

**JOINT STOCK COMPANY
“NATIONAL ATOMIC COMPANY
“KAZATOMPROM”**



REPORT

FOR 9 MONTHS OF THE YEAR 2011

ALMATY, 2011

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I. Explanatory notes to Consolidated Financial Statements as of 30 September 2011

This Report is prepared in relation to the consolidated financial statements of JSC National Atomic Company “Kazatomprom” and its subsidiaries (hereinafter the “Group”) as of September 30, 2011, and is made in compliance with International Financial Reporting Standards (“IFRS”).

1. Revenue

	30.09.2011	30.09.2010
	Th. tenge	Th.tenge
Revenue from sales of uranium products	175 289 104	99 755 924
Revenue from sales of beryllium products	5 886 529	3 151 221
Revenue from sales of tantalum products	4 049 734	3 582 851
Revenue from sales of utilities	20 822 118	19 794 471
Other	19 883 473	17 863 797
	225 930 958	144 148 264

Consolidated revenue from sales of the Group’s products for 9 months of 2011, increased by 36% as against the same period of 2010 and amounted to 225,930,958 thousand Tenge. This increase is mainly caused by both the growth of sales and increase in average selling price of the uranium products for 9 months of 2011 as compared to the similar period of 2010.

The sales pattern was as follows:

- Uranium products – 77.6%
- Beryllium products – 2.6%
- Tantalum products – 1.8%
- Utilities – 9.2%
- Other revenue – 8.8%.

2. Cost of Sales

	30.09.2011	30.09.2010
	Th. Tenge	Th. Tenge
Materials and supplies	107 516 861	59 333 169
Processing and other services	18 105 734	12 199 884
Wages and salaries	12 936 377	10 232 430
Depreciation and amortization	9 792 983	6 540 033
Taxes other than on income	7 554 366	5 731 771
Maintenance and repair	2 984 632	3 339 117
Utilities	1 312 198	1 405 599
Transportation expenses	264 190	424 565
Rent expenses	284 747	344 520
Research and development	61 122	66 628
Other	1 070 180	2 065 599
	161 883 390	101 683 315

Cost of goods sold for 9 months of 2011 was 161,883,390 thousand Tenge and increased as against 9 months of 2010, which was explained by sales growth and increase in cost of goods sold as per 1 unit of product. The share of cost of sales in the total revenue was 72 % for 9 months of 2011 versus 71 % for the same period of 2010.

3. *Distribution Expenses*

	30.09.2011	30.09.2010
	Th. Tenge	Th.Tenge
Shipping, transportation and storing	1 139 604	703 751
Wages and salaries	329 503	288 789
Commissions	189 333	110 682
Materials and suppliers	149 282	145 728
Rent	100 559	55 964
Cargo insurance	51 144	31 371
Custom duties	5 954	45 210
Advertising and marketing expenses	35 200	31 532
Taxes other than on income tax	33 659	28 184
Travel	30 478	18 518
Depreciation and amortization	28 250	18 664
Other	78 914	71 302
	2 171 880	1 549 695

In 9 months of 2011 distribution expenses increased by 29% as against the same period of 2010, mainly due to a significant increase in expenses for shipping, transportation and storing and expenses of wagon and container lease which are associated with growth of sales and use of new transportation routes.

4. *Administrative Expenses*

	30.09.2011	30.09.2010
	Th. Tenge	Th.Tenge
Wages and salaries	6 354 609	4 982 828
Taxes other than income tax	1 483 799	1 214 780
Depreciation	421 561	378 065
Consulting, auditing and information services	434 523	321 425
Research expenses	269 122	219 457
Maintenance and repair	266 617	293 011
Travel	270 269	213 210
Rent	326 546	190 618
Training expenses	231 825	185 287
Materials and suppliers	198 021	169 064
Bank charges	122 999	105 664
Communication	81 440	79 707
Utilities	60 465	59 950
Corporate events	75 320	52 242
Entertainment expenses	47 668	48 082
Insurance	29 282	25 248
Security	40 827	24 077
Other	1 330 074	524 333
	12 044 967	9 087 048

The amount of administrative expenses was 12,044,967 thousand Tenge and it increased by 25% as against the same period of 2010. These expenses were mainly affected by rise in wages and salaries and compensation payments related with relocation of the head office to Astana city.

5. *Financial Income and Expenses*

	30.09.2011	30.09.2010
	Th. Tenge	Th. Tenge
<i>Financial income</i>		
Dividend income	1 579 481	3 551 893
Interest income on term deposits and deposits on demand, and current accounts	2 943 764	899 383
Other financial income	165 482	372 845
	4 688 727	4 824 121
<i>Financial expenses</i>		
Interest expenses on loans and borrowings	4 611 940	3 154 452
Unwinding of discount on other financial liabilities	3 584 537	3 161 095
Unwinding of discount on provisions	373 415	411 839
Loss on sales of foreign currency	20 440	14 738
Other financial expenses	596 213	228 721
	9 186 545	6 970 845

Financial income for 9 months of 2011 did not change compared to 9 months of 2010 and amounted to 4,688,727 thousand Tenge, a significant part thereof was referred to interest income on term deposits and deposits on demand and current accounts in the amount of 2,943,767 thousand Tenge.

The amount of financial expenses for the reporting period was 9,186,545 thousand Tenge, and the major part thereof was comprised by interest expenses of 4,611,940 thousand Tenge, increased due to growth of financial liabilities, including the placement of Eurobonds.

6. *Other Expenses*

	30.09.2011	30.09.2010
	Th. Tenge	Th. Tenge
Sponsorship and charity	302 205	2 152 806
Social sphere expenses	1 666 040	502 481
Loss on disposal and impairment of non-current assets	294 103	30 112
Loss on suspension of production	360 585	167 780
Other	1 772 679	1 680 434
	4 395 612	4 533 613

For 9 months of 2011 compared to the same period of 2010 a slight growth of other expenses was caused by the significant decrease in Sponsorship and charity and increase in Social sphere expenses.

7. *Earnings per Share (EPS) from Continued Activities*

Basic and diluted EPS:

	30.09.2011	30.09.2010
	Tenge	Tenge
Basic and diluted EPS (Tenge)	1 536	893

The Group has no issued dilutive potential ordinary shares. The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	<u>30.09.2011</u> <u>Th. Tenge</u>	<u>30.09.2010</u> <u>Th. Tenge</u>
Profit for the year attributable to shareholders of the parent company	56 377 368	32 761 266
Earnings used in the calculation of total basic and diluted earnings per share	<u>56 377 368</u>	<u>32 761 266</u>
	<u>30.09.2011</u> <u>Th. Tenge</u>	<u>30.09.2010</u> <u>Th. Tenge</u>
Weighted average number of ordinary shares for calculation of basic and diluted earnings per share	36 692 361	36 692 361

8. Fixed assets

	<u>30.09.2011</u> <u>Th. Tenge</u>	<u>31.12.2010</u> <u>Th. Tenge</u>
Land	209 816	116 148
Buildings and constructions	42 362 855	43 347 515
Machinery and Equipment	28 950 256	28 552 087
Vehicles	4 823 391	4 658 851
Other	1 857 787	1 873 715
	<u>78 204 105</u>	<u>78 548 316</u>

In the structure of fixed assets, buildings and constructions constitute about 54%, machinery and equipment make about 37%.

9. Investments Accounted by Equity Method

	<u>30.09.2011</u> <u>Th. Tenge</u>	<u>31.12.2010</u> <u>Th. Tenge</u>
Associated entities	75 003 998	60 919 936
Jointly controlled entities	22 537 713	12 657 452
	<u>97 541 711</u>	<u>73 577 388</u>

The growth of investments accounted by equity method is caused by increase in revenue of entities.

10. Financial Assets

	<u>30.09.2011</u> <u>Th.Tenge</u>	<u>31.12.2010</u> <u>Th.Tenge</u>
Long-term		
Long-term deposits	2 720 431	1 926 622
Loans to related parties (Baiken-U LLP and Kyzylkum LLP)	10 785 726	10 751 444
	<u>13 506 157</u>	<u>12 678 066</u>
Short-term		
Loans to related parties (JV Akbastau JSC and KRKAS JSC)	20 000	512 000
Other short-term financial investments (cash assets on up to 1 year deposits):	44 935 608	77 133 161

	30.09.2011	31.12.2010
	Th.Tenge	Th.Tenge
<i>Cash and Cash Equivalents</i>	<u>44 955 608</u>	<u>77 645 161</u>
Bank accounts	57 415 543	15 859 764
Demand deposits (up to 3 month deposits)	8 033 303	6 480 975
Cash in transit	5 914 800	
Cash on hand	<u>53 935</u>	<u>43 369</u>
	<u>71 417 581</u>	<u>22 384 108</u>

Other financial assets include loans granted, as well as cash assets on the deposits, which comprises significant part in the structure of other financial assets.

Long-term deposits include cash assets that are, in accordance with the terms of Subsoil Use Agreements, the Group invests in long-term bank deposits to finance future site restoration activities. As at September 30, 2011 the amount, transferred to special deposits was 2,720,431 thousand Tenge.

Other short-term financial investments include fixed-term deposits placed in the second-tier banks for 3 - 12 month period.

In 2010 KRKAS JSC and JV Akbastau JSC received current loans as financial aid with maturity in 2011. The loan to JV Akbastau JSC was repaid in full. The total amount of the loan to KRKAS JSC as of September 30, 2011 was 20,000 thousand Tenge.

In September and December 2010, for the purpose of providing financial aid, Kyzylykum LLP and Baiken-U LLP received long-term loans on terms of security, serviceability and refundability, with maturity period of 9 and 7 years respectively. The total amount of loans given as of September 30, 2011 was 10,785,726 thousand Tenge. The loans were collateralized by property of the borrowers.

The structure of cash and cash equivalents include balances on the bank accounts, deposits with up to 3 month period and cash on hand.

High level of liquidity at the end of the reporting period was due to the receipt of funds resulted from issue of Eurobonds in May 2010 in the amount of 500 million USD, which are distributed on deposit in second-tier banks. These funds are supposed to be used for investment projects in 2012.

11. Inventories

	30.09.2011	31.12.2010
	Th.Tenge	Th.Tenge
Raw and other materials	11 506 882	8 493 600
Finished products	10 912 837	8 294 284
Goods	6 263 795	27 187 173
Work-in-process	7 835 194	9 225 217
Other inventories (geological exploration)	<u>3 253 384</u>	<u>2 559 339</u>
	<u>39 772 092</u>	<u>55 759 613</u>

Significant part of inventories includes uranium products, which have been held by the Group since inception and are intended for use upon commissioning of new uranium pellets production facilities.

12. Trade and Other Receivables

	30.09.2011 Th.Tenge	31.12.2010 Th.Tenge
Long-term		
Long-term receivables from employees	862 249	457 433
Long-term receivables on lease	10 214	11 470
Long-term interest receivable	964 125	192 078
Other	13 206 608	3 185 502
	15 043 196	3 846 483
Short-term		
Short-term receivables from buyers and clients	32 523 741	49 105 011
Short-term receivables from associated and jointly controlled entities	4 424 918	9 961 368
Short-term receivables from FNW Samruk-Kazayna JSC's entities	249 527	393 774
Short-term receivables from employees	106 410	85 307
Short-term receivables on lease	5 118	5 918
Short-term interest receivable	402	582
Other	194 263	98 721
Prepayment for settlement with budget and off-budget funds	26 167 740	21 339 435
	63 672 119	80 990 116
	51 392 315	84 836 599

Trade and other receivables of the Group as of September 30, 2011 was 78,715,315 thousand Tenge. All receivables are current and liquid.

13. Loans and Borrowings

Name of Lender	Loan Currency	30.09.2011 Th.Tenge	31.12.2010 Th.Tenge	Maturity Date
Mizuho Corporate Bank Ltd. (NAC)	USD	4 436 382	5 251 709	September 30, 2015
CitiBank Kazakhstan JSC (IHT)	KZT	220 000	117 200	December 23, 2011
Natixis (MC)	USD	2 896 205	4 335 659	April 30, 2013
ING bank (MC)	EUR	5 964 561	5 644 547	August 06, 2012
Citibank JSC, Japan (Appak)	USD	2 616 290	3 136 868	June 27, 2013
JBIC (Appak)	USD	8 420 076	8 383 987	December 27, 2014
RBS N.V. (ABN-AMRO Bank N.V. (MAEK-Kazatomprom))	USD	837 298	1 037 970	June 06, 2013
RBS N.V. (ABN AMRO Bank N.V. (Semizbai))	USD	3 774 832	4 442 483	December 05, 2013
Industrial and Commercial Bank of China (Semizbai)	USD	7 453 646	8 860 352	December 30, 2013
Alfabank Subsidiary Bank JSC (VG)	KZT	0	267 386	May 31, 2011
BTA Bank JSC (UMP JSC)	KZT	0	392 908	September 10, 2013
Natixis (MAEK)	USD	2 970 221	684 045	May 31, 2022
JSC Industrial and Commercial Bank of China in Almaty (Semizbai)	KZT	457 087	0	July 10, 2012
JSC SB "Bank of China in Kazakhstan"(Semizbai)	KZT	443 610	0	July 7, 2012
Bank Positiv Kazakhstan JSC	KZT	0	456 638	December 30, 2013
Non-banking borrowings		4 958 033	5 884 570	
Sumitomo Corporation (Appak)	USD	3 404 025	4075484	May 25, 2013.
Kansai Electric Power Inc. (Appak)	USD	1 350 897	1618828	May 25, 2013
Kazhema Katco-Demeu JV (NAC-Demeu)	KZT	203 111	190 258	August 01, 2024
Other financial liabilities, including		74 986 902	73 495 050	

Name of Lender	Loan Currency	30.09.2011 Th.Tenge	31.12.2010 Th.Tenge	Maturity Date
<i>including Eurobonds (NAC)</i>	<i>USD</i>	<i>74 678 703</i>	<i>73 135 933</i>	<i>May 20, 2015.</i>
TOTAL		120 435 143	122 391 372	

Consolidated loan debt as of September 30, 2011 was 120,435,143 thousand Tenge. There was no significant change in the loan portfolio in the reporting period.

Loan Debt Repayment Schedule

Name of Lender	30.09.2011 Th.Tenge	The Amount to be Repaid					
		2011	2012	2013	2014	2015	2016- 2024
Mizuho Corporate Bank Ltd. (NAC)	4 436 382	277 539	1 109 025	1 109 025	1 109 025	831 768	
CitiBank Kazakhstan JSC (IHT)	220 000	220 000					
Natixis (MC)	2 896 205	444 041	1 774 440	677 724			
ING Bank (MC)	5 964 561	40 615	5 923 946				
Citibank JSC, Japan (Appak)	2 616 290	179 892	1 846 750	589 648			
JBIC (Appak)	8 420 076	9 970		3 762 922	4 647 184		
RBS N.V. (ABN-AMRO Bank N.V. (MAEC-Kazatomprom))	837 298	213 483	415 877	207 938			
RBS N.V. (ABN AMRO Bank N.V. (Semizbai))	3 774 832	817 432	1 478 700	1 478 700			
Industrial and Commercial Bank of China (Semizbai)	7 453 646	1 538 846	2 957 400	2 957 400			
Natixis (MAEK)	2 970 221	13 198	426 548	601 412	458 191	267 383	1 203 489
JSC Industrial and Commercial Bank of China in Almaty (Semizbai)	457 087	7 087	450 000				
JSC SB "Bank of China in Kazakhstan"(Semizbai)	443 610		443 610				
Non-banking borrowings	4 958 033	322 881	3 325 906	1 106 135			203 111
<i>Sumitomo Corporation (Appak)</i>	<i>3 404 025</i>	<i>230 629</i>	<i>2 379 809</i>	<i>793 587</i>			
<i>Kansai Electric Power Inc. (Appak)</i>	<i>1 350 897</i>	<i>92 252</i>	<i>946 097</i>	<i>312 548</i>			
<i>Kazhema Katco-Demeu JV (NAC-Demeu)</i>	<i>203 111</i>						<i>203 111</i>
Other financial liabilities, including	74 986 902	1 679 573	80 502	59 294	52 965	73 061 601	52 967
<i>including Eurobonds (NAC)</i>	<i>74 678 703</i>	<i>1 670 067</i>				<i>73 008 636</i>	
TOTAL	120 435 143	5 764 557	20 232 704	12 550 198	6 267 365	74 160 752	1 459 567

The largest amount to be repaid is planned for 2015, when Company's Eurobonds in the amount of 500 million USD will become due.

14. Trade and Other Payables

	30.09.2011 Th.Tenge	31.12.2010 Th.Tenge
<i>Long-term</i>		
Long-term payables to suppliers and contractors	254 861	262 953
Long-term payables to subsidiaries	0	324 499
Other	1 669 925	1 668 391
	1 924 786	2 255 843
<i>Short-term</i>		
Short-term payables to suppliers and contractors	8 002 806	7 349 067
Short-term payables to associated and jointly controlled entities	14 363 683	22 893 278

	30.09.2011	31.12.2010
	Th.Tenge	Th.Tenge
Short-term payables to FNW Samruk-Kazayna JSC's entities	1 278 889	1 859 012
Short-term payables on lease	14 388	24
Short-term interest payable	9 226	2 608
Other	645 606	520 835
Debts to budget and off-budget funds	<u>5 468 163</u>	<u>4 464 175</u>
	<u>29 782 762</u>	<u>37 088 999</u>
	<u>31 707 548</u>	<u>39 344 842</u>

Trade and other payables as of September 30, 2011 was 31,707,548 thousand Tenge.

15. The Book Value of an Ordinary Share

In accordance with the calculation methodology for a share book value as set out in Annex 6 of the Listing Rules of Kazakhstan Stock Exchange JSC, the book value of a Kazatomprom JSC's ordinary share as of September 30, 2011 is 8,897 Tenge.

	30.09.2011	31.12.2010
	Th.Tenge	Th.Tenge
Assets, total	<u>574 685 000</u>	<u>528 536 921</u>
Intangibles assets	1 610 375	596 707
Liabilities, total	<u>246 608 657</u>	<u>249 117 214</u>
<i>Net assets for ordinary shares</i>	<u>326 465 968</u>	<u>278 823 000</u>
The number of ordinary shares for a share book value calculation	<u>36 692 361</u>	<u>36 692 361</u>
An ordinary share book value (Tenge)	<u>8 897</u>	<u>7 599</u>

II. Other Significant Information related to NAC Kazatomprom JSC Activity for 9 months of the year of 2011

1. Events for NAC Kazatomprom JSC taken place within 9 months of 2011:

April 25 The Delegation of NAC Kazatomprom JSC headed by Vladimir Shkolnik, the Chairman of the Board, visited the French Republic. The purpose of the visit was to get acquainted with advanced scientific achievements in the field of renewable energy sources and exchange of experience with French colleagues. As a result of the visit Vladimir Shkolnik on behalf of NAC Kazatomprom JSC and Bernard Bigo on behalf of the French Atomic Energy and Alternative Energies Commission (le Commissariat à l'énergie atomique et aux énergies alternatives (CEA) signed the Memorandum of Intention concerning realization of joint R&D programs in the area of new materials for different types of renewable energy sources.

July 21 Fitch Ratings confirmed the long-term rating default of the issuer NAC Kazatomprom JSC in a foreign currency at the level of 'BBB-' and revised its outlook from "Stable" to "Negative". As noted by Fitch, the reason of rating revision was the increase in the overall leverage of NAC Kazatomprom JSC.

September 29 JSC NAC Kazatomprom and Japanese Toshiba Corporation established a joint venture for production, sales, research and exploration of rare and rare earth metals and materials. The state registration of the "Joint Venture "KT Rare Metals Company" Limited Liability Partnership was accomplished on September 21, 2011.

2. Commissioning of the New and Reduction of the Old Production Capacities

On February 16, 2011 **Baiken-U LLP** put into operation the first start-up facilities for *the Uranium Mining by ISL Method at North Kharasan Deposit of Kharasan Site and South-Eastern Flank Project*.

3. Changes in Subsoil Use Agreements made within 9 months of the year of 2011:

JV Inkai LLP received the Addendum to the Contract for Uranium Mining at Sites 2 and 3 of Inkai Deposit in South Kazakhstan Oblast of the Republic of Kazakhstan, related to production increase up to 1,500 tons per year starting from the year of 2010, extension of exploration period for up to 5 years, shifting of commencement of pilot production for 2012-2014, drawing up of scoping study and reserves assessment for 2014-2015.

NAC Kazatomprom JSC received the Addendum to the Contract for Exploration and Mining of Uranium in the Northern Part of Site 3 (Tsentralny) of Moinkum Deposit, related to transfer of subsoil use right to Mining Company LLP.

JV Katco LLP received the Addendum to the Contract for Exploration and Mining of Uranium at Moinkum Deposit, related to extension of mining allotment.

Appak LLP received the Addendum to the Contract for Exploration and Mining of Uranium at Zapandyi Deposit related to extension of validity term for one year and decrease in uranium output as of U3O8 up to 455 tons in 2010 and starting the scheduled capacity of 1,000 tons in 2011.

JV Katco LLP received the Addendum to the Contract for Exploration and Mining of Uranium at Moinkum Deposit, related to integration of the northern part of Tsentralnyi site of Moinkum Deposit in the structure of Tortkuduk site.

JV Zarechnoye JSC received the Addendum to the Contract for Exploration and Mining of Uranium at South Zarechnoye Deposit, related to rescheduling of drilling works.

Deputy Chairman of the Board

A.A. Arifkhanov

Chief Accountant

S.S.Bashakova