

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



REPORT

FOR 6 MONTHS OF THE YEAR 2012

ALMATY, 2012

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

1. Revenue

	30.06.2012	30.06.2011
	Th. tenge	Th.tenge
Revenue from sales of uranium products	65 193 381	90 118 953
Revenue from sales of beryllium products	3 794 612	3 872 944
Revenue from sales of tantalum products	5 080 759	2 608 051
Revenue from sales of utilities	16 610 515	14 468 653
Other	14 643 054	12 397 387
	105 322 321	123 465 988

Consolidated revenue from sales of the Group’s products for 6 months of 2012, decreased by 15% as against the same period of 2011 and amounted to 105,322,321 thousand Tenge. This decrease in revenue was mainly caused by reduction in average selling price of the uranium products for 6 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 2H 2012. Generally in 2012 the planned volume will be sold.

The sales pattern was as follows:

- Uranium products – 61.9%
- Beryllium products – 3.6%
- Tantalum products – 4.8%
- Utilities – 15.8%
- Other revenue – 13.9%.

2. Cost of Sales

	30.06.2012	30.06.2011
	Th. Tenge	Th. Tenge
Materials and supplies	55 434 456	58 086 155
Processing and other services	5 837 452	8 935 958
Wages and salaries	11 566 903	7 725 226
Depreciation and amortization	5 936 279	4 730 544
Taxes other than on income	3 475 539	3 741 462
Maintenance and repair	800 303	1 786 476
Utilities	643 382	874 102
Transportation expenses	195 143	172 467
Rent expenses	100 705	204 634
Research and development	28 050	30 408
Other	294 423	620 028
	84 312 635	86 907 460

Cost of goods sold for 6 months of 2012 was 84,312,635 thousand Tenge and increased as against 6 months of 2011 and did not change significantly as against the same period of 2011. Cost of goods sold as per 1 unit of product in 1H 2012 is 4% higher as against the same period of 2011.

3. *Distribution Expenses*

	<u>30.06.2012</u> <u>Th. Tenge</u>	<u>30.06.2011</u> <u>Th.Tenge</u>
Shipping, transportation and storing	790 310	807 368
Wages and salaries	283 539	215 765
Commissions	122 454	138 391
Materials and suppliers	89 014	95 198
Rent	76 323	67 297
Cargo insurance	21 213	31 213
Custom duties	3 139	3 824
Advertising and marketing expenses	21 485	21 882
Taxes other than on income tax	28 779	20 849
Travel	13 413	18 264
Depreciation and amortization	22 785	18 472
Other	-19 243	41 680
	<u>1 453 211</u>	<u>1 480 203</u>

Distribution expenses for 6 months of 2012 were lower against the same period of 2011 by 2% due to decrease in sales and changes in the term of product transportation.

4. *Administrative Expenses*

	<u>30.06.2012</u> <u>Th. Tenge</u>	<u>30.06.2011</u> <u>Th.Tenge</u>
Wages and salaries	4 847 812	4 220 415
Taxes other than income tax	1 089 421	985 874
Depreciation	426 916	273 726
Consulting, auditing and information services	684 706	318 084
Research expenses	135 358	167 468
Maintenance and repair	156 654	162 007
Travel	219 968	163 958
Rent	407 022	133 977
Training expenses	162 711	125 948
Materials and suppliers	255 662	119 575
Bank charges	118 298	70 809
Communication	48 288	55 134
Stationery	48 196	46 597
Utilities	70 277	47 696
Corporate events	27 171	27 151
Entertainment expenses	14 297	29 949
Insurance	31 721	18 211
Security	16 131	20 695
Other	651 231	21 728
	<u>9 411 840</u>	<u>7 009 002</u>

The amount of administrative expenses was 9,411,840 thousand Tenge and it increased by 34% as against the same period of 2011. These expenses were mainly affected by rise in rent expenses and compensation payments related with relocation of the head office of JSC “National Atomic Company “Kazatomprom” and its subsidiary, LLP “Mining Company” to Astana city.

5. *Financial Income and Expenses*

	30.06.2012	30.06.2011
	Th. Tenge	Th. Tenge
<i>Financial income</i>		
Dividend income	701 138	699 290
Interest income on term deposits and deposits on demand, current accounts and loans	1 050 879	2 137 347
Other financial income	120 352	41 515
Exchange income		120 585
	1 872 369	2 998 737

Financial income for 6 months of 2012 decreased compared to 6 months of 2011 by 38% and amounted to 1,872,369 thousand Tenge. The structure of financial income mainly consists of dividend income in the amount of 701,138 thousand Tenge and interest income on term deposits and deposits on demand, current accounts and loans in the amount of 1,050,879 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.

	30.06.2012	30.06.2011
	Th. Tenge	Th. Tenge
<i>Financial expenses</i>		
Interest expenses on loans and borrowings	2 986 768	3 062 255
Unwinding of discount on other financial liabilities	2 811 960	2 379 542
Unwinding of discount on provisions	340 751	232 276
Loss on sales of foreign currency	66 182	4 361
Bank charges		6 433
Exchange loss	1 293 920	
Other financial expenses	168 281	236 903
	7 667 862	5 921 770

The amount of financial expenses for the reporting period was 7,667,862 thousand Tenge, and the major part thereof was comprised by interest expenses of 2,986,768 thousand Tenge and discount on other financial liabilities of 2,811,960 thousand Tenge. Furthermore, it should be noted that increase in financial expenses has been affected by the growth of USD rate and by the corresponding calculation of exchange rate differences on the borrowed loans and issued bonds.

6. *Other Expenses*

	30.06.2012	30.06.2011
	Th. Tenge	Th. Tenge
Sponsorship and charity	279 213	246 136
Nonrefundable VAT	70 282	67 693
Social sphere expenses	453 166	603 245
Loss on disposal and impairment of non-current assets	636 850	1 396 424
Loss on suspension of production	166 647	269 845
Other	233 461	176 598
	1 839 619	2 759 941

For 6 months of 2012 other expenses decreased by 33% 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:

	<u>30.06.2012</u> Tenge	<u>30.06.2011</u> Tenge
Basic and diluted EPS (Tenge)	316.58	827.65

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>30.06.2012</u> Th. Tenge	<u>30.06.2011</u> Th. Tenge
Profit for the year attributable to shareholders of the parent company	11 616 066	30 368 511
Earnings used in the calculation of total basic and diluted earnings per share	<u>11 616 066</u>	<u>30 368 511</u>
	<u>30.06.2012</u> Th. Tenge	<u>30.06.2011</u> 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

	<u>30.06.2012</u> Th. Tenge	<u>31.12.2011</u> Th. Tenge
Land	253 913	250 748
Buildings and constructions	50 872 500	52 417 547
Machinery and Equipment	32 374 190	32 695 800
Vehicles	6 418 531	5 138 788
Other	1 949 850	1 982 755
	<u>91 868 984</u>	<u>92 485 638</u>

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

9. Investments Accounted by Equity Method

	<u>30.06.2012</u> Th. Tenge	<u>31.12.2011</u> Th. Tenge
Associated entities	75 542 260	83 330 514
Jointly controlled entities	21 890 080	18 630 500
	<u>97 432 340</u>	<u>101 961 014</u>

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

10. Financial Assets

	<u>30.06.2012</u> Th. Tenge	<u>31.12.2011</u> Th. Tenge
Long-term		
Long-term deposits	1 335 453	3 854 845
Loans to related parties	<u>10 898 784</u>	<u>10 824 384</u>
	<u>12 234 237</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 June 30, 2012 long-term deposits were 1,335,453 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 June 30, 2012 was 10,898,784 thousand Tenge. The loans were collateralized by property of the borrowers.

	<u>30.06.2012</u> Th. Tenge	<u>31.12.2011</u> Th. Tenge
Short-term		
Loans to related parties	20 000	20 000
Other short-term financial investments (cash assets on 3-12 months deposits):	<u>22 971 073</u>	<u>27 305 161</u>
	<u>22 991 073</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 June 30, 2011 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>30.06.2012</u> Th. Tenge	<u>31.12.2011</u> Th. Tenge
Cash and Cash Equivalents		
Bank accounts	16 653 766	28 057 864
Demand deposits (up to 3 month deposits)	21 415 288	13 678 706
Cash in transit	1 057	379
Cash on hand	72 584	89 276
Special bank accounts	<u>20 132</u>	<u>10 936</u>
	<u>38 162 827</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>30.06.2012</u> Th. Tenge	<u>31.12.2011</u> Th. Tenge
Raw and other materials	16 620 450	14 361 878
Finished products	46 612 773	31 273 853
Work-in-process	<u>9 864 553</u>	<u>9 132 002</u>
	<u>73 097 776</u>	<u>54 767 733</u>

Increase in inventories in 1H 2012, developed due to the unsold finished products, which will be sold in 2H 2012.

12. Intangible assets

	30.06.2012	31.12.2011
	Th. Tenge	Th. Tenge
Licenses and patents	40 089	44 422
Software	311 975	312 483
Goodwill	10 110 256	10 696 216
Other	1 250 830	1 279 204
	11 713 150	12 332 325

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

	30.06.2012	31.12.2011
	Th. Tenge	Th. Tenge
Long-term		
Long-term receivables from employees	849 495	922 477
Long-term receivables on lease	7 628	8 622
Long-term interest receivable	1 749 120	1 227 470
Other	14 270 319	12 902 428
	16 876 564	15 060 997
Short-term		
Short-term receivables from buyers and clients	15 710 349	53 541 386
Short-term receivables from associated and jointly controlled entities	14 672 196	3 481 358
	2 878 005	5 059 527
Short-term receivables from FNW Samruk-Kazayna JSC's entities	325 496	297 167
Short-term receivables from employees	121 479	92 233
Short-term receivables on lease	2 401	2 322
Short-term interest receivable	18 961	5 647
Other	169 059	126 815
Prepayment for settlement with budget and off-budget funds	19 044 000	22 532 391
	52 941 946	85 138 846
	69 818 509	100 199 843

Trade and other receivables of the Group as of June 30, 2012 was 69,818,509 thousand Tenge. Reduction of short-term receivables is mainly due repayment of receivables from buyers and clients as of June 30, 2012 compared to December 31, 2011.

14. Loans and Borrowings

Name of Lender	Loan Currency	31.12.2011 Th.Tenge	30.06.2012 Th.Tenge	Maturity Date
Citibank Kazakhstan JSC (IHT)	KZT	320 000	341 229	14/12/2012
Citibank Kazakhstan JSC (VG)	KZT	800 000	800 000	03/11/2012
Citibank Kazakhstan JSC (MC)	USD		3 810 210	26/06/2013
JSC Industrial and Commercial Bank of China in Almaty (Semizbai)	KZT	457 087	457 000	10/07/2012
Amsterdam Trade Bank (Semizbai)	USD		3 740 812	26/11/2012
Kazinvestbank JSC (Semizbai)	USD		1 053 349	15/08/2012
Mizuho Corporate Bank Ltd. (NAC)	USD	4 174 278	3 642 599	30/09/2015

Name of Lender	Loan Currency	31.12.2011 Th.Tenge	30.06.2012 Th.Tenge	Maturity Date
Natixis (MC)	USD	2 470 959	1 608 929	30/04/2013
Natixis (MAEK) 1	USD	1 030 311	831 774	31/07/2014
Natixis (MAEK) 2	USD	2 020 265	2 776 623	30/06/2022
RBS N.V. (ABN AMRO Bank N.V. (Semizbai))	USD	2 982 297	2 251 236	06/06/2013
RBS N.V. (ABN AMRO Bank N.V. (MAEK))	USD	627 135	420 932	05/12/2013
Citibank, Japan (Appak)	USD	2 451 502	1 553 584	27/06/2013
JBIC (Appak)	USD	8 441 344	8 499 268	27/12/2014
JSC SB "Bank of China in Kazakhstan"(Semizbai)	USD	445 287	448 347	07/07/2012
ING Bank, Japan (MC)	USD	5 694 011	5 651 010	06/08/2012
Bank Positiv Kazakhstan JSC (MAEK)	KZT	-	350 115	27/07/2012
Industrial and Commercial Bank of China (Semizbai)	USD	5 949 142	4 492 156	30/12/2013
Non-banking borrowings		4 664 652	3 079 685	
<i>Kazhema Katco-Demeu JV (Kazatomprom-Demeu)</i>	KZT	207 596	216 879	01/08/2024
<i>Kansai Electric Power Inc. (Appak)</i>	USD	1 265 931	802 176	25/05/2013
<i>Sumitomo Corporation (Appak)</i>	USD	3 191 125	2 023 830	25/05/2013
<i>SMCC LLP (Kyzyltu)</i>	KZT		36 800	
Other financial liabilities		74 152 981	74 487 970	
<i>including Eurobonds (NAC)</i>	USD	73 853 962	74 472 414	20/05/2015
TOTAL		116 681 251	120 296 828	

Consolidated loan debt as of June 30, 2012 was 120,296,828 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 short-term loans:

- "Mining Company" LLP in the amount of 25.5 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.

Loan Debt Repayment Schedule

Name of Lender	30.06.2012 Th.Tenge	The Amount to be Repaid					
		2012	2013	2014	2015	2016	2017-2024
Citibank Kazakhstan JSC (IHT)	341 229	341 229					
Citibank Kazakhstan JSC (VG)	800 000	800 000					
Citibank Kazakhstan JSC (MC)	3 810 210		3 810 210				
JSC Industrial and Commercial Bank of China in Almaty (Semizbai)	457 000	457 000					
Amsterdam Trade Bank (Semizbai)	3 740 812	3 740 812					
Kazinvestbank JSC (Semizbai)	1 053 349	1 053 349					
Mizuho Corporate Bank Ltd. (NAC)	3 642 599	560 811	1 120 651	1 120 650	840 487		
Natixis (MC)	1 608 929	897 044	711 885				
Natixis (MAEK) 1	831 774	212 880	421 347	197 547			
Natixis (MAEK) 2	2 776 623		295 945	354 234	361 603	361 573	1 403 268
RBS N.V. (ABN AMRO Bank N.V. (Semizbai))	2 251 236	757 036	1 494 200				
RBS N.V. (ABN AMRO Bank N.V. (MAEK))	420 932	210 814	210 118				

Name of Lender	30.06.2012 Th.Tenge	The Amount to be Repaid					
		2012	2013	2014	2015	2016	2017- 2024
Citibank, Japan (Appak)	1 553 584	917 075	636 509				
JBIC (Appak)	8 499 268	1 006	3 802 366	4 695 896			
JSC SB "Bank of China in Kazakhstan"(Semizbai)	448 347	448 347					
ING Bank, Japan (MC)	5 651 010	5 651 010					
Bank Positiv Kazakhstan JSC (MAEK)	350 115	350 115					
Industrial and Commercial Bank of China (Semizbai)	4 492 156	1 503 756	2 988 400				
Non-banking borrowings	3 079 685	1 701 693	1 161 113	-	-	-	216 879
<i>Kazhema Katco-Demeu JV (Kazatomprom-Demeu</i>	<i>216 879</i>						<i>216 879</i>
<i>Kansai Electric Power Inc. (Appak)</i>	<i>802 176</i>	<i>473 056</i>	<i>329 120</i>				
<i>Sumitomo Corporation (Appak)</i>	<i>2 023 830</i>	<i>1 191 837</i>	<i>831 993</i>				
<i>SMCC LLP (Kyzyltu)</i>	<i>36 800</i>	<i>36 800</i>					
Other financial liabilities	74 487 970	529 456	6 329	-	73 952 185	-	-
<i>including Eurobonds (NAC)</i>	<i>74 472 414</i>	<i>520 229</i>			<i>73 952 185</i>		
TOTAL	120 296 828	20 133 433	16 659 073	6 368 327	75 154 275	361 573	1 620 147

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

	30.06.2012 Th. Tenge	31.12.2011 Th. Tenge
Long-term		
Long-term payables to suppliers and contractors	791 106	686 944
Long-term payables to subsidiaries	-	-
Other	1 674 986	1 671 656
	2 466 092	2 358 600
Short-term		
Short-term payables to suppliers and contractors	10 064 344	11 580 859
Short-term payables to associated entities	1 726 763	25 852 539
Short-term payables to jointly controlled entities	4 295 631	6 742 440
Short-term payables to FNW Samruk-Kazayna JSC's entities	2 462 291	2 059 252
Short-term payables on lease	1 586	5 396
Short-term interest payable	893	1 922
Other	769 292	637 773
Debts to budget and off-budget funds	4 994 853	5 215 581
	24 315 653	52 095 763
	26 781 745	54 454 362

Trade and other payables as of June 30, 2012 was 26,781,745 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 June 30, 2012 is 9, 505 Tenge.

	30.06.2012	31.12.2011
	Th. Tenge	Th. Tenge
Assets, total	606 174 300	611 660 094
Intangibles assets	11 713 150	12 332 325
Liabilities, total	245 684 794	263 803 028
<i>Net assets for ordinary shares</i>	348 776 356	335 524 741
The number of ordinary shares for a share book value calculation	36 692 361	36 692 361
An ordinary share book value (Tenge)	9 505	9 144

II. Other Significant Information related to NAC Kazatomprom JSC Activity for 6 months of the year of 2012

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

Deputy Chairman of the Board

Aidar A. Arifkhanov

Chief Accountant

Zurakhan G. Kaliyeva