

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



REPORT

FOR 9 MONTHS OF THE YEAR 2012

ALMATY, 2012

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I. Explanatory notes to Consolidated Financial Statements as of 30 September 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 September 30, 2012, and is made in compliance with International Financial Reporting Standards (“IFRS”).

1. Revenue

	30.09.2012	30.09.2011
	Th. tenge	Th.tenge
Revenue from sales of uranium products	120 735 749	175 289 104
Revenue from sales of beryllium products	5 925 677	5 886 529
Revenue from sales of tantalum products	8 536 054	4 049 734
Revenue from sales of utilities	24 948 888	20 822 118
Other	23 368 161	19 883 473
	183 514 529	225 930 958

Consolidated revenue from sales of the Group’s products for 9 months of 2012, decreased by 19% as against the same period of 2011 and amounted to 183,514,529 thousand Tenge. This decrease in revenue was mainly caused by reduction in average selling price of the uranium products for 9 months of 2012 as compared to the similar period of 2011 due to drop in the market spot rates. The decrease in revenue is also caused by decrease in sales in the reporting period due to postponement in delivery schedule from 1H 2012 to 4Q 2012. Generally in 2012 the planned volume will be sold.

The sales pattern was as follows:

- Uranium products – 65.79%
- Beryllium products – 3.23%
- Tantalum products – 4.65%
- Utilities – 13.60%
- Other revenue – 13.73%.

2. Cost of Sales

	30.09.2012	30.09.2011
	Th. Tenge	Th. Tenge
Materials and supplies	87 275 188	107 516 861
Processing and other services	13 285 887	18 105 734
Wages and salaries	18 082 850	12 936 377
Depreciation and amortization	10 758 574	9 792 983
Taxes other than on income	7 100 077	7 554 366
Maintenance and repair	1 454 053	2 984 632
Utilities	951 916	1 312 198
Transportation expenses	332 081	264 190
Rent expenses	166 650	284 747
Research and development	41 611	61 122
Other	1 304 288	1 070 180
	140 753 175	161 883 390

Cost of goods sold for 9 months of 2012 was 140,753,175 thousand Tenge and decreased as against 9 months of 2011 by 13 % due to decrease in sales in the reporting period. Cost of goods sold as per 1 unit of product for 9 months 2012 is 2% lower as against the same period of 2011.

3. *Distribution Expenses*

	30.09.2012	30.09.2011
	Th. Tenge	Th.Tenge
Shipping, transportation and storing	1 117 675	1 139 604
Wages and salaries	429 301	329 503
Commissions	250 112	189 333
Materials and suppliers	140 949	149 282
Rent	92 647	100 559
Cargo insurance	44 279	51 144
Custom duties	8 500	5 954
Advertising and marketing expenses	42 402	35 200
Taxes other than on income tax	43 012	33 659
Travel	19 546	30 478
Depreciation and amortization	37 690	28 250
Other	22 482	78 914
	2 248 595	2 171 880

Distribution expenses for 9 months of 2012 did not change significantly against the same period of 2011.

4. *Administrative Expenses*

	30.09.2012	30.09.2011
	Th. Tenge	Th.Tenge
Wages and salaries	7 836 374	6 354 609
Taxes other than income tax	2 239 765	1 483 799
Depreciation	683 971	421 561
Consulting, auditing and information services	1 627 815	434 523
Research expenses	202 182	269 122
Maintenance and repair	229 024	266 617
Travel	347 091	270 269
Rent	585 855	326 546
Training expenses	241 332	231 825
Materials and suppliers	402 757	198 021
Bank charges	162 695	122 999
Communication	65 981	81 440
Stationery	68 817	68 788
Utilities	70 079	60 465
Corporate events	81 783	75 320
Entertainment expenses	25 791	47 668
Insurance	46 084	29 282
Security	20 175	40 827
Other	919 732	1 261 286
	15 857 303	12 044 967

The amount of administrative expenses was 15,857,303 thousand Tenge and it increased by 32% as against the same period of 2011.

5. *Financial Income and Expenses*

	30.09.2012	30.09.2011
	Th. Tenge	Th. Tenge
<i>Financial income</i>		
Dividend income	1 598 469	1 579 481
Interest income on term deposits and deposits on demand, current accounts and loans	1 533 129	2 943 764
Other financial income	152 446	165 482
	3 284 044	4 688 727

Financial income for 9 months of 2012 decreased compared to 9 months of 2011 by 30% and amounted to 3,284,044 thousand Tenge. The structure of financial income mainly consists of dividend income in the amount of 1,598,469 thousand Tenge and interest income on term deposits and deposits on demand, current accounts and loans in the amount of 1,533,129 thousand Tenge. Decrease in the amount of interest income on term deposits and deposits on demand, current accounts and loans is due to less amount deposited in the reporting period.

	30.09.2012	30.09.2011
	Th. Tenge	Th. Tenge
<i>Financial expenses</i>		
Interest expenses on loans and borrowings	4 610 576	4 611 940
Unwinding of discount on other financial liabilities	3 784 616	3 584 537
Unwinding of discount on provisions	510 807	373 415
Loss on sales of foreign currency	118 267	20 440
Exchange loss	1 696 155	281 503
Other financial expenses	189 370	314 710
	10 909 791	9 186 545

The amount of financial expenses for the reporting period was 10,909,791 thousand Tenge, and the major part thereof was comprised by interest expenses of 4,610,576 thousand Tenge and discount on other financial liabilities of 3,784,616 thousand Tenge.

6. *Other Expenses*

	30.09.2012	30.09.2011
	Th. Tenge	Th. Tenge
Sponsorship and charity	476 073	302 205
Nonrefundable VAT	146 618	
Social sphere expenses	945 497	1 666 040
Loss on disposal and impairment of non-current assets	1 036 357	294 103
Loss on suspension of production	215 147	360 585
Other	287 859	1 772 679
	3 107 551	4 395 612

For 9 months of 2012 other expenses decreased by 29% compared to the same period of 2011. Other expenses were mostly affected by the article "Loss on disposal and impairment of non-current assets". Decrease is explained by the fact that in 2011 the Group recorded impairment losses attributable to property, plant and equipment, relating to assets owned as part of the Group's social obligations and which do not generate positive cash flows, and fixed assets not involved in production activities.

7. Earnings per Share (EPS) from Continued Activities

Basic and diluted EPS:

	30.09.2012	30.09.2011
	Tenge	Tenge
Basic and diluted EPS (Tenge)	656,40	1 536,49

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:

	30.09.2012	30.09.2011
	Th. Tenge	Th. Tenge
Profit for the year attributable to shareholders of the parent company	24 084 705	56 377 368
Earnings used in the calculation of total basic and diluted earnings per share	24 084 705	56 377 368
	30.09.2012	30.09.2011
	Th. Tenge	Th. Tenge
Weighted average number of ordinary shares for calculation of basic and diluted earnings per share	36 692 361	36 692 361

8. Fixed assets

	30.09.2012	31.12.2011
	Th. Tenge	Th. Tenge
Land	254 023	250 748
Buildings and constructions	50 443 820	52 417 547
Machinery and Equipment	32 726 732	32 695 800
Vehicles	7 018 052	5 138 788
Other	1 919 426	1 982 755
	92 362 053	92 485 638

In the structure of fixed assets, buildings and constructions constitute about 55%, machinery and equipment make about 35%.

9. Investments Accounted by Equity Method

	30.09.2012	31.12.2011
	Th. Tenge	Th. Tenge
Associated entities	69 886 047	83 330 514
Jointly controlled entities	14 251 062	18 630 500
	84 137 109	101 961 014

Decrease in investments accounted by equity method is due to payment of dividends in the reporting period.

10. Financial Assets

	<u>30.09.2012</u> Th. Tenge	<u>31.12.2011</u> Th. Tenge
<i>Long-term</i>		
Long-term deposits	3 064 919	3 854 845
Loans to related parties	<u>12 945 934</u>	<u>10 824 384</u>
	<u>16 010 853</u>	<u>14 679 229</u>

Long-term deposits include cash that are placed in the second-tier banks for more than 12 months. As at September 30, 2012 long-term deposits were 3,064,919 thousand Tenge.

For the purpose of providing a financial support, Kyzylkum LLP and Baiken-U LLP received long-term loans on terms of security, serviceability and refundability, with maturity in 2018. The total amount of loans given as of September 30, 2012 was 12,945,934 thousand Tenge. The loans were collateralized by property of the borrowers.

	<u>30.09.2012</u> Th. Tenge	<u>31.12.2011</u> Th. Tenge
<i>Short-term</i>		
Loans to related parties	20 000	20 000
Other short-term financial investments (cash assets on 3-12 months deposits):	<u>8 723 321</u>	<u>27 305 161</u>
	<u>8 743 321</u>	<u>27 325 161</u>

In 2010 KRKAS JSC received current loans as financial aid. The amount of the loan to KRKAS JSC as of September 30, 2012 was 20,000 thousand Tenge.

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

	<u>30.09.2012</u> Th. Tenge	<u>31.12.2011</u> Th. Tenge
<i>Cash and Cash Equivalents</i>		
Bank accounts	20 313 297	28 057 864
Demand deposits (up to 3 month deposits)	479 817	13 678 706
Cash in transit	1 256	379
Cash on hand	100 490	89 276
Special bank accounts	<u>106 936</u>	<u>10 936</u>
	<u>21 001 796</u>	<u>41 837 161</u>

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.

11. Inventories

	<u>30.09.2012</u> Th. Tenge	<u>31.12.2011</u> Th. Tenge
Raw and other materials	16 007 763	14 361 878
Finished products	49 183 999	31 273 853
Goods	671 527	
Work-in-process	<u>14 145 616</u>	<u>9 132 002</u>
	<u>80 008 905</u>	<u>54 767 733</u>

Increase in inventories for 9 months 2012, developed due to the unsold finished products, which will be sold by the end of 2012.

12. Intangible assets

	<u>30.09.2012</u> Th. Tenge	<u>31.12.2011</u> Th. Tenge
Licenses and patents	40 567	44 422
Software	506 487	312 483
Goodwill	10 110 256	10 696 216
Other	1 233 589	1 279 204
	<u>11 890 899</u>	<u>12 332 325</u>

Significant part of intangible assets includes goodwill which has been allocated for the following cash-generating units: uranium production and quartz production within implementation of KAZ PV strategic investment project.

13. Trade and Other Receivables

	<u>30.09.2012</u> Th. Tenge	<u>31.12.2011</u> Th. Tenge
<i>Long-term</i>		
Trade receivables	-	20 771
Other receivables	15 467 410	14 289 665
Taxes	750 561	750 561
	<u>16 217 971</u>	<u>15 060 997</u>
<i>Short-term</i>		
Trade receivables	77 345 412	57 008 342
Other receivables	335 794	5 598 428
Taxes	22 479 449	22 532 076
	<u>100 160 655</u>	<u>85 138 846</u>
	<u>116 378 626</u>	<u>100 199 843</u>

Trade and other receivables of the Group as of September 30, 2012 was 116,378,626 thousand Tenge.

14. Loans and Borrowings

Name of Lender	Loan Currency	31.12.2011 Th. Tenge	30.09.2012 Th. Tenge	Maturity Date
Citibank Kazakhstan JSC (IHT)	KZT	320 000	347 669	14/12/2012
Citibank Kazakhstan JSC (VG)	KZT	800 000	-	03/11/2012
Citibank Kazakhstan JSC (MC)	USD		8 333 982	08/08/2013
JSC Industrial and Commercial Bank of China in Almaty (Semizbai)	KZT	457 087	-	10/07/2012
Amsterdam Trade Bank (Semizbai)	USD		3 749 682	26/11/2012
Kazinvestbank JSC (Semizbai)	USD		1 056 451	15/11/2012
The Bank of Tokyo-Mitsubishi UFJ, LTD (Astana Solar)	EUR		3 107 944	30/03/2017
Mizuho Corporate Bank Ltd. (NAC)	USD	4 174 278	3 372 494	30/09/2015
Natixis (MC)	USD	2 470 959	1 172 818	30/04/2013
Natixis (MAEK) 1	USD	1 030 311	847 118	31/07/2014
Natixis (MAEK) 2	USD	2 020 265	2 821 245	30/06/2022
RBS N.V. (ABN AMRO Bank N.V. (Semizbai))	USD	2 982 297	2 301 118	06/06/2013
RBS N.V. (ABN AMRO Bank N.V. (MAEK))	USD	627 135	424 742	05/12/2013
Citibank, Japan (Appak)	USD	2 451 502	1 099 250	27/06/2013

Name of Lender	Loan Currency	31.12.2011 Th.Tenge	30.09.2012 Th.Tenge	Maturity Date
JBIC (Appak)	USD	8 441 344	8 535 637	27/12/2014
JSC SB "Bank of China in Kazakhstan"(Semizbai)	USD	445 287	449 667	11/07/2013
ING Bank, Japan (MC)	USD	5 694 011	-	06/08/2012
Bank Positiv Kazakhstan JSC (MAEK)	KZT	-	-	27/07/2012
Industrial and Commercial Bank of China (Semizbai)	USD	5 949 142	4 541 944	30/12/2013
Non-banking borrowings		4 664 652	2 271 557	
<i>Kazhema Katco-Demeu JV (Kazatomprom-Demeu)</i>	KZT	207 596	221 683	01/08/2024
<i>Kansai Electric Power Inc. (Appak)</i>	USD	1 265 931	567 544	25/05/2013
<i>Sumitomo Corporation (Appak)</i>	USD	3 191 125	1 433 293	25/05/2013
<i>SMCC LLP (Kyzyltu)</i>	KZT		49 037	
Other financial liabilities		74 152 981	75 944 126	
<i>including Eurobonds (NAC)</i>	USD	73 853 962	75 933 113	20/05/2015
TOTAL		116 681 251	120 377 444	

Consolidated loan debt as of September 30, 2012 was 120,377,444 thousand Tenge. The increase compared to the beginning of the year is due to the fact that, along with the repayment of the current portion of loans the Group's entities attracted the following loans:

- "Mining Company" LLP in the amount of 25.5 million U.S. dollars and 30.1 million U.S. dollars from "Citibank Kazakhstan" JSC
- "Semizbay-U" LLP in the amount of 25.0 million U.S. dollars from Amsterdam Trade Bank and 7.0 million U.S. dollars from the "Kazinvestbank" JSC.
- "Astana Solar" LLP in the amount of 17.1 million Euro from The Bank of Tokyo-Mitsubishi UFJ, LTD.

Loan Debt Repayment Schedule

Name of Lender	30.09.2012 Th.Tenge	The Amount to be Repaid					
		2012	2013	2014	2015	2016	2017-2024
Citibank Kazakhstan JSC (IHT)	347 669	347 669					
Citibank Kazakhstan JSC (VG)	-						
Citibank Kazakhstan JSC (MC)	8 333 982		8 333 982				
JSC Industrial and Commercial Bank of China in Almaty (Semizbai)	-						
Amsterdam Trade Bank (Semizbai)	3 749 682	3 749 682					
Kazinvestbank JSC (Semizbai)	1 056 451	1 056 451					
The Bank of Tokyo-Mitsubishi UFJ, LTD (Astana Solar)	3 107 944		578 722	1 157 444	1 239 548	252 318	- 120 088
Mizuho Corporate Bank Ltd. (NAC)	3 372 494	281 631	1 123 951	1 123 950	842 962		
Natixis (MC)	1 172 818	449 929	722 889				
Natixis (MAEK) 1	847 118	224 817	422 587	199 714			
Natixis (MAEK) 2	2 821 245		278 566	369 170	369 170	369 170	1 435 169
RBS N.V. (ABN AMRO Bank N.V. (Semizbai))	2 301 118	802 518	1 498 600				
RBS N.V. (ABN AMRO Bank N.V. (MAEK))	424 742	214 005	210 737				
Citibank, Japan (Appak)	1 099 250	460 227	639 023				
JBIC (Appak)	8 535 637	12 349	3 813 563	4 709 725			
JSC SB "Bank of China in	449 667	87	449 580				

Name of Lender	30.09.2012 Th.Tenge	The Amount to be Repaid					
		2012	2013	2014	2015	2016	2017- 2024
Kazakhstan"(Semizbai)							
ING Bank, Japan (MC)	-						
Bank Positiv Kazakhstan JSC (MAEK)	-						
Industrial and Commercial Bank of China (Semizbai)	4 541 944	1 544 744	2 997 200				
Non-banking borrowings	2 271 557	884 426	1 165 448	-	-	-	221 683
<i>Kazhema Katco-Demeu JV (Kazatomprom-Demeu)</i>	<i>221 683</i>						<i>221 683</i>
<i>Kansai Electric Power Inc. (Appak)</i>	<i>567 544</i>	<i>237 308</i>	<i>330 236</i>				
<i>Sumitomo Corporation (Appak)</i>	<i>1 433 293</i>	<i>598 081</i>	<i>835 212</i>				
<i>SMCC LLP (Kyzyltu)</i>	<i>49 037</i>	<i>49 037</i>					
Other financial liabilities	75 944 126	1 697 226	6 329	-	74 240 571	-	-
<i>including Eurobonds (NAC)</i>	<i>75 933 113</i>	<i>1 692 542</i>			<i>74 240 571</i>		
TOTAL	120 377 444	11 725 761	22 241 177	7 560 003	76 692 251	621 488	1 536 764

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

	30.09.2012 Th. Tenge	31.12.2011 Th. Tenge
<i>Long-term</i>		
Trade payables	2 706 640	686 944
Other payables	1 676 422	1 671 656
	4 383 062	2 358 600
<i>Short-term</i>		
Trade payables	32 688 946	46 246 667
Other payables	680 999	1 233 832
Taxes	5 927 075	4 615 264
	39 297 020	52 095 763
	43 680 082	54 454 363

Trade and other payables as of September 30, 2012 was 43,680,082 thousand Tenge. Reduction of short-term payables is mainly due repayment of payables to associated entities for the purchased products.

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 September 30, 2012 is 9, 219 Tenge.

	30.09.2012 Th. Tenge	31.12.2011 Th. Tenge
Assets, total	624 764 810	611 660 094
Intangibles assets	11 890 899	12 332 325
Liabilities, total	274 610 036	263 803 028

	30.09.2012	31.12.2011
	Th. Tenge	Th. Tenge
<i>Net assets for ordinary shares</i>	<u>338 263 875</u>	<u>335 524 741</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>9 219</u>	<u>9 144</u>

II. Other Significant Information related to NAC Kazatomprom JSC Activity for 9 months of the year of 2012

1. Events for NAC Kazatomprom JSC taken place within 9 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.

NAC Kazatomprom JSC in May 2012 within the frames of official visit of Mr. Yukio Edano, Minister of Economy, Trade and Industry of Japan (METI) to the Republic of Kazakhstan signed the following Memorandums of Understanding and Mutually Beneficial Cooperation with Japanese partners:

1. Memorandum of Understanding for Comprehensive Strategic Partnership with Japan Bank for International Cooperation (JBIC).
2. Memorandum of Understanding and Mutually Beneficial Cooperation on the Project on Rare Earth Development in the Republic of Kazakhstan with Sumitomo Corporation and Japan Oil, Gas and Metals National Corporation (JOGMEC).

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

Baiken-U LLP put into operation the pregnant solutions processing unit at Kharasan-2 site.

Kyzylkum LLP put into operation the sand collector and the reserve sand collector with pumping stations.

3. Changes in Subsoil Use Agreements made within 9 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.

JV Akbastau JSC made the Addendum to the Contract for Exploration and Mining of Uranium at sites № 3,4 Budenovskoe deposit, related to the extension of the exploration period up to 2015, the redistribution of pilot production volumes, and also in connection with the amendments to the Law of the Republic of Kazakhstan "On Subsoil and Subsoil Use" in terms of local content.

JV Betpak Dala made the Addendum to the Contract for Exploration and Mining of Uranium at Akdala deposit, related to the amendments to the Law of the Republic of Kazakhstan "On Subsoil and Subsoil Use".

Appak LLP made the Addendum to the Contract for Exploration and Mining of Uranium at Zapadnyi site, Mynkuduk deposit related to the extension of the exploration period up to 31.12.2011.

Mining Company LLP made the Addendum to the Contract for Exploration and Mining of Uranium at the site No.1, Moinkum deposit related to the decrease in production volumes.

Deputy Chairman of the Board

Aidar A. Arifkhanov

Chief Accountant

Zurakhan G. Kaliyeva