

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



**REPORT
FOR 6 MONTHS OF THE YEAR 2011**

ALMATY, 2011

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I. Explanatory notes to Consolidated Financial Statements as of 30 June 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 June 30, 2011, and is made in compliance with International Financial Reporting Standards (“IFRS”).

1. Revenue

	30.06.2011	30.06.2010
	Th. tenge	Th.tenge
Revenue from sales of uranium products	90 118 953	64 329 983
Revenue from sales of beryllium products	3 872 944	1 572 133
Revenue from sales of tantalum products	2 608 051	2 682 207
Revenue from sales of utilities	14 468 653	13 518 647
Other	12 397 387	11 343 697
	123 465 988	93 446 667

Consolidated revenue from sales of the Group’s products for 6 months of 2011, increased by 24% as against the same period of 2010 and amounted to 123,465,988 thousand Tenge. This increase is mainly caused by both the growth of sales and increase in average selling price of the uranium products for 6 months of 2011 as compared to the similar period of 2010.

The sales pattern in 2010 was distributed as follows:

- Uranium products – 73.0%
- Beryllium products – 3.2%
- Tantalum products – 2.1%
- Utilities – 11.7%
- Other revenue – 10.0%.

2. Cost of Sales

	30.06.2011	30.06.2010
	Th. Tenge	Th. Tenge
Materials and supplies	58 086 155	42 728 534
Processing and other services	8 935 958	4 639 994
Wages and salaries	7 725 226	6 209 755
Depreciation and amortization	4 730 544	4 135 802
Taxes other than on income	3 741 462	4 039 391
Maintenance and repair	1 786 476	2 013 907
Utilities	874 102	1 013 506
Transportation expenses	172 467	274 418
Rent expenses	204 634	264 818
Research and development	30 408	38 974
Other	620 028	1 933 637
	86 907 460	67 292 736

Cost of goods sold for 6 months of 2011 was 86,907,460 thousand Tenge and increased by 23% as against 6 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 71 % for 6 months of 2011 versus 72 % for the same period of 2010.

3. *Distribution Expenses*

	<u>30.06.2011</u> <u>Th. Tenge</u>	<u>30.06.2010</u> <u>Th.Tenge</u>
Shipping, transportation and storing	807 368	464 107
Wages and salaries	215 765	185 989
Commissions	138 391	104 835
Materials and suppliers	95 198	91 264
Rent	67 297	29 716
Cargo insurance	31 213	16 078
Custom duties	3 824	42 993
Advertising and marketing expenses	21 882	14 858
Taxes other than on income tax	20 849	18 151
Travel	18 264	12 822
Depreciation and amortization	18 472	11 672
Other	41 680	60 357
	<u>1 480 203</u>	<u>1 052 842</u>

In 6 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 which are associated with growth of sales and use of new transportation routes.

4. *Administrative Expenses*

	<u>30.06.2011</u> <u>Th. Tenge</u>	<u>30.06.2010</u> <u>Th.Tenge</u>
Wages and salaries	4 220 415	3 228 839
Taxes other than income tax	985 874	816 461
Depreciation	273 726	249 693
Consulting, auditing and information services	318 084	251 259
Research expenses	167 468	141 039
Maintenance and repair	162 007	188 691
Travel	163 958	142 674
Rent	133 977	127 515
Training expenses	125 948	116 724
Materials and suppliers	119 575	106 860
Bank charges	70 809	72 553
Communication	55 134	51 986
Stationary	46 597	42 816
Utilities	47 696	46 379
Corporate events	27 151	13 278
Entertainment expenses	29 949	26 928
Insurance	18 211	13 274
Security	20 695	15 707
Other	21 728	151 794
	<u>7 009 002</u>	<u>5 804 470</u>

The amount of administrative expenses was 7,009,002 thousand Tenge and it increased by 17% 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*

	30.06.2011	30.06.2010
	Th. Tenge	Th. Tenge
Financial income		
Dividend income	699 290	2 667 393
Interest income on term deposits and deposits on demand, and current accounts	2 137 347	505 367
Other financial income	162 100	411 076
	2 998 737	3 583 836
Financial expenses		
Interest expenses on loans and borrowings	3 062 255	1 923 124
Unwinding of discount on other financial liabilities	2 379 542	2 106 538
Unwinding of discount on provisions	232 276	244 590
Loss on sales of foreign currency	4 361	42 822
Bank expenses	6 433	4 815
Other financial expenses	236 903	123 234
	5 921 770	4 445 123

Financial income for 6 months of 2011 decreased almost twice compared to 6 months of 2010 and amounted to 2,998,737 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 2,137,347 thousand Tenge.

The amount of financial expenses for the reporting period was 5,921,770 thousand Tenge, and the major half thereof was comprised by interest expenses of 3,062,255 thousand Tenge, increased due to growth of financial liabilities, including the placement of Eurobonds.

6. *Other Expenses*

	30.06.2011	30.06.2010
	Th. Tenge	Th. Tenge
Sponsorship and charity	246 136	2 004 163
Unrecoverable value added tax ("VAT")	67 693	599 621
Social sphere expenses	603 245	435 185
Loss on disposal and impairment of non-current assets	1 396 424	32 438
Loss on suspension of production	269 845	118 586
Other	176 598	722 835
	2 759 941	3 912 828

In the 1st Half 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.

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

Basic and diluted EPS:

	30.06.2011	30.06.2010
	Tenge	Tenge
Basic and diluted EPS (Tenge)	827,65	529,10

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>30.06.2011</u> <u>Th. Tenge</u>	<u>30.06.2010</u> <u>Th. Tenge</u>
Profit for the year attributable to shareholders of the parent company	30 368 511	19 413 847
Earnings used in the calculation of total basic and diluted earnings per share	<u>30 368 511</u>	<u>19 413 847</u>
	<u>30.06.2011</u> <u>Th. Tenge</u>	<u>30.06.2010</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>30.06.2011</u> <u>Th. Tenge</u>	<u>31.12.2010</u> <u>Th. Tenge</u>
Land	119 387	116 148
Buildings and constructions	42 795 340	43 347 515
Machinery and Equipment	28 599 222	28 552 087
Vehicles	4 645 927	4 658 851
Other	1 842 030	1 873 715
	<u>78 001 906</u>	<u>78 548 316</u>

In the structure of fixed assets, buildings and constructions constitute about 55% and machinery and equipment make about 37%.

9. Investments Accounted by Equity Method

	<u>30.06.2011</u> <u>Th. Tenge</u>	<u>31.12.2010</u> <u>Th. Tenge</u>
Associated entities	67 587 696	60 919 936
Jointly controlled entities	16 529 193	12 657 452
	<u>84 116 890</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>30.06.2011</u> <u>Th.Tenge</u>	<u>31.12.2010</u> <u>Th.Tenge</u>
Long-term		
Long-term deposits	2 670 866	1 926 622
Loans to related parties (Baiken-U LLP and Kyzylkum LLP)	<u>10 667 562</u>	<u>10 751 444</u>
	<u>13 338 428</u>	<u>12 678 066</u>
Short-term		
Loans to related parties (JV Akbastau JSC and KRKAS JSC)	520 000	512 000
Other short-term financial investments (cash assets on up to 1 year deposits):	<u>72 386 147</u>	<u>77 133 161</u>

	30.06.2011	31.12.2010
	Th.Tenge	Th.Tenge
<i>Cash and Cash Equivalents</i>	<u>72 906 147</u>	<u>77 645 161</u>
Bank accounts	40 347 471	15 859 764
Demand deposits (up to 3 month deposits)	680 283	6 480 975
Cash on hand	<u>51 376</u>	<u>43 369</u>
	<u>41 079 130</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 June 30, 2011 the amount, transferred to special deposits was 2,670,866 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 collateralized by legal claim on future cash inflows. The total amount of loans as of June 30, 2011 was 520,000 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 June 30, 2011 was 10,667,562 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 2011.

11. Inventories

	30.06.2011	31.12.2010
	Th.Tenge	Th.Tenge
Raw and other materials	10 021 697	8 493 600
Finished products	18 408 928	8 294 284
Goods	12 167 430	27 187 173
Work-in-process	7 718 073	9 225 217
Other inventories (geological exploration)	<u>1 765 605</u>	<u>2 559 339</u>
	<u>50 081 733</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

	30.06.2011	31.12.2010
	Th.Tenge	Th.Tenge
<i>Long-term</i>		
Long-term receivables from employees	481 687	457 433

Long-term receivables on lease	10 257	11 470
Long-term interest receivable	701 720	192
Other	5 762 638	3 185 502
	6 956 302	3 846 483

Short-term

Short-term receivables from buyers and clients	15 544 614	49 105 011
Short-term receivables from associated and jointly controlled entities	9 181 019	9 961 368
Short-term receivables from FNW Samruk-Kazayna JSC's entities	396 029	393 774
Short-term receivables from employees	109 719	85 307
Short-term receivables on lease	5 291	5 918
Short-term interest receivable	232	582
Other	223 223	98 721
Prepayment for settlement with budget and off-budget funds	18 975 886	21 339 435
	44 436 013	80 990 116
	51 392 315	84 836 599

Trade and other receivables of the Group at the end of the 1st Half of 2011 was 51,392,315 thousand Tenge. All receivables are current and fully liquid.

13. Loans and Borrowings

Name of Lender	Loan Currency	30.06.2011 Th.Tenge	31.12.2010 Th.Tenge	Maturity Date
Mizuho Corporate Bank Ltd. (NAC)	USD	4 661 999	5 251 709	September 30, 2015
CitiBank Kazakhstan JSC (IHT)	KZT	220 000	117 200	December 23, 2011
Natixis (MC)	USD	3 294 293	4 335 659	April 30, 2013
ING bank (MC)	EUR	6 185 252	5 644 547	August 06, 2012
Citibank JSC, Japan (Appak)	USD	2 760 169	3 136 868	June 27, 2013
JBIC (Appak)	USD	8 318 536	8 383 987	December 27, 2014
RBS N.V. (ABN-AMRO Bank N.V. (MAEK-Kazatomprom))	USD	823 813	1 037 970	June 06, 2013
RBS N.V. (ABN AMRO Bank N.V. (Semizbai))	USD	3 672 508	4 442 483	December 05, 2013
Industrial and Commercial Bank of China (Semizbai)	USD	7 325 997	8 860 352	December 30, 2013
Alfabank Subsidiary Bank JSC (VG)	KZT	0	267 386	May 31, 2011.
BTA Bank JSC (UMP Subsidiary JSC)	KZT	238 516	392 908	September 10, 2013
Natixis (MAEK)	USD	2 852 119	684 045	May 31, 2022
Bank Positiv Kazakhstan JSC	KZT	0	456 638	December 30, 2013
Non-banking borrowings		5 213 806	5 884 570	
Sumitomo Corporation (Appak)	USD	3 590 013	4075484	May 25, 2013.
Kansai Electric Power Inc. (Appak)	USD	1 425 064	1618828	May 25, 2013
Kazhema Katco-Demeu JV (NAC-Demeu)	KZT	198 729	190 258	August 01, 2024
Other financial liabilities, including		72 989 849	73 495 050	
including Eurobonds (NAC)	USD	72 653 088	73 135 933	May 20, 2015.
TOTAL		118 556 857	122 391 372	

Consolidated loan debt at the end of the 1st Half of 2011 was 118,556,857 thousand Tenge. There was no significant change in the loan portfolio in the reporting period.

Loan Debt Repayment Schedule

Name of Lender	30.06.2011 Th.Tenge	The Amount to be Repaid					
		2011	2012	2013	2014	2015	2016- 2024
Mizuho Corporate Bank Ltd. (NAC)	4 661 999	548 718	1 096 875	1 096 875	1 096 875	822 656	
CitiBank Kazakhstan JSC (IHT)	220 000	220 000					
Natixis (MC)	3 294 293	878 473	1 755 000	660 820			
ING Bank (MC)	6 185 252	41 751	6 143 501				
Citibank JSC, Japan (Appak)	2 760 169	355 648	1 803 997	600 524			
JBIC (Appak)	8 318 536	567		3 721 697	4 596 272		
RBS N.V. (ABN-AMRO Bank N.V. (MAEC-Kazatomprom))	823 813	206 832	411 321	205 660			
RBS N.V. (ABN AMRO Bank N.V. (Semizbai))	3 672 508	747 508	1 462 500	1 462 500			
Industrial and Commercial Bank of China (Semizbai)	7 325 997	1 475 997	2 925 000	2 925 000			
Alfabank Affiliate Bank JSC (VG)	0	0					
BTA Bank JSC (UMP Subsidiary JSC)	238 516	58 957	107 200	72 359			
Natixis (MAEK)	2 852 119	10 829	412 408	587 355	444 160	256 988	1 140 379
Bank Positiv Kazakhstan JSC	0	0					
Non-banking borrowings	5 213 806	638 364	3 260 336	1 116 377			198 729
<i>Sumitomo Corporation (Appak)</i>	<i>3 590 013</i>	<i>455 975</i>	<i>2 337 135</i>	<i>796 903</i>			
<i>Kansai Electric Power Inc. (Appak)</i>	<i>1 425 064</i>	<i>182 389</i>	<i>923 201</i>	<i>319 474</i>			
<i>Kazhema Katco-Demeu JV (NAC-Demeu)</i>	<i>198 729</i>						<i>198 729</i>
Other financial liabilities, including	72 989 849	547 623	80 139	59 294	52 965	72 196 861	52 967
<i>including Eurobonds (NAC)</i>	<i>72 653 088</i>	<i>509 192</i>				<i>72 143 896</i>	
TOTAL	118 556 857	5 731 267	19 458 277	12 508 461	6 190 272	73 276 505	1 392 075

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

	30.06.2011 Th.Tenge	31.12.2010 Th.Tenge
<i>Long-term</i>		
Long-term payables to suppliers and contractors	252 069	262 953
Long-term payables to subsidiaries	0	324 499
Other	1 664 637	1 668 391
	1 916 706	2 255 843
<i>Short-term</i>		
Short-term payables to suppliers and contractors	5 497 868	7 349 067
Short-term payables to associated and jointly controlled entities	8 333 134	22 893 278
Short-term payables to FNW Samruk-Kazayna JSC's entities	1 508 682	1 859 012
Short-term payables on lease	12 545	24
Short-term interest payable	1 987	2 608
Other	1 086 078	520 835
Debts to budget and off-budget funds	4 749 879	4 464 175
	21 190 174	37 088 999
	23 106 880	39 344 842

Trade and other payables at the end of the 1st Half of 2011 was 23,106,880 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 the end of the 1st Half of 2011 is 8,255 Tenge.

	30.06.2011	31.12.2010
	Th.Tenge	Th.Tenge
Assets, total	534 572 715	528 536 921
Intangibles assets	1 021 235	596 707
Liabilities, total	230 669 627	249 117 214
<i>Net assets for ordinary shares</i>	302 881 853	278 823 000
The number of ordinary shares for a share book value calculation	36 692 361	36 692 361
An ordinary share book value (Tenge)	8 255	7 599

II. Other Significant Information related to NAC Kazatomprom JSC Activity for 6 month of the year of 2011

1. Events for NAC Kazatomprom JSC taken place within 6 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.

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 6 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.

Deputy Chairman of the Board

A.A. Arifkhanov

Chief Accountant

S.S.Bashakova