

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



**REPORT**

**FOR 3 MONTHS OF THE YEAR 2012**

**ALMATY, 2012**

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## I. Explanatory notes to Consolidated Financial Statements as of 31 March 2012

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 March 31, 2012, and is made in compliance with International Financial Reporting Standards (“IFRS”).

### 1. Revenue

	<b>31.03.2012</b>	<b>31.03.2011</b>
	<b>Th. tenge</b>	<b>Th.tenge</b>
Revenue from sales of uranium products	40 612 432	49 633 679
Revenue from sales of beryllium products	1 950 707	1 687 026
Revenue from sales of tantalum products	1 566 823	934 777
Revenue from sales of utilities	8 568 895	8 167 304
Other	6 824 047	5 275 365
	<b>59 522 904</b>	<b>65 698 151</b>

Consolidated revenue from sales of the Group’s products for 3 months of 2012, decreased by 10% as against the same period of 2011 and amounted to 59,522,904 thousand Tenge. This decrease is mainly caused by decrease in average selling price of the uranium products for 3 months of 2012 as compared to the similar period of 2011 and decrease in sales in the reporting period.

The sales pattern was as follows:

- Uranium products – 68.2%
- Beryllium products – 3.3%
- Tantalum products – 2.6%
- Utilities – 14.4%
- Other revenue – 11.5%.

### 2. Cost of Sales

	<b>31.03.2012</b>	<b>31.03.2011</b>
	<b>Th. Tenge</b>	<b>Th. Tenge</b>
Materials and supplies	39 277 823	34 923 526
Processing and other services	1 972 840	3 713 240
Wages and salaries	5 427 186	3 199 507
Depreciation and amortization	2 253 747	2 002 675
Taxes other than on income	1 116 331	1 613 704
Maintenance and repair	263 673	787 112
Utilities	295 072	508 909
Transportation expenses	95 274	97 815
Rent expenses	40 077	72 787
Research and development	18 077	5 133
Other	212 518	307 905
	<b>50 972 618</b>	<b>47 232 313</b>

Cost of goods sold for 3 months of 2012 was 50,972,618 thousand Tenge and increased as against 3 months of 2011, which was explained by increase in cost of goods sold as per 1 unit of product. The share of cost of sales in the total revenue was 85 % for 3 months of 2012 versus 72 % for the same period of 2011.

### 3. *Distribution Expenses*

	<b>31.03.2012</b>	<b>31.03.2011</b>
	<b>Th. Tenge</b>	<b>Th.Tenge</b>
Shipping, transportation and storing	414 387	470 822
Wages and salaries	156 551	103 484
Commissions	30 342	33 290
Materials and suppliers	39 731	41 658
Rent	39 286	29 424
Cargo insurance	12 001	14 544
Custom duties	1 547	1 942
Advertising and marketing expenses	5 958	3 907
Taxes other than on income tax	76	10 200
Travel	8 069	8 026
Depreciation and amortization	11 440	8 988
Other	16 484	4 201
	<b>735 872</b>	<b>730 486</b>

Distribution expenses for 3 months of 2012 did not changes as against the same period of 2011.

### 4. *Administrative Expenses*

	<b>31.03.2012</b>	<b>31.03.2011</b>
	<b>Th. Tenge</b>	<b>Th.Tenge</b>
Wages and salaries	2 708 727	1 851 166
Taxes other than income tax	341 666	423 864
Depreciation	215 718	138 015
Consulting, auditing and information services	449 903	74 891
Research expenses	70 157	106 773
Maintenance and repair	59 171	74 417
Travel	99 361	63 746
Rent	204 877	69 743
Training expenses	68 073	42 117
Materials and suppliers	128 077	56 647
Bank charges	56 398	32 729
Communication	16 292	25 879
Stationery	24 182	23 021
Utilities	54 091	34 491
Corporate events	12 551	11 445
Entertainment expenses	6 773	15 421
Insurance	17 430	9 063
Security	15 780	9 447
Other	346 735	80 730
	<b>4 895 962</b>	<b>3 143 605</b>

The amount of administrative expenses was 4,895,962 thousand Tenge and it increased by 36% as against the same period of 2011. 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*

	<b>31.03.2012</b>	<b>31.03.2011</b>
	<b>Th. Tenge</b>	<b>Th. Tenge</b>
<b><i>Financial income</i></b>		
Dividend income	699 290	
Interest income on term deposits and deposits on demand, and current accounts	534 453	1 030 778
Other financial income	304	450 158
	<b>1 234 047</b>	<b>1 480 936</b>
<b><i>Financial expenses</i></b>		
Interest expenses on loans and borrowings	1 577 981	1 533 602
Unwinding of discount on other financial liabilities	1 284 073	167 105
Unwinding of discount on provisions	170 696	121 335
Loss on sales of foreign currency	42 818	15 046
Bank charges		3 049
Other financial expenses	78 192	1 200 579
	<b>3 153 760</b>	<b>3 040 716</b>

Financial income for 3 months of 2012 decreased compared to 3 months of 2011 by 17% and amounted to 1,234,047 thousand Tenge. The structure of financial income mainly consists of dividend income in the amount of 699,290 thousand Tenge and interest income on term deposits and deposits on demand, and current accounts in the amount of 534,453 thousand Tenge.

The amount of financial expenses for the reporting period was 3,153,760 thousand Tenge, and the major part thereof was comprised by interest expenses of 1,577,981 thousand Tenge and discount on other financial liabilities of 1,284,073 thousand Tenge.

## 6. *Other Expenses*

	<b>31.03.2012</b>	<b>31.03.2011</b>
	<b>Th. Tenge</b>	<b>Th. Tenge</b>
Sponsorship and charity	108 142	100 670
Nonrefundable VAT	-2 574	1 115 246
Social sphere expenses	114 303	117 112
Loss on disposal and impairment of non-current assets	44 881	35 768
Loss on suspension of production	148 728	139 872
Other	123 368	-11 897
	<b>536 848</b>	<b>1 496 771</b>

For 3 months of 2012 other expenses decreased by 64% compared to the same period of 2011

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

Basic and diluted EPS:

	<b>31.03.2012</b>	<b>31.03.2011</b>
	<b>Tenge</b>	<b>Tenge</b>
Basic and diluted EPS (Tenge)	148.57	373.24

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>31.03.2012</u> <u>Th. Tenge</u>	<u>31.03.2011</u> <u>Th. Tenge</u>
Profit for the year attributable to shareholders of the parent company	5 451 395	13 695 220
<b>Earnings used in the calculation of total basic and diluted earnings per share</b>	<b><u>5 451 395</u></b>	<b><u>13 695 220</u></b>
	<u>31.03.2012</u> <u>Th. Tenge</u>	<u>31.03.2011</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>31.03.2012</u> <u>Th. Tenge</u>	<u>31.12.2011</u> <u>Th. Tenge</u>
Land	255 446	250 748
Buildings and constructions	51 651 493	52 417 547
Machinery and Equipment	32 008 005	32 695 800
Vehicles	6 390 687	5 138 788
Other	1 949 459	1 982 755
	<b><u>92 255 090</u></b>	<b><u>92 485 638</u></b>

In the structure of fixed assets, buildings and constructions constitute about 56%, machinery and equipment make about 35%.

## 9. Investments Accounted by Equity Method

	<u>31.03.2012</u> <u>Th. Tenge</u>	<u>31.12.2011</u> <u>Th. Tenge</u>
Associated entities	86 074 503	83 330 514
Jointly controlled entities	21 952 511	18 630 500
	<b><u>108 027 015</u></b>	<b><u>101 961 014</u></b>

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

## 10. Financial Assets

	<u>31.03.2012</u> <u>Th. Tenge</u>	<u>31.12.2011</u> <u>Th. Tenge</u>
<b>Long-term</b>		
Long-term deposits	1 850 115	3 854 845
Loans to related parties (Baiken-U LLP and Kyzylkum LLP )	<u>10 778 432</u>	<u>10 824 384</u>
	<b><u>12 628 547</u></b>	<b><u>14 679 229</u></b>
<b>Short-term</b>		
Loans to related parties (KRKAS JSC )	20 000	20 000
Other short-term financial investments (cash assets on up to 1 year deposits):	<u>24 307 881</u>	<u>27 305 161</u>

	<b>31.03.2012</b>	<b>31.12.2011</b>
	<b>Th. Tenge</b>	<b>Th. Tenge</b>
	<b><u>24 327 881</u></b>	<b><u>27 325 161</u></b>
<b><i>Cash and Cash Equivalents</i></b>		
Bank accounts	26 319 471	28 057 864
Demand deposits (up to 3 month deposits)	6 906 181	13 678 706
Cash in transit	6 791	379
Special bank accounts	76 439	89 276
Cash on hand	<u>151 839</u>	<u>10 936</u>
	<b><u>33 460 721</u></b>	<b><u>41 837 161</u></b>

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 March 31, 2012 the amount, transferred to special deposits was 1,850,115 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 received current loans as financial aid. The amount of the loan to KRKAS JSC as of March 31, 2011 was 20,000 thousand Tenge.

In September and December 2010, for the purpose of providing financial aid, Kyzylkum 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 March 31, 2012 was 10,778,432 thousand Tenge. The loans were collateralized by property of the borrowers.

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

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***

	<b>31.03.2012</b>	<b>31.12.2011</b>
	<b>Th. Tenge</b>	<b>Th. Tenge</b>
Raw and other materials	16 553 826	14 361 878
Finished products	29 083 625	31 273 853
Goods	810 512	
Work-in-process	<u>8 083 886</u>	<u>9 132 002</u>
	<b><u>54 531 849</u></b>	<b><u>54 767 733</u></b>

## ***12. Intangible assets***

	<b>31.03.2012</b>	<b>31.12.2011</b>
	<b>Th. Tenge</b>	<b>Th. Tenge</b>
Licenses and patents	42 210	44 422
Software	303 723	312 483
Goodwill	10 696 216	10 696 216
Other	<u>1 259 480</u>	<u>1 279 204</u>
	<b><u>12 301 629</u></b>	<b><u>12 332 325</u></b>

Significant part of intangible assets includes goodwill which has been allocated for the following cash-generating units: uranium production and quartz production.

### 13. Trade and Other Receivables

	<u>31.03.2012</u> <u>Th. Tenge</u>	<u>31.12.2011</u> <u>Th. Tenge</u>
<b>Long-term</b>		
Long-term receivables from employees	885 407	922 477
Long-term receivables on lease	8 198	8 622
Long-term interest receivable	1 486 847	1 227 470
Other	13 833 504	12 902 428
	<u><b>16 213 956</b></u>	<u><b>15 060 997</b></u>
<b>Short-term</b>		
Short-term receivables from buyers and clients	25 536 344	53 541 386
Short-term receivables from associated and jointly controlled entities	4 855 512	3 481 358
	4 344 492	5 059 527
Short-term receivables from FNW Samruk-Kazayna JSC's entities	297 543	297 167
Short-term receivables from employees	132 568	92 233
Short-term receivables on lease	2 642	2 322
Short-term interest receivable	10 499	5 647
Other	108 406	126 815
Prepayment for settlement with budget and off-budget funds	24 169 702	22 532 391
	<u><b>59 457 706</b></u>	<u><b>85 138 846</b></u>
	<u><b>75 671 662</b></u>	<u><b>100 199 843</b></u>

Trade and other receivables of the Group as of March 31, 2012 was 75,671,662 thousand Tenge. All receivables are current and liquid.

### 14. Loans and Borrowings

Name of Lender	Loan Currency	31.12.2011 Th.Tenge	31.03.2012 Th.Tenge	Maturity Date
Citibank Kazakhstan JSC (IHT)	KZT	320 000	440 000	26/06/2012
Citibank Kazakhstan JSC (VG)	KZT	800 000	800 000	03/11/2012
JSC Industrial and Commercial Bank of China in Almaty (Semizbai)	KZT	457 087	457 000	10/07/2012
Mizuho Corporate Bank Ltd. (NAC)	USD	4 174 278	3 879 483	30/09/2015
Natixis (MC)	USD	2 470 959	2 025 669	30/04/2013
Natixis (MAEK)	USD	3 050 576	3 638 435	31/07/2014
RBS N.V. (ABN AMRO Bank N.V. (Semizbai))	USD	2 982 297	3 024 394	06/06/2013
RBS N.V. (ABN AMRO Bank N.V. (MAEK))	USD	627 135	628 252	05/12/2013
Citibank, Japan (Appak)	USD	2 451 502	1 988 330	27/06/2013
JBIC (Appak)	USD	8 441 344	8 417 071	27/12/2014
JSC SB "Bank of China in Kazakhstan"(Semizbai)	USD	445 287	443 396	07/07/2012
ING Bank, Japan (MC)	USD	5 694 011	5 889 979	06/08/2012
Bank Positiv Kazakhstan JSC (MAEK)	KZT	-	1 014 366	27/07/2012
Industrial and Commercial Bank of China (Semizbai)	USD	5 949 142	5 969 512	30/12/2013
<b>Non-banking borrowings</b>		<b>4 664 652</b>	<b>3 828 197</b>	
<i>Kazhema Katco-Demeu JV (Kazatomprom-Demeu)</i>	KZT	207 596	212 184	01/08/2024
<i>Kansai Electric Power Inc. (Appak)</i>	USD	1 265 931	1 026 763	25/05/2013



Name of Lender	Loan Currency	31.12.2011 Th.Tenge	31.03.2012 Th.Tenge	Maturity Date
<i>Sumitomo Corporation (Appak)</i>	USD	3 191 125	2 589 250	25/05/2013
<b>Other financial liabilities</b>		<b>74 152 981</b>	<b>74 774 160</b>	
<i>Dividends on privileged shares (UMP)</i>	KZT	264 827	-	
<i>Eurobonds (NAC)</i>	USD	73 853 962	74 749 219	20/05/2015
<i>Financial lease</i>	KZT	34 192	24 941	30/04/2013
<b>TOTAL</b>		<b>116 681 251</b>	<b>117 218 244</b>	

Consolidated loan debt as of March 31, 2012 was 117,218,244 thousand Tenge. There was no significant change in the loan portfolio in the reporting period.

### ***Loan Debt Repayment Schedule***

Name of Lender	31.03.2012 Th.Tenge	The Amount to be Repaid					
		2012	2013	2014	2015	2016	2017-2024
Citibank Kazakhstan JSC (IHT)	440 000	440 000					
Citibank Kazakhstan JSC (VG)	800 000	800 000					
JSC Industrial and Commercial Bank of China in Almaty (Semizbai)	457 000	457 000					
Mizuho Corporate Bank Ltd. (NAC)	3 879 483	831 727	1 108 275	1 108 275	831 206		
Natixis (MC)	2 025 669	1 330 838	694 831				
Natixis (MAEK)	3 638 435	442 850	677 788	537 789	343 986	343 986	1 292 036
RBS N.V. (ABN AMRO Bank N.V. (Semizbai))	3 024 394	1 546 694	1 477 700				
RBS N.V. (ABN AMRO Bank N.V. (MAEK))	628 252	420 455	207 797				
Citibank, Japan (Appak)	1 988 330	1 359 487	628 843				
JBIC (Appak)	8 417 071	12 652	3 760 376	4 644 043			
JSC SB "Bank of China in Kazakhstan"(Semizbai)	443 396	443 396					
ING Bank, Japan (MC)	5 889 979	5 889 979					
Bank Positiv Kazakhstan JSC (MAEK)	1 014 366	1 014 366					
Industrial and Commercial Bank of China (Semizbai)	5 969 512	3 014 112	2 955 400				
<b>Non-banking borrowings</b>	<b>3 828 197</b>	<b>2 468 552</b>	<b>1 147 461</b>	-	-	-	<b>212 184</b>
<i>Kazhema Katco-Demeu JV (Kazatomprom-Demeu)</i>	<i>212 184</i>						<i>212 184</i>
<i>Kansai Electric Power Inc. (Appak)</i>	<i>1 026 763</i>	<i>701 470</i>	<i>325 293</i>				
<i>Sumitomo Corporation (Appak)</i>	<i>2 589 250</i>	<i>1 767 082</i>	<i>822 168</i>				
<b>Other financial liabilities</b>	<b>74 774 160</b>	<b>1 693 203</b>	<b>6 329</b>	-	<b>73 074 628</b>	-	-
<i>Dividends on privileged shares (UMP)</i>	-						
<i>Eurobonds (NAC)</i>	<i>74 749 219</i>	<i>1 674 591</i>			<i>73 074 628</i>		
<i>Financial lease</i>	<i>24 941</i>	<i>18 612</i>	<i>6 329</i>				
<b>TOTAL</b>	<b>117 218 244</b>	<b>22 165 311</b>	<b>12 664 800</b>	<b>6 290 107</b>	<b>74 249 820</b>	<b>343 986</b>	<b>1 504 220</b>

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

### ***15. Trade and Other Payables***

31.03.2012

31.12.2011

	Th. Tenge	Th. Tenge
<b>Long-term</b>		
Long-term payables to suppliers and contractors	713 842	686 944
Long-term payables to subsidiaries	-	-
Other	1 669 599	1 671 656
	<u>2 383 441</u>	<u>2 358 600</u>
<b>Short-term</b>		
Short-term payables to suppliers and contractors	6 278 702	11 580 859
Short-term payables to associated entities	10 762 156	25 852 539
Short-term payables to jointly controlled entities	1 559 837	6 742 440
Short-term payables to FNW Samruk-Kazayna JSC's entities	1 159 476	2 059 252
Short-term payables on lease	3 031	5 396
Short-term interest payable	14 273	1 922
Other	1 012 426	637 773
Debts to budget and off-budget funds	4 453 433	5 215 581
	<u>25 243 333</u>	<u>52 095 763</u>
	<u>27 626 773</u>	<u>- 54 454 362</u>

Trade and other payables as of March 31, 2012 was 27,626,773 thousand Tenge.

#### **16. 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 March 31, 2012 is 9, 299 Tenge.

	31.03.2012 Th. Tenge	31.12.2011 Th. Tenge
Assets, total	592 853 709	611 660 094
Intangibles assets	12 301 629	12 332 325
Liabilities, total	239 367 084	263 803 028
<b>Net assets for ordinary shares</b>	<u>341 184 996</u>	<u>335 524 741</u>
The number of ordinary shares for a share book value calculation	36 692 361	36 692 361
<b>An ordinary share book value (Tenge)</b>	<u>9 299</u>	<u>9 144</u>

## **II. Other Significant Information related to NAC Kazatomprom JSC Activity for 3 months of the year of 2012**

### ***1. Events for NAC Kazatomprom JSC taken place within 3 months of 2012:***

**In March 2012** in accordance with a resolution made at an extraordinary meeting of noteholders held on 7 March 2012, a consent of noteholders was reached with regard to waiver of the obligation of the Terms and Conditions of the Notes related to possible compensation-free transfer of the Company's social facility "Art Palace for Schoolchildren" to the other entity, as well as waiver of any potential breach of any other Condition of the Terms and Conditions of the Notes that may have arisen directly from the construction and transfer by the Company of the social facility.

### ***2. Changes in Subsoil Use Agreements made within 3 months of the year of 2012:***

**Mining Company LLP** was entitled to conduct uranium exploration at Jalpak deposit in the South Kazakhstan Oblast.

**SKZ-U LLP** was entitled to conduct exploration and mining of groundwater at the site Zhetytobe in Kyzylorda Oblast.

**JV Zarechnoye JSC** made the Addendum to the Contract for Exploration and Mining of Uranium at Zarechnoye deposit in the South Kazakhstan Oblast, related to the change of the Contract's terms with regard to the local content.

**Deputy Chairman of the Management Board**

**Chief Accountant**