat of CEA. The following documents were signed as part of the project:

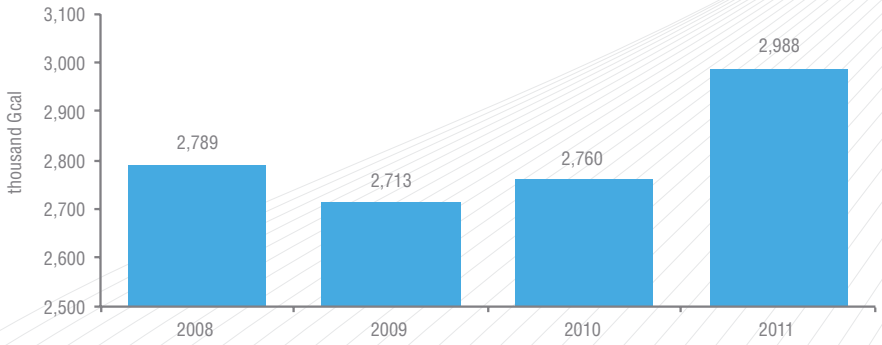
- Memorandum of Understanding for cooperation on the production of high-efficiency magnets using REM of Kazakh origin;
- Agreement on Intellectual Property under the KAZPV (Kazakhstan silicon of the solar grade) project. This is a supplementary agreement to previous arrangements to conduct joint research, testing and development, and technological developments (R&D), in the course of which the parties will jointly own future innovations.

In 2011, the Company actively expanded its manufacturing base for the production of solar silicon. In November 2011 the Company acquired a 100% controlling interest in LLC Quartz (a company that extracts and processes vein quartz and carries out the primary processing of mineral raw materials) and a 100% stake in LLC MK Kaz Silicon, which manufactures and sells steel silicon and polycrystalline silicon. The Company also acquired a 100% stake in LLC Bergstein which was renamed LLC Kazakhstan Solar Silicon and whose main activity is the production of silicon plates and photoelectric cells. In December 2011 the Company established a subsidiary, LLC Astana Solar, to produce photoelectric panels and electrical systems based on them.

Electricity generation by LLC MAEC-Kazatomprom, million kWh



Heat production by LLC MAEC-Kazatomprom, thousand Gcal



STAKEHOLDER RELATIONS

The distinctive nature of Kazatomprom's operations draws increased attention from the state, public, regulatory authorities, local communities, investors and other stakeholders. Given this, Kazatomprom strives to ensure the maximum degree of transparency (given the conditions of secrecy of the uranium industry) concerning its operations, results, strategies, policies and standards.

The Company aspires to meet the best international practices in corporate governance, risk management and sustainable development. High standards of corporate ethics and social responsibility enable a responsible approach to be implemented when interacting with internal and external stakeholders, which takes into account the interests and requirements of business partners. This approach involves:

- A lack of discriminatory practices, corruption, monopolistic behavior, violations of laws or internal regulations.
- The timely performance of obligations under contracts to public authorities, investors, business partners, customers, employees, and the execution of voluntary commitments with respect to the local community and voluntary organizations.
- Full and timely disclosure of the Company's operation results.

The reporting of the Company is primarily aimed at those groups of individuals and organizations that are subject to considerable influence from the Company, or that themselves affect the Company's operating and financial stability and reputation. Among these are: JSC Samruk-Kazyna, state and supervisory bodies, local administrations, employees of the Company, the local population in regions where the Company runs its business, the investment community and strategic partners.

In 2011, the Company's Board of Directors approved the Stakeholders Map, which determines the extent of influence by various stakeholder groups on Kazatomprom's activities. All the stakeholders groups were analyzed in detail with regard to their interests, obligations and forms of interaction with the Company. Following the results of the analysis, two zones of influence, "the inner circle" (direct

and legitimate influence) and the "second circle" (indirect influence) were identified and marked on the Stakeholders Map.

In order to determine as accurately as possible stakeholder interests and to resolve potential conflicts of interest, the Company is prepared to engage in open dialogue with all stakeholders. Forms of interaction with stakeholders include surveys, consultations, meetings, negotiations, the implementation of joint projects, the performance of obligations under contracts, and other actions initiated by the Company or stakeholders.

In the short term, the Company plans to develop a more systematic approach tocooperate with stakeholders, and to develop effective communication techniques to build an open and regular dialogue with all stakeholder groups.

Stakeholders Map

Examples of interaction with various stakeholder groups

The Company provides good working conditions for all employees. Ensuring safety in the workplace, building an effective dialogue, and reducing social tensions are priority objectives of the Company's HR policy. The high level of satisfaction of Kazatomprom employees, identified in the annual survey, reflects the successful building of relations of the Company (as an employer) with its employees and, accordingly, with the trade unions.

The Company's relations with the investment community are determined by the policy of the Sole Shareholder of the Company, JSC Samruk-Kazyna. This specifies the Company's corporate governance standards and interaction with the shareholders of the joint ventures, creditors, customers, suppliers and other business partners.

As part of its interaction with clients, the Company demonstrates a responsible approach to ensuring the high quality and safety of its products and services and the reliability of its supplies. In matters relating to the quality control of products, the Company is guided by the State Standards of the Republic of Kazakhstan and the Standards of Corporate Standardization System of Kazatomprom. The quality control is carried out by accredited test laboratories of the Company's enterprises.

The Company pays great attention to cooperation with akimats, public organizations and local communities. Since Kazatomprom is a state-run company, social responsibility is one of its priorities. Kazatomprom makes a substantial contribution to the social and economic development of regions in which it has operations. In addition, it adds to the sustainable development of the regions, environmental protection, and ensuring industrial, nuclear and radiation safety.

Kazatomprom and its subsidiaries are actively engaged in charity and sponsorship. The Company regularly backs events by order of the President, the President's Administration and the Prime Minister of the Republic of Kazakhstan, and in a timely manner performs its obligations to the state, including tax payment.

The Company directly contributes to the development of the uranium, chemical and energy industries of the Republic of Kazakhstan, including in relation to the scientific potential of the country, the training of local specialists, creating new jobs, and organizing training for workers in these industries. The training and development of HR involves close cooperation with Kazakh educational institutions, employment agencies, professional associations and other organizations. This requires substantial investment and involvement from the Company.

It is important to note that the Company has unbiased relations with the mass media. Owing to the high level of transparency and interest from the side of the mass media in the Company's activities, stakeholders have an opportunity to timely learn about the performance results of the Company's operation, key events, plans and changes taking place in the Company and other matters of concern.

CORPORATE GOVERNANCE

The Company pursues a consistent policy of improving corporate governance in accordance with the laws of the Republic of Kazakhstan, recommendations of the Sole Shareholder, and international best practices. The Company follows the practice of transparency and increased responsibility of the Company's management and the Council of Directors. To meet the advanced corporate governance standards, in 2010 the Company adopted a Code of Corporate Governance in its new version.

The corporate governance structure of Kazatomprom comprises:

- Supreme body – the Sole Shareholder;
- Managing body – the Board of Directors;
- Executive body – the Management Board.

In addition, the Company established the Internal Audit Service, mandated to monitor the Company's financial and economic activity, to evaluate internal controls, to manage risks, and to consult on improving the Company's operations.

The competence of various structural bodies of the Company are clearly prescribed in the Company's Articles of Association. Apart from the Articles of Association, other internal documents are adopted that prescribe powers between the Company's bodies and management on corporate governance.

SOLE SHAREHOLDER

The Sole Shareholder of Kazatomprom is JSC Samruk-Kazyna. The Sole Shareholder makes decisions within the scope of its competence, as specified in the Articles of Association. The key decisions taken by Samruk-Kazyna are as follows:

- Election and early termination of office of members of the Council of Directors
- Approval of financial statements and annual report
- Approval of the rate of dividends
- Approval of the Articles of Association and amendments to it

More detailed information about the competence of the Sole Shareholder is available on the Company's website in the Corporate Governance section.

REPORTING FROM THE BOARD OF DIRECTORS

The Board of Directors is responsible for the management of the Group on behalf of the Sole Shareholder. Each director shall take necessary decisions for the long-term success of the Group that would meet the relevant interests of the Sole Shareholder and provide a balance between long-term growth and the fulfilment of short-term objectives.

The Board of Directors operates under the principles outlined in the Articles of Association, the Code of Corporate Governance, and the Regulations on the Board of Directors. These documents include information about the role of the Board of Directors, and the rights, duties and responsibilities of the Directors.

The main activities of the Board of Directors are:

- Defining strategic directions of development and monitoring the implementation of strategy
- Approving key internal documents and policies
- Participating in the management of key risks, including determining the limits of acceptable risks
- Approving the development plan and check of reporting
- Determining standards and values of the Group
- Ensuring continuity of leadership
- Selecting the members of the Board and Internal Audit Service.

More detailed information about the competence of the Board of Directors is available at the website of the Company: www.kazatomprom.kz.

The Board of Directors aims to systematically work on increasing the current and long-term shareholder value of the Company. It provides support for managing the internal controls system. The latter ensures efficiency and effectiveness, compliance with regulations and compliance with best international practices.

The activities of the Board of Directors are based on efficiency, accountability, objectivity in decision-making, and the maximum respect for and protection of the Sole Shareholder and the Company.

In performing these functions, the Board of Directors actively interacts, including through its committees, with the external auditor, management and structural subdivisions of the Company. The Board has two main committees, the Audit Committee and the Committee for Appointments and Remuneration, both engaged in the consideration of specific aspects of the Group's activities. Chairmen of the Committees regularly report to the Board on the topics of agendas discussed by the committees, thus providing information to directors and enabling the option to discuss such issues.

COMPOSITION OF THE BOARD OF DIRECTORS

The current composition of the Board of Directors ensures a balance of interests of the Company. Two of the six Board members are independent directors, which ensure objectivity and balance in making strategic decisions, as well as submitting additional expertise to the Board of Directors. The description of criteria of independence for the Directors is given in the Articles of Association and Charter and Regulations of the Board of Directors, posted on the Company's website in the Corporate Governance section.

The Board of Directors of the Group comprises specialists of various ages, having a variety of skills, knowledge and experience of doing business in a number of industries. A wide range of knowledge and various points of view have a positive effect on the activities of the Board, allowing stereotypical approaches to be avoided and to provide decision-making flexibility.

To date, the average term of office of the directors of the Board in the Company is approximately two years, and the maximum is three years.

The quantitative composition of the Board of Directors is set by a decision of the Sole Shareholder.

The current composition of the Board of Directors is as follows:

- Bishimbaev Kuandyk Valikhanovich – Chairman of the Board of Directors, a representative of the Sole Shareholder, Deputy Chairman of the managing Board of Samruk-Kazyna
- Kuanysh Abdugalievich Bektemirov – Member of the Board of Directors, representative of the Sole Shareholder
- Zarina Fuatovna Arslanova – Independent Director
- Tlekkabul Sabitovich Ramazanov – Independent Director
- Mazhit Abdykalikovich Turmagambetov – Member of the Board of Directors, representative of the Sole Shareholder
- Vladimir Sergeyevich Shkolnik – Member of the Board of Directors, Chairman of the Management Board, Chief Executive Officer of the Company

CHANGES IN THE BOARD OF DIRECTORS COMPOSITION

On July 3, 2012 Kuandyk Valikhanovich Bishimbaev replaced Umirzak Estaevich Shukeyev at his post of Chairman of the Board of Directors

On May 8, 2012 the following persons were selected as members of the Board of Directors:

- Zarina Fuatovna Arslanova as Independent Director;
- Mazhit Abdykalikovich Turmagambetov as a representative of the Sole Shareholder;
- Zhandos Zhantoreevich Abishev as a representative of the Sole Shareholder;
- Murat Adylhanovich Sadenov as Independent Director;
- Serikzhan Mnaydarovich Ramazanov as Independent Director;

In May 2012 the following persons resigned from Kazatomprom's Board of Directors:

- On January 31, 2012 Kaunysh Abdugalievich Bektemirov was appointed member of the Board of Directors;
- On January 12, 2012 Umirzak Estaevich Shukeyev replaced Timur Askarovich Kulibayev at his post of Chairman of the Board of Directors;
- On June 7, 2011 Daniyar Rustemovich Abulgazin was selected as a representative of the Sole Shareholder to comprise the members of the Board of Directors, and in January 2012 he resigned from the Board of Directors;
- On June 7, 2011 the term of office of the member of the Board of Directors Aset Maratovich Magauov was terminated prematurely;
- On February 10, 2011 the term of office of the member of the Board of Directors and representative of the Sole Shareholder Ulan Saparovich Baizhanov was terminated prematurely; Nurlan Yermekovich Sauranbayev was elected and later on June 7, 2011 resigned from the Board.

Attendance at Board of Directors meetings in 2011

Member of the Board of Directors	*Attendance at meetings*	*%*
Timur Askarovich Kulibayev	*10 of 10*	*100%*
Daniyar Rustemovich Abulgazin	*5 of 5*	*100%*
Zhandos Zhantoreevich Abishev	*10 of 10*	*100%*
Tlekkabul Sabitovich Ramazanov	*9 of 10*	*90%*
Murat Adylhanovich Sadenov	*9 of 10*	*90%*
Serikzhan Mnaydarovich Ramazanov	*10 of 10*	*100%*
Vladimir Sergeyevich Shkolnik	*10 of 10*	*100%*

** Elected as member of the Board of Directors of Kazatomprom on June 7, 2011*

A BRIEF BIOGRAPHY OF BOARD OF DIRECTORS MEMBERS

Bishimbaev Kuandyk Valikhanovich,
Chairman of the Board of Directors,
Deputy Chairman of the Managing Board of JSC Samruk-Kazyna.

Citizen of the Republic of Kazakhstan. Born in April 11, 1980.

In 1999 graduated from Kazakh state management academy and in 2002 Taraz State University named after M. H. Dulati. In 2001 under Bolashak program took master's degree on business administration of the George Washington University (USA). Ph.D.

EMPLOYMENT BACKGROUND:

2001–2002 – Manager, Credit and structural financing department, chief manager of the Department of treasury operations in Development Bank of Kazakhstan.
2002–2003 – Head of the section of functional analysis, Department of budget policy and planning, deputy head of the department of investment planning and analysis of the Ministry of economy and budget planning of RK.
2003–2004 – Managing director, member of the Managing Board of National innovation fund JSC.
2004–2005 – Deputy Chairman of the Managing Board of Center of marketing and analytical researches.
In 2005 – Vice-President of Ordabasy Corporation.
2005–2006 – Advisor to the Minister of economic and budget planning of RK, Advisor to Vice Prime-Minister of RK.
2006–2007 – President of Center of trade policy developmen JSC under the Ministry of industry and trade of RK.
2007–2008 – Vice-minister of industry and trade of RK.
2008–2009 – Head of the Department of social and economic monitoring of President's Administration of RK.
2009–2010 – Assistant to the President of RK.
2010–2011 – Vice-minister of economic development and trade of RK.
Since May 2011 – Deputy Chairman of the managing Board of Samruk-Kazyna.
Since July 2012 – Chairman of Board of Directors of NAC Kazatomprom JSC.

Kuanysh Abdugalievich Bektemirov
Member of the Board of Directors of NAC Kazatomprom JSC

He was born in 1970. In 1993 he graduated from the Kazakh State University with a degree in Physics. In 2004 he graduated from Al-Farabi Kazakh National Univiversity with a diploma in Electrical Engineering.

EMPLOYMENT BACKGROUND:
He has extensive experience in senior posts in the field of urban utilities and the power industry.
From 1993 to 1999 he worked at Financial and Investment Corporation Atameken, JSC Altyn-Bidai and Open Company Vostok-Service. From 1999 to 2004 he held senior posts at GKPO Taldykorganteplo-Kommunenergo, GGKP Taldykorganteploservis, and JSC Astana-energoservice. From 2004 to 2008 he worked as director of Astanaenergosbyt LLC. From 2008 to 2010 he was head of the State Department of Energy and Public Utilities of South Kazakhstan Oblast, and then first Deputy of KazHydroMet RSE. From 2011 he was General Director at LLC Astanaenergokontrakt.

Since January 31, 2012 he has been the Managing Director of JSC Samruk-Kazyna and a member of the Board of Directors of NAC Kazatomprom JSC.

Mazhit Abdykalikovich Turmagambetov
Member of the Board of Directors at NAC Kazatomprom JSC

He was born in 1961. In 1984 he graduated from the Moscow Higher Technical School, majoring in Mechanical Engineering.

EMPLOYMENT BACKGROUND:
He has extensive experience in working at senior posts in commercial organizations and public service.

From 1984 he was a foreman, then deputy chief of the workshop at the machine-building plant named after S.M. Kirov. From 1989 to 1997 he took managerial posts in private for-profit organizations.

From 1997 he worked as Deputy Director of the Department of Industry under the Ministry of Economy and Trade of the Republic of Kazakhstan. From 1999 he was Chairman of the Committee for State Control over the Production and Circulation of Alcoholic Products of the Ministry of State Revenue of the Republic of Kazakhstan. From 2001 he was Vice-Minister in the Ministry of Natural Resources and Environment of the Republic of Kazakhstan. In 2003, he took the post of Chairman of the Board of JSC National Innovation Fund. From 2004 he was Chairman of the Board of JSC Astanaenergoservice. From 2006 to 2008 he held senior positions in various commercial organizations.

In 2008 he was appointed Deputy Akim (Governor) of South Kazakhstan Oblast. From March 2009 to January 2012 he was Vice Minister of Environment of the Republic of Kazakhstan. Since January 2012 he has been Chairman of the Board of JSC Tau-Ken Samruk.

In May 2012 he was elected a member of the Board of Directors at JSC NAC Kazatomprom.

Zarina Fuatovna Arslanova
Independent Director at NAC Kazatomprom JSC

She was born in 1960. In 1983 she graduated from the Kazakh State University named after Kirov, Faculty of Philosophy and Economics, majoring in Political Economy. She has a Ph.D. in Economics. She also received additional education in the Economic Development Institute of the World Bank, studying finance, risk management, business planning, and corporate governance.

EMPLOYMENT BACKGROUND:
She has extensive experience at senior posts in private organizations and higher educational institutions, as well as consulting experience in corporate finance, managerial accounting, strategic management, investment projects analysis, corporate governance, and other areas.

From 1994 to 2010, she was a member of the Council on Corporate Governance in the U.S. and Western Europe, a member of the Committee for Certification of Auditors, and a member of the Kazakhstan National Council on Corporate Governance.

From 1992 she was the founder and rector of the University of International Business (UIB). From 2002 she took the post of President at IBS Consulting, from 2005 she worked as vice-rector of the Kazakh-British Technical University (KBTU). From 2007 she held the post of President at LLC AXIS Corporation, from 2009 she was Managing Partner in LLC PKF Astana.

In May 2012 she was appointed a member of the Board of Directors of NAC Kazatomprom JSC.

Tlekkabul Sabitovich Ramazanov
Independent Director at NAC Kazatomprom JSC

He was born in 1961. In 1983 he graduated from Al-Farabi Kazakh National University with a diploma in Physics. In 1986 he completed his postgraduate studies at the Academy of Sciences. PhD in Physical and Mathematical Sciences.

EDUCATIONAL BACKGROUND:
He has extensive experience in research and has worked in public service in the field of science and education.

From 1987 to 2000 he worked as a research assistant, senior tutor, lecturer, professor and dean at the Faculty of Physics at the Kazakh National University named after Al-Farabi. From 2000 to 2006 he was Director at the Research Institute of Experimental and Theoretical Physics. From 2006 to 2007 he held the post of Chairman in the Committee of Science under the Ministry of Science and Education of the Republic of Kazakhstan. From 2007 to 2008 he was Vice President for Development and Introduction of High Technologies at Al-Farabi Kazakh National University.

From 2008 to 2010 he was the head of research and innovation projects at the Research Institute of Experimental and Theoretical Physics under the Kazakh National University named after Al-Farabi and professor in optics and plasma physics. From 2010 to present he has been Vice-Rector at the Kazakh National University named after Al-Farabi.

Under the guidance of Professor T.S. Ramazanov, two PhD theses and 13 post-graduate theses were defended, and over 350 scientific papers were published, also about 120 scientific papers were presented at prestigious international conferences. He is also the author of two books and 15 textbooks.

Since February 2009 he has been independent director at NAC Kazatomprom JSC.

Vladimir Sergeyevich Shkolnik
Member of the Board of Directors and Chairman of the Board of NAC Kazatomprom JSC

He was born in 1949. In 1973 he graduated from the Moscow Engineering Physics Institute, majoring in Physics and Power Plants. PhD in Physical and Mathematical Sciences.

EMPLOYMENT BACKGROUND:
He is a specialist in the field of nuclear energy with extensive experience in public service.

From 1973 to 1992 he worked at the Mangyshlak power plant as an engineer-physicist of the BN-350 reactor, then deputy director for science, nuclear safety and reactor production.

From 1992 to 1994 he was Director General of the Agency for Atomic Energy of the Republic of Kazakhstan. From 1994 to 1999 he held the posts of Minister of Science and New Technologies and President of the Academy of Sciences of the Republic of Kazakhstan. From 1999 to 2006 he was Deputy Prime Minister and Minister of Energy and Mineral Resources of the Republic of Kazakhstan. From 2006 to 2007 he was appointed Minister of Industry and Trade. From 2007 to 2008 he was Deputy Head of the Presidential Administration, and from 2008 to 2009 Minister of Industry and Trade of the Republic of Kazakhstan.

Since May 2009 he has been Chairman of the Management Board and a member of the Board of Directors at NAC Kazatomprom JSC.

SCOPE OF COMPETENCE OF COUNCIL OF DIRECTORS MEMBERS

In 2011 the Board of Directors of the Company held five sessions in person and five sessions in absentia, where they considered 84 issues. 24 internal and scheduled documents of the Company were approved, and the following key decisions were made:

- Approving the Company's Development Strategy until 2020
- Approving amendments to the Development Plan until 2015
- Completing more than 30 transactions in which the Company has a participating interest
- Decisions as to the implementation of large investment projects

In 2011 important decisions were made aimed at improving corporate governance. In particular, the Board of Directors developed and approved:

- A Corporate Code of Conduct
- A new version of regulations on the Corporate Secretary
- Regulations on assessing the operation of the Board of Directors, Board of Directors Committee, and each member of the Board of Directors of the Company
- The corporate accounting policy of the Company
- Regulations on settling corporate disputes and conflicts of interest in the Company
- The corporate social responsibility policy of the Company

In the area of the HR policy the following steps were made:

- Key performance indicators for the years 2010–2011 for the Company's executives were approved
- A policy of introducing new members of the Board of Directors of the Company to their term of office was developed and approved
- A policy was approved to improve the skills of Board members and engage foreign experts by the Board of Directors of the Company
- The policy to improve the skills of Board of Directors members and to engage foreign experts by the Board of Directors of the Company was approved.

As part of risk management the following was developed and approved:

- Regulations on managing the Company's risks
- The register of risks and risk map of the Company
- Key efficiency indicators to assess the Company's risk management

In the area of internal control and audit, the following papers were approved:

- Amendments to the Regulations of the Company's internal controls
- Amendments to the Regulations on the Audit Committee of the Board of Directors
- Amendments to the Regulations on the Internal Audit Service
- Strategic Plan for the Internal Audit Service for 2012–2014
- Key performance indicators of the Internal Audit Service

The Information Policy of the Company was developed and approved.

ASSESSMENT OF THE BOARD OF DIRECTORS OPERATION

In order to improve the effectiveness of the Board of Directors operation and to establish an adequate system of payment for Board members, in July 2011 the Board of Directors approved the Regulations on Assessing the Operation of the Board of Directors, the Committees, and Each Member of the Board of Directors of NAC Kazatomprom JSC.

This assessment will allow the Board of Directors to:

- Carry out an analysis and identify the strengths and weaknesses of the operation of the Board of Directors, committees and each director
- Make adjustments to the operation and target areas of the Board of Directors
- Assess the effectiveness and efficiency of the compensation system of the Directors
- Determine the effectiveness of the structure and the composition of the Board of Directors to meet the Company's strategic goals and objectives
- Identify the training needs of Directors

In 2011 the assessment of the operation of the Board of Directors and its committees was not carried out, but it is scheduled for the second quarter of 2012.

COMPENSATION OF THE BOARD OF DIRECTORS MEMBERS

Compensation for participation in the work of the Board of Directors is granted only to independent directors of the Company, in accordance with the Regulations on the Payment of Salary to and Compensation of Expenses of Independent Directors. The rate of the salary and compensation is established by a decision of the Sole Shareholder. It consists of:

- Fixed annual payment
- Additional payment for participating in each direct committee meeting
- Compensation of expenses related to travelling to the venue where meetings of the Board of Directors and its Committees are held

The fixed payment rate for independent directors is 1,200,000 tenge a year, while the rate of extra payment is 75,000 tenge per participation in each direct meeting of the Board of Directors committee.

In the event of the participation of the independent director in less than half of all direct and indirect meetings (save for absences due to sickness, vacations or

business trips) the fixed payment shall not be paid.

In 2011 the total amount of payment of the independent directors was 4,575 thousand tenge[3] .

ENGAGING INDEPENDENT DIRECTORS

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

The following principles determine the policy of selecting Kazatomprom independent directors:

- Board members can have any citizenship
- Candidates for directors should have an impeccable business reputation and the relevant experience, knowledge, skills and accomplishments necessary for performing the duties and ensuring the effective operation of the Board of Directors

The following persons cannot be elected to the position of Director:

- Those who have an outstanding criminal record or such criminal record was not removed
- Those who have no higher education
- Those who were previously the Chairman of the Board of Directors, the Chairman of the Management Board, the deputy head or deputy chief accountant of another legal entity within the period of not more than one year before making a decision on the compulsory liquidation, compulsory redemption of shares or the preservation of another entity, declared bankrupt in accordance with the procedure established by law. This requirement applies for five years after the date of making the decision.

In addition, a candidate for the post of independent director of the Company shall satisfy the following criteria:

- He shall not be an employee and/ or affiliated person of the Company and has not been such for three years preceding his election to the Board of Directors (except for the case of his tenure as an independent director of the Company)
- He is not and was not for three years preceding his election to the Board of Directors of the Company in close kinship (parent, brother, sister, son, daughter) married, and relationship by marriage (brother, sister, parent, son or daughter of the spouse) with an employee in the Company
- He is not subordinated to the officials in the Company or organizations / affiliates of the Company, and was not subordinated to the given persons for three years preceding his election to the Board of Directors
- He is not an affiliated person of an auditor, large client or supplier of the Company or non-profit organization that receives considerable funding from the Company (and its affiliates), and he is not an affiliated person in relation to the affiliated persons of the Company
- He does not provide any kind of paid services, including consulting, to the Company and its affiliated entities
- He is not a public servant
- He is not an auditor of the Company and was not such for three years preceding his election to the Board of Directors

TAKING OFFICE

In accordance with the Policy of Taking Office of the newly elected members of the Board of Directors of Kazatomprom, all directors within one month after the date of taking office should obtain sufficient information about the Group's operations, rights and responsibilities of the Board members, operating procedures, and the competence of the Board of Directors.

The Corporate Secretary shall ensure access to necessary information and provide documents such as the Regulations on the Board of Directors and its committees, minutes of meetings, action plans and composition of the Board of Directors and its committees, as well as the laws, regulations, codes and policies governing the operation of the Company. Within three months after being elected, new Board members are required to obtain access to information relating to the development strategy, results of the Company's operation, reports of the Internal Audit Service and external auditors and analysts, and other documents.

The goal of the Policy is to increase efficiency and a have a balanced attitude to decisions made by the Council of Directors, through using a structured and transparent procedure for taking office.

ENHANCING PROFESSIONAL KNOWLEDGE AND SKILLS OF BOARD OF DIRECTORS MEMBERS AND ENGAGING EXTERNAL EXPERTS BY THE BOARD OF DIRECTORS

Members of the Board of Directors have to possess the necessary knowledge and experience, but no director can be an expert in all fields. In this regard, there is a need to expand and upgrade the knowledge of the directors, as well as to provide them with opportunities to engage experts to carry out external professional and independent examinations of specific issues within the Board's competence.

In September 2011 the Board of Directors approved the Policy to Raise Professional Knowledge and Skills of the Board of Directors Members and to Engage External Experts by the Board of Directors of JSC Kazatomprom. The Policy defines the rights and duties of directors in terms of raising their professional knowledge and skills and involving external experts, and also

[3] The amount is specified before payment of taxes and mandatory deductions.

regulates the procedures for planning and making decisions in this area.

The goal of this Policy is to raise the efficiency of operations and to create a well-balanced approach to decisions made by the Board of Directors of the Company through introducing a systematized, structured and transparent mechanism for the development of skills and qualifications of directors, and through executing their rights to engage outside experts in cases where the issues addressed to the Board of Directors require external professional and independent examination and advices.

In accordance with the decision of the Board of Directors, throughout 2011 the Board's Committees engaged experts to develop recommendations for the Board of Directors of the Company.

In order to ensure a systematic approach to training directors, a plan was made for training newly elected Board members, taking into account their qualifications.

BOARD OF DIRECTORS COMMITTEES

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

Audit Committee

The Audit Committee was established under Resolution #6/10 of June 1, 2010 of the Board of Directors of JSC Kazatomprom. The scope of duties of the Audit Committee matches the best practices in the industry. According to the Regulations on the Audit Committee, the Committee ensures the participation of the Board of Directors in exercising control of:

- The financial and business operations of the Company
- The reliability and efficiency of internal control and risk management systems, as well as executing corporate governance documents
- Independence of the external and internal audit, as well as the process of ensuring compliance with law

The exclusive scope of competence of the Committee includes the consideration of issues related to the selection of external auditors and the rotation of the partner on the project (who bears principal responsibility for the audit) every five years, as well as assessing the external auditor's report.

The Committee engages in the preliminary examination of the financial (accounting) statements of the Company, assessing the quality of services provided by external auditors and compliance with the requirements of audit independence, as well as in supervising the completeness and accuracy of the tax accounting, financial accounting, and managerial accounting in the Company.

The Committee provides constant interaction of the Board of Directors with external auditors engaged by Kazatomprom the Management Board and the concerned structural divisions of the Company.

For a detailed analysis of issues submitted for consideration of the Audit Committee, the majority of the meetings shall be direct. In 2011 the Committee held eight direct meetings and one indirect meeting, which addressed the following key issues:

- Consideration of the quarterly reports of the Internal Audit Service
- Consideration of the 2010 Internal Audit Service report
- Making decisions on the payment of bonuses to employees and the Head of Internal Audit Service upon obtaining 2010–2011 operation results
- Approving the Audit Committee action plan for 2011 and 2012
- Determining the payment amount and terms to Head of Internal Audit
- Preliminary approval of Kazatomprom's 2010 annual financial reporting
- Giving recommendations to the Council as to approving the Internal Audit Service staff timetable
- Reviewing the results of periodic assessment of the topicality of objectives, and scope of duties of the Internal Audit Service to achieve these objectives
- Preliminary approval of amendments to Regulations on the Internal Control System of Kazatomprom
- Preliminary approval of key performance indicators of the Internal Audit Service operation
- Preliminary approval of the salary tables for Internal Audit Service employees
- Reviewing the Review of Consolidated Financial Statements of Kazatomprom for 6 months of 2011 and plan of action to carry out an external audit for 2011
- Reviewing the Report on Risk Management of Kazatomprom, with disclosure of information about critical risks in the first half of 2011
- Preliminary approval of the Risk Register and risk map of Kazatomprom
- Approving the form of a Questionnaire about the quality of work of the Internal Audit Service
- Approving the Program of Assurance and Improving the Quality of the Internal Audit Service Operation
- Reviewing information in "Progress of the Action Plan Implementation to Improve the Corporate Governance System" for 2011–2012
- Approving the Internal Audit Service's Audit Areas Map
- Approving the Internal Audit Service's 2012–2014 Strategic Plan
- Amending the regulations on the Internal Audit Service and Audit Committee

In 2011 the Committee fully met the goals, objectives and responsibilities established by the Code of Corporate Governance, Regulations on the Committee, resolutions of the Council of Directors, and the Committee's Action Plan for 2011.

In accordance with the Articles of Association, the Code of Corporate Governance and Regulations on the Committee, determining the number of members in the Committee, their term of office, the election of the Committee Chairman and members, as well as the termination of their term of office, relate to the competence of the Board of Directors of the Company.

The Committee consists of members of the Board of Directors, one of whom shall be appointed Chairman of the Committee. If necessary, the Committee may include external experts with the necessary expertise. The terms of office of committee members coincide with their terms of office as members of the Board of Directors.

COMMITTEE FOR APPOINTMENTS AND REMUNERATION

The Committee for Appointments and Remuneration was established under resolution #4/10 dated March 19, 2010 of the Board of Directors of JSC Kazatomprom. It promotes the recruitment of highly qualified professionals to the Company and creates the necessary incentives for their successful work. The main function of the Committee is to participate in developing a PR policy, principles and criteria for determining the rate of payments to the members of the Council of Directors and Management Board of the Company.

The Committee carries out preliminary assessments of candidates for posts of the Board of Directors members, the experts of Board of Directors committees, the Board of Directors, and the Corporate Secretary and provides advice on the procedure and conditions of paying their remuneration.

In 2011 the Committee held four direct and three indirect meetings that addressed the following key questions:

- Reviewing the key performance indicators of the operation of the executives at Kazatomprom
- Reviewing the 2010 Report on Operation of the Committee for Appointments and Remunerations
- Agreeing upon the Policy for Taking

Audit Committee meetings – number of meetings and their attendance

Committee member	Attendance of meetings	%
Serikzhan Mnaidarovich Ramazanov, Chairman of the Committee	*9 of 9*	*100%*
Zhandos Zhantoreyevich Abishev, Committee member	*7 of 7**	*100%*
Saya Naimanbaikyzy Mynsharipova, Director of Audit and Control Department of JSC Samruk-Kazyna, expert of the Committee	*8 of 9*	*89%*

**Member of the Audit Committee since April 2011*

Meetings of the Committee for Appointments and Remuneration – number of meetings and their attendance

Committee member	Attendance of meetings	%
Tlekkabul Sabitovich Ramazanov, Chairman of the Committee	*7 of 7*	*100%*
Murad Adylhanovich Sadenov, member of the Committee	*6 of 7*	*85%*
Zhandos Zhantoreevich Abishev, member of the Committee	*6 of 6**	*100%*
Gulzhihan Kabdylkairovna Kaysenova, General Manager of the Department for Human Resources Management at Samruk-Kazyna JSC, and expert of the Committee	*7 of 7*	*100%*

** Member of the Committee for Appointments and Emoluments since April 2011*

Office of newly elected members of the Council of Directors of Kazatomprom
- Electing members of the Board of Kazatomprom
- Agreeing on the Regulations on Assessing the Activities of the Council of Directors, committees of the Council of Directors, and each member of the Council of Directors of Kazatomprom
- Appointment of employees of the Internal Audit Service and determining the terms of paying remuneration to newly appointed employees of the Internal Audit Service
- Approving the 2011 Action Plan of the Committee for Appointments and Remuneration
- Reviewing the Policy on Raising the Professional Knowledge and Skills of the Council of Directors Members and on Engaging External Experts by the Council of Directors
- Reviewing the Regulations on the Committee for Appointments and Remunerations in the new version
- Giving recommendations on approving the HR Policy of Kazatomprom
- Giving recommendations on approving the Regulations on Paying Wages and the Provision of Social Support to Board of Directors members of Kazatomprom
- Giving recommendations on approving the Regulations on Paying Wages and Providing a Benefit Package to the Corporate Secretary and members of the Internal Audit Service.

MANAGEMENT BOARD

The Management Board of the Company carries out its activities in accordance with the principles outlined in the Articles of Association, the Code of Corporate Governance, and the Regulations on the Management Board. These documents include information on the role and accountability of the Board, and the rights, duties and responsibilities of the Board. A key goal of the Board as an executive body is the running of the Company's activities. The Board makes decisions in accordance with the competence set forth in the Articles of Association of Kazatomprom. To learn more about the competence of the Board, visit the Company's website: www.kazatomprom.kz.

APPOINTMENT OF THE CHAIRMAN AND MEMBERS OF THE MANAGEMENT BOARD, THEIR DUTIES AND RESPONSIBILITIES

According to the Regulations on the Board of Kazatomprom, the members of the Management Board are obliged to protect the interests and implement resolutions of the Sole Shareholder and Board of Directors of the Company. The Board of Directors of Kazatomprom appoints members of the Management Board, terminates their term of office, and sets the composition and terms of office for Board members in accordance with the Regulations on the Management Board, the Company's Articles of Association and the laws of the Republic of Kazakhstan. The Chairman of the Management Board shall be appointed and dismissed by the Sole Shareholder. The Board shall consist of not less than five persons.

The relationship between the Company and Management Board members is formalized by a employment contract (there are supplementary agreements to the employment contract if the member of the Management Board is an employee of the Company), which provides for the direct relation between the material incentive of the Chairman and members of the Board and the achievement of targets on key areas of the Company's activities.

The employment contract, the Articles of Association, and the laws define the rights, duties and responsibilities of the Management Board. The scope of duties of the Board members involves ensuring the integrity of the accounting and financial reporting, as well as taking measures to optimize the Company's operations. Management Board members, as well as the heads of structural divisions of the Company, shall be liable to the Company and the Sole Shareholder for the timely and qualitative implementation of decisions made by the Board and the Company for any losses incurred as a result of violating the procedures for the delivery of information, as set forth in the laws.

Composition of the Management Board

- ***Vladimir Sergeyevich Shkolnik*** *Chairman of the Management Board;*
- ***Sergey Alekseyevich Yashin*** *Deputy Chairman of the Board;*
- ***Nurlan Bektasovich Ryspanov*** *Deputy Chairman of the Board;*
- ***Aydar Abdrazakhovich Arifkhanov*** *Deputy Chairman of the Board;*
- ***Almas Olzhabaevich Kosunov*** *Managing Director, Head of the Administration Office;*
- ***Sergei Ivanovich Poltoratskii*** *Head of Department for NFS Projects.*

COMPOSITION OF THE MANAGEMENT BOARD AND BRIEF BIOGRAPHY OF BOARD MEMBERS

Sergey Alekseyevich Yashin
Kazatomprom Deputy Chairman of the Management Board

He was born in 1965. In 1988 he graduated from the Tomsk Polytechnical Institute, majoring in the Technology of Rare and Trace Elements.

EMPLOYMENT BACKGROUND:
He has extensive experience in the uranium, rare metals and chemical industries.

From 1988 to 2004 he worked as an equipment operator in a workshop, then as a production engineer, deputy executive director, chief production engineer and director of the Division for Uranium Processing, as well as First Deputy General Director of the Ulba Metellurgical Plant JSC.

Since 2004 he has been Deputy Chairman of the Management Board at Kazatomprom.

Nurlan Bektasovich Ryspanov
Kazatomprom Deputy Chairman of the Board

He was born in 1961. In 1983 he graduated from the Leningrad Institute of Water Transport, majoring in Machines and Mechanisms, and in 2003 from the Kazakh National Technical University with a diploma in Underground Mining of Mineral Deposits. In 1991 he gained a PhD in Technical Sciences after defending a thesis in the Moscow State Technical University named after Bauman. In 2010 he gained a Masters degree in Technical Sciences after defending the thesis "Theoretical Foundations of Heap Leaching of Metals" in the Institute of Mining named after D.A. Kunaev.

EMPLOYMENT BACKGROUND:
He has extensive experience of work in R&D enterprises, public service companies, and mining and industrial companies.

He held the post of Director in the Menar commercial and industrial company, in the Machine Building Scientific and Engineering Center, and was a senior lecturer and senior research assistant at the Pavlodar Industrial Institute.

From 1998 to 2001 he was Director of the Department of Industry, Transport and Communications of Pavlodar Oblast, and Director of the Department of Heavy Industry under the Ministry of Industry and Trade of the Republic of Kazakhstan. From 2001 to 2008 he was Director General of the Tau-Ken Mining and Metallurgical Company, Kazprom-Kyzylorda, and a joint uranium mining venture Betpak Dala, and the President of Kazprom-Nerud Consortium. From 2008 to 2009 he held the post of Deputy Chairman of the Committee of Industry, Ministry of Industry and Trade of the Republic of Kazakhstan.

In 2009 he was appointed Director for Management of Mining Assets at Samruk Kazyna.

Since 2009 he has been Deputy Chairman of the Management Board at Kazatomprom.

Aydar Abdrazakhovich Arifkhanov
Deputy Chairman of the Board at Kazatomprom

He was born in 1974. In 1995 he graduated from the Kazakh State Academy of Management, majoring in Economics. In 2000 he graduated from the Diplomatic Academy of the Ministry of Foreign Affairs of the Republic of Kazakhstan as a specialist in international relations. In 2008, he gained a masters degree in Public Administration at Columbia University, New York, USA.

EMPLOYMENT BACKGROUND:
He has extensive public service experience in the areas of finance, credit and public administration.

From 1996 to 2003 he held various posts in the Ministry of Finance of the Republic of Kazakhstan: Deputy Director of Public Debt and Crediting Department, the Head of Directorate for Government Loans and State Guarantees within the structure of the Department of Government Borrowings, and other.

From 2004 he held the following positions: Vice-Minister of Finance, Deputy Head of the Prime Minister's Office, Vice Minister of Labour and Social Affairs, Advisor to the Prime Minister of the Republic of Kazakhstan, Deputy Chairman of the Agency of the Republic of Kazakhstan for Informatization and Communication.
From 2010 to 2011 he was Managing Director of JSC Kazakhtelecom.
In 2011 he was appointed to his current position of Deputy Chairman of the Management Board of JSC Kazatomprom.

Almas Olzhabaevich Kosunov
Managing Director – Head of the Administration Office of JSC Kazatomprom

He was born in 1949. In 1973 he graduated from the Moscow Chemical Technology Institute named after D.I. Mendeleyev, majoring in Processes and Devices of Chemical Production and Chemical Cybernetics. PhD in Chemical Sciences.

EMPLOYMENT BACKGROUND:
He has extensive experience in the field of science and public service.

From 1977 to 1992 he was senior engineer, deputy chief and then chief of the laboratory at the Soyuz Scientific and Production Association (Research Institute of Chemical Technology, the city of Dzerzhinsk). From 1993 to 1995 he held the post of head of the unit and deputy head of the unit of the Department of Scientific and Technological Progress within the structure of the Administration under the Cabinet of Ministers of the Republic of Kazakhstan.

From 1995 to 2009 he served as Advisor to the First Deputy Prime Minister, Deputy Minister of Science, Chairman of the Aerospace Committee and Director of the Department of Regulatory Support and International Cooperation under the Ministry of Energy, Industry and Commerce, Science and Education, Vice-Minister of Industry and Trade of the Republic of Kazakhstan

From 2007 to 2009 he was President and Chairman of the Board of JSC The National Company Kazakhstan Engineering. In 2009 he was appointed Managing Director and Chief of the Administration Office of Kazatomprom.
Since 2011 he has been a member of the Management Board at JSC Kazatomprom.

Sergei Ivanovich Poltoratskiy
Director of NFC Projects Department at Kazatomprom

He was born in 1953. In 1979 he graduated from the Kazakh Polytechnic Institute with diploma in Hydrogeology and Engineering Geology. PhD in Geological and Mineralogical Sciences.

EMPLOYMENT BACKGROUND:
He has extensive experience in the field of scientific research and public service.

From 1979 to 1990 he held various positions at the Institute of Hydrogeology and Hydro Physics and was the scientific secretary of the Department of Earth Sciences of the Presidium of the Kazakh SSR Academy of Sciences. From 1990 to 1995 he was the Head of the Laboratory of the Institute of Seismology under the Academy of Sciences of the Kazakh SSR.

From 1995 to 1997 he held various posts in the Government Office and the Prime Minister's Office of the Republic of Kazakhstan.

From 1997 he was a leading hydrogeologist, chief specialist, director of the Department for Joint Ventures and the Corporate Governance Department at JSC Kazatomprom.

From 2009 he was a member of the Management Board at Kazatomprom.

Since 2011 he has been director of the NFC Projects Department at Kazatomprom.

REMUNERATION OF BOARD MEMBERS

Payments to Management Board members involve salaries and vacation payments. The Board of Directors of the Company sets the salary size for top managers, which is reflected in the employment contract. Vacation payments are paid once a year in an amount that does not exceed two salaries of the top manager while on leave for annual vacation. Payment of other types of allowances, bonuses and prizes is not made to top managers.

COMMITTEES OF THE MANAGEMENT BOARD

There are several committees of the Board, such as the Risk Committee, the Investment and Credit Committees, and also the Council for Science and Engineering. The Board annually evaluates the performance of all these committees.

Risk Committee

As part of the Risk Management System under the Board, there is the Risk Committee, an advisory body to coordinate the process of managing the Company's risks. Its purpose is to assist the Kazatomprom Board in corporate risk management, including improving the Risk Management System and providing an immediate response to critical risks.

The Committee is governed by the laws of the Republic of Kazakhstan, the Charter, the Code of Corporate Governance, the Regulation on the Committee, and other internal documents of the Company. The size and composition of the Committee shall be approved by the Management Board. The Committee shall meet at least twice a year and may meet more often if necessary.

The functions and responsibilities of the Risk Committee include:

- Reviewing/approving preliminary drafts of the Company's internal risk management system documents
- Defining risk management techniques proposed by the structural units, based on risk identification and assessment
- Reviewing/preparing proposals based on monitoring risks, observation by the Company of maximum permitted risk limits, and complying with internal risk management documents
- Defining requirements for information and economic security systems
- Reviewing/preparing proposals to improve action plans in the event of the occurrence of risk factors, such as adverse impacts on the environment, changing market conditions, and force majeure circumstances.

Investment Committee

The Investment Committee is a permanent advisory body for coordinating the investment activities of the Company and its subsidiaries. The Committee makes

decisions on strategic investment projects, mergers and takeovers, acquisitions and disposals of participating interests and the shareholdings of other legal entities. The main purpose of the Committee is to make recommendations and suggestions on how to improve the effectiveness of Kazatomprom's investment activities, including proposals to improve the internal regulations governing the investment activities of the Company's enterprises.

The Committee is governed by the laws of the Republic of Kazakhstan, JSC SK's documents, the Charter, the Investment Policy, Regulations of the Committee, and other internal documents of the Company. The working body of the Committee is the New Project Department of Kazatomprom. If necessary, the Committee may invite employees of the Group's structural divisions to participate in its meetings. The Company's Management Boardм approves the composition of the Committee and makes an annual evaluation of its activities.

Credit Committee

The main purpose of the Credit Committee is to ensure the implementation of the Company's monetary policy in accordance with the requirements of JSC SK and timely and quality decision-making on issues related to loans to the Company. The Credit Committee's decisions are advisory in nature, and subject to presentation to the Company's Management Board for appropriate action.

The functions of the Credit Committee include:

- Reviewing/making recommendations on loan applications, including analysis of expert assessment of the actual and planned financial performance against which the loan is to be issued and verification of collateral.
- Defining loan terms, such as the amount, duration, purpose, interest rate, security, repayment schedule of the principal and interest.
- Reviewing/making decisions on scheduled and unscheduled monitoring of credit activities.
- Reviewing/making recommendations to make a decision on restructuring loans and on issue loans.

The working body of the Credit Committee is the Company's Treasury. The composition of the Credit Committee shall include the Head of the Working Body (Treasury), an employee of the Company's structural unit responsible for risk management (Risk Management and Business Administration Department), and also an employee of the Company's legal service. The Chairman of the Credit Committee is the member of the Board in charge of financial matters.

Council for Science and Engineering

The Council for Science and Engineering (CSE) was established to approve strategies aimed at the innovative and technological development of Kazatomprom in the field of uranium mining and processing, fuel cycle, rare and rare- earth metals, and renewable energy.

The main CSE functions include:

- Defining strategic areas of scientific and technological development of the Group;
- Developing recommendations for the use of scientific achievements and new technologies for the benefit of the Group;
- Reviewing/approving research and development (R&D) plans, including coordination of budget, technical tasks and activities that enhance the technical and economic efficiency of operations;
- Implementation/monitoring/ evaluation of R&D, as well as securing the rights for the findings of R&D;
- Reviewing findings of the Company's patent and license activity and scientific and information work, matters of protection and use of the intellectual property of the Company;
- Engaging research councils, research centers, and research institutions to cooperate on innovations;
- Reviewing issues related to the advanced training of Kazatomprom specialists.

SETTLEMENT OF CORPORATE DISPUTES AND CONFLICTS OF INTERESTS

The Company has a Regulation on the settlement of corporate disputes and conflicts of interest of Kazatomprom, approved by the Board of Directors. This Regulation defines the causes of corporate conflicts and conflicts of interest, procedures for their prevention, and also the activities of the Company's authorities as part of measures to resolve conflicts.

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

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

In order to deter and prevent corporate conflicts and conflicts of interest, officials must:

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

CORPORATE ETHICS

BUSINESS INTEGRITY AND ANTI-CORRUPTION POLICIES

Kazatomprom understands and acknowledges that the honest conduct of business, including fighting against corruption, is necessary when interacting with stakeholders and building trust. The practice of honest business management improves the social and economic environment where we operate, by way of increasing the reliability and integrity of transactions, preventing corruption, and providing reliable information for stakeholders to make decisions. The Company is committed to high standards of corporate ethics and agrees to take the following measures:

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

A face-to-face meeting of Kazatomprom's Board of Directors held on December 7, 2011 approved the amended Code of Conduct. The Code takes into account the above measures to combat corruption and adhere to principles of fair competition. It also sets out the rules and policies for providing information, resolving conflicts, ensuring health and safety and protection of the environment, and strengthening internal controls.

The Code establishes principles and standards of corporate ethics and promotes the development of a corporate culture aimed at conducting business honestly, building trusting relationships, and interacting effectively with stakeholders. This document provides a certain basis for accountability to stakeholders in respect of business ethics and socially-oriented behavior.

The Company has adopted a number of documents aimed at preventing and combating corruption. The main one of these is the Policy of confidential reports of suspected or known facts of fraud, breach of internal controls and other Kazatomprom regulatory documents. This Policy was adopted in 2011 and set out measures enabling any Company employee to anonymously report potential cases of corruption. During 2011, not a single case of corruption was reported.

In 2011, 80% of Kazatomprom's security services were trained in anti-corruption policies and procedures

OMBUDSMAN INSTITUTE

The Code of Conduct provides for the establishment of the Ombudsman Institute in the Company. The Ombudsman is appointed by the Board of Directors for two years. In accordance with the Code of Conduct, the basic functions of the Ombudsman include collecting information about non-compliance with the provisions of the Code of Conduct, counseling officers and employees on the provisions of the Code of Conducts, initiating the settlement of disputes on breaches of the Code of Conduct and participating in dispute settlement.

The duties of the Ombudsman also include providing the Board of Directors with a report on compliance with the requirements of the Code of Conduct. The report must include information on appeals made about non-compliance with the Code of Conduct.

Since according to international best practice the Ombudsman should not be accountable to the Board, in December 2011 the Board of Directors appointed the Corporate Secretary of the Company to be Ombudsman.

RISK MANAGEMENT

RISK MANAGEMENT SYSTEM

Kazatomprom's activities involve various risks. Hence an effective risk management system (RMS) is an essential element of the Company's business operations and growth strategy. Accurate and timely identification, assessment, monitoring and responding to risks allows decisions at all management levels to be effectively made and ensures the attainment of strategic objectives and key performance indicators of the Company.

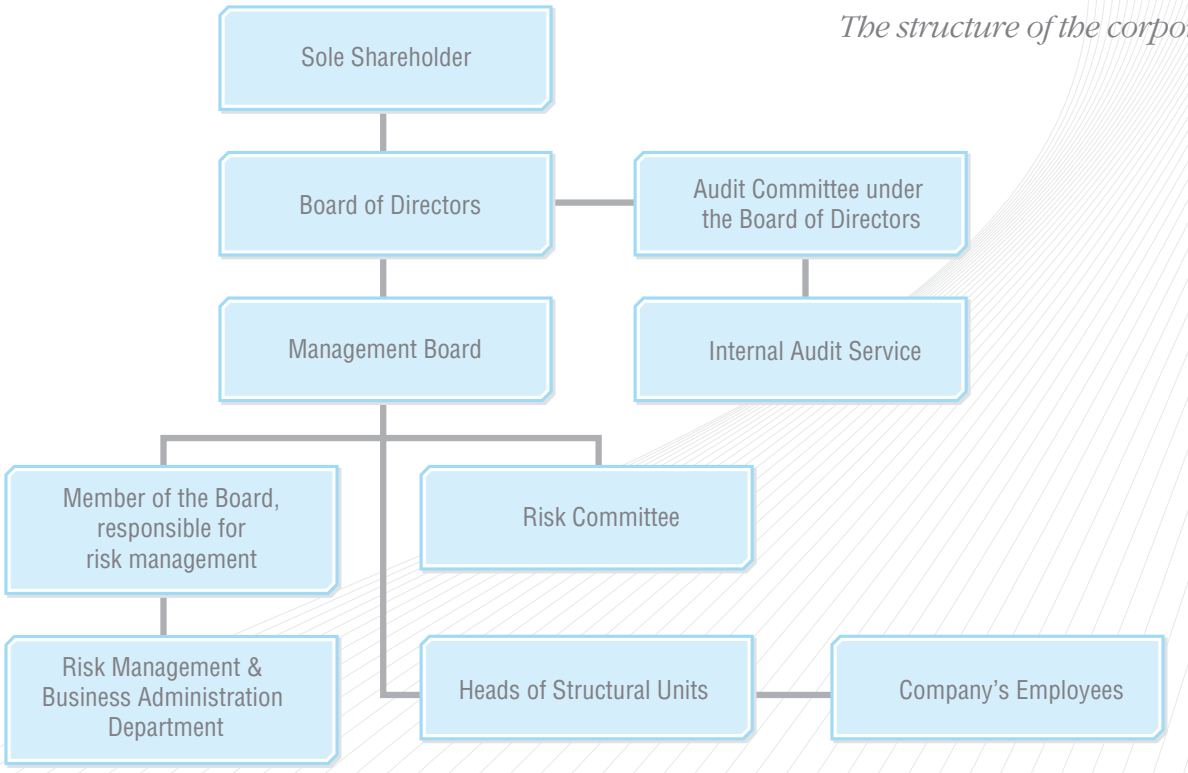
In 2009, a decision was made to establish the Risk Management and Business Administration Department, which became the basic momentum for creating the corporate risk management system. The main activities of the Department consist in identifying and assessing risks, setting limits, developing action plans for risk management and monitoring their performance. As part of its functional responsibilities, the Risk Management and Business Administration Department cooperates with the Sole shareholder, the Board, the Board of Directors, the Internal Audit Service, the structural units and affiliated JSC SK companies. Another key body in the risk management system is the Risk Committee under the Board, which is responsible for implementing the Kazatomprom risk management policy.

Risk management is carried out in Kazatomprom in accordance with the Company's internal risk management documents as approved by the Board of Directors. These include a risk management policy, risk management rules, and instructions on risk categories. The Risk Management Policy defines the principles, goals and RMS structure, including the functions and accountability of different agencies and departments, as well as corporate terminology. The risk management rules define the processes, methods, and tools for risk management, as well as the procedures for risk identification, classification, evaluation, and analysis. The Company has also made a Risk Register and a risk map and regularly prepares risk management reports.

The involvement of all key departments and stakeholders, as well as the efficient exchange of information in the risk management process between the Board of Directors, the governing bodies and Company's units, creates a favorable risk-culture in Kazatomprom.

The need for effective risk management is communicated to all stakeholders. The Company organizes corporate training in risk management for managers and other employees who are risk owners. There is an annual round table with employees responsible for risk management to discuss topical issues and exchange experience.

The structure of the corporate RMS



KEY RISKS AND MEASURES AIMED AT MITIGATING THEM

In accordance with the COSO ERM methodology, Kazatomprom subdivides all risks identified into four main categories: strategic, financial, operational and legal. In turn, each category consists of a group of risks.

According to the Company's Risk Register, 34 risks were predicted for 2011: of these two were critical (risk of reduction in uranium prices and the risk of shortages of sulfuric acid). Today the Company has successfully controlled the critical risks.

STRATEGIC RISKS

Strategic risk refers to events that may have a negative impact on Kazatomprom achieving its strategic objectives. The key risks of this category related to the Company's activities include: market risks and competition risks, in particular, the risk of a reduction in uranium prices and the risk of sulfuric acid shortages.

Market risks – risk of reduction in uranium prices

The accident at the Fukushima-1 nuclear power plant in Japan and the subsequent announcement of a moratorium on the operation of nuclear power plants in Germany have led to greater nuclear industry regulation.

In this situation, the Company predicted the risk of reduced uranium prices under Kazatomprom contracts. However, as a result of successful preventative measures, no significant impact was felt.

Risk of sulfuric acid shortages

One of the key strategic risks the Company is currently subject to is a potential shortage of sulfuric acid, which is used in the extraction of uranium by in-situ leaching (ISL). A lack of sulfuric acid can lead to delays in implementing the production plan and reduce the amount of uranium mining, thereby directly affecting the profitability of the Company from uranium sales.

As part of this risk management, the Company has built its own plant to produce sulfuric acid which will reduce dependence on foreign supplies. In addition, the Company monitors its sulfuric acid stocks and suppliers in order to maintain a constant level of supply.

FINANCIAL RISKS

The main financial risks include credit, currency and liquidity risks.

Credit risks

Major credit risks that the Company's activities may be subject to are related to trade receivables of raw materials, cash and cash equivalents, term deposits and investment securities. However, the risks

Key Bodies' Functions in the Risk Management System

Sole Shareholder

- Making strategic decisions on the Company's risk management

Board of Directors

- Sets the objectives of the Company
- Defines forms and deadlines for reporting on risk management
- Reviews reports on risk management performance prepared by the Company's Internal Audit Service and external auditors
- Reviews information on risk management and takes appropriate measures within its competence
- Approves Risk Management Policies of the Company and other internal risk management documents

Management Board

- Provides half yearly risk management reports to the Board
- Reviews information on risk management and takes appropriate measures within its competence
- Approves documents on the Company's risk management not related to the competence of the Company's Board of Directors
- Review reports on the effectiveness of the RMS

Management

- Provide the sole shareholder, the Board of Directors and Management Report, in accordance with the approved regulatory documents
- Reviews information on risk management and takes appropriate measures within its competence
- Organizes performance of the RMS to detect, identify and assess potential risks
- Improves internal risk management documents
- Approves documents on the Company's risk management not related to the competence of the Company's Board of Directors or Management Board
- Timely responses to emerging risk events and takes appropriate measures within its competence

Internal Audit Service

- Evaluates the effectiveness of risk management processes and develops recommendations to improve the performance of the Company's risk management.

Risk Management and Business Administration Department
(the Company's structural unit in charge of risk management)

- Detects, identifies, and assesses risks and develops measures for risk reduction, control and monitoring in accordance with the Company's internal risk management documents
- Complies and presents to the management of the Company consolidated reports according to Company's internal risk management documents
- Reviews risk management reports by the Company's structural units and enterprises
- Coordinates the performance of risk management systems of the Company and the Company's enterprises
- Develops and improves the Company's internal risk management framework
- Based on risk analysis, develops recommendations for the Company's enterprises
- Plans measures required for risk management
- Creates and maintains a database by type of risk to be used for risk analysis and assessment in accordance with the internal documents of the Company
- Develops risk classification
- Provides methodological and consultative assistance to enterprises and structural units of the Company
- Develops internal documents on the Company's risk management
- Interacts with Kazatomprom's Internal Audit Service and the structural units in the field of risk management
- Organizes and conducts meetings and discussions with heads of departments of the Company on identifying and evaluating identified and potential risks

Risk owners

- Carry out systematic and continuous risk management work in the area of the unit
- Timely risk management reporting and providing reports to the Company's structural unit in charge of risk management for consolidation
- Respond timely to emerging risk events and communicate to the management of the Company

associated with cash, cash equivalents and time deposits are limited, due to the fact that the counterparties are banks with high credit ratings assigned by international rating agencies.

To manage credit risks, the Company has developed a credit policy under which the creditworthiness of each new customer is analyzed individually before the customer is offered the Company's standard terms and conditions of payment and delivery.

Liquidity risks

The Company takes out loans for continuous operations and implementation of investment projects and, as a result, is subject to liquidity risk. To manage liquidity risk, the Company provides the constant availability of liquidity sufficient to meet its liabilities when due both under common and in stressful conditions. The Company also does not allow unacceptable losses to be incurred, or its reputation to be risked.

The Company has developed and approved instructions for the establishment of limits for the balance sheet and off-balance sheet liabilities to Kazatomprom agency banks. The Company also has set limits on second-tier banks (STB) and approved a list of STB where temporarily-idle funds can be deposited. Risk Management and Business Administration Department conducts monthly monitoring of liquidity risk management.

Currency risks

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

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company tries to keep the net position risk within acceptable limits by means of planning future expenditure while taking into account the currency of payment.

OPERATIONS RISKS

Safety risks

Nuclear companies are subject to risks of nuclear, radiation and industrial safety, characteristic of a very small number of industries. Any failure in the safety system or violation of safety standards is fraught with serious consequences for both the Company activities and the employees and the local population (for more on nuclear and radiological risks in the Sustainable Development, see Sections 12.3 and 12.4).

In 2011, all uranium mining enterprises had implemented a package of measures to strengthen the safety system for physical protection and protection of property, and also economic and information security. The Company also organizes meetings with partners on nuclear safety, data protection and anti-corruption in joint ventures.

Interaction with law enforcement and security structures contributes to the preservation of property, protecting the life and health of personnel, preventing illegal actions on the part of external and internal intruders, strengthening the rule of law and combating crime at the enterprises and rotational camps (more on the policy of the Company in the field of industrial health and safety in Sustainable Development, Section 12.2).

LEGAL RISKS

Compliance with legislation

Since Kazatomprom carries out its activities in Kazakhstan and some foreign countries, the Company is subject to the laws and regulations of various states and territories. All nuclear fuel cycle stages, including production and processing of uranium, carried out by the Company and use of Company's products by its customers are subject to the requirements of international and national laws on occupational health and safety and environmental protection.

Standards and practices of international organizations, such as the UN International Atomic Energy Commission, are constantly being improved, and these changes affect the Company's activities. The legal framework of the Republic of Kazakhstan on the environment, health and safety is also becoming more complex and comprehensive. The Company aims to respond quickly to changes in legislation and conform to best practices in the field of industrial health and safety and environmental protection and other issues.

SUSTAINABLE DEVELOPMENT

Sustainable development is the basis of the Company's future growth and steady development. In view of this, the Company now works for the principles of sustainable development and corporate social responsibility to be implemented in practice.

The adoption of the Code of Corporate Governance has become an important step in this process. The Company adheres to the following principles that are aimed at implementing the concept of sustainable development:

- Responsibility
- Environmental protection
- Precautionary measures
- Safe working conditions
- Transparency and fairness of disclosure of Company information
- The principle of responsibility confirms that the Company acknowledges and respects the rights of all stakeholders and seeks cooperation with a view to developing and ensuring the financial stability of the Company.
- The environmental protection principle – the Company's Corporate Code defines a number of Company obligations which affect not only compliance with environmental legislation, but also more extensive obligations concerning the improvement of management systems, environmental safety of production operation and products, taking account of environmental consequences, and work with suppliers.
- Under the precaution principle, the Company observes the priority of preventive measures to protect the environment at all stages of the product life cycle, and also carries out self-monitoring and timely informs stakeholders about cases of accidental pollution of the environment.
- The principle of safe working conditions. The Company has set itself the task of continuously improving industrial safety and working conditions at the Company's enterprises, by enhancing the efficiency of operational control, introducing advanced information technologies, implementing appropriate management system certification, and training Company employees.
- The principle of transparency and fairness of disclosure of information on the Company's activities means that the Company undertakes to ensure the timely disclosure of fair and accurate information concerning the Company, including in relation to its financial situation, economic indicators, operation results, ownership, and management structure.

The process of documenting defining the aspects of our activities in sustainable development was made in 2011 with the development of the Kazatomprom's occupational safety and health and environmental protection and nuclear and radiation safety policies. This document identifies 10 key environmental principles.

The Company also has a policy of corporate social responsibility, which determines internal activities regulating labor relations, health and safety at work and external activities relating to environmental issues, social and economic development, and charitable and sponsorship activities (see Principles of Social Responsibility).

In 2011, the Company continued to improve the environmental management system. As part of this work, a recertification audit was carried out at LLP MAEC-Kazatomprom enterprises, UMP JSC, and LLP The Trade Transport Company for compliance with the international environmental management standard ISO 14001. As a result, no significant discrepancies were found by international auditors. Therefore, the environmental management system implemented at these facilities was again recommended for recertification.

At the end of 2011, environmental management standards ISO 14001 were introduced at 17 subsidiaries and affiliates of the Company, thereby giving an indication of the high level of environmental management and improvement of environmental responsibility at each stage of the production process.

In complying with the legislation of the Republic of Kazakhstan, all Company subsidiaries are developing programs of industrial environmental control and actions to protect the environment, which are subject to annual approval by authorized bodies within a procedure for registering permits for emissions. Thus, we are able to announce that the Company has established and implemented effective environmental monitoring methods.

SUSTAINABLE DEVELOPMENT MANAGEMENT STRUCTURE

The Company intends to create a reliable and effective management system for occupational health and safety and environmental protection and nuclear and radiation safety issues. When building the management system, the Company focuses on global best practices and the many years of the Company's experience.

Currently, occupational health and safety and environmental protection and nuclear and radiation safety issues are supervised at Kazatomprom Board level by the Deputy Chairman of the Board.

Semizbai U LLP was a winner at the Paryz-2011 awards, in the category "For Contribution to the Environment"

The HSE Department in the Company provides methodological support and carries out supervision and overall coordination of the occupational safety and health and environmental protection services that operate in all the Company's structural units.

The Department also collects and analyzes data on the results of environmental monitoring at the Company's enterprises, and these form the basis of a report that is submitted to the Board for review.

ENVIRONMENTAL PROTECTION

RESULTS

Energy efficiency and use of resources

The Company is actively working to improve energy efficiency. This includes three main areas: modernization of the production process, reconfiguration of equipment, and personnel behavioral changes. As a result of this work, the year 2011 saw a 4.2 million GJ increase in energy efficiency.

As part of its operations, the Company uses a variety of substances and materials that are dangerous to humans and the environment. To prevent emergencies, reduce negative environmental impact and improve operational efficiency, the Company keeps precise and detailed records of all materials used.

Among the main materials used in the production process, of particular significance is sulfuric acid, which is used in the underground uranium leaching process.

All processes related to the handling of sulfuric acid, including procurement, transport and use, are strictly regulated by the Company's internal procedures. A risk of a potential shortage of sulfuric acid was added to the Company's Risk Register in 2011, which enabled better arrangements to be put in place to control and minimize this risk.

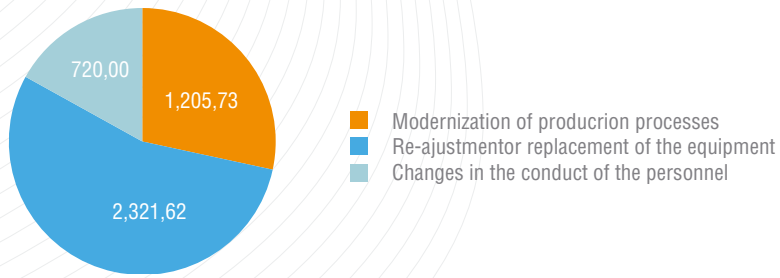
Use of land and biodiversity

Land protection is a key requirement for operations in uranium mining. RK legislation strictly regulates these activities through the Environmental Code and the Law "On Subsurface and Subsurface Use", which establish a number of environmental requirements. Thus, all projects on the choice of land for production activities are subject to public hearings and public environmental reviews.

The mandatory reclamation of disturbed land is another important legal requirement. According to the legislation of the Republic of Kazakhstan, the Company is obliged to sign a subsurface contract which specifies the size and procedure for payments to a special abandonment fund.

The Company made an assessment of rehabilitation costs of deposits. It is envisaged that the total costs of an abandonment event will be approximately 16.5 billion tenge with the estimates of shutdown, reclamation, and decommissioning costs based on

Energy saved as a result of measures to reduce energy consumption and improve energy efficiency in 2011, thousands of GJ



Main materials used in 2011 production process, tonnes

Material	Amount, tonnes
Hydrofluoric acid, grade "Zd"	1,229.3
Hydrofluoric acid, grade "D"	1,687.6
Hydrogen peroxide	2,749.0
Ammonium salt	4,554.0
Sodium hydroxide	6,315.0
Not concentrated nitric acid	9,547.8
25 % Water ammonia	26,539.0
Ammonium nitrate	44,513.0
Sulfuric acid	1,507,682.0

reclamation standards that meet the requirements of existing legislation.

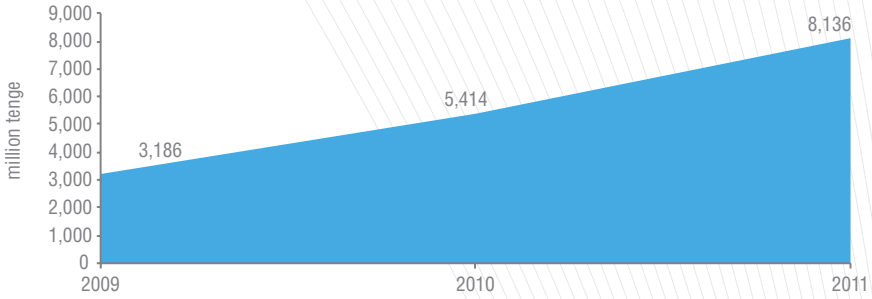
Given the Company's long-term obligations, it should be noted that there is uncertainty about actual rehabilitation costs, due to potential changes in legislation requirements and alternative shutdown and land reclamation methods.

The Company, in accordance with law requirements, carried out work on the reclamation of disturbed lands after their withdrawal from economic circulation. Thus, with a total area of disturbed land equal to 725 ha, the area of reclaimed land was 285 hectares in 2011.

The Company has a number of enterprises located within or adjacent to specially protected nature conservation areas. Among these enterprises are the MAEC-Kazatomprom LLP and AO Aktaugaz Service located in the west of the Mangyshlak peninsula in the Ustyurt Mangyshlak desert and a flat area in the Aral-Caspian region. The protected natural territory, 37.7 km^2 in area, comprises marine ecosystems and is used for industrial purposes.

In the course of monitoring the flora and fauna of Lake Karakol implemented in 2009 by the KenDala public association and as a result of regular industrial environmental

Accumulation of reserves over time to recover deposits, million tenge



monitoring by the Company, a number of conclusions were made regarding the main significant impacts of MAEC-Kazatomprom:

- The content of harmful chemicals discharged into the regulatory clean water does not exceed approved maximum permissible discharge standards prescribed for the disposal of LLP MAEC-Kazatomprom into the Caspian Sea.
- The introduction of alien species, pests or pathogenic agents has not been established by the monitoring conducted.
- Changes in ecological processes – the formation of a shallow lake on the site of a shallow marsh in the desert area – were found to be reversible, provided the discharge of water into the cooling pool ceases.

Water use

Water conservation and the careful use of water is an integral part of everyday production activities of the Company, which has its main production assets located in regions with an arid climate and a lack of fresh water. Some of the Company's subsidiaries perform an intake and discharge of water in the vicinity of environmentally sensitive water bodies, of which the largest is the Caspian Sea. The Company's additional liability in terms of water use arises from the fact that in some cases the Company provides water supplies to local communities and industries.

All the Company's enterprises and subsidiaries use water only on the basis of permits received from the authorized body for the protection of water resources.

As a result of the long-term discharge of regulatory clean cooling water from MAEK-Kazatomprom's thermal power plants to the natural degradation Karakol 'shor' designed to serve as an upstream cooling pool preceding the discharge of clean cooling water into the Caspian Sea, a shallow lake has formed (with a depth not greater than 0.55 meters), approximately 18 km long and approximately 2 km wide. Favorable conditions, such as warm shallow water, low current and abundant vegetation, have brought wetland bird species for wintering, nesting and settlement in the area of the Karakol cooling pool. The growth of perennial and annual herbaceous and shrub vegetation has contributed to the resettlement of mammals and insects. The fullness of the lake and the duration of its existence depend on the amount of regulatory clean water discharged into the basin of Lake Karakol after cooling power equipment at the Company's thermal stations.

According to the Council of Ministers of Kazakh SSR Decree, No.96 dated 13.03.1986, the Karakol cooling pool, with an area of 37.7 km^2, designed by the project to reduce the heat load on the coastal zone when discharging regulatory clean cooling water from the Company's thermal power plants into the Caspian Sea, was included into the Karagiye – Karakol state zoological reserve.

The reserve's value is measured by the high biodiversity of its wetland bird fauna and flora: migratory, nesting and sedentary birds, mammals, insects and vegetation encountered in the foreland of moderate desert subzone. Wetland bird fauna here amounts to more than 175 species, of which 24 are listed in the Red Book of Kazakhstan. There are 11 species of mammals and more than 223 species of insects in the reserve. Vegetation is represented by assemblages dominated by Artemisia and Chenopodiaceae semi-shrubs, as well as groupings of herbaceous annuals and perennials.

Water intake in 2011 by source, thousand m³

Water intake source	*Water intake volume, thousand m³*
Surface water	*1,064,843.02*
Underground water	*22,808.74*
Municipal and other water supply systems	*132,835.43*
TOTAL	***1,220,487.20***

The volume of reused water in 2011 thousand, m³

	Water Volume, thousand m³
The volume of reused water	*5,152.79*
Percentage of reused water, %	*0.42*

Water disposal in 2011 by waste receiver, thousand m³

Receiver	*Volume of wastewater, thousand m³*
Caspian Sea	*1,020,236.00*
The Ulba River	*2,067.36*
Storage ponds	*170.70*
Absorption fields	*1,467.10*
TOTAL	***1,023,941.16***

The enterprises provide control and keep records of the derived and cooling water, of which data is reflected in monthly technical reports. The quality control of wastewater is performed by specialized accredited laboratories.

In 2011, the Company's water intake amounted to 1,220,487.2 thousand m³. The Company uses large amounts of water to cool heat and power equipment. Most of the water taken for cooling is discharged into the environment without any pollution which allows designating such drains to the category "regulatory clean industrial wastewater." Thus, with the total amount of 1,023,941.2 thousand m³ of discharged water in 2011, regulatory clean industrial wastewater made up 99.9% and contaminated industrial waste water made up slightly more than 0.001% of total wastewater.

There are some special features in relation to Kazatomprom's water consumption:

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

The Company aims to reduce the amount of water used in the production process. To this end, a number of companies use closed water circulating loops. The leader in terms of water intake and water reuse ratio is JSC UMP, for which the ratio in 2011 was 84%.

Industrial effluents account for approximately 90% of the total volume of wastewater discharged into surface water bodies, ponds and local terrain (not taking into account discharges of water used for cooling in the Caspian Sea), with household water making up approximately 10%. MAEC-Kazatomprom LLP is responsible for the majority (54.7%) of discharged water.

Air emissions

The Company pays close attention to the control and reduction of emissions of pollutants into the atmosphere. All the Company's businesses obtain appropriate permits as part of their production activities. They also provide statistical information to supervisors on an annual basis.

The total amount of discharges of pollutants into the atmosphere amounted to 3,529.3 tonnes in 2011, 22% more than in 2010. This increase is due to increased production and thermal supplies.

The Company has established and implemented effective methods of environmental monitoring, including

monitoring of air emissions. As a result of an internal evaluation of the ecological monitoring system carried out by the HSE office of Kazatomprom in 2011, the system received positive reviews. In the course of this work, some insignificant excesses of emission standards were recorded for some indices. For example, seven such cases were reported at the main uranium and beryllium production facilities of UMP JSC. The analysis showed that the issues were caused by disorders in the process equipment and non-compliance with production procedures.

Greenhouse gas emissions

Climate change is a global issue which may significantly impact the Company's operations in the future. In order to reduce the negative impact on the environment and prevent potential negative effects of climate change, the Company assesses the amount of greenhouse gas emissions and is implementing initiatives to reduce them.

In addition, as part of the law requirements of the Republic of Kazakhstan, all enterprises with sources of greenhouse gases should conduct an annual inventory of emissions and report results to the authorized environmental protection agency. Companies should also develop an action plan to reduce such emissions.

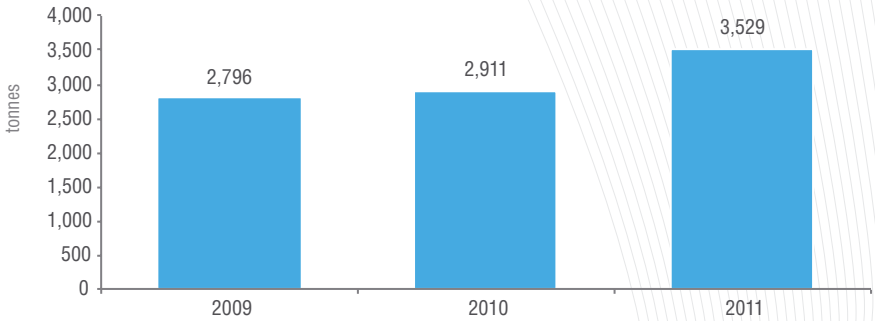
The Company has been keeping records of greenhouse gases[4] emissions since 2010. The direct emissions of greenhouse gases in 2011 amounted to 3,630.3 thousand tonnes of CO_2 equivalent in 2011, which insignificantly (by 1.1%) exceeds the previous year figure. The largest amount – more than 99% of the total amount of direct emissions – is produced when generating electricity, heat and steam.

Emissions of ozone-depleting substances include substances released into the atmosphere by household air conditioners, refrigerators and split air conditioning systems. Total emissions of ozone-depleting substances were equivalent to 0.92 tonnes of CFC-11 in 201.

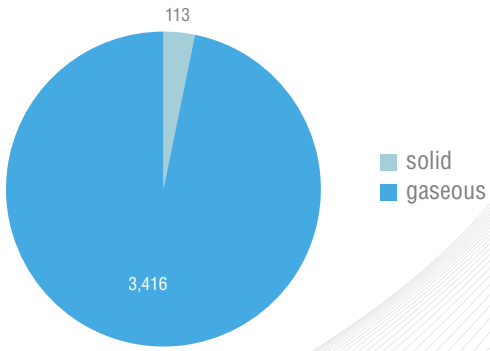
Emissions of pollutants into the atmosphere 2011, by major types of pollutants, in tonnes

Type of pollutant	Amount, tonnes
NO	2,572.10
SO	43.50
Persistent organic pollutants (POP)	67.00
Volatile organic compounds (VOC)	11.50

Pollutant emissions into the atmosphere 2009–2011, tonnes



Pollutant emissions into the atmosphere 2011 in aggregate, tonnes



Waste management

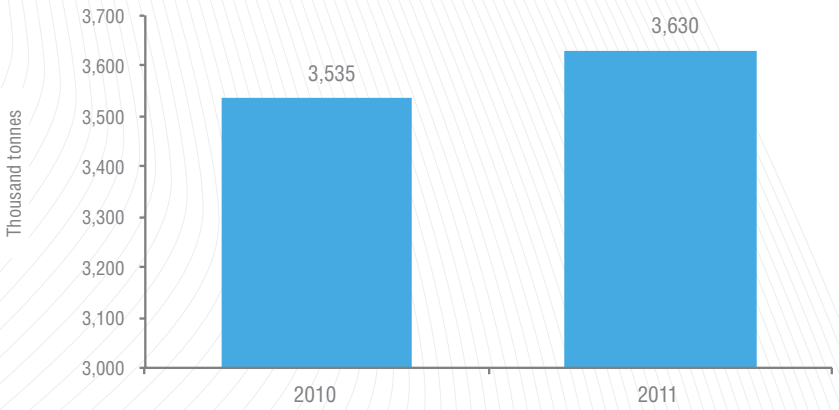
Providing the safe handling of production and consumer waste is a priority task of Kazatomprom. As part of this task, the Company has established an effective management and environmental monitoring system and strictly monitors compliance with all law requirements of the Republic of Kazakhstan.

In the course of production, a considerable amount of different types of wastes are produced, of which the main ones are:

- Solid and liquid radioactive wastes
- Overburden rocks in mining fluorite and copper-molybdenum ores
- Cuttings produced during in-situ leaching

[4] Direct emissions of greenhouse gases: greenhouse gases formed during the direct combustion of fossil fuels.

Direct greenhouse gas emissions over time, tonnes of CO_2 equivalent



Emissions of ozone-depleting substances in 2011 by individual substances, tonnes and % of total

Substance	Value (tonnes)	Ozone Depletion Potential	CFC-11 Equivalent (tonnes)
CF_2Cl_2	0.82	1.00	0.82
CHF_2Cl	1.71	0.06	0.09
$C_2H_3P_2Cl$	0.01	0.008 - 0.07	0.0007
TOTAL	**2.54**		**0.92**

- Fluoride gypsum from the production of hydrofluoric acid
- Ash waste from thermal energy production
- Domestic waste
- Waste oils and tires

The total amount of waste generated at the Company over 2011 amounted to 765.81 thousand tonnes, 15.9% more than in 2010. The increase of 105.4 thousand tonnes in comparison with the previous year was due to an increase in production volumes, while about 98% of the waste is harmless.

In general, the Company carries out systematic work to keep records and an inventory of sources of the formation and locations of storage, burial, disposal and recycling of different types of production and consumer waste, both in remote villages located near the mining of uranium deposits and in major cities.

A special feature of the Company is that as part of its main productive activities (i.e. the extraction and processing of natural uranium at hydrometallurgical plants and in-situ leaching sites) liquid and solid radioactive wastes are produced. According to the IAEA classification, all of the radioactive wastes produced at Kazatomprom enterprises are low-level radioactive waste, with specific activities of less than 3.7 x 106 Bq per kg.

Liquid wastes are used in a closed technological cycle when after their formation during in-situ leaching they are acidified and injected into the ore-bearing formation through the leach solution supply system. All the generated solid radioactive wastes are buried in specialized repositories whose designs have passed required state epidemiological appraisal.

During the period reported, the Company continued implementing the Program to reduce unutilized waste from operating activities before 2015, as part of work aimed at minimizing the impact of radioactive waste on the environment. Under this Program, UMP JSC strictly monitors that the amount of liquid radioactive waste discharged into tailings correspond to established limits. The Company in addition continued reconstructing tailings in order to enlarge their capacity.

The Company pays special attention to the treatment of liquid radioactive waste at the MAEC-Kazatomprom LLP, where 3,073 m^3 of liquid radioactive waste of low and intermediate level has been accumulated. This waste was produced during the decommissioning of the BN-350 reactor. Due to the fact that liquid radioactive waste continues to be formed when washing equipment and floors and during the operation of special laundries and shower rooms at decontamination stations, the Company plans to establish a facility for processing liquid radioactive waste and a backup storage for radioactive waste.

Costs for environmental purposes

Over the period reported, the Company's environmental protection expenses remained almost at the level of 2010 and amounted to 1,834 million tenge. Of this amount, environmental payments by the Company made up 200 million tenge, which is 43.6% higher than in the previous year. The increase in payments was related to the growth of the environmental impact in comparison with the 2010 level, due to an increase in production.

Thus, compared to the same period the previous year, emissions into the atmosphere increased by 22% and the amount of generated waste increased by 16% compared to 2010. A significant increase of 469.3 tonnes of emissions, or 22.3% on the previous year, occurred at LLP MAEC-Kazatomprom. This was associated with increased consumption of natural gas burned due to an increased heat supply. In addition, an increase in emissions of 26.0% was witnessed at LLP Mining Company.

Waste in 2009–2011 broken down by major categories, ths tonnes

Waste categories	2009	2010	2011
Total Production and Consumer Waste, including:	592.25	660.32	765.81
Industrial	491.44	557.39	679.41
Municipal	2.55	4.15	5.02
Solid radioactive	1.30	1.52	3.55
Liquid radioactive	96.94	97.26	77.84

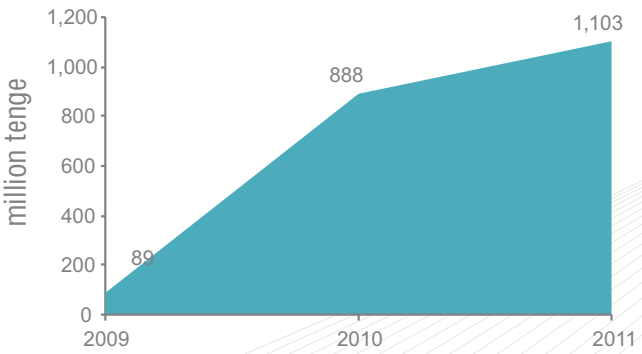
Waste recycling and burial by way of treatment in 2009–2011, thousand tonnes

Treatment method	2009	2010	2011
Temporary disposed	586.00	654.51	755.69
Used (sold)	1.23	4.73	1.18
Neutralized	2.45	4.10	0.99
Buried	40.34	21.43	23.52

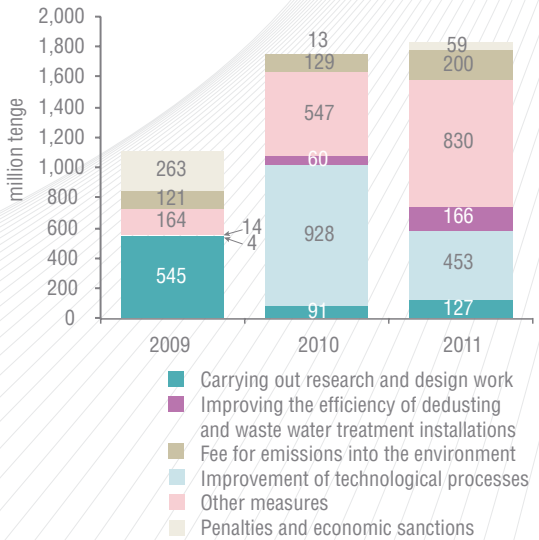
In accordance with RK legislation on environmental protection, the Company shall dispose and decommission radioactive waste and remove contaminated plants and equipment. As of December 31, 2011 undiscounted cost estimates in this area amounted to approximately 28 billion tenge.

When determining the amount of reserves for environmental protection, assumptions and estimates have been used based on the experience of a similar type of decommissioning and cleaning-up undertaken by the Company in 2000–2007. The assumptions and estimates were presented by the Company's engineers and professional consultants based on the best interpretation of existing legislation on environmental protection.

Accumulation of reserves for environmental protection over time, million tenge



Funding for key environmental protection activities, million tenge



OCCUPATIONAL HEALTH AND SAFETY

Given the nature of the Company's core business, which is associated with high risks in the field of occupational health and safety, the sustainable development of the Company is only possible if there is a reliable system for identifying, managing and controlling these risks. Hence the control system in industrial, nuclear and occupational health and safety (H&S) is a fundamental element in planning and implementing any Kazatomprom projects.

Over the period reported, all the Company's enterprises performed in accordance with the established H&S management system, which covers all structural units and technological processes at the enterprises. H&S management systems define the objectives, functions and contents of works to ensure safety and the relationship between H&S and environmental protection services. It also allocates functions, rights and responsibilities to each Company employee to provide safe working conditions and compliance with the requirements, rules and safety standards.

In addition, the Company has developed and introduced documents governing specific aspects of production activities in H&S, including:

- A regulation on the individual responsibility of staff for violating safety requirements
- A regulation on subsidiary management
- Health and safety and environmental protection requirements for contractors engaged in various types of work

The Company carries out a significant amount of transport of cargoes by road, including hazardous and radioactive cargo. To provide additional safety during transport by road, the Company has an organizational system to ensure the safe operation of vehicles. This system includes not only general safety rules for operating vehicles, organizational issues related to control and supervision in this area, and organizational issues related to the safe transportation of people, dangerous and radioactive goods, but also procedures for maintaining documents on the safety of traffic and H&S and environmental protection.

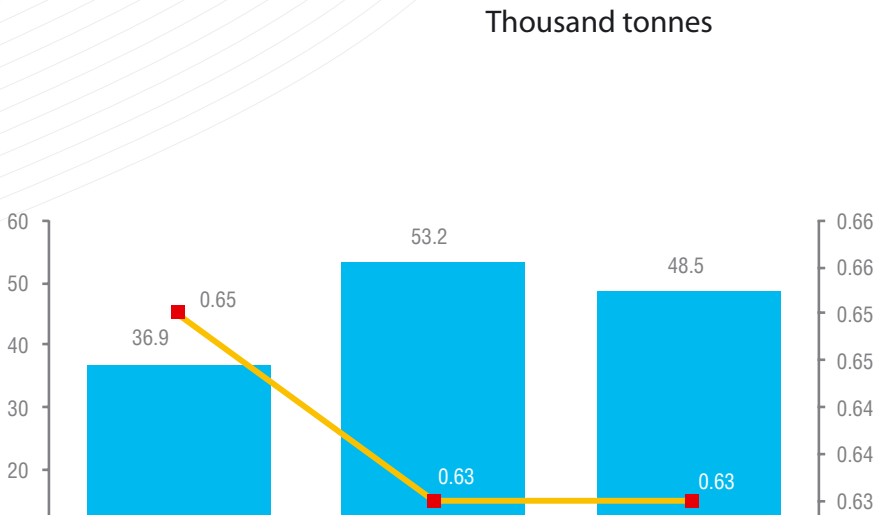
In order to eliminate the risk of accidents, all Kazatomprom's enterprises certify hazardous production facilities. Declarations of the safety of industrial enterprises have been developed and approved, which were agreed on and submitted to the Ministry of Emergency Situations of the Republic of Kazakhstan. In addition, the enterprises have set up special units certified by the appropriate supervisory authority. In case of an emergency, special dispatch services are in place which operate in communication with enterprise subdivisions, the head office of the Company, and the bodies of Emergency Situations and Civil Defense.

As part of creating and maintaining an effective H&S management system, the Company seeks to comply with international best practices. For example, as of December 2011, 18 Kazatomprom enterprises have been certified with the international management standard OHSAS 18001.

The Company understands that building an effective H&S system is impossible without the active involvement of personnel at the enterprises. To this end, H&S training is delivered and safety information is provided to personnel as part of the occupational safety and health and environmental protection system. The collective agreements specify OHS and social security issues and payments for health programs.

In 2011, the Company continued delivering H&S training to personnel. For example, through H&S classes, computer tests to gauge awareness in relation to occupational health and safety rules were performed by technical officers, employees, and production personnel. Training was delivered via video. In addition, computer programs were developed and approved to update information in response to changes in RK legislation and regulations on safety at work.

Occupational health and safety system performance, 2009–2011



Occupational health and safety system performance by year

OSH system indicators	2009	2010	2011
Injury-frequency rate per 1,000 employees	0.65	0.63	0.63
Severity rate, disability days per 1 injury	36.9	53.2	48.5

The Company keeps records of all accidents and carries out investigations and analyzes the causes of accidents. The results of the investigations are used to develop preventive measures. During the reported period, 15 accidents occurred at Kazatomprom enterprises, three of which had a severe outcome and three of which resulted in fatalities.

Analysis of the causes and circumstances of accidents made it possible to assess the performance of the H&S management system and identify a list of the basic and most repeated violations of occupational safety, among which were:

- Weaknesses in workplace organization when carrying out work
- Weaknesses in the procedure for issuing vehicle permits
- Formal control over implementation of regulations at enterprises
- Weaknesses in work with subcontractors
- Poor knowledge by personnel of OSH instructions and actions to take according to the Emergency Response Plan
- Personal lack of discipline at work

At present the Company's specialists have developed measures to reduce the number of violations in each area above.

During the reported period, the departmental supervisory and state control bodies identified 23,149 violations of safety rules, of which 22,629 (97.8%) were eliminated in a timely manner. The multifaceted H&S work being carried out by the Company in cooperation with competent authorities allows technical safety at work to be improved.

In 2011, 553 measures were implemented to improve occupational health and safety, 3.5% more than in 2010. Costs for these activities totaled 1,168 billion tenge, 200 million tenge more than similar costs in the previous year.

The Company systematically provides health and safety information, analyzes causes of injuries and accidents at work and takes appropriate actions to prevent accidents, improve safety and heighten the responsibility of personnel in to ensure safety.

NUCLEAR SAFETY

Nuclear safety is an exceptionally important priority of the Company. Nuclear safety issues refer directly to JSC UMP and LLC MAEC-Kazatomprom enterprises that deal with nuclear-hazardous materials. The document governing the Company's policies in the field of nuclear safety is Kazatomprom's Policy in the Field of Occupational, Environmental, Nuclear and Radiation Safety.

In 2011, LLC MAEC-Kazatomprom did not perform jobs that involved fissile material; however, control of nuclear safety and appropriate safety measures were fully implemented in accordance with the specified requirements.

JSC UMP carried out work with fissile material with degrees of enrichment of 4.4% and 5.0% and processed material with a 90% degree of enrichment. The Company received a positive nuclear safety performance review, allowing the department manufacturing uranium pellets to switch to enrichment of 5.0%. The number of equipment units of the "H" type[5] has decreased by 12.

The Company aims to maintain a high level of nuclear safety at the Company's enterprises. All work is carried out in accordance with the regulations and guidance on nuclear safety. Staff are certified according to the established procedure and receive work permits in nuclear-hazardous areas.

Special commissions at the Company's enterprises carried out inspections of nuclear safety performance aimed at identifying instances of non-compliance, and developed and controlled the implementation of measures aimed at increasing nuclear safety levels. According to the commissions' findings, no nuclear safety violations were identified for the reported period.

Last year, the Committee of Atomic Energy under the Ministry of Industry and Trade of the Republic of Kazakhstan conducted audits of nuclear safety performance at both enterprises. As a result of the audit, nuclear safety performance was found to be satisfactory.

[5] Hazardous equipment (type 'H') is equipment for which the design and geometrical features do not exclude the occurrence of self-sustaining fission chain reactions under any conditions foreseen.

RADIATION SAFETY

Radiation safety is an unquestionable priority of the Company. Activities aimed at ensuring radiation safety affect each employee of the Company. Basic principles and approaches in this area are stated in the Kazatomprom Policy in the Field of Occupational, Environmental, Nuclear and Radiation Safety.

The Company strictly complies with all legal radiation safety requirements.

The Company's radiation safety services carry out inspection and radiation control of radiation in compliance with legislative and regulatory requirements. In the year reported, the JSC UMP and LLC GRK enterprises increased the staffing of radiation safety and radiation control services by five and two persons, respectively. The number of persons employed for these services by joint ventures for uranium mining increased by eight. MAEC-Kazatomprom maintained radiation control service staff numbers at the 2010 level.

The Company continued working on updating its radiation monitoring instrumentation pool. For example, JSC Volkovgeologiya, with the aim of upgrading, purchased six universal dosimeter-radiometers, and complete sets of dosimetric and radiometric equipment at joint uranium mining companies increased by 24 units to 202 units. The completeness of instrumentation of the services at LLC MAEC-Kazatomprom, LLC, GRK, and JSC UMP remained at the 2010 level.

During 2011, no radiation accidents were recorded by the radiation monitoring services at the Company's enterprises.

Delivering training and mandatory briefings to staff represents an important part of radiation safety work.

In 2011, the Company's enterprises and uranium mining joint ventures continued to work to improve the radiation situation. As part of this work, a number of activities were implemented, including repair work, replacing corroded or outdated equipment, installing well overflow preventers, repairs to local sand ponds in the well field, installing the automatic monitoring of pumps for feeding product and leaching solutions, and also developing a project to build a landfill for the disposal of drill cuttings (LLC Karatau).

The difference between processes at the Company's enterprises determines the difference in the spectrum of radiation hazards that govern the radiation doses for personnel working with ionizing radiation sources and priorities in implementing measures to reduce radiation exposure.

There are reference levels of radiation exposure established for the Company's enterprises to allow control of the radiation exposure level of staff and respond quickly to changes in the radiation situation at the enterprises.

The Company has established a system which allows a high level of radiation safety to be maintained at enterprises, as well as low exposure levels. The Company is proud that during the lifetime of the Company there has not been a single case of a member of personnel being exposed to radiation levels exceeding those set by current radiation safety standards.

PRINCIPLES OF SOCIAL RESPONSIBILITY

CSR POLICY

Kazatomprom's operations attract high public attention, to not only the environmental but also to the social obligations of the Company. The nuclear industry requires companies to make significant efforts in the area of social responsibility to maintain a high reputation. Kazatomprom strives to adhere to the best international practices standards of corporate social responsibility (CSR).

The Company's CSR activities are regulated by the corporate social responsibility Policy approved by the Board of Directors of Kazatomprom. The Policy is designed to improve the social activities of Kazatomprom and defines the principles, strategic goals and methods for assessing effectiveness in this area. The policy is based on the following principles:

- Transparency
- Systematization
- Significance
- Ethical behaviour
- Respecting stakeholder interests
- Accountability
- Compliance with legal standards
- Respect for human rights
- Efficiency
- Promoting the development of regions where the Company's facilities are located

Social responsibility and sustainable development of the Company includes intra-corporate and external activities. Internal corporate activities relate to labor relations and occupational health and safety. External social responsibility encompasses the following areas: environmental protection, fair conduct of business (corporate ethics), socio-economic development, and charity and sponsorship.

The annual and maximum exposure of Company's personnel in 2011, broken down by category, persons

JSC UMZ		
Number of staff in group "A"[6], persons»	*942*	
Number of personnel with an annual radiation dose, pers.	*More than 5 mZv*	*90*
	Less than 5 mZv	*852*
Maximum effective dose	*10.5 mZv/year*	
LLC MAEC-Kazatomprom		
Number of staff in group "A", persons	*209*	
Number of personnel with an annual radiation dose, pers.	*More than 5 mZv*	*14*
	Less than 5 mZv	*195*
Maximum effective dose	*18.2 mZv/year*	
LLC GRK		
Number of personnel in group "A", persons	*2,023*	
Number of personnel with an annual radiation dose, persons	*More than 5 mZv*	*2*
	Less than 5 mZv	*2,021*
Maximum effective dose	*6.3 mZv/year*	
Other uranium mining works		
Number of personnel in group "A", pers.	*2701*	
Number of personnel with an annual radiation dose, pers.	*More than 5 mZv*	*22*
	Less than 5 mZv	*2,679*
Maximum effective dose	*6.0 mZv/year*	
LLC Volkovgeologia		
Individual dose to the personnel	*1.6 mZv/year*	
Permissible exposure	***20 mZv/year***	

Kazatomprom voluntarily undertakes CSR and aims at providing timely reporting on work performed. Kazatomprom seeks to provide the most complete and accurate picture of social responsibility effectiveness at its enterprises. The Company assesses annually the effectiveness of its CSR programs and takes into account the views of stakeholders in order to improve the effectiveness of its social activity and eliminate issues arising.

Indicators of successful social activities of the Company include:

- Improved reliability of the Company, measured by such factors as respecting the rights of workers, ensuring a sufficient degree of protection in the workplace, implementing social policies and the policies related to building worker potential.
- Reduced number of employee claims to the Company (as employer) for non-compliance with legislation.
- Increasing costs for social issues of vulnerable groups in comparable circumstances (including financial and economic performance of the Company).

[6] Personnel of group "A" – those who use sources of ionizing radiation.

EMPLOYEES

OUR APPROACH

Highly qualified employees are the main asset, basis for success and the key to sustainable development of Kazatomprom. The Company is making great efforts to recruit, train, develop and retain capable employees of all levels and types. Kazatomprom's HR Policy aims at strengthening the human resource capacity of the Company and to build an effective system of incentives and conditions for the comprehensive development of its staff.

The Company's HR policy aims at a non-discriminatory approach and support for socio-cultural diversity. The Company is committed to the principles of respect for personal liberty, human rights and dignity, and fully complies with the requirements of the Labour Code of the Republic of Kazakhstan.

With the constant shortage of skilled professionals in the industry, attracting and developing local skills, as well as graduates of the Republic of Kazakhstan, is especially important to Kazatomprom. Recruiting and developing local human resources are part of the long-term cooperation with city administrations with the support of local educational institutions, trade unions and employment agencies. Recruiting graduates is facilitated by cooperation with domestic and foreign universities and by participating in job fairs held by the Ministry of Education and Science of Kazakhstan. Kazatomprom is particularly interested in students receiving a technical education, since the Company needs to recruit engineers.

The Company is committed to ensuring decent working and living conditions to all employees. This is ensured through strict adherence to labor standards, the established system of social protection of employees, and observing their interests and rights in full. Particular attention is paid to safety in the workplace, improving social and living conditions of staff, and equal opportunities for professional and personal growth. Kazatomprom invests in realizing the potential of each employee. This policy creates a favorable corporate culture, which promotes successful industrial activity and stable relations in the workplace.

To protect the rights of its employees, the Company has developed the Code of Ethics and signed employment agreements. Most companies have signed collective agreements that apply to all employees, regardless of whether they are union members or not.

The collective agreements specify the following:

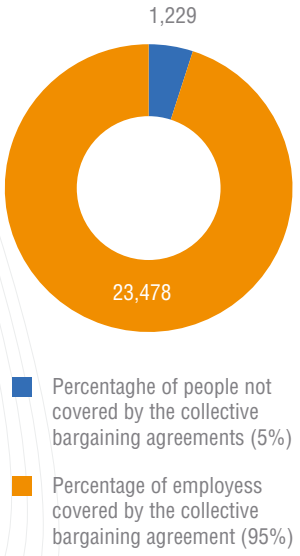
- How to inform employees about significant changes in the organization which may affect their working conditions.
- Minimal period on notice to employees (1 month) and their elected representatives (2 months).
- Social protection for the Company's employees (including the provision of leave and payment for medication, payment on retirement, welfare benefits and financial aid, if necessary.)

PERSONNEL STRUCTURE

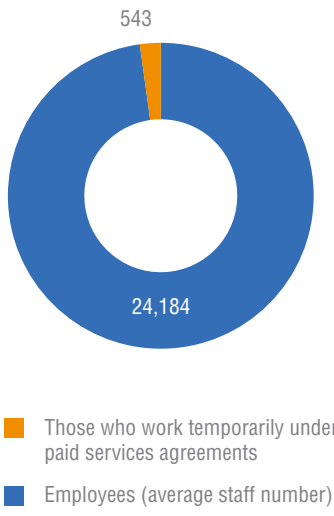
There was a 6% increase in the number of personnel in Kazatomprom in 2011, and 14% of employees left the Company in connection with restructuring. Thus, the payroll number of employees in all subsidiaries and affiliates of the Company amounted to 24,707 at the end of 2011.

Men make up the overwhelming majority of production staff: 75% of the total number of personnel at the end of the year. This is due to the specificrequirements of uranium mining and manufacturing enterprises. Women make up more than 50% of administrative staff, and approximately 12% of managers at all levels.

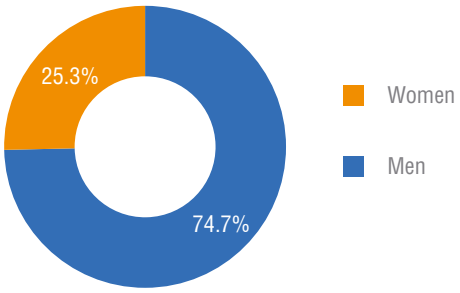
Percentage of employees covered by collective agreements, persons



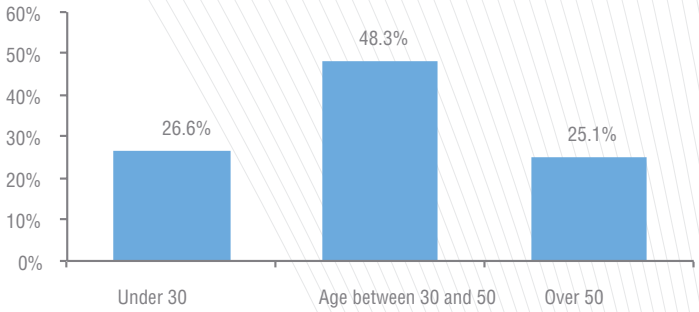
Proportion of full-time employees and supervised workers in the total number of personnel, persons



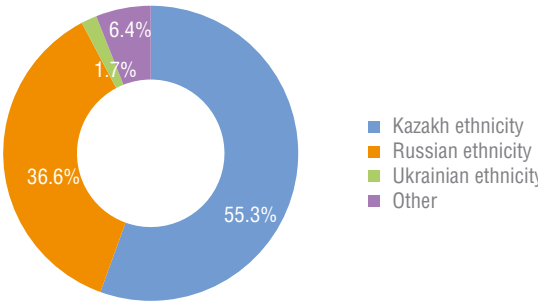
Personnel structure by gender, %



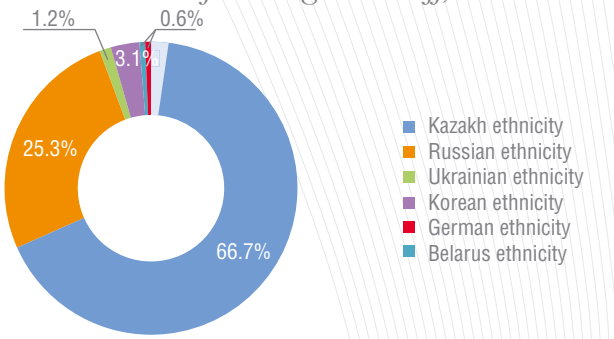
Personnel structure by age category, %



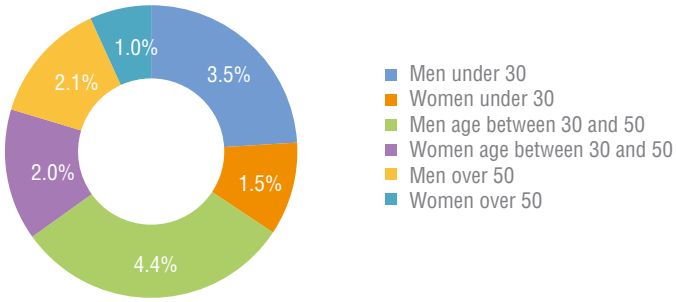
Personnel structure by nationality (ethnicity), %



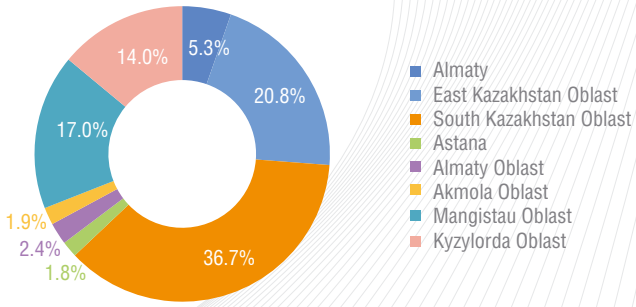
Structure of managerial staff, %



Structure of employees who left the Company, %



Structure of personnel by region (Republic of Kazakhstan), %



The Company's employees represent over 50 nationalities. Most of these are originally Kazakhs and Russians.

Most employees are in the 31–45 age group. The Company's active policy to recruit college graduates and young professionals has resulted in an increase in the proportion of young employees (under 30) among staff.

In 2011, the Company increased the recruitment of local personnel to positions of various ranks, and also increased the proportion of local representatives in the executive, administration, and management bodies. The share of senior managers representing the local population in the Company's regions amounted to 95.68%.

Most of the employees are located in South Kazakhstan (SKO), East-Kazakhstan (EKO), Mangistau, and Kyzylorda regions, where uranium mining and processing takes place.

PROFESSIONAL DEVELOPMENT

Professional growth and development creates an important competitive advantage for the Company. Kazatomprom invests in continuously increasing the level of competence, skill and professionalism of staff, the development of a creative and

proactive approach to resolving business issues, and creating conditions for each employee to realize his/her potential.

The Company has established an industry-specific training system for training and upgrading skills of engineering and operating personnel. The existing industry-specific training system fully meets the requirements of certification and licensing authorities of the Republic of Kazakhstan, including in the field of modern hi-tech production.

The Company's training policy is based on a set of rules: "Vocational Training for Kazatomprom Employees". These rules define the objectives, principles, modalities, mechanisms and methods of implementing programs for the professional development of staff. Programs include educational courses, seminars, trainings, conferences, forums, roundtables, and other activities aimed at improving and obtaining new theoretical and practical knowledge. Also in practice is distance learning and sending employees to specialized educational institutions in Kazakhstan and abroad.

Training and retraining workers is delivered at training centers established at LLC Bolashak-Shiely, LLC MAEC-Kazatomprom, JSC UMP, and Republican Training Center Geotechnology. In total during 2009–2011 the Company provided training to 13,297 employees at its own training facilities. Delivering training to workers engaged at high-risk works requires obtaining permissions from the Committee for State Control of Emergency Situations and Industrial Safety of the Republic of Kazakhstan, the Atomic Energy Committee and Mezhoblgosatominspektsiya, the state interregional inspection agency for nuclear safety.

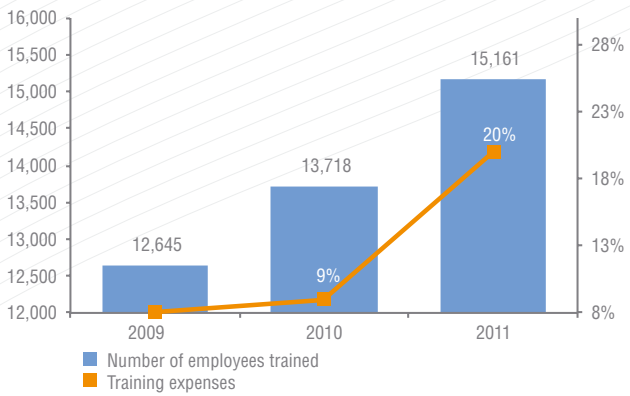
Training is conducted in accordance with training plans paid for by the employer. Professional development programs are planned and organized by Kazatomprom's enterprises. Training plans involve the training of new employees, upgrading skills, getting second jobs by employees, taking targeted courses and industrial, technical and economic courses. Retraining and advanced training to professional engineering staff is provided mainly through JSC The Kazakhstan Nuclear University, an industrial corporate university founded in 2004. From 2009 to 2011, 4,628 representatives of various categories of Company personnel were trained in this training center in retraining programs and to upgrade skills. The corporate university has a computer class for various specialists of the Company's uranium mining enterprises, where special software is used for simulating uranium mining using the ISL method.

On the basis of the corporate university, the Company annually organizes winter and summer schools for its employees. The summer school courses are conducted at a sport and entertainment complex near Almaty. The courses are aimed at improving the skills of specialists and young researchers (research degree applicants) of the Company and include lectures on personal improvement, effective communication skills and other lectures and seminars. The winter school is organized for mid-level managers. Altogether, 845 employees of the Company have been trained in the development programs of these schools, of which 531 were in the summer school and 314 in the winter school.

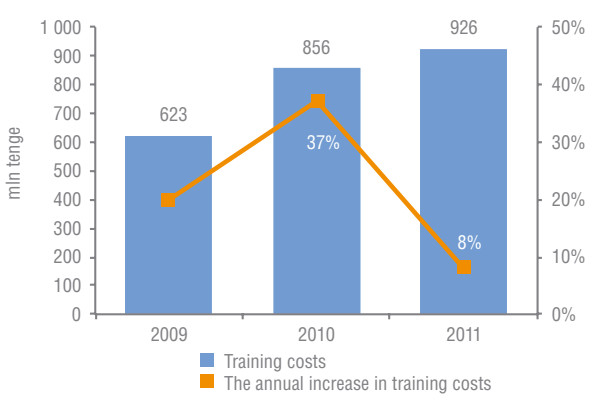
In 2011, the total number of employees who received training, retraining and advanced training amounted to 15,161 persons, up by 1,443 (11%) on the previous year. Most of these were members of production personnel. Training costs are increasing each year, and in 2011 amounted to 926 million tenge.

Upon completion of the external development programs, the effectiveness of training is evaluated in terms of the quality of the training organization, training materials and the rational use of resources. To assess the training program, the Company uses questionnaires to be completed by the participants. The effectiveness of the programs is evaluated by such criteria as relevance of the knowledge and skills, the practical value of the material, and overall satisfaction with the program. According to data obtained in the questioning process, the training effectiveness in the Company is high, with an indicator greater than 80%.

Number of employees trained in 2009–2011, persons



2009–2011 training costs, mln tenge



EMPLOYEE MOTIVATION

Kazatomprom has a system of tangible and intangible incentives to motivate employees.

There was a significant increase in the wages of entry-level employees over the past year. The ratio of the minimum entry-level wage for all Kazatomprom enterprises and the minimum fixed salary in the Republic of Kazakhstan was 1.24 in favor of the Company.

The salaries of Company employees increase yearly. In 2010–2011, the annual growth rate of wages was 22% for all categories of employees.

In 2010–2011, there was a unification of remuneration and bonus systems for production and administrative staff. A quarterly bonus system in the amount of one monthly salary was introduced for administrative employees. Production personnel are paid on average a monthly bonus at a rate of one-fourth of the monthly salary, and management personnel are paid once a year, at a rate of four monthly salaries. In addition, a necessary alignment of salaries of men and women was completed, for all categories of employment at all Kazatomprom enterprises.

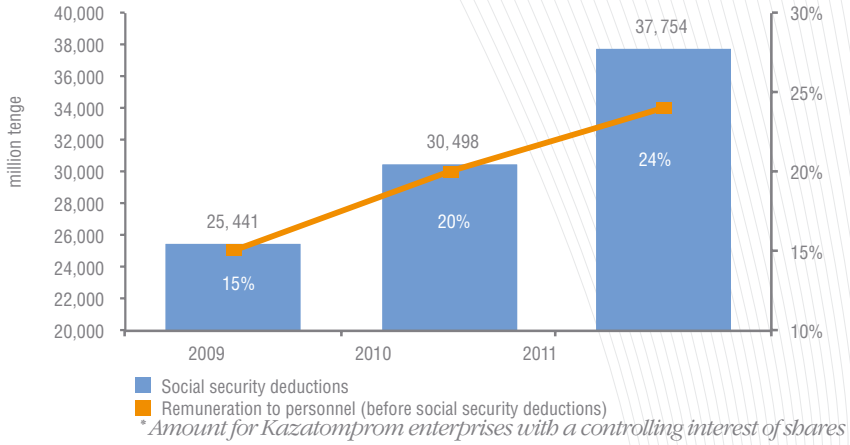
As part of the incentive system, the Company has a policy of awarding employees for innovative ideas and the exemplary execution of important tasks, long and excellent work, and other services. In addition, additional payments are made when combining positions and personal allowances and bonuses are paid for mentoring. These are established by the head of the Company and the enterprise.

In 2011, JSC UMP won an award at the national technical innovations competition "RATSIONALIZATOR.KZ" in the category "Best support system for innovation at an enterprise." JSC UMP enterprises implemented a regulatory and reward system which provides favorable conditions for innovation, especially in the optimization of production processes. The Program of 10,000 Improvements and Regulations on Remuneration for Ideas entails the active involvement of all employees.

Intangible incentives include rewards bestowed both at national level and by the Company itself. Kazatomprom employees have many times been awarded the title of "Honored Worker of the Nuclear Industry". In 2011, four employees of the Company received JSC Samruk-Kazyna diplomas. At a function dedicated to the 20th anniversary of the independence of the Republic of Kazakhstan, Vladimir Shkolnik, Chairman of the Board, presented commemorative medals and honorary certificates to outstanding employees of the Company.

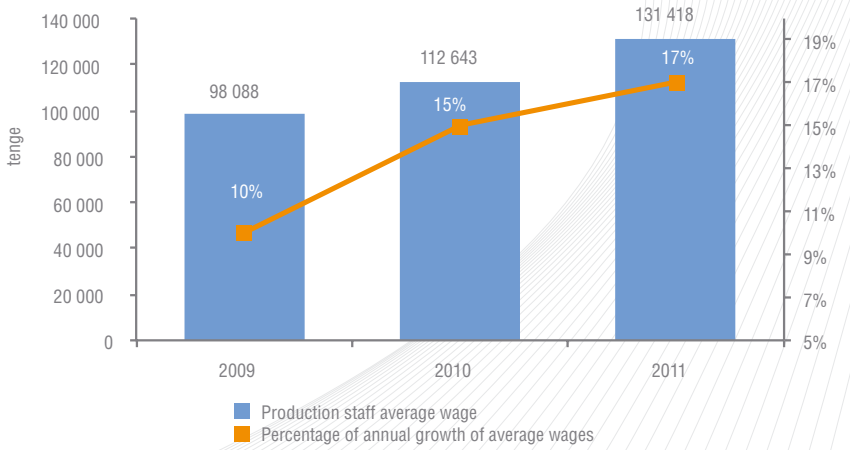
Figures for 2011	*Value*
Minimum fixed salary in the Republic of Kazakhstan	*15,999 tenge*
Minimum monthly salary of an entry-level employee of the Company	*19,859 tenge*

*TOTAL amount of wages paid (million tenge) and 2009–2011 annual growth, (%)**



* *Amount for Kazatomprom enterprises with a controlling interest of shares*

Annual growth of average wages of production staff (tenge) 2009–2011, %



Kazatomprom's companies also annually reward their best employees.

SOCIAL POLICIES, GUARANTEES AND BENEFITS

Kazatomprom's social personnel policy in the field of personnel aims to improve the general living standard of employees and provide support to groups in need of social assistance. It is based on years of experience and principles of economic expediency. Social payments and benefits are made not only to workers, but also their families, veterans and retirees.

According to the Collective Agreement, the Company guarantees:

- A set of health care measures (voluntary health insurance, health screening, vaccinations, and medical ambulance services).
- Material assistance in such cases as birth of a child, weddings, anniversaries, illnesses, accidents, and difficult real-life situations.
- Retaining the average wage of an employee when he/she is sent for training, retraining, advanced training, or military service.
- Social benefits for temporary disability.
- Lump sum payments upon retirement (up to five salaries) and payment of one salary when certain milestones are reached (50, 60, 70 years).
- The organization of sports and recreational activities.
- Charitable assistance to the Company's retirees on the International Day for the Elderly and to WW2 veterans on Victory Day.
- Providing interest-free loans to improve housing conditions.

In 2011, financial assistance was provided to 14,775 persons. The size of social expenditures and social benefits amounted to 3,503 million tenge in 2011, exceeding thereby the 2010 figure by 27%. In 2011 the share of social benefits and contributions to the total amount of wages was 8.5%.

Some Company enterprises provide benefits in excess of those guaranteed by the legislation of the Republic of Kazakhstan. For example, JSC UMP has an agreement for voluntary health insurance which has been in force since 2010. UMP employees receive quality medical care in clinics with modern equipment and high-class specialists.

The group is committed to paying medical benefits for occupational diseases and disabilities arising during the period of employment, or at retirement age as a result of working conditions. The Company has a reserve fund to pay such compensations. In 2011, this fund increased by 30% to 505,868,000 tenge.

All employees have the right for guaranteed pensions and payments from pension funds which are formed by individual pension savings from mandatory contributions from employees at a rate of 10% of salary, but not more than 119,992 tenge per month. The Company's enterprises retain contributions to state pension funds from their employees in accordance with the laws of the Republic of Kazakhstan.

Additional financial assistance to employees, retirees and veterans each year comes from the trade unions of enterprises. Trade union committees allocate allowances for spa treatments for employees and their families, rent rooms for sporting activities, and organize a summer camp for children.

Financial support is provided to those who work on a rotation basis when workers stay in two- and three-bed rooms. The rotators' camps have Internet access, dining rooms, gyms, swimming pools, saunas, a medical center, and winter gardens. In areas where deposits are located there are good quality and inexpensive mobile connections, as well as medical examinations which are provided annually. In 2011, the Company provided free food to 3,345 workers on rotation, at a total cost of 1.526 million tenge. Enterprises also create all the necessary conditions for educating the children of Company employees, and during summer vacations contribute to the health of children. In 2011, the cost of vouchers for the children's camp amounted to 4.650 million tenge.

STAFF SATISFACTION

In 2011, an annual survey was conducted to evaluate employee satisfaction within the Company. The survey was put together with advice from JSC SK and external consultants and conducted on-line. 75.6% of administrative staff took part. The satisfaction index was 70.3%, which is one of the highest rates among JSC SK subsidiaries.

The survey findings showed that the main contributing factor to the high degree of employee satisfaction was good working conditions, including the relationship among the employees, workplace equipment, work content and training opportunities. Other reasons for which employees had chosen to work for JSC Kazatomprom included prospects for professional and career development (70% and 45%), high salary (31%), and prestige of the work (23%). A higher level of satisfaction was expressed by experienced employees that had subordinates. There were no significant differences in terms of gender or age.

Also calculated were a loyalty index (66.2%); an index to support initiatives (54.9%); and an involvement index, calculated as the average of the above three indices (63.8%). More than half of employees (55%) stated they would continue to work with the Company even if they were made a more lucrative offer to work elsewhere. The survey identified a number of factors which contribute to employee loyalty, including:

- Awareness of and commitment to the mission and values of the Company
- Pride in the achievements and activities of the Company
- Trust in the management and decisions made by top managers

- A sense of fairness in relation to promotions and senior appointments

The index to support initiatives is based on factors such as encouraging feedback and ideas from employees, coordinating the objectives of subordinates with their managers, a fair system of rewards and promotions, and a sense of personal employee contribution to the success of the Company. This index reflects the motivation of employees and the possibility of self-realization in the Company.

The most important indicator of employee satisfaction was the virtual absence of labor disputes at work. In 2011, there were only two disputes at JSC UMP, which were eventually decided in favor of the Company. The Company operates a hotline for anonymous complaints, and in 2011 there were a minimal number of complaints.

DEVELOPMENT OF REGIONS OF PRESENCE

COOPERATION WITH REGIONS OF PRESENCE

Kazatomprom actively promotes the economic and social development of areas in the Republic of Kazakhstan where the mining and manufacturing facilities of the Company are located. In 2004, LLC Kazatomprom-Demeu, an official operator for implementing social programs under the Memorandum of Cooperation between Kazatomprom and city administrations was established to implement the Company's social projects in uranium mining regions.

LLC Kazatomprom-Demeu forms a budget based on contributions from JSC Kazatomprom enterprises. During its history LLC Kazatomprom-Demeu has provided financial support to uranium mining partners, which has enabled more than 70 projects to be implemented, worth approximately 17 billion tenge. During 2011, LLC Kazatomprom-Demeu signed contracts on the provision of social services with the following Group companies: JSC Kazatomprom, LLC GRK, LLC Karatau, JSC JV Akbastau, LLC Appak, LLC Betpak Dala, and LLC Semizbai-U.

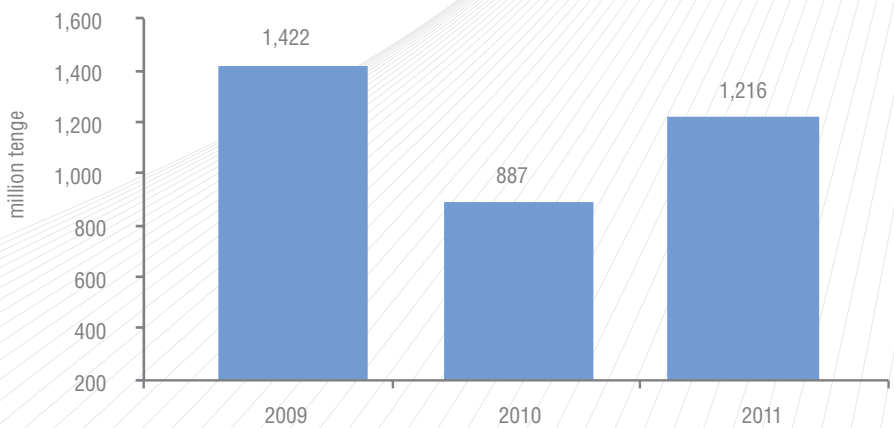
For several years, there have been mutually beneficial agreements between LLC Kazatomprom-Demeu and the South-Kazakhstan, East Kazakhstan, Akmola and Kyzylorda regions. Under these agreements, the Company promotes the economic and social development of the regions, while city administrations help to ensure a favorable investment climate for the Company. In general, cooperation with city administrations is aimed at improving regional infrastructures, developing the socio-economic status of local communities, and improving residents' welfare.

In addition to direct investment in the economy, creating jobs and developing local human resources, LLC Kazatomprom-Demeu actively invests in regional social infrastructures. In 2010–2011, Kazatomprom enterprises implemented more than 25 social projects worth around 4 billion tenge. In general these are construction and repair projects, including constructing and repairing schools, kindergartens, medical facilities, recreation facilities, stadiums, and sports fields, and site improvement.

The cost of developing the social infrastructure of the South Kazakhstan region amounted to more than one billion tenge in 2011. The funds were spent on the construction and repair of educational facilities, cultural facilities, and other projects. For example, in the East-Kazakhstan region, major improvements were made to the children's holiday camp Matrosovo, in the city of Ust-Kamenogorsk. The camp can accommodate 400 and offers all necessary facilities for disabled children. This project was implemented by JSC UMP. In 2011, nearly 380 million tenge was allocated for its implementation.

As a result of its CSR work in 2011, Kazatomprom was given a golden statuette in the category "Best Social Project of the Year". JSC UMP for the second time became the winner of "Paryz", a social responsibility contest in business, in the category "The Best Socially Responsible Company". The competition was established in 2008 by Nursultan Nazarbayev, President of the Republic of Kazakhstan, to promote the principles of responsible business.

Expenditure on social services in 2009–2011 by enterprises, with controlling ownership ratio of shares, million tenge



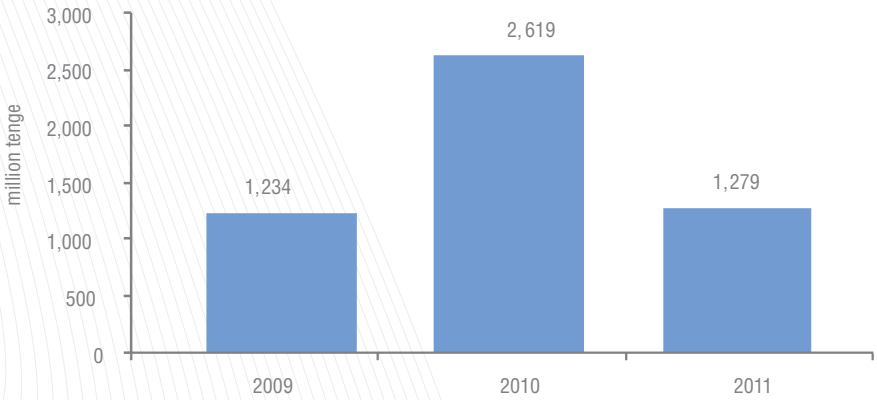
In the Akmola region, the main result of social activities by the Company was the construction of a unique Schoolchildren's Palace in the city of Astana, valued at 23.7 billion tenge. Its opening was timed to coincide with the twentieth anniversary of the independence of the Republic of Kazakhstan and was held in the presence of the Head of State. The Schoolchildren's Palace is an innovative type of building with its electric power system using modern technology, including renewable energy sources (solar panels and wind turbines). The Palace, with a total area of 46,500 m^2, is designed to accommodate 3,880 persons at a time. It consists of a sports complex, scientific and educational centers and art studios.

The sports complex includes an indoor ice rink, a swimming pool, tennis courts, rooms for team sports and strength sports, a multimedia shooting gallery and a hall for chess. In the Palace there are rooms for music, dance and drama studios, an orchestra and a choir. Next to them there is a science city and a city of the future. The Science City will open its doors to young researchers in bio-engineering, geology, mineralogy, and the environment. A research school will be located there, a scientific test field, and others. The Palace has an observatory, a planetarium, and a technopark which includes thirteen schools to study aero modeling, ship modeling, the fundamentals of engineering drawing, engineering, robotics, nanotechnologies, multimedia technologies, and 3D programs.

CHARITY AND SPONSORSHIP

The Company provides support in several areas of charity and sponsorship following the Instruction on Sponsorship and / or Charity Assistance by Kazatomprom and the sponsorship and / or charitable assistance policy of JSC SK. Kazatomprom has consistently supported vulnerable groups in the Republic of Kazakhstan: orphans, the disabled, veterans and people in difficult real-life situations. As part of this charitable activity, care is provided to pensioners, veterans and Kazatomprom's employees and their families.

2009–2011 expenditure on sponsorship and charity assistance by enterprises, with a controlling ownership ratio of shares, tenge million



The Company provides assistance on an ongoing basis to:

- WWII veterans, former employees of the Company
- Orphanages and boarding schools
- Children and students from poor families

Charity care is provided to seriously ill children with different diagnoses. Particular attention is given to encourage the participation in various activities of disabled children and especially children with infantile cerebral palsy. Often these children do not just spectate, but actively participate in events.

Charity and sponsorship projects are often defined at the level of Kazatomprom enterprises. For example, JSC UMP provides charity care on a regular basis to a specialized orphanage, a pre-school children's home in Ust-Kamenogorsk, and other children's homes. Funds are allocated to veteran organizations and the disabled, dispensaries and medical units, local public funds, and employees of the enterprise. In 2011, JSC UMP allocated 133.5 million tenge for charitable purposes.

In anticipation of two decades of Kazakhstan's independence, LLC Karatau allocated more than 2.5 million tenge to provide targeted financial assistance to residents of the Suzak district in the South Kazakhstan region. The funds were aimed at solving social issues and supporting social projects. LLC MAEC-Kazatomprom has allocated more than 16 million tenge to the needs of the Company's employees and vulnerable groups in the local community. JSC Volkovgeologia allocated funds of 46.6 million tenge for research and education projects and charitable assistance to employees of the nuclear industry of the Republic of Kazakhstan.

Sponsorship was provided mainly for the development of the social infrastructure in the regions and to support sport and education. Altogether, in 2011 the Company allocated some 1,287 million tenge to charity and sponsorship projects.

The Company monitors the expenditure of funds and assesses the effectiveness of social programs based on a number of indicators agreed with the sponsor and charity assistance recipients. In addition, key indicators of the business leader's activities include social satisfaction of stakeholders and the public. This further motivates managers to grant support to local communities.

In accordance with the JSC SK Policy for sponsorship and / or charity assistance, the Company supports activities by order of the President of the Republic of

Kazakhstan, the Presidential Administration of the Republic of Kazakhstan, the Prime Minister of the Republic of Kazakhstan, the Board of Directors, and the JSC SK Board. Since these are extremely serious about avoiding any kind of discrimination or conflict situations, both JSC SK and the Company does not provide assistance to religious organizations, political parties, government and executive agencies, military establishments, or commercial organizations.

Thus Kazatomprom provides sponsorship and charity assistance in compliance with a policy of transparency, efficiency, and secure support to certain disadvantaged groups.

AREAS OF ACTIVITIES AND RESULTS

Culture, sports and leisure

The uranium mining towns of the Company have sports and recreational centers and cultural and entertainment centers with free libraries, game rooms, fitness and sports halls and artistic institutes. In the city of Aktau and some uranium mining towns, such as Taukent, Kyzemshek, and Shieli, there are cultural and entertainment centers with movie theaters, halls for disco and karaoke, computer and game clubs, halls for bowling and billiards and various sports leagues and institutes.

The Company's enterprises regularly organize sports and recreational activities. Annual children's parties are attended, at the expense of the Company, not only by the families of Kazatomprom employees, but also by residents of nearby villages and orphanages. Various contests are regularly held. These include a singing competition, a children's drawings competition, and a "Club of the Cheerful and Sharp-witted".

The Company provides active support to sports and sports events for employees and local communities. Large modern sports facilities are built at the expense of the Company and local residents have access to a sports infrastructure: gyms, sports halls, playgrounds, sports, and fitness clubs. For employees, a corporate fitness program is in place. Kazatomprom also supports recreation facilities, family entertainment centers, and other places of entertainment.

To strengthen team spirit and promote a healthy lifestyle, the Company conducts competitions in various sports and the annual sports contest for all the Company's enterprises. In August 2011, the XI Games of Kazatomprom took place at the Central Stadium in Almaty. Approximately 700 employees from the Kyzylorda, South Kazakhstan, Mangistau, Akmola, East Kazakhstan, and Almaty oblasts participated in the event and were represented by 22 teams in six sports: mini-football, volleyball, table tennis, badminton, chess, and track-and-field athletics.

As part of its sports promotion policy, Kazatomprom is the official sponsor of the National Golf Federation and the general sponsor of the national team of Kazakhstan's Federation of Hockey (Bandy), which has been the winner of the Asian Games Cup. The Company supports various youth sports teams and organizes their trips to competitions. In 2011, more than 400 children traveled to participate in national, regional and district contests and competitions.

The maintenance of cultural, sport and leisure facilities cost the Company 312,600,000 tenge in 2011, which is 23 million tenge higher than in 2010. As a result of large-scale support to culture, sport and recreation, a significant reduction in crime, drug addiction and alcoholism has been witnessed in areas where the Company operates.

Education

Care of the younger generation is the most important area of state policy in Kazakhstan. As part of the policy, the Company promotes pre-school, secondary and vocational education.

The Company supports education in the following areas: the construction and repair of pre-schools, elementary and secondary schools; the promotion of higher education projects; and the organization of forums, conferences, and other scientific events. The Company actively supports gifted pupils and students by financing their learning at universities of Kazakhstan and abroad, conducting competitions, holding scientific and practical conferences, intellectual debates, and other programs. The Company also organizes professional development seminars for teachers/lecturers.

As part of the Republican campaign Road to School, which has been held since 2010 at the initiative of the Ministry of Education and Science and on behalf of the Head of State to ensure full attendance in schools, in 2011 Kazatomprom provided children with school supplies and school uniforms at a cost of 1.2 million tenge. On the anniversary of Kazakhstan's independence, the Company allocated approximately one million tenge for purchasing computers and office equipment for schools in the Suzak region of South Kazakhstan.

The Company supports the professional development of uranium industry workers. LLC Bolashak-Shiel, a subsidiary of the Company, is the only vocational training company to train technicians for the uranium industry in Kazakhstan.

As a result of the Company's social activities to develop education, thousands of children in the regions where the Company's enterprises are present receive quality education, get opportunities to study abroad, and acquire technical specializations. In addition, uranium industry workers can improve their professional knowledge and skills.

Health care

Each village in the Company's uranium mining regions has medical units with the following main departments: hospital, pediatric, diagnostic, surgical, and maternity. Some medical units have physical therapy, massage and X-ray rooms, equipment for ultrasound investigation and

ECG. The Company is careful to ensure that health centers are equipped with modern equipment and staffed with highly qualified doctors. Kazatomprom's health care facilities provide medical care to all local residents.

In 2011, Kazatomprom opened the refurbished hospital complex in the Suzak region of South-Kazakhstan Oblast. This hospital is part of the medical unit Demeu-Taukent and has a polyclinic, in-patient hospital, and clinical laboratories. With the new equipment and spacious building, this medical unit provides health care services to more than 6,000 habitants of the village Taukent and nearby communities. In the Kyzylorda Oblast, the Company allocated 300 million tenge to the construction of a maternity hospital and polyclinic.

All the medical units are funded by Kazatomprom. Their maintenance cost amounted to almost 660 million tenge in 2011, which is 20% higher than in 2010 due to the opening of new and refurbished health facilities.

Owing to quality medical services provided, in uranium mining regions both infant and total mortality is falling, while births are rising.

Improvements, planting and irrigation of villages

Infrastructure development and the improvement of villages can reduce staff turnover at mining enterprises. In 2005, Kazatomprom established sites for improving the appearance of uranium mining towns. Since then a large amount of work has been carried out to ensure that workers' settlements have a thriving and well-kept appearance. In 2011, funding was allocated for the construction and maintenance of facilities such as hotels, bathing and sanitary facilities, canteens and cafes. Total costs amounted to 258.5 million tenge.

In 2011, the Company completed the construction and renovation of the asphaltic concrete road in the South Kazakhstan region, from the Bakyrly village to the Budenovsk-2 Mine and the Aksumbe village. This is the only road connecting these remote villages.

Kazatomprom also sponsors water supply and irrigation systems in uranium mining towns. In 2011, the Company implemented an irrigation project in the village Kyzemshek in the Suzak region and created a water supply system for two villages in the South Kazakhstan region and a district in the city of Shymkent, at a total cost to the Company of nearly 408 million tenge.

ABOUT THE REPORT

The strategic priorities of Kazatomprom in the reported period were: effective implementation of the principles of sustainable development, defining new business strategies and initiating their implementation, consolidating performance indicators and expanding reporting on social and environmental aspects.

The activities of JSC Kazatomprom over the period reported focused on implementing the goals and objectives within the Company's renewed development strategy aimed at achieving a leading global position in the uranium industry, and diversification and dynamic growth based on principles of sustainable development.

The Company seeks to provide publicly well-timed, reliable and complete information about the Company's performance. Since 2010, Kazatomprom has published separate annual reports that reflect information not only of its operations, but also on occupational health and safety and environmental protection and social responsibility matters.

Following the latest information disclosure trends, the Company took the decision in 2011 to begin practicing the annual preparation of integrated reporting, which allows a single document to present the Company's comprehensive approach to the assessment of its results with financial and social points of view, as well as from the perspective of assessing the environmental impact of its operations. Realizing that the creation of a truly integrated report will require significant time and efforts, the Company has positioned this report as the first step to integrated reporting in the future.

The Company considers introducing the practice of preparing and publishing public annual non-financial reports to be an important component of sustainable development management. This integrated report contains the results of operations for the period from January 1 to December 31, 2011, including the basic principles, goals, objectives and achievements thereof.

The Integrated Report 2011 is in the English and Russian languages. In addition, additional information on the Company's activities in this area will be posted on the Company's corporate website. Annual reports in Russian for previous reporting periods are available at http://www.kazatomprom.kz/ru/pages/otchety.

Hard copies of the Report can be made available to stakeholders upon request.

REPORT PREPARATION STANDARDS

This Report has been prepared in accordance with the requirements of the GRI G3 Sustainability Reporting Guidelines and corresponds to Level C. Using the GRI reporting system captures the results of operations in the most reasonable, accurate and timely manner, and also makes it possible to ensure the comparability of the Report with reports of other leading international companies in the uranium industry.

The list of performance indicators and the extent of their disclosure are shown in the GRI Table included in the Report.

SCOPE OF REPORT

Information disclosed in the Report covers the activities of all Kazatomprom subsidiaries and affiliated companies.

DEFINING REPORT CONTENT

In an effort to fully and objectively reflect its performance, the Company reveals in the Report both the achievements and difficulties encountered during the period reported.

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

- Define the interests and expectations of stakeholders (government, employees, shareholders, media, investment community, the regions of industrial activity, business partners, suppliers and customers).
- Define significant topics and issues that are meaningful in terms of their impact on the Company's business strategy.
- Determine the impact of the Company's operations on the economy, society, environment, and stakeholders.

The report covers a wide range of issues in accordance with the strategic areas of activities, including long-term economic growth of the Company, industrial safety, occupational health and safety and environmental protection, human capital development, sustainable development of the regions of activities, social activities, and interaction with stakeholders.

PRESENTATION OF DATA

Qualitative and quantitative data on environmental performance indicators are presented in the Report for the following Group organizations: JSC Volkovgeologiya, LLC Semizbai-U; LLC Appak, LLC Tau, JV Inkai, JV Katko; JSC KGRK JV Zarechnoye, JV Betpak Dala, LLC Baiken-U; LLC Kyzyl Kum, JSC JV Akbastau, LLC DP Ortalyk, LLC Kazatomprom-Demeu, LLC MAEC-Kazatomprom, JSC UMP, as well as for LLC Mining Company's subsidiaries: LLC TTC, LLC Uranenergo, LLC RU-6, LLC Steppnoe-RU, LLC CTA, and LLC THGP.

Data on economic performance indicators presented in the report include information

for all Kazatomprom dependent subsidiaries. All the financial results of Kazatomprom are in tenge, in accordance with the audited consolidated financial statements under IFRS.

ASSURANCE

Preparation of the annual integrated report plays an important role, not only in increasing the transparency of the Company's operations but also in terms of improving the efficiency of internal business processes.

This report has not passed an independent assurance of sustainable development indicators. Kazatomprom recognizes that an independent assurance report on sustainable development can improve balance, reliability and validity of the presented results of the Company's operations, and also meet the requirements of stakeholders. The Company plans to conduct an independent assurance procedure in the next reporting period.

CONTACT INFORMATION

Feedback from stakeholders as to the completeness, objectivity, and relevance of the disclosure in the reports in the field of sustainable development forms an integral and fundamental part of improving non-financial reporting processes.

You can send your questions, comments or suggestions regarding this report, as well as requests for hard copies, to:

Pavlova Lubov

Chief Manager of economy and planning department

10, Kunaev St, Astana,

010000, the Republic of Kazakhstan

Tel: +7 /7172/ 55-13-32 (add. 1257)

e-mail: Lpavlova@kazatomprom.kz

APPENDICES

JSC NATIONAL ATOMIC COMPANY "KAZATOMPROM"

CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2011

CONTENTS

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2011

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

Management of the Group is responsible for the preparation of consolidated financial statements of the Group that present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2011, and the consolidated results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").
In preparing the consolidated financial statements, management is responsible for:

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

Management is also responsible for:

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

The consolidated financial statements for the year ended 31 December 2011 were authorized for issue by management of the Group on 20 March 2012.

On behalf of management of the Group:

Arifkhanov A.A.
Deputy Chairman of the Management Board

20 March 2012
Astana, Republic of Kazakhstan

Bashakova S.S.
Chief Accountant

20 March 2012
Astana, Republic of Kazakhstan

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of JSC National Atomic Company "Kazatomprom"

We have audited the accompanying consolidated financial statements of JSC National Atomic Company "Kazatomprom" and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Daulet Kuatbekov
Engagement Partner
Certified auditor,
certificate #0000523
dated 15 February 2002
Republic of Kazakhstan

Deloitte, LLP
State license on auditing of the Republic of Kazakhstan
Number 0000015, type MFU-2, given by the Ministry of Finance of the Republic of Kazakhstan dated 13 September 2006

Nurlan Bekenov
General Director
Deloitte, LLP

20 March 2012
Astana, Republic of Kazakhstan

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 '000 KZT	2010 '000 KZT
Revenue	7	321,951,168	230,938,870
Cost of sales	8	(235,359,486)	(166,958,408)
Gross profit		**86,591,682**	**63,980,462**
Distribution expenses	9	(3,107,813)	(2,325,968)
Administrative expenses	10	(17,080,916)	(13,264,911)
Financial income	11	5,466,166	5,306,714
Financial expense	11	(11,983,154)	(9,926,646)
Foreign exchange (loss)/gain		(410,882)	426,632
Share of results of associates	22	30,222,153	27,372,850
Share of results of jointly controlled entities	23	13,493,453	9,782,712
Other income	12	573,335	813,294
Other expenses	13	(6,949,489)	(8,496,867)
Profit before income tax expense		**96,814,535**	**73,668,272**
Income tax expense	15	(17,125,492)	(13,729,672)
PROFIT FOR THE YEAR		**79,689,043**	**59,938,600**
Other comprehensive income			
Exchange differences arising on translation of foreign operations		56,898	172,288
Other comprehensive income for the year, net of tax		**56,898**	**172,288**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**79,745,941**	**60,110,888**
Profit for the year attributable to:			
Owners of the Company		78,337,759	59,014,067
Non-controlling interests		1,351,284	924,533
		79,689,043	**59,938,600**
Total comprehensive income for the year attributable to:			
Owners of the Company		78,394,657	59,186,355
Non-controlling interests		1,351,284	924,533
		79,745,941	**60,110,888**
Earnings per share from continuing operations			
Basic and diluted (in whole KZT)	16	2,135	1,608

These consolidated financial statements were approved by management on 20 March 2012 and were signed on its behalf by:

Arifkhanov A.A.
Deputy Chairman of the Management Board
20 March 2012
Astana, Republic of Kazakhstan

Bashakova S.S.
Chief Accountant
20 March 2012
Astana, Republic of Kazakhstan

The accompanying notes on pages 9-79 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

	Notes	31.12.2011 '000 KZT	31.12.2010 '000 KZT
ASSETS			
Non-current assets			
Intangible assets	17	12,332,325	596,707
Property, plant and equipment	18	101,129,172	85,804,206
Mine development assets	19	35,085,277	23,182,158
Mineral rights	20	8,326,060	1,767,044
Exploration and evaluation assets	21	2,698,188	5,785,231
Investments in associates	22	83,330,514	60,919,935
Investments in jointly controlled entities	23	18,630,500	12,657,452
Other investments	24	67,056,184	66,045,648
Investment property		800	800
Advances paid and other receivables	27	15,729,395	3,846,483
Inventories	28	8,101,277	6,550,761
Deferred tax assets	29	1,337,427	1,738,329
Term deposits	30	402,528	9,655
Loans to related parties	31	10,824,384	10,751,444
Restricted cash	33	5,123,895	3,585,358
Total non-current assets		**370,107,926**	**283,241,211**
Current assets			
Trade receivables	25	62,379,438	56,066,466
Asset held for the benefit of the ultimate controlling party	26	20,183,992	3,428,125
Prepaid income tax		4,745,019	1,877,573
Advances paid and other receivables	27	30,313,664	28,134,664
Inventories	28	54,767,733	55,759,613
Term deposits	30	27,305,161	77,133,161
Loans to related parties	31	20,000	512,000
Cash and cash equivalents	32	41,837,161	22,384,108
Total current assets		**241,552,168**	**245,295,710**
Total assets		**611,660,094**	**528,536,921**

These consolidated financial statements were approved by management on 20 March 2012 and were signed on its behalf by:

Arifkhanov A.A.
Deputy Chairman of the Management Board
20 March 2012
Astana, Republic of Kazakhsta

Bashakova S.S.
Chief Accountant
20 March 2012
Astana, Republic of Kazakhstan

The accompanying notes on pages 9-79 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 (CONTINUED)

	Notes	31.12.2011 '000 KZT	31.12.2010 '000 KZT
EQUITY AND LIABILITIES			
Equity			
Share capital	34	36,692,362	36,692,362
Additional paid-in capital		4,928,671	4,806,535
Foreign currency translation reserve		(1,087,601)	(1,144,499)
Retained earnings		297,656,953	226,175,357
Total equity attributable to Owners of the Company		**338,190,385**	**266,529,755**
Non-controlling interests		9,666,681	12,889,952
Total equity		**347,857,066**	**279,419,707**
Non-current liabilities			
Loans and borrowings	35	94,670,518	110,612,788
Other financial liabilities	41	42,814,176	42,100,514
Provisions	36	9,677,230	6,598,668
Trade payables	37	686,945	587,452
Advances received and other payables	38	1,712,642	1,691,324
Preference shares	39	264,827	264,827
Grants		187,124	410,812
Deferred tax liabilities	29	5,388,234	2,287,509
Total non-current liabilities		**155,401,696**	**164,553,894**
Current liabilities			
Loans and borrowings	35	21,745,906	11,513,757
Other financial liabilities	41	4,588,641	2,490,612
Provisions	36	22,815,372	19,000,687
Trade payables	37	46,235,090	32,101,356
Advances received and other payables	38	10,348,336	14,750,464
Accrued liabilities	40	2,644,741	4,550,772
Grants		23,246	155,672
Total current liabilities		**108,401,332**	**84,563,320**
Total liabilities		**263,803,028**	**249,117,214**
Total equity and liabilities		**611,660,094**	**528,536,921**

These consolidated financial statements were approved by management on 20 March 2012 and were signed on its behalf by:

Arifkhanov A.A.
Deputy Chairman of the Management Board
20 March 2012
Astana, Republic of Kazakhstan

Bashakova S.S.
Chief Accountant
20 March 2012
Astana, Republic of Kazakhstan

The accompanying notes on pages 9-79 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 '000 KZT	2010 '000 KZT
OPERATING ACTIVITIES		
Receipts from customers	339,480,159	229,821,088
Interest received	2,658,065	1,580,602
Payments to suppliers	(231,641,151)	(170,670,945)
Payments to employeesv	(29,621,872)	(24,269,628)
Cash flows from operations	**80,875,201**	**36,461,117**
Income tax paid	(19,795,131)	(9,987,639)
Interest paid	(6,558,124)	(4,107,418)
Cash flows from operating activities	**54,521,946**	**22,366,060**
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	117,742	35,122
Proceeds from disposal of investments (net of cash derecognized)	-	402,330
Redemption of term deposits	77,161,608	23,010,532
Proceeds from repayment of loans issued	500,000	1,705,500
Dividends received from associates and other investments	19,718,517	5,690,305
Proceeds from grants	-	206,171
Loans to related parties	(8,000)	(12,972,500)
Placement of term deposits	(29,261,741)	(78,280,457)
Acquisition of property, plant and equipment	(13,819,690)	(9,519,889)
Advances paid for property, plant and equipment	(11,520,220)	(1,026,711)
Acquisition of intangible assets	(346,457)	(373,511)
Acquisition of mine development assets	(12,235,231)	(1,714,696)
Acquisition of exploration and evaluation assets	(273,744)	(6,586,288)
Acquisition of subsidiaries, net of cash acquired (Note 45)	(24,523,345)	-
Payment for mineral rights	(22,841)	-
Acquisition of investments in associates	(5,196,240)	(1,607,708)
Other	83,582	28,045
Cash flows from/(used in) investing activities	**373,940**	**(81,003,755)**
FINANCING ACTIVITIES		
Proceeds from issuance of bonds	-	72,389,917
Proceeds from contribution to capital by non-controlling interests	1,329,470	2,076,970
Proceeds from borrowings	3,244,123	17,144,271
Repayment of borrowings	(15,518,102)	(28,412,297)
Transaction costs relating to borrowings	(20,638)	(398,528)
Payment of finance lease liabilities	(45,262)	(88,759)
Purchase of assets held for the benefit of the ultimate controlling party	(15,297,525)	(3,121,321)
Dividends paid to shareholder	(8,983,560)	(8,425,392)
Cash flows (used in) /from financing activities	**(35,291,494)**	**51,164,861**
Net increase/ (decrease) in cash and cash equivalents	**19,604,392**	**(7,472,834)**
Cash and cash equivalents at the beginning of the year (Note 32)	22,384,108	30,082,948
Effect of exchange rate fluctuations on cash and cash equivalents	(151,339)	(226,006)
Cash and cash equivalents at end of year (Note 32)	**41,837,161**	**22,384,108**

These consolidated financial statements were approved by management on 20 March 2012 and were signed on its behalf by:

Arifkhanov A.A.
Deputy Chairman of the Management Board
20 March 2012
Astana, Republic of Kazakhsta

Bashakova S.S.
Chief Accountant
20 March 2012
Astana, Republic of Kazakhstan

The accompanying notes on pages 9-79 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011

'000 KZT	Share capital	Foreign currency translation reserve	Retained earnings	Additional paid-in capital	Total equity attributable to the Owners of the Company	Non-controlling interests	Total equity
Balance at 1 January 2010	**36,692,362**	**(1,316,787)**	**194,418,746**	**5,330,324**	**235,124,645**	**9,109,619**	**244,234,264**
Profit for the year	-	-	59,014,067	-	59,014,067	924,533	59,938,600
Foreign currency translation gain	-	172,288	-	-	172,288	-	172,288
Total comprehensive income for the year	-	172,288	59,014,067	-	59,186,355	924,533	60,110,888
Dividends declared	-	-	(8,364,906)	-	(8,364,906)	-	(8,364,906)
Other distributions (Note 26)	-	-	(18,892,550)	-	(18,892,550)	-	(18,892,550)
Change in non-controlling interest	-	-	-	(360,400)	(360,400)	2,855,800	2,495,400
Change in equity of associates	-	-	-	(163,389)	(163,389)	-	(163,389)
Balance at 31 December 2010	**36,692,362**	**(1,144,499)**	**226,175,357**	**4,806,535**	**266,529,755**	**12,889,952**	**279,419,707**
Profit for the year	-	-	78,337,759	-	78,337,759	1,351,284	79,689,043
Foreign currency translation gain	-	56,898	-	-	56,898	-	56,898
Total comprehensive income for the year	-	56,898	78,337,759	-	78,394,657	1,351,284	79,745,941
Dividends declared	-	-	(8,852,110)	-	(8,852,110)	(169,764)	(9,021,874)
Other distributions (Note 34)	-	-	(3,837,361)	-	(3,837,361)	-	(3,837,361)
Change in of non-controlling interest	-	-	5,833,308	-	5,833,308	(4,404,791)	1,428,517
Change in equity of subsidiaries	-	-	-	122,136	122,136	-	122,136
Balance at 31 December 2011	**36,692,362**	**(1,087,601)**	**297,656,953**	**4,928,671**	**338,190,385**	**9,666,681**	**347,857,066**

The accompanying notes on pages 9-79 form an integral part of these consolidated financial statements.

1. BACKGROUND

(a) Organizational structure and operations

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

In accordance with the Order of the President of the Republic of Kazakhstan No. 669 dated 13 October 2008, on 19 January 2009 Fund of National Prosperity Samruk-Kazyna (the "Shareholder") became the sole owner of the Company. The Shareholder is wholly owned by the Government of the Republic of Kazakhstan.

The Company's registered office is 10, Kunayeva Street, Astana, Republic of Kazakhstan.

In June 2011 the Company relocated its head office to Astana city in accordance with the decision of the Management Board of the Shareholder.

The Group's principal activities are:

- The production of uranium reserves, processing and sale of uranium products.
- The manufacture and sale of beryllium products as well as related research and development activities.
- The manufacture and sale of tantalum products as well as related research and development activities.
- The generation and sale of electricity, heating and water.
- The generation and sale of other products and rendering of services for the main production.

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

(b) Operating environment

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

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

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

Kazakhstan is facing a relatively high level of inflation. According to the government's statistical data consumer price inflation for the years ended 31 December 2011 and 2010 was 7.4% and 7.8%, respectively.

Because Kazakhstan produces and exports large volumes of mineral resources, the country's economy is particularly sensitive to the price of mineral resources on the world market that fluctuated significantly during 2011 and 2010.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

2. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Going concern

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

(c) Basis of measurement

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

(d) Presentation currency

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

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

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

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

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

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

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

(i) Income taxes

The Group is subject to corporate income taxes in the Republic of Kazakhstan. The taxation system in Kazakhstan is relatively new and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by authorities, which have the authority to impose severe fines, penalties and interest charges. These circumstances may create tax risks in Kazakhstan that are more significant than in other countries. The Group recognizes liabilities for anticipated additional tax based its interpretations of the current tax laws and the amount it believes that is probable to be paid upon any inspection by the tax authorities.

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

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

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

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

2. BASIS OF PREPARATION (CONTINUED)

(ii) Uranium reserves

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

(iii) Depreciation of mining assets

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

(iv) Impairment of assets

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

The recoverable amount is calculated as the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. The calculation of value in use requires the Group to make estimates regarding the Group's future cash flows. The estimation of future cash flows involves significant estimates and assumptions regarding the commodity prices, level of sales, profitability, uranium prices and discount rates. Due to its subjective nature, these estimates could differ from future actual results of operations and cash flows; any such difference may result in impairment in future periods and would decrease the carrying value of the respective asset.

(v) Environmental protection and reclamation of mine sites

The Group is subject to a number of environment laws and provision, and based on these established a provision for the cost of site restoration. The Group estimates the site restoration costs based on management's understanding of the current legal and contractual requirements. The provision is based on management's estimate of the total cost of restoration and discounted to its net present value and is recorded as expense over the estimate life of the mine. The estimate of total costs requires management to make a number of assumptions including the level of effort and the discount rate. A change in these assumptions, or a change in the environmental laws, could result in a change in the provision in a future period. Any such change will be recorded at the time of the revision, and the amount of expense each period will be modified on a prospective basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of the consolidated financial statements are described in Note 3(a) to 3 (w).

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Non controlling interests in subsidiaries

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the Group

- derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- derecognizes the carrying amount of any non-controlling interest in the former subsidiary at the date when the control is lost (including any components of other comprehensive income attributable to them);
- recognizes any investment retained in the former subsidiary at its fair value at the date when control is lost; and
- recognizes any resulting difference as a gain or loss in profit or loss attributable to the parent.

(iii) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal Groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is acquiree immediately in profit or loss as a bargain purchase gain.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusting during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iv) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or Groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. The recoverable amount is calculated as the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. The calculation of value in use requires the Group to make estimates regarding the Group's future cash flows. The estimation of future cash flows involves significant estimates and assumptions regarding the commodity prices, level of sales, profitability, uranium prices and discount rates. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(v) Jointly controlled entities

Jointly controlled entities are those entities over whose activities the Group has joint control. The consolidated financial statements include the Group's share of the income and expenses of jointly controlled entities using the equity method. When the Group's share of losses exceeds its interest in a jointly controlled entity, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee. If the investee subsequently reports profits, the investor resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising in a business combination.

(vi) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method. The consolidated financial statements include the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee. If the associate subsequently reports profits, the investor resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

(vii) Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(viii) Sale of controlling interest in subsidiaries

Profit or loss on sale of interest in subsidiaries in which there is a loss of control is recognized in the consolidated statement of comprehensive income.

(b) Foreign currency transactions and translation

Transactions in foreign currencies are translated to the functional currencies of Group entities at exchange rates at

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. With the exception of foreign currency differences arising on the translation of available-for-sale equity instruments recognized directly in other comprehensive income, all such translation differences are recognized in profit or loss.

(c) Financial instruments

Financial assets and financial liabilities are recognized in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

All normal purchases or sales of financial assets are recognized and derecognized on a trade date basis. Normal purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(i) Cash and cash equivalents

Cash and cash equivalents comprise petty cash, bank accounts and demand deposits with original maturity terms of three months or less. Cash and cash equivalents are carried at cost which approximates fair value due to the short term nature thereof.

(ii) Financial assets

Financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss ("FVTPL") for the year, which are initially measured at fair value. Financial assets are classified into the following specified categories: financial assets FVTPL, "held-to-maturity" investments, "available-for-sale" ("AFS") financial assets and "loans and receivables".. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(iii) Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

(iv) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 ***Financial Instruments: Recognition and Measurement*** permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in the consolidated statement of comprehensive income. The net gain or loss recognized in the consolidated statement of comprehensive income incorporates any dividend or interest earned on the financial asset and is included in financial income line item in the consolidated statement of comprehensive income. Fair value is determined in the manner described in Note 4.

(v) Available for sale financial assets

Listed shares and listed redeemable notes held by the Group that are traded in an active market are classified as being AFS and are stated at fair value that can be reliably measured.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group also has investments in unlisted shares that are not traded in an active market but are also classified as AFS financial assets. The fair value of these investments cannot be reliably measured and therefore the instruments that are settled by delivery of such unquoted equity instruments are measured at cost less any impairment losses at the end of each reporting period. Fair value is determined in the manner described in Note 4.

Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognized directly in the consolidated statement of comprehensive income for the year. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investments revaluation reserve is reclassified to profit or loss for the year.

Dividends on AFS equity instruments are recognized in the consolidated statement of comprehensive income when the Group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognized in the consolidated statement of comprehensive income are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

(vi) Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(vii) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all of the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all of the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

(viii) Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument..

(ix) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

(x) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

(xi) Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognized in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(xii) Derivative financial instruments

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting period end date. The resulting gain or loss is recognized in the consolidated statement of comprehensive income unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the consolidated statement of comprehensive income depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

(xiii) Embedded derivatives

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at FVTPL.

Embedded derivatives are recognized initially at fair value. Attributable transaction costs are recognized in the consolidated statement of comprehensive income when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized immediately in the consolidated statement of comprehensive income.

(d) Share capital

(i) Ordinary shares

Ordinary shares are classified as equity.

(ii) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Group's option, and any dividends are discretionary. Dividends thereon are recognized as distributions (payments to shareholders) within equity.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in the statement of comprehensive income.

(iii) Dividends

Dividends are recognized as a liability and deducted from equity at the end of the reporting period only if they are declared before or on end of the reporting period end date. Dividends are disclosed when they are proposed before the end of the reporting period or proposed or declared after the end of the reporting period but before the consolidated financial statements are authorized for issue.

(iv) Distributions

Shall the Shareholder of the Group make a decision to the Group to acquire an asset, such acquisition should be considered as a benefit to the Shareholder. The cost of such acquisition should be reflected in the consolidated statement of changes in equity as a distribution.

(e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment at 1 January 2005, the date of transition to IFRSs, was determined by reference to its fair value at that date.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are recognized net in "other income/expense" in the consolidated statement of comprehensive income.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in the statement of comprehensive income as incurred.

(iii) Depreciation

Depreciation of property, plant and equipment used in extraction of uranium and its preliminary processing is charged on a unit-of production method basis in respect of items for which this basis best reflects the pattern of consumption. Land is not depreciated.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following types of assets are depreciated using the unit-of-production method based on extractable reserves of a particular block which the assets are attributable to, over the license period:

- production buildings and constructions;
- machinery and field equipment.

Depreciation of other property, plant and equipment is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

• buildings	10 - 45 years
• plant and equipment	2 - 5 years
• vehicles	2 - 10 years
• other	3 - 20 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(f) Mine development assets

The Group uses the method of calculation established by State Commission of Republic of Kazakhstan on mineral resources (GKZ). This methodology has been consistently applied during all periods.

Mine development assets comprise the capitalized costs of pump-in and pump-out well drilling, main external binding of the well with surface communications and measurement instrumentation equipping. Mine development assets are measured at cost less accumulated depreciation and accumulated impairment losses. Mine development assets are charged to the cost of production using the units-of-production method based on estimates of proved and probable reserves commencing when uranium first starts to be extracted. The estimate of proved and probable reserves is based on reserve reports which are part of each subsoil use agreement. These reserve reports are incorporated into feasibility models which are approved by the Government of the Republic of Kazakhstan and detail the total proven reserves and estimated scheduled extraction by year.

Mine development assets are either transferred from exploration and evaluation assets upon demonstration of commercial viability of extracting uranium or capitalizable costs incurred subsequent to being transferred to mine development assets. Mine development assets include the costs of drilling production uranium mines, estimated site restoration costs, the cost of plant for the extraction and preliminary processing of uranium, and overheads associated with such costs.

Capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses.

(g) Mineral rights

Mineral rights are measured at cost less accumulated amortization and accumulated impairment losses.

Mineral rights are amortized using the units-of-production method based upon proved and probable reserves commencing when uranium first starts to be extracted.

The capitalized cost of acquisition of mineral rights comprise the subscription bonus, commercial discovery bonus, the cost of subsurface use rights and capitalized historical costs.

The Group is obligated to reimburse historical costs incurred by the Government in respect of licensing areas prior to licenses being issued. These historical costs are recognized as part of the acquisition cost with a corresponding liability equal to the present value of payments made during the license period.

The estimate of proven reserves is based on reserve reports which are part of each subsoil use contract. These reserve reports are incorporated into feasibility models which are approved by the Government and detail the total proven reserves and estimated scheduled extraction by year.

(h) Intangible assets

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in the consolidated statement of comprehensive income when incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labor and overhead costs that are directly attributable to preparing the asset for its intended use.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

internally generated goodwill and brands, is recognized in the statement of comprehensive income when incurred.

(iv) Amortization of intangible assets

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

- License and patents 4 to 7 years;
- Software 3 to 6 years;
- Other 2 to 7 years.

(i) Exploration and evaluation assets

The Group follows the cost model.

Exploration and evaluation assets comprise the capitalized costs incurred after the Group has obtained the legal rights to explore a specific area and prior to proving that viable production is possible and include geological and geophysical costs, the costs of drilling of pits and directly attributable overheads associated with exploration activities.

Activities prior to the acquisition of the natural resource rights are pre-exploration. All pre-exploration costs are expensed as incurred and include such costs as design work on operations, technical and economical assessment of a project, and overheads associated with the pre-exploration activities.

A decision on termination of a sub-surface contract upon expiry of the exploration and evaluation period is subject to success of the exploration and evaluation of mineral resources and the Group's decision whether or not to progress to the production (development) stage.

Exploration and evaluation assets are classified as tangible or intangible based on their nature.

Exploration and evaluation assets are transferred to mine development assets upon demonstration of commercial viability of extracting uranium.

Exploration and evaluation assets are assessed for impairment, and any impairment loss recognized, before reclassification.

In addition, exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

All general overhead costs not related directly to exploration and evaluation activities are expensed as incurred.

(i) Amortization of exploration and evaluation assets

Exploration and evaluation assets are amortized using unit of production method during the period in which extraction occurs but the feasibility study is not yet complete. Upon completion of the feasibility study, the cost basis of the exploration and evaluation assets, along with any accumulated amortization, is transferred to mine development assets.

(j) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the Group's accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognized in the Group's statement of financial position.

Payments under operating lease agreements are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

Minimum lease payments made under finance leases comprise two elements, i.e. finance expense and discharge of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the contingency no longer exists and the lease adjustment is known.

(k) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average costing principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(l) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured based on actual cost.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Distribution of non-cash assets to Owners

The Group recognises an obligation to distribute assets to its owners (in this case the ultimate controlling party), when the Group has entered into an irrevocable commitment to transfer such assets, for no consideration, to the owners (which involves, amongst other things, authorization by the owners of the Company) and the amount of the liability can be reliably measured. When the liability is recognised, the Company also recognises as a distribution to owners in the Consolidated Statement of Changes in Equity.

(n) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- The disappearance of an active market for that financial asset because of financial difficulties.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. All impairment losses are recognized in profit or loss.

When an impairment loss in respect of an AFS financial asset is determined using objective evidence, the cumulative loss that had been recognized in other comprehensive income is reclassified from equity to the statement of comprehensive income for the year as a reclassification adjustment even though the financial asset is not derecognized. The impairment is calculated by reference to its current fair value.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and AFS financial assets that are debt securities, the reversal is recognized in the statement of comprehensive income. The reversal is recognized to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognized.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business acquisition, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive income.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(o) Employee benefits

(i) Other long-term employee benefits

The Group's net obligation in respect of long-term service benefits relating to compensation for disablement, occupational diseases and loss of breadwinner, is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Estimated compensation is

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

calculated based on current legislation. The discount rate is the risk-free interest rate on government bonds.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(p) Retirement benefit costs

The Group's entities contribute to the state pension funds on behalf of all its current employees in accordance with the Law of the Republic of Kazakhstan "On pension provisioning in the Republic of Kazakhstan" effective from 1 January 1998.

All employees have the right to receive guaranteed pension benefits in proportion to their accumulated working time record and if they had a working time record as at 1 January 1998. They also have the right to receive pension payments from accumulating pension funds from individual pension accumulating accounts provided by the 10% compulsory pension contributions from their salary but not exceeding 119,992 tenge per month in 2011 (2010: 112,140 tenge per month).

(q) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(h) Site restoration

Activities of the Group are subject to compliance with a number of environmental laws and provisions. The Group estimates site restoration provisions based on the management's understanding of current legal requirements and terms of license agreements. The provision is determined by estimating future cash flows to be incurred for disturbance caused through the end of the reporting period and discounting these cash flows to their present value. Actual costs to be incurred may significantly differ from the provisional amount. Future amendments to environmental legislation, field license terms, and discount rates may affect the carrying value of the provision. When such costs are identified, the additional provision would be prospectively calculated as new information, laws and estimates become known.

(r) Guarantees

Where the Group enters into contracts to guarantee the indebtedness of other companies within the Group and other related entities, the Group considers these to be insurance arrangements, and accounts for them as such. In this respect, the Group treats the guarantee contract as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the guarantee.

(s) Revenue

(i) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. For sales of uranium, tantalum and beryllium products, transfer usually occurs, in accordance with the INCOTERMS classification, at the Delivered at Frontier (DAF), Delivered Duty Unpaid (DDU), Free-On-Board (FOB) and Cost, Insurance and Freight (CIF).

Revenue from sale of public utilities (energy and water further public utilities) is measured at the fair value of the consideration received or receivable, net of allowances. The revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable and the amount of revenue can be measured reliably, which is upon delivery of public utilities to the customer.

Evidence of the quantity of public utilities delivered is determined on the basis of meter data. Meter data is monitored on a monthly basis by the Group's sales department.

(i) Services

Revenue from services rendered is recognized in the consolidated statement of comprehensive income in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(t) Other income and expenses

(i) Grants

Grants are recognized initially as deferred income (recorded as deferred grants on the statement of financial position) when they are received and the Group has reasonable assurance it will comply with the conditions associated with the grant.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants that compensate the Group for expenses incurred are recognized in the statement of comprehensive income on a systematic basis in the same periods in which the expenses are recognized. Grants that compensate the Group for the cost of an asset are offset against the asset on a systematic basis over the useful life of the asset.

(ii) Social expenditure

To the extent that the Group's contributions to social programs benefit the community at large, and where such contributions are not set by the subsoil use contracts and are not restricted to the Group's employees, they are recognized in the consolidated statement of comprehensive income as incurred.

(u) Financial income and expenses

Financial income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, changes in the fair value of financial assets at fair value through profit or loss, and foreign currency gains. Interest income is recognized as it accrues in the consolidated statement of comprehensive income, when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably, using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Dividend income is recognized in the consolidated statement of comprehensive income on the date that the Group's right to receive payment is established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Financial expenses comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, foreign currency losses, changes in the fair value of financial liabilities at fair value through profit or loss and impairment losses recognized on financial assets.

Borrowing costs comprise exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. All borrowing costs are recognized in the statement of comprehensive income using the effective interest method, except for borrowing costs related to qualifying assets which are recognized as part of the cost of such assets.

Foreign currency gains and losses are reported on a net basis.

(v) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity, accordingly.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base used in the computation of taxable profit or which arises from the initial recognition of goodwill. Deferred tax is not recognized for temporary differences in connection with the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis.

Liabilities are recognized for taxable temporary differences arising on investments in associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend is recognized.

In Kazakhstan, the corporate income tax regime requires the advance payments of estimated income tax based on the prior year's actual corporate income taxes. Advances are required to be made monthly, by making equal payments to budget. The tax return is filed 31 March and when the actual tax is calculated, the resulting underpayment is made or overpayment is received.

(w) Adoption of new and revised standards

Standards adopted with no material effect on the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group has adopted the following new and revised standards and interpretations issued by the IASB and the International Financial Reporting Interpretations Committee (the IFRIC) in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements.

Amendment to IFRS 3	*Business Combinations*
IAS 27	*Consolidated and Separate Financial Statements*
IAS 24	*Related Party Disclosures*
Amendment to IAS 32	*Financial Instruments: Presentation – Classification of Rights Issues)*
IFRIC 14	*Prepayments of a Minimum Funding Requirement*
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*

The adoption of the new or revised standards did not have any effect on the financial position or performance of the Group.

New and revised IFRSs in issue but not yet effective

At the date of authorization of this financial information, the following new standards and interpretations were in issue, but not yet effective, and which the Group has not early adopted.

IAS 1(amended)	*Presentation of Financial Statements — amendments to revise the way other comprehensive income is presented[4].*
IAS 12 (amended)	*Deferred Tax: Recovery of Underlying Assets[5].*
IAS 19 (revised)	*Employee Benefits[2]*
IAS 27 (revised)	*Separate Financial Statements[3].*
IAS 28 (revised)	*Investments in Associates and Joint Ventures[3]*
IAS 32	*Financial Instruments: Presentation[7]*
IFRS 7 (amended)	*Financial Instruments: Disclosures - providing clarifications on application of the offsetting rules and disclosure requirements[7]*
IFRS 7 (amended)	*Financial Instruments: Disclosures — Transfers of Financial Assets[1]*
IFRS 9	*Financial Instruments[6]*
IFRS 10	*Consolidated Financial Statements[3]*
IFRS 11	*Joint Arrangements[3].*
IFRS 12	*Disclosure of Interest in Other Entities[3]*
IFRS 13	*Fair Value Measurement[2]*

[1] Effective for annual periods beginning on or after 1 July 2011, with earlier application permitted.

[2] Effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

[3] Each of the five standards becomes effective for annual periods beginning on or after 1 January 2013, with earlier application permitted if all the other standards in the 'package of five' are also early applied (except for IFRS 12 that can be applied earlier on its own).

[4] Effective for annual periods beginning on or after 1 July 2012, with early adoption permitted.

[5] Effective for annual periods beginning on or after 1 January 2012, with earlier application permitted.

[6] Effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

[7]Amendments to IAS 32 effective for annual periods beginning on or after 1 January 2014. Respective amendments to IFRS 7 regarding disclosure requirements – for annual periods beginning on or after 1 January 2013.

The Group does not expect that the adoption of the following standards will have a material impact on the consolidated financial statements of the Group in future periods, except as follows:

The amendments to IFRS 7 introduce additional disclosures, designed to allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Retrospective application is required in accordance with IAS ***8 Accounting Policies, Changes in Accounting Estimates and Errors*** with the exception that in the first year of application, an entity need not provide comparative information for the disclosures required by the amendments for periods beginning before July 1, 2011. The Group is currently assessing the impact of the amended standard on its consolidated financial statements.

IFRS 9 issued in November 2009 and amended in October 2010, introduces new requirements for the classification and measurement of financial assets and financial liabilities.

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at their fair values.

- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

relates to the accounting for changes in fair value of a financial liability (designated as at FVTPL) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was recognised in profit or loss.

Group management anticipates that IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2015 and that the application of the new standard may have a significant impact on amounts reported in respect of the Groups' financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures were issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011). Key requirements of these five standards are described below.

IFRS 10 replaces all of the guidance on control and consolidation in IAS 27 ***Consolidated and Separate Financial Statements*** and SIC-12 ***Consolidation – Special Purpose Entities*** by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (ie whether an entity is controlled through voting rights or through other contractual arrangements as is common in special purpose entities). Under IFRS 10, the single definition of control, accompanied by extensive application guidance, is based on whether an investor has (a) power over the investee, (b)exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the returns.

IFRS 11 replaces IAS 31 ***Interests in Joint Ventures*** with new accounting requirements for joint arrangements by classifying them as either joint operations or joint ventures (the 'jointly controlled assets' classification exists no more). Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

IFRS 12 requires enhanced disclosures about both consolidated and unconsolidated entities in which an entity has involvement, so that financial statement users are able to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

Group management anticipates that the package of five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standards may have a significant impact on amounts reported in respect of the Groups' consolidated financial statements. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

4. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Investments in equity and debt securities

The best evidence of fair value of equity instruments is quoted prices in an active market. If the market for a financial instrument is not active, the Group establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique.

The chosen valuation technique makes maximum use of market inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the Group calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on any available observable market data.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost.

(b) Trade and other receivables and payables

The fair value of non-current trade and other receivables and payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

The current trade and other receivables are carried at cost less impairment provision of doubtful debts which approximates fair value due to the short-term nature thereof.

(c) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

5. SEGMENT INFORMATION

The Group, based on information contained in reports that are regularly reviewed by the chief operating decision maker, the chief executive, and which are used to make decisions about the allocation of financial resources and to assess segment performance, has five reportable segments namely:

Uranium products	-	The production of uranium ore, processing and sale of uranium products.
Beryllium products	-	The manufacture and sale of beryllium products as well as related research and development activities
Tantalum products	-	The manufacture and sale of tantalum products as well as related research and development activities.
Utilities	-	The generation and sale of electricity, heating and water.
Other	-	The generation and sale of other products and rendering of services for the main production.

Information regarding the Group's reportable segments is presented below.

Inter-segment sales are charged at prevailing market prices.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment profit is the factor that management uses to manage its business and represents gross profit earned by each segment. This is the measure reported to the chief executive for the purpose of resource allocation and assessment of segment performance.

5. SEGMENT INFORMATION (CONTINUED)

(a) Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment in 2011:

	Uranium products '000 KZT	Beryllium '000 KZT	Tantalum '000 KZT	Utilities '000 KZT	Other '000 KZT	Eliminations '000 KZT	Consolidated '000 KZT
Revenue							
External sales	249,616,464	7,791,351	6,404,787	30,578,856	27,559,710	-	321,951,168
Inter-segment sales	-	-	-	-	16,514,936	(16,514,936)	-
Total revenue	249,616,464	7,791,351	6,404,787	30,578,856	44,074,646	(16,514,936)	321,951,168
Segment profit	73,731,027	852,360	1,158,871	5,099,592	9,652,442	(3,902,610)	86,591,682
Distribution expense							(3,107,813)
Administrative expense							(17,080,916)
Financial income							5,466,166
Financial expense							(11,983,154)
Foreign exchange loss							(410,882)
Share of results of associates and jointly controlled entities							43,715,606
Other income							573,335
Other expense							(6,949,489)
Profit before income tax							**96,814,535**

5. SEGMENT INFORMATION (CONTINUED)

(a) Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment in 2010 (continued):

	Uranium products '000 KZT	Beryllium '000 KZT	Tantalum '000 KZT	Utilities '000 KZT	Other '000 KZT	Eliminations '000 KZT	Consolidated '000 KZT
Revenue							
External sales	171,564,873	5,300,798	4,676,462	26,526,968	22,869,769	-	230,938,870
Inter-segment sales	-	-	-	-	15,441,998	(15,441,998)	-
Total revenue	171,564,873	5,300,798	4,676,462	26,526,968	38,311,767	(15,441,998)	230,938,870
Segment profit	55,063,763	791,813	712,796	2,048,415	8,145,822	(2,782,147)	63,980,462
Distribution expense							(2,325,968)
Administrative expense							(13,264,911)
Financial income							5,306,714
Foreign exchange gains							426,6ш32
Financial expense							(9,926,646)
Share of results of associates and jointly controlled entities							37,155,562
Other income							813,294
Other expense							(8,496,867)
Profit before income tax							**73,668,272**

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than investments in associates and jointly controlled entities, financial assets and tax assets; and
- all liabilities are allocated to reportable segments other than financial liabilities, current and deferred tax liabilities, and other liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

5. SEGMENT INFORMATION (CONTINUED)

(a) Segment assets

	31.12.2011 '000 KZT	31.12.2010 '000 KZT
Uranium products	291,942,293	248,910,694
Beryllium	5,670,804	6,076,231
Tantalum	7,710,041	5,469,869
Utilities	22,689,893	21,778,077
Other	29,941,957	19,496,195
Eliminations	(6,035,539)	(31,884,362)
Total segment assets	351,919,449	269,846,704
Unallocated assets	259,740,645	258,690,217
Consolidated assets	**611,660,094**	**528,536,921**

(b) Segment liabilities

	31.12.2011 '000 KZT	31.12.2010 '000 KZT
Uranium products	**110,950,765**	**98,022,792**
Beryllium	451,178	630,708
Tantalum	613,423	567,768
Utilities	4,771,454	6,612,860
Other	2,231,028	1,588,374
Eliminations	22,464,129	15,540,113
Total segment liabilities	141,481,977	122,962,615
Unallocated liabilities	122,321,051	126,154,599
Consolidated liabilities	**263,803,028**	**249,117,214**

(d) Geographical information

External revenue based on the country of domicile of the customer is as follows:

	Revenue from external customers	
	2011 '000 KZT	2010 '000 KZT
Kazakhstan	62,474,479	48,608,536
China	123,984,121	96,855,090
Japan	33,769,990	33,360,465
USA	6,415,808	20,449,435
South Korea	13,666,382	7,988,764
Russia	51,729,319	5,473,297
France	14,168,926	4,267,060
Germany	6,112,012	2,211,115
Argentina	1,255,892	1,999,183
Austria	359,008	1,006,679
Belgium	1,295,852	1,395,377
India	6,608,503	4,711,194
Switzerland	31,298	2,486,112
Other	79,578	126,563
	321,951,168	**230,938,870**

5. SEGMENT INFORMATION (CONTINUED)

(e) Other segment information

Depreciation and amortization of mine development assets, exploration and evaluation assets, and property, plant and equipment, and amortization of mineral rights and intangible assets accrued for the period is detailed below:

	Depreciation and amortization	
	2011 '000 KZT	2010 '000 KZT
Uranium products	13,459,453	9,303,661
Beryllium	226,840	174,215
Tantalum	308,413	156,830
Utilities	2,204,719	1,979,293
Other	1,210,316	878,953
	17,409,741	**12,492,952**

The portion of the above reported depreciation and amortization recognized as part of cost of sales is detailed below:

	Depreciation and amortization	
	2011 '000 KZT	2010 '000 KZT
Uranium products	12,943,900	9,761,056
Beryllium	130,978	106,123
Tantalum	178,078	95,533
Utilities	2,031,407	1,116,076
Other	940,723	708,588
Elimination	(1,070,284)	(1,881,032)
	15,154,802	**9,906,344**

	Additions to non-current assets	
	2011 '000 KZT	2010 '000 KZT
Uranium products	47,969,950	20,382,063
Beryllium	409,264	399,915
Tantalum	556,436	360,006
Utilities	1,627,700	3,157,383
Other	15,130,564	2,368,889
	65,693,914	**26,668,256**

In addition to the depreciation and amortisation reported above, impairment losses of KZT 1,177,104 (2010: 876,533) were recognised in respect of property, plant and equipment (Note 18). These impairment losses were attributable to the following reportable segments:

	Impairment	
	2011 '000 KZT	2010 '000 KZT
Uranium products	430,333	580,902
Beryllium	93,383	120,265
Tantalum	126,964	108,263
Other	526,424	67,103
	1,177,104	**876,533**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

6. ACQUISITIONS OF BUSINESSES, DISPOSALS OF INVESTMENTS AND NON CONTROLLING INTERESTS

These consolidated financial statements include financial statements of the following subsidiaries:

		31.12.2011	31.12.2010
	Country of incorporation	Ownership/ Voting	Ownership/ Voting
MAEK-Kazatomprom LLP	Kazakhstan	100%	100%
GRK LLP	Kazakhstan	100%	100%
Kazatomprom-Demeu LLP	Kazakhstan	90%	90%
Bailanys NAC LLP	Kazakhstan	100%	100%
Taikonyr JSC	Kazakhstan	100%	100%
Korgan KAP LLP	Kazakhstan	100%	100%
Appak LLP	Kazakhstan	65%	65%
Semizbai-U LLP	Kazakhstan	51%	51%
Ulba Metallurgical Plant JSC	Kazakhstan	90%	90%
Volkovgeology JSC	Kazakhstan	90%	90%
Institute of High Technologies LLP	Kazakhstan	100%	100%
Kyzyltu LLP	Kazakhstan	76%	76%
SARECO LLP	Kazakhstan	51%	51%
Ecoenergomash LLP	Kazakhstan	100%	100%
Kvarz LLP	Kazakhstan	100%	-
MK KazSilicon LLP	Kazakhstan	100%	-
Bergstein Construction LLP	Kazakhstan	100%	-
Astana Solar LLP	Kazakhstan	100%	-
JV KT Raremetals company LLP	Kazakhstan	51%	-
DP Ortalyk LLP	Kazakhstan	100%	-

SARECO

On 24 March 2010, the Company and Sumitomo Corporation signed a charter document on establishment of "Summit Atom Rare Earth Company" (SARECO). SARECO was formed to operate in the rare and rare-earth metals industry. The Company and Sumitomo Corporation hold a 51% and 49% ownership in SARECO, respectively. SARECO was established as a vertically integrated company producing high value added rare earth products. SARECO is involved in the construction and commercial ore enrichment operations, hydrometallurgical production of rare metal concentrates and chemical production on decay of rare metals into individual metal oxides. SARECO exports certain of its produced goods.

In April and September 2011, the partners of SARECO provided additional contributions to charter capital totaling KZT 1,953,000 thousand. The contributions of the partners were proportionate to their ownership interests, and consequently no change in ownership interests arose as a consequence of this contribution.

Ekoenergomash LLP

In March 2010 the Group created a subsidiary with 100% ownership, Ekoenergomash LLP, and invested KZT 250,000 thousand to its charter capital. The principal operation of Ekoenergomash LLP is the production of wind-driven stations based on a base of renewable sources of energy.

In June 2011, the Company provided an additional capital contribution to Ecoenergomash LLP charter capital of KZT 800,000 thousand.

Appak LLP

In April 2010, the partners of Appak LLP provided additional contributions to the charter capital to Appak LLP of 5.3 billion tenge. The contributions of the partners were proportionate to their ownership interest, and consequently no change in ownership interest arose as a consequence of this contribution.

6. ACQUISITIONS OF BUSINESSES, DISPOSALS OF INVESTMENTS AND NON CONTROLLING INTERESTS (CONTINUED)

Kazatomprom-Demeu LLP
On 28 January 2010, the Company made an additional contribution to Kazatomprom – Demeu LLP charter capital of 3,604,000 thousand tenge. The contribution did not result in change in ownership interest.

In December 2011, the Company provided an additional contribution to charter capital of KZT 1,000,000 thousand. The contribution did not result in a change in ownership interest.

Bergstein Construction LLP
In November 2011, the Company purchased a 100% ownership interest to Bergstein Construction LLP for KZT 3,294,781 thousand and provided a posit acquisition contribution to its charter capital of KZT 191,793 thousand. The entity's principal activities of Bergstein Construction LLP include production of silicon solar grades, silicon plates and photovoltaic plates.

Kvarz LLP
In November 2011, the Company purchased 100% ownership interest in Kvarz LLP for KZT 1,000 thousand (Note 45) and provided a post acquisition contribution to its charter capital of KZT 241,000 thousand. The principal activities of the entity involve mining and processing of quartz and primary processing of raw materials.

MK Kaz Silicon LLP (Note 45)
In November 2011, the Company purchased a 100% ownership interest of MK Kaz Silicon LLP for KZT 4,750,000 thousand and provided a post acquisition contribution to its charter capital of KZT 2,508,000 thousand. The principal activities of the entity involve production and sale of metallurgical and polycrystalline silicon and recycling of silicon production waste.

Astana Solar LLP
In December 2011, the Company established Astana Solar LLP as a wholly owned subsidiary company and provided a contribution to its charter capital of KZT 52,000 thousand. The principal activities of Astana Solar LLP include production of silicon solar plates, silicon plates, photovoltaic plates, photovoltaic modules and electrical systems on its basis.

DP Ortalyk LLP (Note 45)
In December 2011, the Company purchased a 100% ownership interest in DP Ortalyk LLP for KZT 21,124,874 thousand. Principal activities of DP Ortalyk LLP include the provision of services on mining, processing chemical concentrate to uranium and services.

JV KT Raremetals company LLP
In November 2011, JV KT Raremetals Company LLP was established as a joint venture in with the Company and another partner. The Company obtained 51% ownership. The Company made a contribution to the entity's charter capital of KZT 382,000 thousand. The principal activities of the entity involve performing feasibility study on exploration and extraction of rare and rare-earth metals.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

7. REVENUE

	2011 '000 KZT	2010 '000 KZT
Sales of uranium	249,616,464	171,564,873
Sales of energy products	30,578,856	26,284,167
Processing services	9,335,873	4,593,001
Drilling services	8,853,018	9,673,497
Sales of beryllium	7,791,351	5,300,798
Sales of tantalum	6,404,787	4,676,462
Transportation services	5,270,197	2,961,941
Research and development services	347,298	316,598
Sales of purchased goods	279,117	2,368,343
Other	3,474,207	3,199,190
	321,951,168	**230,938,870**

8. COST OF SALES

	2011 '000 KZT	2010 '000 KZT
Materials and supplies	154,933,623	103,245,715
Processing and other services	26,321,803	19,845,049
Wages and salaries	21,579,748	15,366,100
Depreciation and amortization	15,154,802	10,060,514
Taxes other than on income	10,758,581	8,827,503
Maintenance and repair	2,218,600	5,010,243
Utilities	1,522,556	2,002,180
Rent expenses	488,186	647,364
Transportation expenses	300,033	412,677
Research and development	248,476	139,779
Other	1,833,078	1,401,284
	235,359,486	**166,958,408**

9. DISTRIBUTION EXPENSES

	2011 '000 KZT	2010 '000 KZT
Shipping, transportation and storing	1,403,857	1,006,542
Wages and salaries	598,175	409,569
Commissions	266,240	268,628
Materials and suppliers	225,970	196,782
Rent	134,623	80,413
Advertising and marketing expenses	62,782	47,339
Cargo insurance	59,901	50,349
Travel	46,221	28,919
Depreciation and amortization	42,295	24,117
Custom duties	8,402	48,497
Taxes other than on income tax	248	39,338
Other	259,099	125,475
	3,107,813	**2,325,968**

10. ADMINISTRATIVE EXPENSES

	2011 '000 KZT	2010 '000 KZT
Wages and salaries	11,471,815	7,425,520
Taxes other than income tax	968,104	1,657,931
Consulting, auditing and information services	757,536	480,364
Depreciation and amortization	665,249	524,566
Rent	491,124	274,946
Materials and suppliers	396,607	254,435
Travel	386,087	317,050
Bonus pay accrual	294,114	216,447
Training expenses	287,423	267,043
Maintenance and repair	203,873	328,544
Bank charges	165,950	141,637
Communication	123,969	109,258
Corporate events	98,179	73,255
Research expenses	93,869	361,677
Utilities	89,897	83,128
Stationary	78,969	88,330
Entertainment expenses	58,915	65,563
Security	53,528	34,621
Insurance	37,696	40,049
Other	358,012	520,547
	17,080,916	**13,264,911**

11. FINANCIAL INCOME AND EXPENSE

Financial income	2011 '000 KZT	2010 '000 KZT
Interest income on term deposits and deposits on demand, and current accounts	3,651,783	1,750,887
Dividend income	1,606,827	3,551,893
Other	207,556	3,934
Total	**5,466,166**	**5,306,714**

Financial expense	2011 '000 KZT	2010 '000 KZT
Interest expense on loans and borrowings	6,310,567	4,794,115
Unwinding of discount on other financial liabilities	4,724,601	4,388,107
Unwinding of discount on provisions	494,618	353,171
Loss on sales of foreign currency	80,784	57,577
Preference share dividend expense	52,965	53,610
Other	319,619	280,066
Total	**11,983,154**	**9,926,646**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

12. OTHER INCOME

	2011 '000 KZT	2010 '000 KZT
Property received free of charge	128,447	-
Income from fines and penalties	118,730	-
Gain on sale of investment property	-	418,650
Interest on trade receivables	-	103,126
Write-off of liabilities	19,427	11,196
Other	306,731	280,322
Total	**573,335**	**813,294**

13. OTHER EXPENSES

	2011 '000 KZT	2010 '000 KZT
Sponsorship and charitable donations	1,279,063	2,619,205
Impairment of investments in associates	992,249	-
Impairment of non-current assets	973,602	622,382
Social sphere expenses	887,480	1,215,648
Loss on disposal of non-current assets	607,828	116,625
Loss on suspension of production	444,877	244,254
Unrecoverable value added tax ("VAT")	339,929	2,438,747
Transfer pricing provision	-	467,569
Other	1,424,461	772,437
	6,949,489	**8,496,867**

14. PERSONNEL COSTS

	2011 '000 KZT	2010 '000 KZT
Wages and salaries	37,753,730	30,497,519
Social tax and social contributions	3,502,831	2,763,156
	41,256,561	**33,260,675**

15. INCOME TAX EXPENSE

	2011 '000 KZT	2010 '000 KZT
Current tax expense		
Current year	15,432,005	12,456,258
Under provided in prior years	20,916	325,561
	15,452,921	**12,781,819**
Deferred tax expense		
Origination and reversal of temporary differences	1,672,571	947,853
	17,125,492	**13,729,672**

The entities based in Kazakhstan are subject to income tax on taxable profit as determined under the laws of the Republic of Kazakhstan. The income tax rate was 20% in both 2010 and 2011. In November 2009, an amendment to the corporate income tax rate was enacted to reduce the corporate income tax rate to 17.5% effective from 1 January, 2013 and 15% effective from 1 January 2014. In November 2010, changes occurred and the rate was fixed at 20% from 1 January 2011 and for subsequent years.

Reconciliation of effective tax rate:

	2011 '000 KZT	%	2010 '000 KZT	%
Profit before income tax	**96,814,535**	**100**	**73,668,271**	**100**
Income tax at applicable tax rate	19,362,907	20.00	14,733,656	20.00
Tax effect of:				
Change in tax rate	229,060	0.24	659,711	0.9
Non-taxable income	(405,007)	(0.42)	(710,379)	(0.96)
Non-deductible expenses	3,284,576	3.39	960,778	1.3
Transfer pricing adjustment	4,124,266	4.26	4,930,963	6.69
Elimination of margin in finished goods	106,597	0.11	(363,467)	(0.49)
Share of results of associates	(6,044,431)	(6.24)	(5,474,570)	(8.82)
Share of results of jointly controlled entities	(2,698,691)	(2.79)	(1,956,542)	(1.87)
Utilization of tax losses not recognized in prior periods	(905,147)	(0.93)	(19,495)	0.03
Current year losses for which no deferred tax asset is recognized	50,446	0.05	643,456	0.87
Under provided in prior years	20,916	0.02	325,561	0.44
	17,125,492	**17.69**	**13,729,672**	**18.21**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

16. EARNINGS PER SHARE

Basic and diluted earnings per share:

	2011 '000 KZT	2010 '000 KZT
Basic and diluted earnings per share	2,135	1,608

The Group has no dilutive potential ordinary shares.

The profit for the year attributable to owners of the Group and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows.

	2011 '000 KZT	2010 '000 KZT
Profit for the year attributable to owners of the Company	78,337,759	59,014,067
Earnings used in the calculation of the total basic and diluted earnings per share	**78,337,759**	**59,014,067**

	2011 '000 KZT	2010 '000 KZT
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	36,692,361	36,692,361

17. INTANGIBLE ASSETS

000 KZT	Licenses and patents	Software	Goodwill	Other	Total
At 1 January 2010	29,131	268,590	-	102,567	400,288
Additions	149	112,732	-	375,902	488,783
Disposals	-	(884)	-	(62,375)	(63,259)
At 31 December 2010	29,280	380,438	-	416,094	825,812
At 1 January 2011	29,280	380,438	-	416,094	825,812
Additions	17,401	202,011		934,077	1,153,489
Acquisitions through business combinations (Note 45)	22,734	4,389	10,696,216	1,040	10,724,379
Disposals	(335)	(55,223)	-	(1,299)	(56,857)
At 31 December 2011	69,080	531,615	10,696,216	1,349,912	12,646,823
Accumulated amortization and impairment losses					
At 1 January 2010	10,960	134,846	-	62,935	208,741
Amortization charge	6,488	64,626	-	9,108	80,222
Disposals	-	(519)	-	(59,339)	(59,858)
At 31 December 2010	17,448	198,953	-	12,704	229,105
At 1 January 2011	17,448	198,953	-	12,704	229,105
Amortization charge	7,545	75,252	-	58,952	141,749
Disposals	(335)	(55,073)	-	(948)	(56,356)
At 31 December 2011	24,658	219,132	-	70,708	314,498
Net book value					
As at 31 December 2010	**11,832**	**181,485**	**-**	**403,390**	**596,707**
As at 31 December 2011	**44,422**	**312,483**	**10,696,216**	**1,279,204**	**12,332,325**

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to the following cash-generating units.

	2011 '000 KZT	2010 '000 KZT
Uranium production	10,110,256	-
Quartz production	585,960	-
	10,696,216	-

The recoverable amounts of the cash-generating units are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding discount rates, growth rates and expected changes to selling prices and direct costs during the period.

The Group prepares post-tax cash flow forecasts derived from the most recent financial budgets approved by management.

The rates used to discount the forecast cash flows were 10% and 12% for the uranium production and quartz production, respectively, which is based upon the weighted average cost of capital for the respective cash-generating unit.

18. PROPERTY, PLANT AND EQUIPMENT

'000 KZT	Land	Buildings	Plant and equipment	Vehicles	Other	Construc-tion in progress	Total
Cost							
At 1 January 2010	93,951	46,787,749	37,796,644	5,791,689	2,662,306	6,299,387	99,431,726
Additions	22,309	1,317,366	4,207,359	1,484,884	289,258	8,107,495	15,428,671
Transfers	1,790	3,376,132	2,258,724	20,773	77,454	(5,734,873)	-
Disposals	(1,902)	(130,830)	(550,850)	(46,298)	(66,206)	(239,952)	(1,036,038)
Foreign currency translation difference	-	-	32	-	433	-	465
At 31 December 2010	116,148	51,350,417	43,711,909	7,251,048	2,963,245	8,432,057	113,824,824
At 1 January 2011	116,148	51,350,417	43,711,909	7,251,048	2,963,245	8,432,057	113,824,824
Additions	52,326	3,606,446	4,330,668	1,358,027	405,173	8,995,553	18,748,193
Transfers	78,097	3,703,706	2,924,000	(75,051)	8,067	(8,199,620)	(1,560,801)
Additions through business combinations (Note 45)	4,256	5,763,350	2,272,313	194,144	130,778	158,521	8,523,362
Disposals	(79)	(154,778)	(760,469)	(98,923)	(112,267)	(8,198)	(1,134,714)
Foreign currency translation difference	-	-	58	-	2,700	-	2,758
At 31 December 2011	**250,748**	**64,269,141**	**52,478,479**	**8,629,245**	**3,397,696**	**9,378,313**	**138,403,622**

18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

'000 KZT	Land	Buildings	Plant and equipment	Vehicles	Other	Construc-tion in progress	Total
Accumulated depreciation and impairment losses							
At 1 January 2010	-	5,655,244	11,483,180	1,785,826	735,218	564,936	20,224,404
Depreciation charge	-	2,286,637	4,113,669	832,372	358,435	-	7,591,113
Disposals	-	(109,224)	(499,930)	(28,887)	(43,893)	-	(681,934)
Additions	-	4,838	1,758	3,043	582	-	10,221
Impairment	-	165,407	61,106	(157)	38,946	611,231	876,533
Foreign currency translation difference	-	-	39	-	242	-	281
At 31 December 2010	-	8,002,902	15,159,822	2,592,197	1,089,530	1,176,167	28,020,618
At 1 January 2011	-	8,002,902	15,159,822	2,592,197	1,089,530	1,176,167	28,020,618
Depreciation charge	-	2,892,807	5,253,201	1,065,009	362,208	-	9,573,225
Transfers		(433,522)	(82,910)	(77,693)	9,205	-	(584,920)
Disposals	-	(75,379)	(668,771)	(83,702)	(86,161)	-	(914,013)
Impairment loss and reversals of impairment losses recognized in prior periods	-	1,464,786	121,280	(5,354)	37,780	(441,388)	1,177,104
Foreign currency translation difference	-	-	57	-	2,379	-	2,436
At 31 December 2011	-	11,851,594	19,782,679	3,490,457	1,414,941	734,779	37,274,450
Net book valuebook value							
As at 31 December 2010	**116,148**	**43,347,515**	**28,552,087**	**4,658,851**	**1,873,715**	**7,255,890**	**85,804,206**
As at 31 December 2011	**250,748**	**52,417,547**	**32,695,800**	**5,138,788**	**1,982,755**	**8,643,534**	**101,129,172**

The Group recorded impairment losses attributable to property, plant and equipment of KZT 1,177,104 thousand during the year ended 31 December 2011 (2010: KZT 876,533 thousand), relating to assets owned as part of the Group's social obligations and which do not generate positive cash flows (Matrosov student camp in the amount of KZT 452,381 thousand (2010: KZT 500,925 thousand)), and fixed assets not involved in production activities in the amount of KZT 724,723 thousand, (2010: 375,608 thousand).

In 2011 KZT 203,502 thousand (2010: KZT 254,151 thousand) out of the total amount of impairment was allocated to cost of sales and KZT 973,602 thousand (2010: 622,382) to otheer expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Depreciation expense of KZT 8,948,017 thousand (2010: KZT 7,104,216 thousand) has been charged in cost of sales, KZT 42,039 thousand (2010: KZT19,990 thousand) in distribution expenses and KZT 583,169 thousand (2010: KZT 466,907 thousand) in administrative expense.

(b) Borrowing costs

Borrowing costs capitalized in the reporting periods were as follows:

The weighted-average capitalization rate was 6% in 2010.

	2011 '000 KZT	2010 '000 KZT
Capitalized borrowing costs	-	1,285

(c) Construction in progress

Construction in progress comprises construction of new assets and capital improvements of existing property, plant and equipment

(d) Rented equipment

The Group has acquired assets under finance lease arrangements. At the end of the lease period, ownership of the assets will transfer to the Group. The Group makes monthly payments based on the terms of the agreements. As at 31 December 2011 the book value of such assets was KZT 41,933 thousand (2010: KZT 101,603 thousand).

(e) Collateral

Property, plant and equipment with a carrying amount of KZT 3,868,936 thousand (2010: KZT 4,252,577 thousand) has been pledged to secure bank loans (Note 35).

(f) Fully depreciated property plant and equipment

As at 31 December 2011, the gross carrying value of fully depreciated property, plant and equipment still in use was KZT 1,690,180 thousand (2010: KZT 2,015,779 thousand).

(g) Idle property, plant and equipment

As at 31 December 2011, the carrying value of temporary idle property, plant and equipment was KZT 38,936 thousand (2010: KZT 46,785 thousand).

(h) Commitments

As at 31 December 2011, commitments relating to the acquisition of property, plant and equipment were KZT 8,785,562 thousand (2010: KZT 312 thousand).

19. MINE DEVELOPMENT ASSETS

'000 KZT	Field preparation	Side restoration asset	Ion-exchange resin	Total
Cost				
Balance at 1 January 2010	**24,376,886**	**1,935,639**	**2,365,299**	**28,677,824**
Additions	7,472,056	473,274	495,905	8,441,235
Change in estimate	-	1,408,248	-	1,408,248
Balance at 31 December 2010	**31,848,942**	**3,817,161**	**2,861,204**	**38,527,307**
Balance at 1 January 2011	**31,848,942**	**3,817,161**	**2,861,204**	**38,527,307**
Additions	11,587,968	-	289,020	11,876,988
Change in estimate	-	2,366,398	-	2,366,398
Transfer from exploration and evaluation assets	3,756,812	65,103	166,392	3,988,307
Transfer from property, plant and equipment (Note 18)	127,511	-	-	127,511
Balance at 31 December 2011	**47,321,233**	**6,248,662**	**3,316,616**	**56,886,511**
Accumulated depreciation and impairment loss				
Balance at 1 January 2010	**10,711,054**	**80,373**	**431,025**	**11,222,452**
Depreciation charge	3,844,885	97,021	180,791	4,122,697
Balance at 31 December 2010	**14,555,939**	**177,394**	**611,816**	**15,345,149**
Balance at 1 January 2011	**14,555,939**	**177,394**	**611,816**	**15,345,149**
Depreciation charge	6,113,794	193,093	149,198	6,456,085
Balance at 31 December 2011	**20,669,733**	**370,487**	**761,014**	**21,801,234**
Net book value				
At 31 December 2010	**17,293,003**	**3,639,767**	**2,249,388**	**23,182,158**
At 31 December 2011	**26,651,500**	**5,878,175**	**2,555,602**	**35,085,277**

The change in estimate of the site restoration asset occurs primarily as a consequence of revisions to budgets and new mining fields obtained by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

20. MINERAL RIGHTS

'000 KZT	Total
Cost	
Balance at 1 January 2010	**978,121**
Additions	922,132
Balance at 31 December 2010	**1,900,253**
Additions	22,841
Change in estimate	-33,223
Additions through business combination (Note 45)	6,518,857
Transfer from exploration and evaluation assets (Note 21)	122,591
Balance at 31 December 2011	**8,531,319**
Amortization and impairment losses	
Balance at 1 January 2010	82,357
Depreciation charge	50,852
Balance at 31 December 2010	**133,209**
Depreciation charge	72,050
Balance at 31 December 2011	**205,259**
Net book value	
Balance at 31 December 2010	**1,767,044**
Balance at 31 December 2011	**8,326,060**

Subsoil use agreements for mines held by the Group require the Group to make contributions to social development and education programs. All of the Group's costs relating to social development and education programs are expensed as incurred.

In connection with the order of the Ministry of Industry and New Technologies of the Republic of Kazakhstan, the right on subsoil use on the Central Mynkuduk field was revoked from LLP "Ken Dala KZ", a third party, and given to the Company. Accordingly, in 2010 the Company sustained additional contractual obligations and expenses on mine development in addition to other liabilities and expenses occurring under existing subsoil use contracts of the Company.

21. EXPLORATION AND EVALUATION ASSETS

'000 KZT	Tangible assets	Intangible assets	Total
Cost			
Balance at 1 January 2010	**3,776,906**	**88,232**	**3,865,138**
Additions	2,491,892	98,859	2,590,751
Amortization charged to cost of sales	(642,193)	(5,874)	(648,067)
Change in estimate	(22,591)	-	(22,591)
Balance at 31 December 2010	**5,604,014**	**181,217**	**5,785,231**
Balance at 1 January 2011	**5,604,014**	**181,217**	**5,785,231**
Additions	1,439,868	527,483	1,967,351
Amortization charged to cost of sales	(1,156,116)	(10,516)	(1,166,632)
Transfer to mine development assets (Note 19)	(3,988,307)	-	(3,988,307)
Transfer to mineral rights (Note 20)	-	(122,591)	(122,591)
Transfer from property, plant and equipment (Note 18)	223,136	-	223,136
Balance at 31 December 2011	**2,122,595**	**575,593**	**2,698,188**

22. INVESTMENTS IN ASSOCIATES

The Group has the following investments in associates:

		31.12.2011		31.12.2010	
	Country	Ownership/ voting	Carrying value '000 KZT	Ownership/ voting	Carrying value '000 KZT
JV Betpak Dala LLP	Kazakhstan	30%	15,093,411	30%	14,208,036
JV KATCO LLP	Kazakhstan	49%	45,326,938	49%	29,556,133
Uranenergo LLP	Kazakhstan	44.82%	4,371,545	36.71%	4,953,799
JV SKZ Kazatomprom LLP	Kazakhstan	22%	657,973	24.5%	702,277
JV Inkai LLP	Kazakhstan	40%	9,614,565	40%	6,683,397
JV Zarechnoe JSC	Kazakhstan	49.67%	2,875,543	49.67%	886,272
JV Rosburmash LLP	Kazakhstan	49%	171,716	49%	188,238
Kazakhstan Nuclear Institution LLP	Kazakhstan	40%	16,180	40%	14,601
Demeu-Clothes LLP	Kazakhstan	-	-	49%	3,855
Kyzylkum LLP	Kazakhstan	30%	1,559,373	30%	-
NPK Ulba LLP	Kazakhstan	-	-	33%	3,527
SKZ-U LLP	Kazakhstan	49%	3,590,018	49%	3,659,578
JV IFASTAR	France	49%	11,179	49%	34,885
PKF Ulba Energo	Kazakhstan	30%	42,073	30%	25,337
			83,330,514		**60,919,935**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

22. INVESTMENTS IN ASSOCIATES, CONTINUED

The following table summarizes the unrecognised share of losses of the associates:

Accumulated losses:	2011 '000 KZT	2010 '000 KZT
At the beginning of the year	2,209,475	2,118,949
Movement in:		
Kyzylkum LLP	(2,189,060)	90,526
JV Zarechnoe JSC	(20,415)	-
At the end of the year	-	2,209,475

The following is summarized financial information, in aggregate, in respect of associates:

	31.12.2011 '000 KZT	31.12.2010 '000 KZT
Current assets	110,464,703	93,724,119
Non-current assets	205,644,599	183,681,087
Total assets	316,109,302	277,405,206
Current liabilities	(63,197,338)	(80,617,969)
Non-current liabilities	(51,602,217)	(54,547,029)
Total liabilities	(114,799,555)	(135,164,998)
Net assets	201,309,747	142,240,208
Group's share of net assets of associates	83,330,514	60,919,935

	2011 '000 KZT	2010 '000 KZT
Total revenue	197,548,479	169,116,317
Total profit for the year	78,538,819	64,239,567
Group's share of profit of associates after tax	30,222,153	27,372,850

23. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

The Group has the following investments in jointly controlled entities:

		31.12.2011		31.12.2010	
	Country	Ownership/ voting	'000 KZT	Ownership/ voting	'000 KZT
Karatau LLP	Kazakhstan	50%	11,293,526	50%	8,557,990
JV Akbastau LLP	Kazakhstan	50%	6,299,839	50%	3,006,172
CJSC COU	Kazakhstan	50%	658,059	50%	634,640
JSC Yingtan Ulba Shine Metal Materials Co., Ltd	Kazakhstan	50%	341,289	50%	422,736
ULBA Conversion LLP	Kazakhstan	50%	29,605	50%	27,963
JV UKR TVS CJSC	Ukrain	33.33%	3,922	33.33%	3,845
Chemieanlagenbau Chemnitz	Germany	50%	2,420	50%	2,266
Kazakhstan-Russian Company JSC Atomic Stations	Kazakhstan	50%	-	50%	-
Geotechnologia KKRUMC	Kyrgyzstan	50%	1,840	50%	1,840
			18,630,500		**12,657,452**

As at 31 December 2011, the Group did not recognize its share of the accumulated losses of jointly controlled entity Kazakhstan-Russian Company JSC Atomic Stations, which exceed the cost of investment amounting to KZT 36,694 thousand (in 2010: KZT 35,054 thousand).

The following is summarized financial information, in aggregate, in respect of jointly-controlled entities:

	31.12.2011 '000 KZT	31.12.2010 '000 KZT
Current assets	22,191,647	17,349,042
Non-current assets	44,331,069	37,877,174
Total assets	**66,522,716**	**55,226,216**
Current liabilities	(19,035,335)	(27,302,650)
Non-current liabilities	(7,768,325)	(2,655,844)
Total liabilities	**(26,803,660)**	**(29,958,494)**
Net assets	39,719,056	25,267,722
Group share in net assets of jointly controlled entities	18,630,500	12,657,452

	2011 '000 KZT	2010 '000 KZT
Total revenue	60,570,036	42,260,756
Total profit for the year	29,511,980	19,520,703
Group share in profit of jointly controlled entities after tax	13,493,453	9,782,712

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

24. OTHER INVESTMENTS

	31.12.2011 '000 KZT	31.12.2010 '000 KZT
Available-for-sale investments:		
Toshiba Nuclear Energy Investments US, Inc.	48,892,455	48,892,455
Toshiba Nuclear Energy Investments UK Ltd	17,112,425	17,112,425
Baiken-U LLP	1,021,590	2,600
Other AFS investments	29,714	38,168
	67,056,184	**66,045,648**

Investments into Toshiba Nuclear Energy Holdings (US) Inc. and Toshiba Nuclear Energy Holdings (UK) Ltd.

Under a purchase agreement in 2007, the Company invested into Toshiba Nuclear Energy Holdings US, Inc. ("TNEH-US") and Toshiba Nuclear Energy Holdings UK, Ltd ("TNEH-UK"), by acquiring 10% Class A ordinary shares for a total amount of USD 540,000 thousand (TNEH-US USD 400,000 thousand and TNEH-UK USD 140,000 thousand).

In connection and simultaneously with the acquisition of the interest in TNEH-US and TNEH-UK, the Group entered into a put option agreement (the "Put Option"). The Put Option provides the Group with an option to sell its shares to Toshiba Corporation for 100% of the original purchase price of USD 540,000 thousand for the first 67% of shares and 90% of the original purchase price for the remaining 33% of shares resulting in a total estimated exercise price of USD 522,180 thousand if certification is not received from Westinghouse of fuel assembly production by Ulba Metallurgical Plant (a Group subsidiary). If the certification is not provided, the Group may exercise the Put Option during the period between 31 March 2010 and 28 February 2013. The Put Option was not exercised at 31 December 2011.

In connection and simultaneously with the acquisition of the interest in TNEH-US and TNEH-UK, the Group entered into a call option agreement (the "Call Option"). The Call Option provides Toshiba Corporation with the right to demand from the Group the sale of its TNEH-US and TNEH-UK shares if the Committee on Foreign Investment in the United States (CFIUS) a US government entity decides that the Group is no longer a strategic partner. In such case, the fair value of the Group's shares will be determined by an independent international appraiser. The Call Option was not exercised at 31 December 2011.

The Company has classified these investments as AFS as this best reflects the intention of the Company with regard to its ability and intention to hold the investment for the long term. Investments in TNEH-US and TNEH-UK are carried at cost because these investments are equity in private companies for which fair value cannot be reliably measured.

25. TRADE RECEIVABLES

	31.12.2011 '000 KZT	31.12.2010 '000 KZT
Trade receivable	54,043,358	49,568,442
Trade receivable from related parties	9,775,210	7,061,456
	63,818,568	56,629,898
Provision for doubtful debts	(1,439,130)	(563,432)
	62,379,438	**56,066,466**

Note 42 discloses information on the Group's exposure to credit and currency risks, the provision for doubtful debts and on the ageing of trade receivables.

26. ASSET HELD FOR THE BENEFIT OF THE ULTIMATE CONTROLLING PARTY

In May 2010, the Company was directed by its ultimate controlling party to construct a Student's Palace in Astana city (hereinafter referred to as "the Property").

In 2010 the Company recognised a provision of KTZ 18,892,550 representing the discounted value of the estimated construction costs of the Property. See Note 36. This provision was recognised in accordance with IAS 37, Provision, Contingent Liabilities and Contingent Assets. In the statement of changes in equity, a distribution for this amount was recognised.

Also, in 2010, the Company recognized costs of construction of this property of KZT 306,804 thousand and prepaid advances for further construction of KZT 3,121,321 thousand. These costs were recognized as current assets held for the benefit of the ultimate controlling party in the consolidated statement of financial position in the amount of KZT 3,428,125 thousand since it was expected, at the balance sheet date, that these assets would be transferred to the ultimate controlling party during 2011.

In 2011, the Company recognised interest on the provision of KZT 1,046,027 thousand and a revision in estimate of KZT 2,791,334 thousand relating to this obligation. The provision recognised as at 31 December 2011 was KZT 22,279,911 thousand (Note 36).

As at 31 December 2011 the Company had recognized total costs of construction of the Property of KZT 19,799,355 thousand and prepaid advances for further construction of KZT 384,637 thousand. These costs are recognized as current assets held for the benefit of the ultimate controlling party in the consolidated statement of financial position in the amount of KZT 20,183,992 thousand. It is expected that these assets will be transferred to ultimate controlling party during 2012.

27. ADVANCES PAID AND OTHER RECEIVABLES

	31.12.2011 '000 KZT	31.12.2010 '000 KZT
Non-current		
Advances paid for long-term assets	11,531,302	2,434,941
Interest receivable	1,227,470	192,078
Loans to employees	922,477	457,433
VAT receivable	751,555	750,561
Prepaid expenses	620,565	-
Other	676,026	11,470
	15,729,395	**3,846,483**
Current		
VAT receivable	22,271,322	21,211,430
Advances paid for goods and services	5,277,702	4,942,937
Prepaid expenses	1,256,956	556,536
Prepaid tax other than income tax	261,069	128,005
Insurance prepayments	220,071	134,488
Other	1,026,544	1,161,268
	30,313,664	**28,134,664**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

28. INVENTORIES

	31.12.2011 '000 KZT	31.12.2010 '000 KZT
Current		
Finished goods and goods for resale	31,571,169	35,503,588
Work-in-process	9,132,002	11,814,558
Raw materials	10,760,713	4,863,724
Fuel	843,190	737,816
Materials in process	777,781	477,162
Spare parts	539,225	959,748
Other materials	1,440,969	1,666,703
	55,065,049	**56,023,299**
Provision for obsolete inventories	(297,316)	(263,686)
Current	**54,767,733**	**55,759,613**
Non-current	**8,101,277**	**6,550,761**
Total inventories	**62,869,010**	**62,310,374**

Non-current inventories include stocks of enriched uranium which have been held by the Group since inception and are intended for use upon commissioning of new uranium pellets production workshops.

Collateral

Inventory of KZT 1,159,572 thousand (2010: KZT 1,159,572 thousand) has been pledged as collateral for loans and borrowings (Note 35).

29. DEFERRED TAX ASSETS AND LIABILITIES

(a) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities relate to the following:

	Assets		Liabilities	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Property, plant and equipment	627,903	398,554	(4,907,042)	(3,490,517)
Intangible assets	12,769	21,111	(281,077)	(7,525)
Investment property	-	-	(7,592)	(7,199)
Mineral rights	161,707	220,094	(1,750,553)	(371,790)
Exploration and evaluation assets	332,549	325,271	(621,983)	(386,798)
Site restoration	756,332	593,662	(1,142,000)	(713,758)
Advances paid and other accounts receivables	20,765	32,811	(16,267)	(29,180)
Inventories	601,741	808,722	(1,157,108)	(680,431)
Trade receivables	2,894,956	3,810,296	(1,339,888)	(2,940,954)
Grants	67,306	116,155	-	(5,260)
Taxes	563,753	473,085	-	-
Accrued liabilities	439,924	305,379	-	(141)
Mine development assets	-	-	(20,868)	(20,868)
Provisions	533,984	1,025,779	(5,830)	(5,830)
Trade and other payables	-	1,272	-	-
Loans and borrowings	34,428	-	(104,277)	(90,090)
Investments	125,031	-	-	-
Tax loss carried forward	156,230	6,513	-	-
Other	123,066	84,428	(148,766)	(21,971)
Total	**7,452,444**	**8,223,132**	**(11,503,251)**	**(8,772,312)**
Offset of deferred tax assets and liabilities	(6,115,017)	(6,484,803)	6,115,017	6,484,803

29. DEFERRED TAX ASSETS AND LIABILITIES, CONTINUED

Total	**1,337,427**	**1,738,329**	**(5,388,234)**	**(2,287,509)**

(b) Movement in temporary differences

	01.01.2011	Recognized in income	Recognized in equity	Business combinations	31.12.2011
Property, plant and equipment	(3,091,963)	(805,384)	-	(381,792)	(4,279,139)
Site restoration	(120,096)	(265,572)	-	-	(385,668)
Inventories	128,291	(683,658)	-	-	(555,367)
Provisions	1,019,949	(491,795)	-	-	528,154
Provision for unused vacation	305,238	128,435	-	6,251	439,924
Other	1,209,401	445,403	(46,975)	(1,406,540)	201,289
	(549,180)	**(1,672,571)**	**(46,975)**	**(1,782,081)**	**(4,050,807)**

	01.01.2010	Recognized in income	Recognized in equity	31.12.2010
Property, plant and equipment	(1,626,882)	(1,465,081)	-	(3,091,963)
Site restoration	(272,166)	152,070	-	(120,096)
Inventories	742,248	(613,957)	-	128,291
Provisions	763,246	256,311	392	1,019,949
Provision for unused vacation	238,355	66,883	-	305,238
Other	593,878	655,921	(40,398)	1,209,401
	438,679	**(947,853)**	**(40,006)**	**(549,180)**

(c) Unrecognized deferred tax assets

Deferred tax assets have not been recognized for:

Tax effect	31.12.2011 '000 KZT	31.12.2010 '000 KZT
Tax losses carried forward	836,177	1,690,878
	836,177	**1,690,878**

The tax losses arise from subsidiaries that are loss making where it is not probable that future profits will be sufficient to utilize the benefit of the tax losses. The tax losses expire as follows:

	'000 KZT
2017-2020	785,731
2021	50,446
	836,177

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

30. TERM DEPOSITS

	Currency	31.12.2011 '000 KZT	31.12.2010 '000 KZT
Non-current			
JSC Tsesna Bank	Tenge	350,000	-
JSC Bank CenterCredit	Tenge	50,000	-
JSC Halyk Bank of Kazakhstan	Tenge	1,307	-
JSC Alliance Bank	Tenge	1,000	-
JSC BTA Bank	Tenge	221	9,655
		402,528	**9,655**

	Currency	31.12.2011 '000 KZT	31.12.2010 '000 KZT
Current			
JSC ATF Bank	USD	9,002,457	3,574,360
JSC Kazkommerzbank	Tenge	8,840,097	-
JSC KazInvestbank	Tenge	4,048,333	-
JSC DB Sberbank	Tenge	2,071,059	1,400,000
JSC Eurasian Bank	Tenge	2,006,111	-
JSC ATF Bank	Tenge	500,000	-
JSC Bank CenterCredit	Tenge	401,312	50,000
JSC DB Alfa Bank	Tenge	202,013	-
JSC Nurbank	Tenge	124,109	17,841
JSC Citi Bank	Tenge	420	420
JSC BTA Bank	Tenge	96	188,133
JSC Halyk Bank of Kazakhstan	USD	-	22,173,629
JSC Bank CenterCredit	USD	-	22,160,641
JSC Kazkommerzbank	USD	-	13,376,919
JSC HSBC Bank	USD	-	7,412,471
JSC Halyk Bank of Kazakhstan	Tenge	-	5,040,000
JSC Bank Astana Finance	Tenge	-	1,000,000
JSC Alliance Bank	Tenge	-	370,100
JSC Alliance Bank	USD	-	368,647
JSC BTA Bank	Euro	109,154	-
		27,305,161	**77,133,161**

Interest rates on term deposits held by the Group as at 31 December 2011 vary from 0.5% to 8% per annum (2010: from 0.01% to 11%).

Note 42 discloses information on the Group's exposure to interest rate risk and provides sensitivity analysis of financial assets and liabilities.

31. LOANS TO RELATED PARTIES

	31.12.2011 '000 KZT	31.12.2010 '000 KZT
Non-current		
LLP "Kyzylkum"	6,265,198	6,222,980
LLP "Baiken-U"	4,559,186	4,528,464
	10,824,384	**10,751,444**
Current		
JSC Akbastau	-	500,000
Kazakhstan-Russian Company JSC Atomic Stations	20,000	12,000
	20,000	**512,000**

In September and December 2010, the Group provided financial aid in the form of interest-bearing long-term loans to Kyzylkum LLP (an associate of the Group) and Baiken-U LLP (an entity in which the Group has an ownership interest of 5%, which is classified as AFS). The total amount of loans given as at 31 December 2011 was KZT 10,824,384 thousand (2010: KZT 10,751,444 thousand). The loans were collateralized by property of the borrowers. LLP "Kyzylkum" is an associated company of the Group (Note 22) and LLP "Baiken-U is an entity in which the Group holds a 5% investment.

32. CASH AND CASH EQUIVALENTS

	31.12.2011 '000 KZT	31.12.2010 '000 KZT
Bank accounts	28,069,179	15,859,764
Demand deposits	13,678,706	6,480,975
Petty cash	89,276	43,369
	41,837,161	**22,384,108**

33. RESTRICTED CASH

	31.12.2011 '000 KZT	31.12.2010 '000 KZT
Deposits on site restoration activities	3,452,317	1,916,967
Non - current restricted cash	1,671,578	1,668,391
	5,123,895	**3,585,358**

In accordance with the terms of its subsurface use agreements, the Group invests cash in long-term bank deposits to finance future site restoration activities.

Following a governmental investigation into one of the Group's suppliers, the Company has acted as a depository at the Government of Kazakhstan's request for the cash balances of a supplier who has been arrested. This is reflected as restricted cash in the consolidated statement of financial position and not reflected in the Group's cash flows as it is not part of the Group's operations. The cash balance has increased in 2011 due to foreign currency translation differences.

Note 42 disclose information on the Group's exposure to interest rate risk and sensitivity analysis of financial assets and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

34. EQUITY

(a) Share capital

	Common shares 2011	Common shares 2010
Par value	1,000 tenge	1,000 tenge
Number of authorized and issued shares	36,692,361	36,692,361
	36,692,361	**36,692,361**

All shares of the Company are owned by the Shareholder who ultimately decides on dividend distribution.

(b) Dividends

In accordance with the legislation of the Republic of Kazakhstan, the amount of distributable reserves is limited to the amount of cumulative retained earnings as reflected in the Group's IFRS consolidated financial statements. At 31 December 2011 the Group had cumulative retained earnings, including the profit for the current year, of KZT 297,656,953 thousand (2010: KZT 226,175,357 thousand).

(c) Additional paid-in capital

Historically shares have been issued at par value and consequently no additional paid in capital arises from issuance of shares.

Additional paid-in capital comprises the following: (a)discounts of zero or low interest loans provided to associates by other owners, (b) the Group's share of changes in equity, and (c) gains received on disposal of subsidiaries in excess of its nominal value.

(d) Translation reserve

Exchange differences relating to the translation of the net assets of the Group's foreign operations, from their functional currency into the parent's Group's reporting currency, are recognized directly in the foreign currency translation reserve. This reserve also includes the effect of translation of the Group's accounting books into the presentation currency (Note 2 (d)).

(e) Distributions

Construction of a property for the benefit of the ultimate controlling party

As described in Note 26, the Group entered into an irrevocable commitment with its ultimate controlling party in 2010 to construct the Property that, upon completion, will be transferred to the ultimate controlling party for no consideration. As there is an irrevocable commitment to transfer the Property to the ultimate controlling party for no consideration, the Group recorded a liability of KZT 18,892,550 thousand in the prior year which was determined based upon the estimated present value of the construction contract. A corresponding distribution to owners was recognized in the prior year in the Consolidated Statement of Changes in Equity. In 2011, management reassessed the estimated liability (an increase of KZT 2,791,334 thousand) and this amount, together with the unwinding of the discount on the liability of KZT 1,046,027 thousand, were recorded as distributions to owners in the current year.

35. LOANS AND BORROWINGS

	31.12.2011 '000 KZT	31.12.2010 '000 KZT
Non current		
Bonds	73,331,606	72,614,231
Secured bank loans	20,035,127	33,366,186
Unsecured non bank loans	1,297,456	4,598,035
Finance lease obligations	6,329	34,336
	94,670,518	**110,612,788**
Current		
Secured bank loans	17,828,491	9,645,566
Unsecured non-bank loans	3,367,196	1,286,535
Interest payable on bonds	522,356	521,702
Finance lease obligations	27,863	41,648
Unsecured notes	-	18,306
	21,745,906	**11,513,757**

(a) Bonds

On 20 May 2010, the Company issued USD 500,000,000 (equivalent to KZT 73,520,000 thousand) of unsecured 6.25% bonds due in 2015 (the "Bonds"). Interest on the Bonds is payable semi-annually in arrears on 20 November and 20 May of each year.

(b) Bond covenants

(i) Negative pledge

The Company and material subsidiaries thereof, as defined, are restricted from creating, incuring, assuming or suffering to exist any liens, other than permitted liens, on any of their assets or any income or profits therefrom, securing any indebtedness, unless, at the same time or prior thereto, the Bonds are secured equally and rateably with such other indebtedness.

(ii) Limitation on payments of dividends

The Company is precluded from paying any dividends, in cash or otherwise, or making any other distribution of any sort in respect of its share capital (a) at any time when there exists an event of default (b) or at any time when no such event of default or event exists, in an aggregate amount exceeding 50 per cent of the Company's consolidated net income for the period in respect of which the dividend or other distribution is being paid.

(iii) Limitation on sales of assets and subsidiary stock

The Company is precluded from consummating any asset disposition involving aggregate consideration equal to or greater than USD 10 million (or its equivalent as at 31 December 2011 KZT 1,484,000 thousand) unless the Company or such material subsidiary receives consideration at the time of such asset disposition at least equal to the fair market value of the shares and assets subject to such asset disposition; and solely with respect to an asset disposition of shares of capital stock of a material subsidiary, after giving effect to any such asset disposition, the Company should continue to "beneficially own", directly or indirectly, at least the restricted percentage of the shares of capital stock of such material subsidiary.

The management of the Group believes that it complies with the covenants as set out above as of 31 December 2011 and 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

35. LOANS AND BORROWINGS (CONTINUED)

'000 KZT	Currency	Year of maturity	31.12.2011	31.12.2010
Secured bank loans				
Japan Bank of International Cooperation	USD	2014	6,213,118	6,170,776
Industrial and Commercial Bank of China	USD	2013	5,949,142	8,860,352
ING bank Japan	Euro	2012	5,694,011	5,644,547
Mizuho Corporate Bank Ltd.	USD	2015	4,174,278	5,251,709
RBS (ABN AMRO Bank N.V.)	USD	2013	2,982,297	4,442,483
Natixis Bank	USD	2013	2,470,959	4,335,659
Citibank, Tokyo	USD	2013	2,451,502	3,136,868
Japan Bank of International Cooperation	USD	2014	2,228,226	2,213,211
Natixis Bank	USD	2022	2,020,265	-
JV «Citi Bank»	Tenge	2012	1,120,000	117,200
Natixis Bank	USD	2014	1,030,311	684,045
RBS (ABN AMRO Bank N.V.)	USD	2013	627,135	1,037,970
Commerce and Industry bank of China in Kazakhstan	Tenge	2012	457,087	-
JV «Bank of China in Kazakhstan»	USD	2012	445,287	
JS «Positive bank»	Tenge	2011	-	456,638
JV «BTA Bank»	Tenge	2013	-	392,908
JV «Alfa Bank»	Tenge	2011	-	267,386
			37,863,618	**43,011,752**
Unsecured non bank loans				
Sumitomo Corporation	USD	2013	3,191,125	4,075,484
Kansai Electric Power Inc.	USD	2013	1,265,931	1,618,828
Kozhema Katko Demeu	Tenge	2024	207,596	190,258
			4,664,652	**5,884,570**
Finance Lease obligations				
JSC «Center Leasing»	Tenge	2012	9,957	30,439
JV LLP «Betpak Dala»	Tenge	2013	24,235	40,082
LLP«Virazh Leasing»	Tenge	2011	-	491
JS «Alliance Bank»	USD	2011	-	4,972
			34,192	**75,984**
Bonds (unsecured)				
Bonds	USD	2015	73,853,962	73,135,933
Unsecured notes payable	Tenge	2011	-	18,306
			116,416,424	**122,126,545**

35. LOANS AND BORROWINGS (CONTINUED)

In 2011 the Group's weighted average interest rate on fixed interest rate loans was 6.72% (2010: 6.84%) and on floating interest rate loans, was 2.26% (2010: 2.16%).

Loan covenants

The Group's various loan agreements include covenants with banks, pursuant to which the Group must comply with laws to which it is subjected, must not create or permit any security over its assets or dispose of assets, except for the cases indicated in loan agreements, and must obtain the lenders' approval on acquisitions, mergers and disposals if any. It must also sell uranium solely to customers for non-military purposes residing in countries which have signed the Nuclear Non-Proliferation Treaty, and are members of International Atomic Energy Agency.

Additionally, the Group is subject to certain key financial covenants based on the Group's consolidated financial information, such as the debt to equity ratio, debt to EBITDA ratio and debt to net interest ratio, all calculated as defined in the various loan agreements.

Management of the Group believes that it complied with the financial covenants related to the Group's various loan agreements as of 31 December 2011 and 2010.

Collateral

Bank loans are secured by the following assets:

- contracts on delivery of goods (uranium concentrate);
- real estate property with carrying value of KZT 3,868,936 thousand (2010: KZT 4,252,577 thousand) (Note 18); and
- inventories in the amount of KZT 1,159,572 thousand (2010: KZT 1,159,572 thousand) (Note 28).

The Group has no right to re-pledge the collateral. There were no other significant terms and conditions associated with the use of collateral.

Finance lease obligations

Finance lease obligations are subject to repayment as follows:

'000 KZT	Minimum lease payments	31.12.2011 Less future finance charges	Present value of minimum lease payments
Not later than one year	29,698	(1,835)	27,863
Later than one year and not later than five years	6,479	(150)	6,329
	36,177	**(1,985)**	**34,192**

'000 KZT	Minimum lease payments	31.12.2010 Less future finance charges	Present value of minimum lease payments
Not later than one year	45,461	(3,813)	41,648
Later than one year and not later than five years	36,291	(1,955)	34,336
	81,752	**(5,768)**	**75,984**

More information on interest rate and currency risk is presented in Note 42.

36. PROVISIONS

'000 KZT	Historical costs	Compensation for occupational diseases	Environmental protection	Reclamation of mine sites	Social object	Other	Total
Non-current	1,001,274	375,739	89,463	3,185,540	-	15,539	4,667,555
Current	224,971	60,935	-	-	-	-	285,906
Total	**1,226,245**	**436,674**	**89,463**	**3,185,540**	**-**	**15,539**	**4,953,461**
Provision created within year	-	-	-	535,577	18,892,550	843	19,428,970
Change in estimate	-	(8,516)	791,807	1,387,012	-	(1,355)	2,168,948
Reclassification to financial liabilities	(1,226,245)	-	-	-	-	-	(1,226,245)
Unwinding of discount	-	17,696	6,924	327,848	-	703	353,171
Provision used within year	-	(57,416)	-	(21,464)	-	-	(78,880)
Foreign exchange	-	-	-	(70)	-	-	(70)
Balance at 31 December 2010	**-**	**388,438**	**888,194**	**5,414,443**	**18,892,550**	**15,730**	**25,599,355**
Allocated as:							
Non-current	-	329,409	888,194	5,365,335	-	15,730	6,598,668
Current	-	59,029	-	49,108	18,892,550	-	19,000,687
Total	**-**	**388,438**	**888,194**	**5,414,443**	**18,892,550**	**15,730**	**25,599,355**
Provision created within year	-	146,823	33	2,307,663	-	1,343	2,455,862
Change in estimate	-	-	152,295	98,380	2,791,334	-	3,042,009
Unwinding of discount	-	45,397	62,173	377,096	1,046,027	594	1,531,287
Provision used within year	-	(74,790)	-	(61,195)	-	-	(135,985)
Foreign exchange	-	-	-	74	-	-	74
Balance at 31 December 2011	**-**	**505,868**	**1,102,695**	**8,136,461**	**22,729,911**	**17,667**	**32,492,602**
Allocated as:							
Non-current	-	420,407	1,102,695	8,136,461	-	17,667	9,677,230
Current	-	85,461	-	-	22,729,911	-	22,815,372
Total	**-**	**505,868**	**1,102,695**	**8,136,461**	**22,729,911**	**17,667**	**32,492,602**

Changes in accounting estimates occur primarily as a consequence of revisions to budgets and new fields obtained by the Group.

36. PROVISIONS, CONTINUED

(a) Provision for compensation for occupational diseases

In accordance with Articles 939, 943 and 944 of the Civil Code of the Republic of Kazakhstan, the Group is required to pay compensation for occupational diseases and disability arising during the period of employment, or during retirement as a result of disease or disability occurring due to former work conditions.

In determining the amount of the provision, the Group's management based their estimates on the number of persons currently entitled to the compensation, the estimated duration of payments and the average annual payments to various categories of employees based on their relative salaries extrapolated for the estimated future rates of disease and disability during the expected lifetime of current and former employees. At 31 December 2011 the undiscounted amount of the estimate is KZT 760,398 thousand (2010: KZT 603,390 thousand).

This estimate has been recognized at a present value using the discount rate of 7% (2010: 7%) and using an inflation rate of 5% (2010: 5%). This is a risk free nominal rate as the Group's future cash outflows reflect risk specific to the liability.

(b) Provision for environmental protection

The Group, pursuant to the legislation of the Republic of Kazakhstan on environmental protection, is required to dispose of radioactive waste and to decommission and dispose of polluted property, plant and equipment. At 31 December 2011 the undiscounted value of the estimated costs to comply with this legislation is KZT 28,005,680 thousand (2010: KZT 28,463,000 thousand). A substantial part of environmental protection expenses pertains to years 2068-2071.

In computing this provision the Group used a discount rate of 7% discount rate (2010: 7%), the risk free nominal rate as the Group's future cash outflows reflect risk specific to the liability, and an inflation rate of 5% (2010: 5%).

When determining the amount of the environmental provision, Group management used assumptions and assessments based on the experience of decommissioning and clean up work of a similar nature carried out in each year. In developing their assumption for the computation of this provision, management has considered the input provided by both in-house engineers and professional advisors based on their best interpretation of the current environmental legislation.

(c) Provision for reclamation of mine sites

Management estimates the site restoration costs for each field operated by the Group. As at 31 December 2011 the undiscounted estimated cost of reclamation activities is KZT 16,473,580 (2010: 8,067,926) thousand and the present value of such cost has been estimated using a discount rate of 7% (2010: 7%). This is a risk free nominal rate as the future cash outflows reflect risk specific to the liability.

In view of the long-term nature of reclamation liabilities, there is uncertainty concerning the actual amount of expenses that will be incurred in performing site restoration activities for each field.

Management's estimates of the costs of closure, reclamation and decommissioning are based on reclamation standards that meet existing regulatory requirements, while environmental legislation in Kazakhstan continues to evolve. The provision is the discounted value of estimated costs to close, reclaim and decommission the mine sites at the end of the mine life. Elements of uncertainty in estimating these amounts include potential changes in regulatory requirements and decommissioning and reclamation alternatives.

In accordance with the terms of the subsurface use agreements the Group invests cash in long-term bank deposits to finance future site restoration activities. As at 31 December 2011 the amount of restricted such deposits was KZT 3,452,317 thousand (2010: KZT 1,916,967 thousand) (Note 30).

Key assumptions, in addition to the discount rate noted above, which serve as the basis for determining the carrying value of the provision for reclamation of mine sites provision are as follows:

- there is a high probability that the Group will proceed to development and production stages for its fields which are currently under exploration. These facts set out a constructive obligation for the Group to recognize the site restoration provision under all mining and exploration licenses;
- the expected term for future cash outflows for the mine sites is based on the life of the mines. A substantial part of expenditures is expected to occur in 2019 - 2034, at the end of life of the mine; and
- inflation rate - 5% per annum.

(d) Provision for social object

As described in Notes 26 and 34 above, the Group entered into an onerous commitment with its ultimate Shareholder to construct the Property that, upon completion, will be transferred to a body to be nominated by the Shareholder for no consideration. The discounted amount of the provision as at 31 December 2010 was calculated using a discount rate of 7%, which is a risk-free nominal was the rate, as the future cash flows reflect risks attributable to the obligation. In 2011 the Group changed the estimate of its obligation and increased the amount.

This provision reflects the full value of the obligation to construct the Property and is considered to be short-term in nature due to the expectation that the commitment will be fulfilled within twelve months from the period end date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

37. TRADE PAYABLES

	31.12.2011 '000 KZT	31.12.2010 '000 KZT
Non-current		
Trade payables	**686,945**	**587,452**
Current		
Accounts payable to related parties (Note 44)	34,654,231	24,752,290
Trade payables	11,580,859	7,349,066
	46,235,090	**32,101,356**
	46,922,035	**32,688,808**

Trade payables mainly included the balance from purchased goods and services, and current expenses. The average credit term is 60 days.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 42.

38. ADVANCES RECEIVED AND OTHER PAYABLES

	31.12.2011 '000 KZT	31.12.2010 '000 KZT
Non-current		
Advances received (Note 33)	1,671,578	1,668,391
Other payables	**41,064**	**22,933**
	1,712,642	1,691,324
Current		
Taxes payable other than income tax	4,615,264	4,026,517
Advances received	2,192,488	1,066,216
Salaries payable	2,173,259	1,596,295
Social contributions payable	600,317	437,658
Dividends payable	98,460	66,343
Income tax payable	23,455	1,041,973
Interest payable	1,922	2,608
Deferred income	-	5,991,994
Other accounts payable	643,171	520,860
	10,348,336	**14,750,464**
	12,060,978	**16,441,788**

Deferred income

The Group enters into uranium swap agreements as required to meet its contractual commitments to customers. At 31 December 2010 the Group received title to, and sold to its customers, uranium products but had not satisfied its contractual commitments to deliver uranium of the same quantity to an unrelated counterparty. The revenue from shipments to the Group's customers of KZT 5,991,994 thousand was therefore recognized as deferred income at 31 December 2010.

39. PREFERENCE SHARES

Non-participating cumulative preference shares are shares of the Company's subsidiary entities, JSC Ulba Metallurgical Plant (264,827 shares) and JSC Volkovgeology (75,857 shares), which have par value of 1,000 and 170 tenge per share, respectively.

The holders of the non-participating cumulative preference shares of JSC Ulba Metallurgical Plant are entitled to receive an annual dividend of KZT 52,965 thousand (20% of par value) and the holders of the non-participating cumulative preference shares of JSC Volkovgeology are entitled to receive an annual dividend of KZT 644 thousand (5% of par value), in both cases before dividends are declared on their ordinary shares. These dividends are accrued in accordance with the respective company charter agreements. Non-participating preference shares have no rights to share in any surplus assets and no voting rights. These preference shares are classified as liabilities on the consolidated statement of financial position because they contain a mandatory dividend payment.

40. ACCRUED LIABILITIES

	31.12.2011 '000 KZT	31.12.2010 '000 KZT
Vacation pay accrual	1,530,713	1,159,614
Bonus accruals	660,498	361,936
Services accrual	433,642	263,437
Accrual for change in tariffs	-	2,292,782
Other	19,888	473,003
	2,644,741	**4,550,772**

The Agency for Regulation of Natural Monopolies (the "Agency") sets the utility tariffs to be charged by the Group to its customers based on a set tariff calculation. In 2008, the Agency retroactively decreased the tariff approved, and charged to customers, effective as of 2007 on the grounds that the Group incorrectly included non-deductible expenses in its tariff calculation. In February 2008, the Group filed an appeal claiming that it charged the approved rate and the tariff calculation was accurate. A decision was made in favour of the Group. In April 2008, the Agency filed an appeal and the original decision was reversed. At that time, a provision was recorded in the amount of KZT 2,292,782 thousand which was calculated as the difference between the tariff charged and the tariff ultimately approved. No claims for reimbursement of the difference in the tariff rates were brought to the Group by customers. In December 2011, the provision was reversed due to expiration under the statute of limitations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

41. OTHER FINANCIAL LIABILITIES

(a) Minimum distributions of "Semizbay-U" LLC

In 2008, the Group entered into an Agreement (the "Agreement") to dispose of 49% of its interest in "Semizbay-U" LLP ("Semizbay") to Beijing Sino-Kaz Uranium Resources Investment Company Limited ("Sino-Kaz Company"). The Agreement entitles Sino-Kaz Company to a minimum distribution of annual net income of Semizbay in the period 2010 until 2033. The payments of these distributions are guaranteed by JSC National Atomic Company Kazatomprom.

From a financial reporting perspective, the Group recognised a financial liability for the minimum payment required based on contractually agreed amounts. This liability was measured at fair value at inception. See below for an analysis of the movement in this provision in the year ended 31 December:

	2011	2010
Beginning balance	42,478,457	38,592,034
Unwinding of discount	4,634,273	4,216,224
Foreign exchange loss/(gain)	331,842	(239,784)
Payment	(2,416,298)	(90,017)
	45,028,274	**42,478,457**
Allocated as :		
Non-current	40,745,811	40,292,220
Current	4,282,463	2,186,237

The terms of the Agreement commit Sino-Kaz Company to purchase all uranium produced by Semizbay which will be processed to uranium dioxide pellets and powder by Ulba Metallurgical Plant JSC (a subsidiary company in the Group), for use in Chinese atomic power plants. China Guandong Nuclear Power Corporation, the parent company of Sino-Kaz Company, committed to certify the technologies used at Ulba Metallurgical Plant JSC for production of uranium dioxide pellets and powder for use on Chinese atomic power plants, within two years from the date of the Agreement. In 2010 the certification was accomplished. In October 2011 the first batch of dioxide pellets produced by Ulba Metallurgical Plant JSC was shipped to China. In addition, in 2011, a contract was concluded for 2012-2014 for the shipment of dioxide pellets to China.

The Group entered into a put option agreement which provides Sino-Kaz Company with the option to sell its 49% interest in Semizbay to the Group at a price equal to the consideration paid by Sino-Kaz Company, less the present value of net income distributed to Sino-Kaz Company. This put option is exercisable upon the occurrence of any of the following events: (a) the Government of Kazakhstan terminates the subsoil use agreement for any uranium deposits that belong to Semizbay; (b) the export of uranium by Semizbay is either prohibited or/and under embargo; or (c) the Group does not follow the agreement on supply of uranium dioxide pellets to China in terms of necessary quality, volume and competitive pellets price.

(b) Subsoil use agreement

Subsoil use agreements for uranium fields held by the Group require it to reimburse the Government for historical geological exploration and evaluation costs incurred. The amount of such liabilities at 31 December 2011 was 2,761,283 thousand tenge (2010: 2,457,193 thousand tenge).

In accordance with new tax legislation effective from 1 January 2010, the historical costs are to be reimbursed to the Government via quarterly payments over a 10 year period, beginning from the date of commercial extraction of uranium. The liability represents the discounted cash flow of estimated future payments. The discount rate applied in 2011 is 3.3% for historical costs denominated in USD and 7% for those denominated in tenge (2010: 3.3% and 7%, respectively). This is a risk free nominal rate as the future cash outflows reflect risk specific to the liability.

	2011 000'KZT	2010 000'KZT
As at 1 January 2010	2,112,669	-
Transferred from provisions	-	1,226,245
Created within the year	488,475	872,432
Change in cost	(33,223)	123,090
Unwinding of discount	90,328	171,883
Repaid within the year	(304,830)	(273,324)
Foreign exchange	21,124	(7,657)
As at 31 December 2010	**2,374,543**	**2,112,669**
Comprised of:		
Non-current	2,068,365	1,808,294
Current	306,178	304,375

42. FINANCIAL RISK MANAGEMENT

(a) Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's policy for management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established a Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, cash and cash equivalents, term deposits and investment securities.

The credit risk on cash and cash equivalents and term deposits is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. Approximately 39% of the Group's revenue (53% of trade receivables) is attributable to sales transactions with two main customers as at 31 December 2011. The Group defines counterparties as having similar characteristics if they are related entities.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered.

The Group does not require collateral in respect of trade and other receivables.

(c) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

'000 KZT	Carrying amount 31.12.2011	31.12.2010
Other investments (available-for-sale)	67,056,184	66,045,648
Trade receivables	62,379,438	56,066,466
Cash and cash equivalents	41,837,161	22,384,108
Term deposits	31,160,006	79,059,783
Loans to related parties (Note 31)	10,844,384	11,263,444
Loans to employees	922,477	457,433
Receivables from subsoil users	12,654	12,881
	214,212,304	**235,289,763**

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

'000 KZT	Carrying amount 31.12.2011	31.12.2010
China	33,060,835	38,271,627
Domestic	11,491,393	7,575,580
Japan	3,551,953	5,495,183
USA	2,738,370	2,379,861
European countries	2,339,127	2,280,333
Russia	9,197,760	63,882
	62,379,438	**56,066,466**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

42. FINANCIAL RISK MANAGEMENT, CONTINUED

The most significant clients of the Group are China Nuclear Energy Industry Corporation and CGNPC Uranium Resources Company Limited. As at 31 December 2011, the cumulative balance receivable from these clients was KZT 32,984,856 thousand (2010: KZT 27, 195,962 thousand).

(d) Provision for doubtful debts

The average credit period taken on sales of goods is 30 days. No interest is charged on the receivables for the first 30 days from the date of the invoice. Thereafter, interest is charged at the refinancing rate set out by the National Bank of the Republic of Kazakhstan (31 December 2011: 7.5%) on the outstanding balance. Allowances against doubtful debts are recognized against trade receivables between 30 days and 120 days and over 120 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

As at reporting date, the ageing of the trade receivables was as follows:

'000 KZT	Gross 31.12.2011	Impairment 31.12.2011	Gross 31.12.2010	Impairment 31.12.2010
Not past due	60,757,399	-	56,066,466	-
Past due 0-30 days	1,230,468	-	-	-
Past due 31-120 days	300,726	-	-	-
Past due more than 120 days	1,529,975	1,439,130	563,432	563,432
	63,818,568	**1,439,130**	**56,629,898**	**563,432**

During the reporting period, the movement on the provision for impairment of trade receivables was as follows:

	2011 '000 KZT	2010 '000 KZT
Balance at 1 January	563,432	549,644
Increase in provision for doubtful debts	1,050,651	111,903
Amounts written off during the year	(174,953)	(98,115)
Balance at 31 December	**1,439,130**	**563,432**

(e) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expense of financial obligations: this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Below is the information presented on Group's undrawn borrowing facilities and available cash and cash equivalents, including term deposits, which are the important instruments on managing the liquidity risk

	31.12.2011 '000 KZT	31.12.2010 '000 KZT
- amount used (current deposits)	40,983,867	83,614,136
- amount used (bank account)	28,158,455	15,903,133
- amount unused	4,254,340	8,888,957
	73,396,662	**108,406, 226**

42. FINANCIAL RISK MANAGEMENT, CONTINUED

(f) Liquidity risk, continued

The following are the contractual maturities of financial liabilities:

31.12.2011 '000 KZT	Carrying amount	Contractual cash flows	0-6 mths	6-12 mths	from 1 to 2 years	from 2 to 3 years	from 3 to 4 years	from 4 to 5 years	More 5 years
Non derivative financial liabilities									
Secured bank loans	37,863,618	39,569,525	5,993,856	12,843,835	11,611,164	6,638,341	1,170,350	309,224	1,002,755
Preferred shares	264,827	264,827	-	-	52,965	52,965	52,965	52,965	52,967
Finance lease liabilities	34,192	34,192	18,636	9,227	6,329	-	-	-	-
Unsecured non bank loans	4,664,652	4,729,635	1,704,569	1,696,285	1,121,185	-	-	-	207,596
Other financial liabilities	47,402,817	119,648,830	2,148,906	2,455,084	4,527,631	10,329,477	5,849,726	4,994,646	89,343,360
Bonds	73,853,962	90,431,250	2,318,750	2,318,750	4,637,500	4,637,500	76,518,750	-	-
Trade payables and payables to related parties	46,922,035	46,922,035	46,235,090	-	-	143,723	143,723	143,724	255,775
		301,600,294	**58,419,807**	**19,323,181**	**21,956,774**	**21,802,006**	**83,735,514**	**5,500,559**	**90,862,453**

31.12.2010 '000 KZT	Carrying amount	Contractual cash flows	0-6 mths	6-12 mths	from 1 to 2 years	from 2 to 3 years	from 3 to 4 years	from 4 to 5 years	More 5 years
Non derivative financial liabilities									
Secured bank loans	43,011,752	45,200,267	5,834,749	4,842,231	16,127,970	11,746,159	5,803,427	845,731	-
Preferred shares	264,827	264,827	-	-	52,965	52,965	52,965	52,965	52,967
Finance lease liabilities	75,984	75,984	23,464	18,184	27,780	6,556	-	-	-
Unsecured non bank loans	5.902.876	5,974,125	680,308	659,606	3,302,637	1,141,316	-	-	190,258
Other financial liabilities	44,591,126	121,510,353	1,093,118	1,397,493	4,449,681	5,177,100	10,212,431	5,762,867	93,417,663
Bonds	73,135,933	96,731,250	2,303,125	2,303,125	4,606,250	4,606,250	4,606,250	78,306,250	-
Trade payables	32,101,356	32,101,356	31,847,305	-	-	-	-	254,051	-
		301,858,162	**41,782,069**	**9,220,639**	**28,567,283**	**22,730,346**	**20,675,073**	**85,221,864**	**93,660,888**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

42. FINANCIAL RISK MANAGEMENT, CONTINUED

(f) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will have a negative impact on the Group's income or the value of its financial instrument holdings. The objective of market risk management is to monitor and control market risk exposures within acceptable limits, while optimizing the return on investments.

The Group occasionally utilizes derivatives in order to manage market risks. Derivatives are not entered into for speculative purposes. Usually, the Group does not apply hedge accounting in order to manage volatility in the profit or loss.

(g) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings denominated in currencies other than the Group's functional currency tenge.

Borrowings are denominated in currencies that match the cash flows generated by operating entities in the Group. Therefore, in most cases, economic hedging is achieved without derivatives.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by planning future expenses taking into consideration the currency of payment.

(i) Price risk on the uranium products

The Group is exposed to the effect of fluctuations in the price of uranium, which is quoted in USD on the international markets. The Group prepares an annual budget based on future uranium price forecasts.

Uranium prices historically fluctuate and are affected by numerous factors outside of the Group's control, including, but not limited to, demand from utilities, depleting levels of secondary sources such as recycling and blended down highly enriched stocks available to close the gap of the excess demand over supply, regulations by International Atomic Energy Agency and other factors related specifically to uranium.

At the end of the reporting period there was no significant impact of commodity price risk on the Group's financial assets and liabilities.

(ii) Currency risk exposure

Exposure of the Group to currency risk was as follows:

	31.12.2011 USD-denominated	31.12.2010 USD-denominated
Term deposits	9,002,457	69,066,667
Trade receivables	47,907,252	46,940,221
Cash and cash equivalents	27,076,516	9,567,673
Other investments	-	1,325,407
Total assets	**83,986,225**	**126,899,968**
Loans and borrowings	(35,049,576)	(41,827,385)
Bonds issued	(73,853,962)	(73,135,933)
Other financial liabilities	(47,402,817)	(44,591,126)
Other liabilities	(484,456)	(497,878)
Trade payables	(4,747,686)	(2,211,684)
Total liabilities	(161,538,497)	(162,264,006)
Net exposure	**(77,552,272)**	**35,364,038**

The following significant exchange rates applied during the year:

In KZT	Average rate		Reporting date spot rate	
	2011	2010	2011	2010
USD 1	146.62	147.35	148.40	147.40

42. FINANCIAL RISK MANAGEMENT, CONTINUED

Sensitivity analysis

A 10% weakening and 10% strengthening of the KZT against the USD as at 31 December 2011 (2010:10% and 10%) would increase (decrease) equity and profit/loss by the amounts shown below.

	Profit or loss '000 KZT
2011	
USD	
+10%	(7,755,227)
-10%	7,755,227
2010	
USD	
+10%	(3,536,404)
-10%	3,536,404

(h) Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management adopts a risk management policy of ensuring that between 20% and 40% of its borrowings are on a fixed rate basis primarily by entering into interest rate swaps. The Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. The present value of swaps entered into by the Group are not material to the consolidated financial statements presentation as at 31 December 2011.

At the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favorable to the Group over the expected period until maturity.

Profile

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

'000 KZT	Nominal amount 31.12.2011	31.12.2010
Fixed rate instruments		
Financial assets	55,683,096	96,804,202
Financial liabilities	(76,382,951)	(74,560,323)
	(20,699,855)	**22,243,879**
Floating rate instruments		
Financial liabilities	**(40,298,300)**	**(47,471,932)**

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Fair value sensitivity analysis for floating rate instruments

An increase of 100 basis points and a decrease of 25 basis points in interest rates at the reporting date would have (decreased) increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010.

'000 KZT	Profit or loss 100 bp increase	25 bp decrease
2011		
Variable rate instruments	(402,983)	100,746
2010		
Variable rate instruments	(474,719)	118,680

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

42. FINANCIAL RISK MANAGEMENT, CONTINUED

(i) Fair values versus carrying amounts

Except as detailed in the following table, the Group considers that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

	31.12.2011		31.12.2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Secured bank credits	37,863,618	37,821,648	43,011,752	42,997,453
Unsecured banks loans	4,664,652	4,500,443	5,884,570	5,743,938
Bonds	73,853,962	74,011,069	73,154,239	76,825,253
	116,382,232	**116,333,160**	**122,050,561**	**125,566,644**

(j) Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital includes all capital and reserves of the Group. The Group monitors the following indicators:

- financial stability, or measures of loan management, determining the degree of borrowing funds utilization; and
- profitability, determining cumulative effects of liquidity, asset and capital management as a result of business activities.

In June 2011 the Shareholder of the Group adopted a new policy on borrowings in order to identify common principles and rules of fundraising for non-financial organizations.

In order to evaluate the financial stability of the Group, the following key financial ratios are used:

- the debt to equity ratio of not greater than 2;
- the debt ratio to earnings before interest, taxes, depreciation and amortization (Debt/EBITDA) of not greater that 3.5; and
- the ratio of earnings before interest and tax to net interest expense (EBIT/ net interest expenses) of not less than 2.

43. CONTINGENCIES

(a) Insurance

The insurance industry in Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial results.

(b) Taxation contingencies

(i) Taxation contingencies

The tax system of Kazakhstan is quite new and characterized by a large number of taxes (corporate income tax, value added tax, mineral extraction tax and other taxes being material to the Group's operations) and frequent changes in legislation, official regulation and court rulings. Taxes are subject to review by a body which is entitled to charge fines, interest and penalties. Tax years remain open to reviews by tax authorities during five calendar years subsequent to year-end; however in certain circumstances the tax year can remain open longer. Various Kazakh legislative acts are not always clearly set forth and their interpretation depends on the opinion of local tax authorities and the Ministry of Finance of the Republic of Kazakhstan, for example, the definition of taxable turnover for VAT purposes, the deductibility of certain expenses for corporate income tax purposes, questions of application of the new tax code effective from 2009, the determination of the timing of revenue recognition, and other issues. The opinions of the local, regional, and state tax officials often differ. The existing regime of charging penalties and fines in case of declared and discovered violations of laws, decrees and standards of Kazakhstan are very strict, especially now and tax authorities are very aggressive in the inspection of subsurface users. The sanctions include confiscation of disputable amounts, and payment of penalties of 2.5 times the official refinancing rate set by the National Bank of the Republic of Kazakhstan for each day of the violation. The rate of penalty comprises 50% of the additional charge of the tax. As a result, penalties and fines can result in amounts many times greater than the incorrectly calculated taxes.

Such conditions can create more serious tax, penalty, and interest risks in Kazakhstan than in other countries. Management believes that it has appropriately provided for all tax liabilities based on existing interpretations of applicable tax laws, regulations and court rulings. Nonetheless, the opinions of the respective authorities can differ, which can significantly impact the financial statements if the authorities manage to prove the legality of their own interpretations.

During 2009, the Group's associate JV Betpak-Dala LLP (the "Associate") was the subject of a tax audit for the 2004-2008 years. Based on the results of the tax audit, an act and notification were issued to the Associate for additional accrual of taxes, penalties and interest of KZT 3,392,911 thousand. On 24 November 2009 the Associate paid KZT 177,117 thousand. In 2011 the Associate repaid and expensed the remaining amount of tax accruals, penalties and interest based on the decision of the Supreme Court.

The management of the Group believes that it adequately presented its tax liabilities in this consolidated financial statements.

(ii) Excess profit tax ("EPT")

In accordance with tax legislation from 2009 the subsoil users must pay EPT on the amount of net income earned from contractual operations in a calendar year, which exceeds the amount equal to 25% from the deductions used for EPT calculations. For the EPT calculation purposes, EPT expenditures include the following:

- corporate income tax deductions claimed in a reporting year, net of any fixed asset depreciation and intangible asset amortization charges, as determined for corporate income tax purposes;
- any capital expenditures that a subsoil user incurs in the reporting year for the purposes of its subsoil use operations; and,
- any unused net operating losses that a subsoil user incurred in the course of its subsoil operations in prior years and that were carried forward to the reporting year.

The excess profit tax base is the portion of the net income, as this term is defined below, calculated for each subsoil contract, in excess of 25% of the amount of the corresponding EPT deductions. For the purposes of calculating EPT, the net income represents the difference between the taxable income and the amount of corporate income tax liability, where the taxable income is the gross annual revenues less the amount of abovementioned EPT expenditures. The applied EPT rates vary on the progressing scale from 10% to 60% depending on the ratio of total annual revenues to annual EPT deductions.

Taking into account that the revenue from Company's contracts is defined as cost of production, increased by 20%, using the current method of calculating corporate income tax and EPT, management of the Group anticipates that an internal rate of return of above 20% will not be reached for the foreseeable future.

(iii) Mineral Extraction Tax ("MET")

Starting from 1 January 2009 the new Tax Code of the Republic of Kazakhstan introduced a tax on extraction of mineral products, a MET. This new tax replaces previously existing royalty payments for minerals and groundwaters. MET applies to all subsoil users that produce minerals, including uranium.

The tax base for MET is the value of the depleted deposits of a mineral extracted in the reporting period, which is a calendar quarter. In the complete absence of depleted deposits, the tax base for the calculation of the MET is determined based

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

43. CONTINGENCIES (CONTINUED)

on actual production costs of mining and primary processing (enrichment), which was increased by 20%.
MET applies to uranium at the rate of 22%.

(iv) Transfer Pricing

The Kazakhstan transfer pricing law, which was amended and enacted on 1 January 2009 primarily applies to cross-border and domestic transactions involving sales of goods and services. As at 31 December 2011, the Group has made adjustments that it considers appropriate to comply with the transfer pricing law. However, tax authorities have not yet conducted an audit of compliance by the Group with transfer pricing legislation.

(c) Environmental obligations

In accordance with "the Implementing Agreement between the Department of Energy of the United States of America and the Ministry of Energy, Industry and Trade of the Republic of Kazakhstan " dated 19 December 1999, the governments of the United States of America and Kazakhstan have assumed responsibility for decommissioning reactor BN-350 and for storing the reactor's nuclear fuel rods. Under the Agreement, the US Government has undertaken to obtain financing from international organizations including Technical Assistance for CIS countries (TACIS) of the European Union, Precioso (France), Canberra (Belgium), and ALSTOM (France), and domestic not-for-profit organizations, Scientific Production Centre BYaT and KATEP JSC. The estimated commitments for decommissioning and reclamation of the atomic reactor BN-350 in its entirety are KZT 35 billion. The Government of the Republic of Kazakhstan does not subsidize this amount; therefore, the issue on further financing of this program has no solution at this point in time.

(d) The National Security Committee investigation

In 2009 the National Security Committee of the Republic of Kazakhstan, under supervision of the General Prosecutor, commenced an investigation against the former Chef Executive Officer of the Company and other former employees of the Company and its subsidiaries. The investigation related to allegations mainly concerned with asset embezzlement and illegal sale of certain uranium deposits to affiliated offshore companies. On 12 March 2010 the court sentenced the former chief executive to 14 years imprisonment. Also, the prosecutor's office announced in March 2010 that there was a new investigation into allegations that the former chief executive was involved in money laundering. Management believes that these investigations and allegations do not have any effect on the consolidated financial statements, as they are initiated against former management and not the Company or the Group.

(e) Court examination of the Group

During 2011 GRK LLP, a subsidiary of the Group, hired external lawyers for the purpose of forming an appeal to the International London Arbitrage for an arbitrage court investigation with NAC Kazatomprom JSC and Beijing Sino-Kaz Uranium Resources Investment Company Limited in order to nullify a joining agreement to the Charter of Semizbay-U LLP dated 10 December 2008. Per terms of the joining agreement the Group sold 49% of its ownership in Semizbay-U LLP to Beijing Sino-Kaz Uranium Resources Investment Company Limited. The management of the Group is confident that the arbitrage court investigation will not increase liabilities of the Group as at 31 December 2011 and does not affect the consolidated financial statements of the Group for the year ended 31 December 2011.

(f) Guarantees

The maximum exposure to credit risk for financial guarantees given to secure financing of certain related parties at the reporting date is KZT 35,712,325 thousand (2010: KZT 56,663,141 thousand).

44. RELATED PARTY TRANSACTIONS

(a) Control relationships

The Company was established in accordance with the Order of the President of the Republic of Kazakhstan no. 669 dated 13 October 2008. On 19 January 2009 the "Shareholder became the sole owner of the Company. The shareholder is wholly owned by the Government.

(b) Transactions with management and close family members

Members of the Board of Directors, executive directors, heads of departments and their close family members do not control any voting shares of the Group, as 100% of the shares are owned by the Government.

(i) Management remuneration

Key management received the following remuneration during the year, which is included in personnel costs (Note 14).

	2011 '000 KZT	2010 '000 KZT
Salaries and bonuses	1,658,975	1,386,529

The Group's related party transactions are disclosed in the following tables. In relation to government entities who are related parties, the Group only has transactions with the group of companies controlled by the Shareholder, as detailed below.

44. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Transactions with other related parties

(i) Revenue

'000 KZT	Transaction value 2011	Outstanding balance 2011	Transaction value 2010	Outstanding balance 2010
Sale of goods				
Associates	3,811,821	415,872	13,740,024	3,843,286
Jointly controlled entities	4,238,874	123,196	5,746,717	165,842
Entities under common control	9,847,822	295,122	10,889,203	316,744
Services provided:				
Associates	16,324,340	3,561,935	11,319,899	849,236
Jointly controlled entities	3,588,595	419,365	3,055,777	271,681
Entities under common control	88,236	2,405	83,259	77,030
Other	-	-	626,373	-
Dividends:				
Dividends declared by associates	14,090,944	725,293	7,120,088	1,325,407
Dividends declared by jointly controlled entities	6,958,458	4,522,694	3,505,916	3,505,916
	58,949,090	**10,065,882**	**56,087,256**	**10,355,142**

All outstanding balances with related parties are to be settled in cash within six months of the reporting period end. None of the balances are secured.

(ii) Expenses

'000 KZT	Transaction value 2011	Outstanding balance 2011	Transaction value 2010	Outstanding balance 2010
Purchase of goods:				
Associates	61,531,749	23,941,571	42,087,237	13,554,858
Jointly controlled entities	41,129,645	6,688,789	28,305,167	8,984,721
Entities under common control	17,265,232	1,805,406	6,969,668	1,843,343
Services received:				
Associates	3,222,676	1,900,531	1,436,117	341,525
Jointly controlled entities	43,299	60,571	109,634	12,174
Entities under common control	1,648,161	257,363	740,403	15,669
Other	-	-	97,497	-
	124,840,762	**34,654,231**	**79,745,723**	**24,752,290**

All outstanding balances with related parties are to be settled in cash within six months of the end of the reporting period. None of the balances are secured.

(iii) Loans given

'000 KZT	Amount loaned 2011	Outstanding balance 2011	Amount loaned 2010	Outstanding balance 2010
Associates	6,265,198	6,265,198	6,222,980	6,222,980
Jointly controlled entities	20,000	20,000	512,000	512,000
Other	4,559,186	4,559,186	4,528,464	4,528,464
	10,844,384	**10,844,384**	**11,263,444**	**11,263,444**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

44. RELATED PARTY TRANSACTIONS (CONTINUED)

(iv) Transactions with Halyk Bank JSC
Deposits

'000 KZT	Gross	Principal	%
As at 1 January 1 2010	**8,069,649**	**8,041,347**	**28,302**
Placed/Accrued	85,049,357	84,830,368	218,989
Withholding tax	(21,503)	-	(21,503)
Foreign exchange difference	658	864	(206)
Withdrawn	(61,877,762)	(61,755,920)	(121,842)
As at 31 December 2010	**31,220,399**	**31,116,659**	**103,740**
Placed/Accrued	36,675,883	36,116,728	559,155
Withholding tax	(99,152)		(99,152)
Foreign exchange difference	(77,655)	(76,560)	(1,095)
Withdrawn	(58,508,857)	(57,947,000)	(561,857)
As at 31 December 2011	**9,210,618**	**9,209,827**	**791**

Current account

'000 KZT	31.12.2011	31.12.2010
As at 31 December	16,578,587	3,087,664

(v) Transactions with Subsidiary insurance Group of Halyk Bank of Kazakhstan "Halyk-Kazakhinstrakh" JSC (Subsidiary Group of Halyk Bank of Kazakhstan JSC)

'000 KZT	Transaction value 2010	Outstanding balance 2010	Transaction value 2009	Outstanding balance 2009
Revenue - services provided	25,639	3,331	15,302	53
Expenses - services received	19,917,159	630,841	182,327	2,364

(vi) Transactions with BTA Bank JSC
Deposits

'000 KZT	Gross	Principal	%
As at 1 January 2010	**96,916**	**90,863**	**6,053**
Placed/Accrued	677,817	670,718	7,099
Withholding tax	(1,518)	-	(1,518)
Withdrawn	(461,999)	(453,393)	(8,606)
As at 31 December 2010	**311,216**	**308,188**	**3,028**
Placed/Accrued	11,444,424	11,373,789	70,635
Withholding tax	(10,786)	-	(10,786)
Foreign exchange difference	(11,498)	(11,498)	-
Withdrawn	(10,976,129)	(10,915,009)	(61,120)
As at 31 December 2011	**757,227**	**755,470**	**1,757**

44. RELATED PARTY TRANSACTIONS (CONTINUED)

Loans

'000 KZT	Gross`	Principal	%
As at 1 January 2010	**973,536**	**919,180**	**54,356**
Received/Accrued	80,083	-	80,083
Repaid	(660,711)	(553,021)	(107,690)
As at 31 December 2010	**392,908**	**366,159**	**26,749**
Received/Accrued	28,912	-	28,912
Repaid	(421,820)	(366,159)	(55,661)
As at 31 December 2011	-	-	-

Current account

'000 KZT	31.12.2011	31.12.2010
As at 31 December	1,093,638	282,386

(vii) Transactions with Temirbank JSC
Current account

'000 KZT	31.12.2010	31.12.2009
As at 31December	-	8,515

(viii) Transactions with "SC of BTA Bank BTA Insurance"

'000 KZT	Transaction value 2011	Outstanding balance 2011	Transaction value 2010	Outstanding balance 2010
Expenses – services received	14,292	-	4,891	-

(x) Transactions with GSM Kazakhstan Kazakhtelecom JSC

'000 KZT	Transaction value 2011	Outstanding balance 2011	Transaction value 2010	Outstanding balance 2010
Revenue -services provided	10,269	2,533	10,050	2,669
Expenses - services received	15,702	947	16,284	918

(d) Pricing policies

Pricing for related party transactions are primarily based on the "comparable uncontrolled price" method in accordance with the Law "On Transfer Pricing", dated 5 July 2008 and Rules (procedures) of Pricing of Natural Uranium Concentrate (U_3O_8), approved by the Government №74, dated 3 February 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

45. BUSINESS COMBINATIONS

Acquisition of Kvarz LLP and MK KazSilicon LLP

In November 2011 the Company purchased a 100% ownership interest in Kvarz LLP and MK KazSilicon LLP. Kvarz LLP has a subsoil use contract for mining of vein quartz at Sarykulskoe field, which is located in Almaty region of Kazakhstan. The principal business activities of Kvarz LLP include mining and processing of vein quartz and processing of mineral raw materials. Principal business activities of MK KazSilicon include production and realization of metallurgical and polycrystalline silicon and recycling of silicon production. As the vein quartz is mined and processed by Kvarz LLP, which is subsequently processed by MK KazSilicon LLP for production of silicon metal, the companies operate as a single generating unit. These companies were acquired for cash consideration in the amount of KZT 4,751,000 thousand.

The fair value of identifiable net assets as at the acquisition date was as follows:

Fair value recognized after acquisition	**'000 KZT**
Cash and cash equivalents	4,863
Current assets	757,124
Intangible assets	19,446
Mineral rights	6,518,857
Property, plant and equipment	1,121,614
Deposits	90
Total assets	**8,421,994**
Current liabilities:	
Loans	2,053,369
Trade payables	187,144
Financial liabilities	554,415
Deferred tax liabilities	1,431,960
Non-current liabilities	30,066
Total liabilities	**4,256,954**
Net assets	**4,165,040**
Cost of acquisition	**4,751,000**
Goodwill (Note 17)	**585,960**
Cash balances acquired	4,863
Cash consideration paid	4,751,000
Net cash outflow	**4,746,137**

The combined net loss of the Kvarz LLP and MK KazSilicon LLP amounted to KZT 57,585 thousand from the date of acquisition until 31 December 2011. If the acquisitions had occurred on 1 January 2011 there would have not been a material impact on the Group's revenue and profit for 2011.

Acquisition of DP Ortalyk LLP

In December 2011 the Company purchased a 100% ownership interest in DP Ortalyk LLP. The principal business activities of DP Ortalyk LLP include the provision of services on mining, processing of chemical concentrate of uranium and services on mining preparation works at the Central Mynkuduk mine. The mineral rights for exploration and mining of uranium deposits in the Central of Mynkuduk mine was acquired by the Company in 2010. The acquisition in 2011 was primarily related to the acquisition of the processing facility. DP Ortalyk LLP was acquired for cash consideration in the amount of KZT 21,124,774 thousand.

The fair value of identifiable net assets as at the acquisition date was as follows:

45. BUSINESS COMBINATIONS (CONTINUED)

Fair value recognized after acquisition	'000 KZT
Cash and cash equivalents	1,347,566
Inventory	1,366,940
Accounts receivable	1,304,942
Intangible assets	8,717
Property, Plant and Equipment	7,401,748
Non-current investments	849,006
Other Non-current assets	15,390
Total assets	**12,294,309**
Current liabilities	929,570
Deferred tax liabilities	350,121
Total liabilities	**1,279,691**
Net assets	**11,014,618**
Cost of acquisition	**21,124,874**
Goodwill (Note 17)	**10,110,256**
Cash balances acquired	1,347,566
Cash consideration paid	21,124,774
Net cash outflow	**19,777,208**

The net loss of DP Ortalyk LLP amounted to KZT 40,722 thousand from the date of acquisition until 31 December 2011. If the acquisition had occurred on 1 January 2011 there would have not been a material impact on the Group's revenue and net profit for 2011. Identifiable assets and liabilities, as well as goodwill in the amount of KZT 10,110,256 thousand have been recognised in the consolidated financial statements as at 31 December 2011 (Note 17 and 18).

46. SUBSEQUENT EVENTS

On 8 February 2012, a preliminary decision was made to increase the charter capital of Kyzylkum LLP, an associate of the Group, in the amount of KZT 5,800,000 thousand. Contributions would be payable by all shareholders in proportion to their respective ownership interests and consequently, there is no expectation that the Group's ownership interest in Kyzylkum LLP will change.

In accordance with a decision made at an extraordinary meeting of Eurobond holders held on 7 March 2012, a consent was reached by the Eurobond holders to discharge restrictions on possible transfer of the Company's property (Note 26, 34 and 36) to the Shareholder. Other potential violations of other conditions that may arise as a direct result of the construction and transfer of property were also discharged.

As a result of restructuring in March 2012 of loans provided by Japanese banks Citibank N.A. and Japan Bank for International Cooperation to Kyzylkum LLP and Baiken-U LLP, the Company concluded addendums to its loan and guarantee agreements with those financial institutions in order to prolong the dates of repayment of principle amounts.

In February 2012 NAC Kazatomprom JSC and Astana Solar LLP concluded loan agreement with Bank of Tokyo Mitsubishi UFJ for EUR 80.4 million (equivalent to KZT 15,961,812 thousand) for a period of 12 years for the purposes of financing equipment purchase for the strategic investment project.

47. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by management and authorised for issue on 20 March 2012.

GLOSSARY

Term	Definition
ASTM	American Society for Testing and Materials (The international American organization that develops and publishes standards for materials, products, systems and services)
BGRM	The Bureau for Geological and Mining Research, France
CEIS	European company for monitoring and strategic consulting
CO_2	Carbon dioxide
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation, and amortization
EBITDA margin	Percentage of income before interest, taxes, depreciation and amortization to sales of products
GRI	Global Reporting Initiative for Sustainable Development
INSAG	International Nuclear Safety Advisory Group/ Advisory Committee on Nuclear Safety at IAEA
ISO	International Organization for Standardization
ISO 14001	International Standard: Environmental management systems – Requirements with guidance for use
ISO 9001	International Standard: Quality management systems – Requirements
LIBOR	London InterBank Offer Rate
OHSAS 18001	International Standard: Occupational Health and Safety Management Systems - Requirements
R&D	Research and Development
TIC	International Research Center for tantalum and niobium studies
U_3O_8	Uranium oxide
UF_6	Uranium hexafluoride
UO_2	Uranium dioxide
JSC	Joint Stock Company (JSC)
NPP	Nuclear Power Plant (NPP)
STB	Second-tier bank
FNR	Fast neutron reactor
WPR	Water Power Reactor
EKO	East Kazakhstan Oblast
MC	Mining company

SWU	*Separative work units*
CNE CJSC	*Center for Uranium Enrichment Closed Joint-Stock Company*
ITRR	*International Thermonuclear Research Reactor (Project)*
KazNU	*Kazakh National University named after Al-Farabi*
Effic.	*Efficiency (effic.)*
IAEA	*International Atomic Energy Agency*
MAEC	*Mangystau Atomic Energy Complex*
MC	*Metallurgical Complex*
IEA	*International Energy Agency*
NAC	*National Atomic Company*
OECD	*Organization for Economic Cooperation and Development*
GG	*Greenhouse gases*
APG	*Associated petroleum gas*
ISL	*In situ leaching*
RM & REM	*Rare and rare-earth metals*
JV	*Joint venture*
FE	*Fuel element*
LLC	*Limited liability company*
LLC MC	*LLC Mining Company*
FS	*Feasibility study*
US	*Ulba Smelter*
WF	*Wage fund*
SKO	*South Kazakhstan Oblast*
NFC	*Nuclear fuel cycle*

TABLE OF GRI STANDARD DISCLOSURES

Standard Disclosures: Strategy and Characterization				
1. Strategy and Analysis				
Profile Disclosure	Description	Reported	Section	Reference (page number)
1.1	Statement from the most senior decision-maker of the organization.	●	Message from the Chairman of the Board of Directors	4-5
1.2	Description of key impacts, risks, and opportunities.	◕	Sector Overview, Risk Management	13-14, 53-56
2. Organizational Profile				
Profile Disclosure	Description	Reported	Section	Reference (page number)
2.1	Name of the organization.	●	Company Overview	10
2.2	Primary brands, products, and/or services.	●	Company Overview	10
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	●	Company Overview	11
2.4	Location of organization's headquarters.	●	Company Overview	10
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	●	Company Overview	10
2.6	Nature of ownership and legal form.	●	Company Overview	10
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	◕	Company Overview, Operations and Results	10, 26-35
2.8	Scale of the reporting organization.	●	Company Overview	10-11
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	●	Key Events in 2011, Growth Strategy, Operations and Results	9, 15-17, 26-35
2.10	Awards received in the reporting period.	●	Key Events in 2011, Growth Strategy, Development of Regions of Presence	9, 17, 57, 71, 73
3. Report Parameters				
Profile Disclosure	Description	Reported	Section	Reference (page number)
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	●	About the Report	77
3.2	Date of most recent previous report (if any).	●	About the Report	77
3.3	Reporting cycle (annual, biennial, etc.)	●	About the Report	77
3.4	Contact point for questions regarding the report or its contents.	●	About the Report	78
3.5	Process for defining report content.	●	About the Report	77

3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	●	About the Report	77-78
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	●	About the Report	77
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	●	About the Report	77
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	●	About the Report	78
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g.,mergers/ acquisitions, change of base years/periods, nature of business, measurement methods).	n/a		-
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	n/a		-
3.12	Table identifying the location of the Standard Disclosures in the report.	●	Table of GRI Standard Disclosures	156-163
3.13	Policy and current practice with regard to seeking external assurance for the report.	●	About the Report	78
4. Governance, Commitments, and Engagement				
Profile Disclosure	Description	Reported	Section	Reference (page number)
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	●	Corporate Governance	38, 45-47
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	●	Reporting from the Board of Directors	39
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	n/a	Reporting from the Board of Directors	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	○		
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	○		
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	●	Settlement of Corporate Disputes and Conflicts of Interest	51
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	◐	Reporting from the Board of Directors	44

4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	●	About the Company, Corporate Governance, Sustainable Development	10-12, 38, 57, 68
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	○		
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	○		
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	●	Risk Management, Sustainable Development	57
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	○		
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	●	About the Company	10
4.14	List of stakeholder groups engaged by the organization.	●	Stakeholder Relations	36
4.15	Basis for identification and selection of stakeholders with whom to engage.	●	Stakeholder Relations	36
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	◕	Stakeholder Relations	36-37
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	◕	Stakeholder Relations, Risk Management System, Employees, Sustainable Development	37, 53, 57-76

STANDARD DISCLOSURES PART II: Disclosures on Management Approach (DMAs)

Economic

Profile Disclosure	Description	Reported	Section	Reference (page number)
	ECONOMIC PERFORMANCE			
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	●	Key Performance Indicators, Financial Indicators, Development of Regions of Presence	8, 18-24, 73-76
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	○		
EC3	Coverage of the organization's pension plan and defined benefits	○		
EC4	Significant financial assistance received from government.	○		

MARKET PRESENCE				
EC5	*Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.*	●	*Employees*	*79*
EC6	*Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.*	○		
EC7	*Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.*	●	*Employees*	*69, 71*
INDIRECT ECONOMIC IMPACTS				
EC8	*Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.*	●	*Development of Regions of Presence*	*73-76*
EC9	*Understanding and describing significant indirect economic impacts, including the extent of impacts.*	○		
Environmental				
Profile Disclosure	*Description*	*Reported*	*Section*	*Reference (page number)*
MATERIALS				
EN1	*Materials used by weight or volume.*	●	*Energy Efficiency and Use of Resources*	*64*
EN2	*Percentage of materials used that are recycled input materials.*	○		
ENERGY				
EN3	*Direct energy consumption by primary energy source.*	○		
EN4	*Direct energy consumption by primary energy source.*	○		
EN5	*Energy saved due to conservation and efficiency improvements.*	●	*Energy Efficiency and Use of Resources*	*58*
EN6	*Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.*	◐	*Energy, Cooperation with Regions*	*34-35, 76*
EN7	*Initiatives to reduce indirect energy consumption and reductions achieved.*	○		
WATER				
EN8	*Total water withdrawal by source.*	●	*Water Use*	*60*
EN9	*Water sources significantly affected by withdrawal of water.*	◐	*Water Use*	*60*
EN10	*Percentage and total volume of water recycled and reused.*	●	*Water Use*	*60*
BIODIVERSITY				
EN11	*Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.*	●	*Use of Land and Biodiversity*	*58*
EN12	*Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.*	◐	*Use of Land and Biodiversity*	*58*
EN13	*Habitats protected or restored.*	◐	*Use of Land and Biodiversity*	*58*
EN14	*Strategies, current actions, and future plans for managing impacts on biodiversity.*	◐	*Use of Land and Biodiversity*	*58*

EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	○		
EMISSIONS, EFFLUENTS AND WASTE				
EN16	Total direct and indirect greenhouse gas emissions by weight.	●	Greenhouse Gas Emissions	61
EN17	Other relevant indirect greenhouse gas emissions by weight.	○		
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	◐	Air Emissions, Greenhouse Gas Emissions	60-61
EN19	Emissions of ozone-depleting substances by weight.	●	Greenhouse Gas Emissions	62
EN20	NOx, SOx, and other significant air emissions by type and weight.	●	Air Emissions	61
EN21	Total water discharge by quality and destination.	●	Use of Water	60
EN22	Total weight of waste by type and disposal method.	●	Waste Management	63
EN23	Total number and volume of significant spills.	○		
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	○		
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	○		
PRODUCTS AND SERVICES				
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	○		
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	○		
COMPLIANCE				
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations. TRANSPORT	●	Costs for Environmental Purposes	63
TRANSPORT				
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	○		
OVERALL				
EN30	Total environmental protection expenditures and investments by type.	●	Costs for Environmental Purposes	63
Social: Labor Practices and Decent Work				
Profile Disclosure	Description	Reported	Section	Reference (page number)
EMPLOYMENT				
LA1	Total workforce by employment type, employment contract, and region.	◕	Employees	68-69
LA2	Total number and rate of employee turnover by age group, gender, and region.	●	Employees	69

LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	●	Employees	72
LABOR/MANAGEMENT RELATIONS				
LA4	Percentage of employees covered by collective bargaining agreements.	●	Employees	68
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	●	Employees	68
OCCUPATIONAL HEALTH AND SAFETY				
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	○		
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	◐	Industrial Safety and Health	65
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	○		
LA9	Health and safety topics covered in formal agreements with trade unions.	○		
TRAINING AND EDUCATION				
LA10	Average hours of training per year per employee by employee category.	○		
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	○		
LA12	Percentage of employees receiving regular performance and career development reviews.	○		
DIVERSITY AND EQUAL OPPORTUNITY м				
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	◕	Personnel	69
LA14	Ratio of basic salary of men to women by employee category.	●	Personnel	71
Social : Human Rights				
Profile Disclosure	Description	Reported	Section	Reference (page number)
INVESTMENT AND PROCUREMENT PRACTICES				
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	○		
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	○		
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	○		

Non-discrimination				
HR4	*Total number of incidents of discrimination and actions taken.*	○		
Freedom of association and collective bargaining				
HR5	*Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.*	○		
Child labor				
HR6	*Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.*	○		
Forced and compulsory labor				
HR7	*Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.*	○		
Security practices				
HR8	*Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.*	○		
Indigenous rights				
HR9	*Total number of incidents of violations involving rights of indigenous people and actions taken.*	○		
Social: Society				
Profile Disclosure	*Description*	*Reported*	*Section*	*Reference (page number)*
COMMUNITY				
SO1	*Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.*	○		
Corruption				
SO2	*Percentage and total number of business units analyzed for risks related to corruption.*	●	*Corporate Ethics*	*52*
SO3	*Percentage of employees trained in organization's anti-corruption policies and procedures.*	◐	*Corporate Ethics*	*52*
SO4	*Actions taken in response to incidents of corruption.*	●	*Corporate Ethics*	*52*
Public policy				
SO5	*Public policy positions and participation in public policy development and lobbying.*	○		
SO6	*Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.*	●	*Charity and Sponsorship*	*74-75*
Anti-competitive behavior				
SO7	*Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.*	○		

Compliance				
SO8	*Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.*	○		
Social : Product Responsibility				
Profile Disclosure	*Description*	*Reported*	*Section*	*Reference (page number)*
Health and Safety				
PR1	*Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.*	◐	*Sustainable Development*	*56*
PR2	*Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services, by type of outcomes.*	○		
Product and service labelling				
PR3	*Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.*	○		
PR4	*Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.*	○		
PR5	*Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.*	◔	*Stakeholder Relations*	*37*
Marketing Communications				
PR6	*Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.*	○		
PR7	*Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.*	○		
Customer privacy				
PR8	*Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.*	○		
Compliance				
PR9	*Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.*	○		

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