

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



REPORT

FOR 3 MONTHS OF THE YEAR OF 2011

ALMATY, 2011

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I. Explanatory notes to Consolidated Financial Statements as of 31 March 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 March 31, 2011, and is made in compliance with International Financial Reporting Standards (“IFRS”).

1. Revenue

	31.03.2011	31.03.2010
	Th. tenge	Th.tenge
Revenue from sales of uranium products	49 633 679	28 191 766
Revenue from sales of beryllium products	1 687 026	687 058
Revenue from sales of tantalum products	934 777	968 281
Revenue from sales of utilities	8 167 304	7 363 817
Other	5 275 365	5 637 067
	65 698 151	42 847 989

Consolidated revenue from sales of the Group’s products for the period of 3 months of 2011, increased by 35% as against the same period of 2010 and amounted to 65,698,151 thousand Tenge. This increase is mainly caused by both the growth of sales and increase of average selling price of the uranium products for 3 months of 2011 as compared to the similar period of 2010.

The sales pattern in 2010 was distributed as follows:

- Uranium products – 75,5%
- Beryllium products – 2,6%
- Tantalum products – 1,4%
- Utilities – 12,4%
- Other revenue – 8,0%.

2. Cost of Sales

	31.03.2011	31.03.2010
	Th. Tenge	Th. Tenge
Materials and supplies	34 923 526	24 072 508
Processing and other services	3 713 240	1 338 216
Wages and salaries	3 199 507	2 874 894
Depreciation and amortization	2 002 675	1 994 243
Taxes other than on income	1 613 704	1 346 711
Maintenance and repair	787 112	839 786
Utilities	508 909	515 324
Transportation expenses	97 815	116 039
Rent expenses	72 787	177 431
Research and development	5 133	5 274
Other	307 905	583 731
	47 232 313	33 864 157

Cost of goods sold within 3 months of 2011 was 47,232,313 thousand Tenge and increased by 28% as against 3 months of 2010, which was explained by sales growth and increase of cost of goods sold as per 1 unit of product. The share of cost of sales in the total revenue was 72 % within 3 months of 2011 versus 79 % in the same period of 2010.

3. *Distribution Expenses*

	<u>31.03.2011</u> <u>Th. Tenge</u>	<u>31.03.2010</u> <u>Th.Tenge</u>
Shipping, transportation and storing	470 822	153 899
Wages and salaries	103 484	93 081
Commissions	33 290	25 795
Materials and suppliers	41 658	35 026
Rent	29 424	9 304
Cargo insurance	14 544	4 779
Custom duties	1 942	18 761
Advertising and marketing expenses	3 907	5 560
Taxes other than on income tax	10 200	9 127
Travel	8 026	6 235
Depreciation and amortization	8 988	6 590
Other	4 201	18 578
	<u><u>730 486</u></u>	<u><u>386 735</u></u>

In 3 months of 2011 distribution expenses increased almost twice as against the same period of 2010, mainly due to a significant increase in expenses for shipping, transportation and storage that are associated with a growth of sales and use of new transportation routes.

4. *Administrative Expenses*

	<u>31.03.2011</u> <u>Th. Tenge</u>	<u>31.03.2010</u> <u>Th.Tenge</u>
Wages and salaries	1 851 166	1 498 942
Taxes other than income tax	423 864	346 586
Depreciation	138 015	128 551
Consulting, auditing and information services	74 891	61 695
Research expenses	106 773	65 478
Maintenance and repair	74 417	82 007
Travel	63 746	59 174
Rent	69 743	75 727
Training expenses	42 117	28 834
Materials and suppliers	56 647	48 808
Bank charges	32 729	34 877
Communication	25 879	25 448
Stationary	23 021	21 513
Utilities	34 491	31 668
Corporate events	11 445	11 669
Entertainment expenses	15 421	11 482
Insurance	9 063	6 383
Security	9 447	7 976
Other	80 730	95 295
	<u><u>3 143 605</u></u>	<u><u>2 642 113</u></u>

The amount of administrative expenses was 3,143,605 thousand Tenge and it increased by 16% as against the same period of 2010. These expenses were mainly affected by rise in wages and salaries and tax payments, which included: property tax, transport tax, land tax and other taxes.

5. *Financial Income and Expenses*

	<u>31.03.2011</u> <u>Th. Tenge</u>	<u>31.03.2010</u> <u>Th. Tenge</u>
<i>Financial income</i>		
Dividend income		2 667 393
Interest income on term deposits and deposits on demand, and current accounts	1 030 778	298 342
Other financial income		
<i>Financial income</i>	<u>450 158</u>	<u>559 903</u>
	<u>1 480 936</u>	<u>3 525 638</u>
<i>Financial expenses</i>		
Interest expenses on loans and borrowings	1 533 602	520 169
Unwinding of discount on other financial liabilities	167 105	1 167 944
Unwinding of discount on provisions	121 335	
Loss on sales of foreign currency	15 046	21 309
Bank expenses	3 049	41
Other financial expenses	1 200 579	58 483
	<u>3 040 716</u>	<u>1 767 946</u>

Financial income of 3 months of 2011 decreased by 58% compared to 3 months of 2010 and amounted to 1,480,936 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 1,030,778 thousand Tenge.

The amount of financing expenses for the reporting period was 3,040,716 thousand Tenge, and almost half thereof was comprised by interest expenses 1,533,602 thousand Tenge, increased due to growth of financial liabilities, including the placement of Eurobonds.

6. *Other Expenses*

	<u>31.03.2011</u> <u>Th. Tenge</u>	<u>31.03.2010</u> <u>Th. Tenge</u>
Sponsorship and charity	100 670	23 114
Unrecoverable value added tax ("VAT")	1 115 246	564 801
Social sphere expenses	117 112	330 987
Loss on disposal and impairment of non-current assets	35 768	29 914
Loss on suspension of production	139 872	65 735
Other	-11 897	70 246
	<u>1 496 771</u>	<u>1 084 797</u>

In the first quarter of 2011 compared to the same period of 2010 a slight growth of other expenses was caused by a significant increase in unrecoverable Value Added Tax, related to sale activities of the products, purchased and sold outside the Republic of Kazakhstan.

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

Basic and diluted EPS:

	<u>31.03.2011</u> <u>Tenge</u>	<u>31.03.2010</u> <u>Tenge</u>
Basic and diluted EPS (Tenge)	373,24	194,64

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>31.03.2011</u> <u>Th. Tenge</u>	<u>31.03.2010</u> <u>Th. Tenge</u>
Profit for the year attributable to shareholders of the parent company	13 695 220	7 141 981
Earnings used in the calculation of total basic and diluted earnings per share	13 695 220	7 141 981
	<u>31.03.2011</u> <u>Th. Tenge</u>	<u>31.03.2010</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>31.03.2011</u> <u>Th. Tenge</u>	<u>31.12.2010</u> <u>Th. Tenge</u>
Land	118 755	116 148
Buildings and constructions	43 124 646	43 347 515
Machinery and Equipment	28 152 302	28 552 087
Vehicles	4 538 476	4 658 851
Other	1 788 689	1 873 715
	77 722 868	78 548 316

Buildings and constructions, machinery and equipment make about 92% of fixed assets.

9. Investments Accounted by Equity Method

	<u>31.03.2011</u> <u>Th. Tenge</u>	<u>31.12.2010</u> <u>Th. Tenge</u>
Associated entities	69 897 136	60 919 936
Jointly controlled entities	15 579 971	12 657 452
	85 477 107	73 577 388

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

10. Financial Assets

	<u>31.03.2011</u> <u>Th.Tenge</u>	<u>31.12.2010</u> <u>Th.Tenge</u>
Long-term		
Long-term deposits	1 967 242	1 926 622
Loans to related parties (Baiken-U LLP and Kyzylkum LLP)	10 627 445	10 751 444
	12 594 687	12 678 066
Short-term		
Loans to related parties (JV Akbastau JSC and KRKAS JSC)	516 000	512 000
Other short-term financial investments (cash assets on up to 1 year deposits):	75 995 246	77 133 161
	76 511 246	77 645 161
Cash and Cash Equivalents		
Bank accounts	36 952 532	15 859 764
Demand deposits (up to 3 month deposits)	63 005	6 480 975
Cash on hand	59 460	43 369
	37 074 997	22 384 108

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 31 March 2011 the amount, transferred to special deposits was 1,967,242 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 March 31, 2011 was 516,000 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, 2011 was 10,627,445 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

	<u>31.03.2011</u> <u>Th.Tenge</u>	<u>31.12.2010</u> <u>Th.Tenge</u>
Raw and other materials	9 589 195	8 493 600
Finished products	14 568 472	8 294 284
Goods	21 921 945	27 187 173
Work-in-process	7 422 486	9 225 217
Other inventories (geological exploration)	<u>2 009 927</u>	<u>2 559 339</u>
	<u>55 512 025</u>	<u>55 759 613</u>

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 facilities.

12. Trade and Other Receivables

	<u>31.03.2011</u> <u>Th.Tenge</u>	<u>31.12.2010</u> <u>Th.Tenge</u>
Long-term		
Long-term receivables from employees	469 903	457 433
Long-term receivables on lease	10 691	11 470
Long-term interest receivable	445 011	192
Other	<u>3 701 140</u>	<u>3 185 502</u>
	<u>4 626 745</u>	<u>3 846 483</u>
Short-term		
Short-term receivables from buyers and clients	25 804 638	49 105 011
Short-term receivables from associated and jointly controlled entities	10 905 688	9 961 368
Short-term receivables from FNW Samruk-Kazayna JSC's entities	436 705	393 774
Short-term receivables from employees	101 062	85 307

Short-term receivables on lease	7 386	5 918
Short-term interest receivable	247	582
Other	136 174	98 721
Prepayment for settlement with budget and off-budget funds	18 420 709	21 339 435
	55 812 610	80 990 116
	60 439 355	84 836 599

Trade and other receivables of the Group at the end of the 1st Quarter of 2011 was 60,439,355 thousand Tenge. All receivables are current and fully liquid.

13. Loans and Borrowings

Name of Lender	Loan Currency	31.03.2011 Th.Tenge	31.12.2010 Th.Tenge	Maturity Date
Mizuho Corporate Bank Ltd. (NAC)	USD	4 917 680	5 251 709	September 30, 2015
CitiBank Kazakhstan JSC (IHT)	KZT	115 842	117 200	June 02, 2011
Natixis (MC)	USD	3 710 632	4 335 659	April 30, 2013
ING bank (MC)	EUR	5 994 231	5 644 547	August 06, 2012
Citibank JSC, Japan (Appak)	USD	2 923 690	3 136 868	June 27, 2013
JBIC (Appak)	USD	8 296 731	8 383 987	December 27, 2014
RBS N.V. (ABN-AMRO Bank N.V. (MAEK-Kazatomprom))	USD	1 031 417	1 037 970	June 06, 2013
RBS N.V. (ABN AMRO Bank N.V. (Semizbai))	USD	4 463 323	4 442 483	December 05, 2013
Industrial and Commercial Bank of China (Semizbai)	USD	8 811 444	8 860 352	December 30, 2013
Alfabank Affiliate Bank JSC (VG)	KZT	75 677	267 386	May 31, 2011.
BTA Bank JSC (UMP Subsidiary JSC)	KZT	359 792	392 908	September 10, 2013
Natixis (MAEK)	USD	702 808	684 045	December 05, 2013
Bank Positiv Kazakhstan JSC	KZT	466 763	456 638	December 30, 2013
Non-banking borrowings		5 504 666	5 884 570	
<i>Sumitomo Corporation (Appak)</i>	<i>USD</i>	<i>3 800 974</i>	<i>4 075 484</i>	<i>May 25, 2013.</i>
<i>Kansai Electric Power Inc. (Appak)</i>	<i>USD</i>	<i>1 509 247</i>	<i>1 618 828</i>	<i>May 25, 2013</i>
<i>Kazhema Katco-Demeu JV (NAC-Demeu)</i>	<i>KZT</i>	<i>194 445</i>	<i>190 258</i>	<i>August 01, 2024</i>
Other financial liabilities, including		73 814 408	73 495 050	
<i>Eurobonds (NAC)</i>	<i>USD</i>	<i>73 467 528</i>	<i>73 135 933</i>	<i>May 20, 2015.</i>
TOTAL		121 189 104	122 391 372	

Consolidated loan debt at the end of the 1st Quarter of 2011 was 121,189,104 thousand Tenge. There was no significant change in the loan portfolio.

Loan Debt Repayment Schedule

Name of Lender	31.03.2011 Th.Tenge	The Amount to be Repaid					
		2011	2012	2013	2014	2015	2016-2024
Mizuho Corporate Bank Ltd. (NAC)	4 917 680	819 868	1 092 750	1 092 750	1 092 750	819 562	
CitiBank Kazakhstan JSC (IHT)	115 842	115 842					
Natixis (MC)	3 710 632	1 312 965	1 748 400	649 267			
ING Bank (MC)	5 994 231	34 376	5 959 855				
Citibank JSC, Japan (Appak)	2 923 690	531 476	1 774 766	617 448			
JBIC (Appak)	8 296 731	10 044		3 707 701	4 578 986		

Name of Lender	31.03.2011 Th.Tenge	The Amount to be Repaid					
RBS N.V. (ABN-AMRO Bank N.V. (MAEC-Kazatomprom))	1031 417	416 757	409 774	204 886			
RBS N.V. (ABN AMRO Bank N.V. (Semizbai))	4 463 323	1 549 323	1 457 000	1 457 000			
Industrial and Commercial Bank of China (Semizbai)	8 811 444	2 983 444	2 914 000	2 914 000			
Alfabank Affiliate Bank JSC (VG)	75 677	75 677					
BTA Bank JSC (UMP Subsidiary JSC)	359 792	120 052	139 878	99 862			
Natixis (MAEK)	702 808	11 678	196 406	401 981	382 871	-290 128	
Bank Positiv Kazakhstan JSC	466 763	466 763					
Non-banking borrowings	5 504 666	953 965	3 235 654	1 120 602			194 445
<i>Sumitomo Corporation (Appak)</i>	<i>3 800 974</i>	<i>681 403</i>	<i>2 311 799</i>	<i>807 772</i>			
<i>Kansai Electric Power Inc. (Appak)</i>	<i>1 509 247</i>	<i>272 562</i>	<i>923 855</i>	<i>312 830</i>			
<i>Kazhema Katco-Demeu JV (NAC-Demeu)</i>	<i>194 445</i>						<i>194 445</i>
Other financial liabilities, including	73 814 408	1 695 138	81 229	59 294	52 965	71 872 815	52 967
<i>Eurobonds (NAC)</i>	<i>73 467 528</i>	<i>1 647 678</i>				<i>71 819 850</i>	
TOTAL	121 189 104	11 097 368	19 009 712	12 324 791	6 107 572	72 402 249	247 412

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

	31.03.2011 Th.Tenge	31.12.2010 Th.Tenge
Long-term		
Long-term payables to suppliers and contractors	251 121	262 953
Long-term payables to subsidiaries	361 853	324 499
Other	1 662 842	1 668 391
	2 275 816	2 255 843
Short-term		
Short-term payables to suppliers and contractors	6 732 417	7 349 067
Short-term payables to associated and jointly controlled entities	17 661 339	24 752 290
Short-term payables on lease	6 547	24
Short-term interest payable	11 086	2 608
Other	542 133	520 835
Debts to budget and off-budget funds	4 874 011	4 464 175
	29 827 534	37 088 999
	32 103 350	39 344 842

Trade and other payables at the end of the 1st Quarter of 2011 was 32,103,350 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 Quarter of 2011 is 8,023 Tenge.

	31.03.2011	31.12.2010
	Th.Tenge	Th.Tenge
Assets, total	536 941 688	528 536 921
Intangibles assets	681 185	596 707
Liabilities, total	241 868 303	249 117 214
<i>Net assets for ordinary shares</i>	294 392 200	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)	8 023	7 599

II. Other Significant Information related to NAC Kazatomprom JSC Activity for 3 month of the year of 2011

1. 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*.

2. Changes in Subsoil Use Agreements made within 3 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.

Deputy Chairman of the Board

S.A.Yashin

Chief Accountant

S.S.Bashakova