

**JSC National Atomic Company
Kazatomprom**

Consolidated Financial Statements
as at and for the year ended 31 December 2012

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

CONTENTS

	Page
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2012	
INDEPENDENT AUDITOR'S REPORT	2-3
CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2012:	
Consolidated statement of comprehensive income	4
Consolidated statement of financial position	5 - 6
Consolidated statement of cash flows	7
Consolidated statement of changes in equity	8
Notes to the consolidated financial statements	9 - 83

**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES
FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2012**

The following statement, which should be read in conjunction with the independent auditor's responsibilities stated in the independent auditors' report set out on pages 2-3, is made with a view to distinguish the respective responsibilities of management and those of the independent auditor's in relation to the consolidated financial statements of JSC National Atomic Company Kazatomprom and its subsidiaries (hereinafter the "Group").

Management of the Group is responsible for the preparation of consolidated financial statements of the Group that present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2012, and the consolidated results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance; and
- making an assessment of the Group's ability to continue as a going concern.


Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls throughout the Group;
- maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- maintaining statutory accounting records in compliance with legislation and accounting standards of the Republic of Kazakhstan;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2012 were authorized for issue by management of the Group on 14 March 2013.


On behalf of the Management of the Group:

Chairman of the Management Board
Astana, Republic of Kazakhstan


Kaliyeva Z.G.
Chief Accountant
14 March 2013
Astana, Republic of Kazakhstan

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of JSC National Atomic Company "Kazatomprom"

We have audited the accompanying consolidated financial statements of JSC National Atomic Company "Kazatomprom" and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Daurat Kuatbekov
Engagement Partner
Qualified auditor,
Qualification certificate #0000523
dated 15 February 2002
Republic of Kazakhstan

Deloitte, LLP

Deloitte, LLP
State license on auditing of the Republic of Kazakhstan
Number 0000015, type MFU-2, given by the Ministry of Finance
of the Republic of Kazakhstan dated 13 September 2006

A handwritten signature in black ink.

Nurlan Bekenov
General Director
Deloitte, LLP

14 March 2013
Almaty, Republic of Kazakhstan

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 '000 KZT	2011 '000 KZT
Revenue	7	321,746,064	321,951,168
Cost of sales	8	(243,906,924)	(235,359,486)
Gross profit		77,839,140	86,591,682
Distribution expenses	9	(3,590,108)	(3,107,813)
Administrative expenses	10	(24,416,043)	(17,080,916)
Financial income	11	3,820,825	5,466,166
Financial expense	11	(13,046,433)	(11,983,154)
Foreign exchange loss		(2,745,934)	(410,882)
Share of profit of associates	22	19,444,689	30,222,153
Share of profit of jointly controlled entities	23	12,925,516	13,493,453
Other income	12	422,714	573,335
Other expenses	13	(8,378,303)	(6,949,489)
Profit before income tax expense		62,276,063	96,814,535
Income tax expense	15	(10,279,039)	(17,125,492)
PROFIT FOR THE YEAR		51,997,024	79,689,043
Other comprehensive income			
Exchange differences arising on translation of foreign operations		57,455	56,898
Other comprehensive income for the year		57,455	56,898
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		52,054,479	79,745,941
Profit for the year attributable to:			
Owners of the Company		50,914,945	78,337,759
Non-controlling interests		1,082,079	1,351,284
		51,997,024	79,689,043
Total comprehensive income for the year attributable to:			
Owners of the Company		50,969,885	78,394,657
Non-controlling interests		1,084,594	1,351,284
		52,054,479	79,745,941
Earnings per share			
Basic and diluted (in whole KZT)	16	1,388	2,135

These consolidated financial statements were approved by management on 14 March 2013 and were signed on its behalf



14 March 2013
Astana, Republic of Kazakhstan

Chairman of the Management Board

Kaliyeva Z.G.
Chief Accountant

14 March 2013
Astana, Republic of Kazakhstan

The accompanying notes on pages 9-83 form an integral part of these consolidated financial statements:

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

	Notes	31.12.2012 '000 KZT	31.12.2011 '000 KZT
ASSETS			
Non-current assets			
Intangible assets	17	12,026,973	12,332,325
Property, plant and equipment	18	123,661,474	101,129,172
Mine development assets	19	36,962,366	35,085,277
Mineral rights	20	8,275,262	8,326,060
Exploration and evaluation assets	21	3,742,692	2,698,188
Investments in associates	22	80,611,978	83,330,514
Investments in jointly controlled entities	23	20,147,386	18,630,500
Other investments	24	67,056,184	67,056,184
Investment property		800	800
Advances paid and other receivables	27	29,130,950	15,729,395
Inventories	28	8,765,218	8,101,277
Deferred tax assets	29	2,716,415	1,337,427
Term deposits	30	3,756,382	402,528
Loans to related parties	31	13,277,619	10,824,384
Restricted cash	33	5,984,115	5,123,895
Total non-current assets		416,115,814	370,107,926
Current assets			
Trade receivables	25	80,549,261	62,379,438
Asset held for the benefit of the ultimate controlling party	26	22,800,818	20,183,992
Prepaid income tax		4,809,923	4,745,019
Advances paid and other receivables	27	32,260,100	30,313,664
Inventories	28	60,379,661	54,767,733
Term deposits	30	2,159,890	27,305,161
Loans to related parties	31	20,000	20,000
Cash and cash equivalents	32	38,038,905	41,837,161
Total current assets		241,018,558	241,552,168
Total assets		657,134,372	611,660,094


JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012 (CONTINUED)**

	Notes	31.12.2012 '000 KZT	31.12.2011 '000 KZT
EQUITY AND LIABILITIES			
Equity			
Share capital	34	36,692,362	36,692,362
Additional paid-in capital		4,784,842	4,928,671
Foreign currency translation reserve		(1,032,661)	(1,087,601)
Retained earnings		324,999,663	297,656,953
Total equity attributable to Owners of the Company		365,444,206	338,190,385
Non-controlling interests		11,912,025	9,666,681
Total equity		377,356,231	347,857,066
Non-current liabilities			
Loans and borrowings	35	94,328,211	94,670,518
Other financial liabilities	41	2,474,691	42,814,176
Provisions	36	10,843,496	9,677,230
Trade payables	37	2,815,395	686,945
Advances received and other payables	38	1,786,001	1,712,642
Preference shares	39	264,827	264,827
Grants		378,331	187,124
Accrued liabilities	40	149,645	-
Deferred tax liabilities	29	5,107,912	5,388,234
Total non-current liabilities		118,148,509	155,401,696
Current liabilities			
Loans and borrowings	35	14,023,621	21,745,906
Provisions	36	22,896,069	22,815,372
Trade payables	37	49,567,880	46,235,090
Advances received and other payables	38	24,679,573	10,348,336
Accrued liabilities	40	3,352,225	2,644,741
Other financial liabilities	41	47,086,712	4,588,641
Grants		23,552	23,246
Total current liabilities		161,629,632	108,401,332
Total liabilities		279,778,141	263,803,028
Total equity and liabilities		657,134,372	611,660,094



These consolidated financial statements were approved by management on 14 March 2013 and were signed on its behalf by


Chairman of the Management Board

14 March 2013
Astana, Republic of Kazakhstan


Kaliyeva Z.G.
Chief Accountant

14 March 2013
Astana, Republic of Kazakhstan

The accompanying notes on pages 9-83 form an integral part of these consolidated financial statements.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2012

	2012	2011
	'000 KZT	'000 KZT
OPERATING ACTIVITIES		
Receipts from customers	330,461,772	339,480,159
Interest received	976,862	2,658,065
Payments to suppliers	(265,445,399)	(231,641,151)
Payments to employees	(35,064,959)	(29,621,872)
Cash flows from operations	30,928,276	80,875,201
Income tax paid	(11,729,424)	(19,795,131)
Interest paid	(6,234,442)	(6,558,124)
Cash flows from operating activities	12,964,410	54,521,946
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	90,552	117,742
Redemption of term deposits	27,427,376	77,161,608
Proceeds from repayment of loans issued	-	500,000
Dividends received from associates and other investments	43,099,360	19,718,517
Proceeds from grants	308,832	-
Loans to related parties	-	(8,000)
Placement of term deposits	(6,487,683)	(29,261,741)
Acquisition of property, plant and equipment	(27,827,631)	(13,819,690)
Advances paid for property, plant and equipment	(4,712,546)	(11,520,220)
Acquisition of intangible assets	(237,432)	(346,457)
Acquisition of mine development assets	(7,804,219)	(12,235,231)
Acquisition of exploration and evaluation assets	(737,616)	(273,744)
Acquisition of subsidiaries, net of cash acquired (Note 45)	(10,553)	(24,523,345)
Payment for mineral rights	-	(22,841)
Acquisition of investments in associates and joint ventures (Note 22, 23)	(2,543,139)	(5,196,240)
Other	(689,650)	83,582
Cash flows from investing activities	19,875,651	373,940
FINANCING ACTIVITIES		
Proceeds from contribution to capital by non-controlling interests	1,442,560	1,329,470
Proceeds from borrowings	19,507,591	3,244,123
Repayment of borrowings	(37,631,045)	(15,518,102)
Transaction costs relating to borrowings	(6,605)	(20,638)
Payment of finance lease liabilities	(29,856)	(45,262)
Purchase of assets held for the benefit of the ultimate controlling party	(4,004,552)	(15,297,525)
Dividends paid to shareholder	(16,204,978)	(8,983,560)
Cash flows used in financing activities	(36,926,885)	(35,291,494)
Net (decrease)/increase in cash and cash equivalents	(4,086,824)	19,604,392
Cash and cash equivalents at the beginning of the year (Note 32)	41,837,161	22,384,108
Effect of exchange rate fluctuations on cash and cash equivalents	288,568	(151,339)
Cash and cash equivalents at end of year (Note 32)	38,038,905	41,837,161

Cash and cash equivalents at end of year (Note 32)

These consolidated financial statements were approved by management on 14 March 2013 and were signed on its behalf by:



Chairman of the Management Board

14 March 2013

Astana, Republic of Kazakhstan

The accompanying notes on pages 9-83 form an integral part of these consolidated financial statements.

Kaliyeva Z.G.
Chief Accountant

14 March 2013

Astana, Republic of Kazakhstan

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

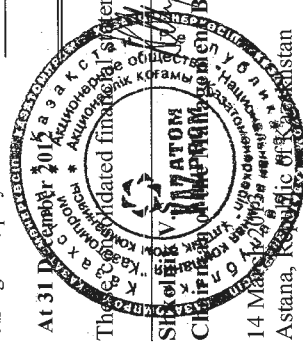
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012**

'000 KZT	Share capital	Foreign currency translation reserve	Retained earnings	Additional paid-in capital	Total equity attributable to the Owners of the Company	Non-controlling interests	Total equity
At 1 January 2011	36,692,362	(1,144,499)	226,175,357	4,806,535	266,529,755	12,889,952	279,419,707
Profit for the year	-	-	78,337,759	-	78,337,759	1,351,284	79,689,043
Foreign currency translation gain	-	56,898	-	-	56,898	-	56,898
Total comprehensive income for the year	-	56,898	78,337,759	-	78,394,657	1,351,284	79,745,941
Dividends declared	-	-	(8,852,110)	-	(8,852,110)	(169,764)	(9,021,874)
Other distributions (Note 26)	-	-	(3,837,361)	-	(3,837,361)	-	(3,837,361)
Change in non-controlling interest	-	-	5,833,308	-	5,833,308	(4,404,791)	1,428,517
Change in equity of associates	-	-	-	122,136	122,136	-	122,136
At 31 December 2011	36,692,362	(1,087,601)	297,656,953	4,928,671	338,190,385	9,666,681	347,857,066
Profit for the year	-	-	50,914,945	-	50,914,945	1,082,079	51,997,024
Foreign currency translation gain	-	54,940	-	-	54,940	2,515	57,455
Total comprehensive income for the year	-	54,940	50,914,945	-	50,969,885	1,084,594	52,054,479
Dividends declared	-	-	(23,501,328)	-	(23,501,328)	(204,413)	(23,705,741)
Other distributions (Note 26)	-	-	(70,907)	-	(70,907)	-	(70,907)
Change in of non-controlling interest	-	-	-	-	-	1,442,560	1,442,560
Change in equity of associates	-	-	-	(143,829)	(143,829)	(77,397)	(221,226)
At 31 December 2012	36,692,362	(1,032,661)	324,999,663	4,784,842	365,444,206	11,912,025	377,356,231

The consolidated financial statements were approved by management on 14 March 2013 and were signed on its behalf by:

Sergey V. Kozlov
Chairman of the Board

Kaliyeva Z.G.
Chief Accountant



14 March 2013
Astana, Republic of Kazakhstan

The accompanying notes on pages 9-83 form an integral part of these consolidated financial statements.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

1. BACKGROUND

(a) Organizational structure and operations

National Atomic Company Kazatomprom JSC (the "Company") and its subsidiaries and jointly controlled entities (together, the "Group") comprise Kazakhstan joint stock and limited liability companies as defined in the Civil Code of the Republic of Kazakhstan. The Company was established pursuant to the Decree of the President of the Republic of Kazakhstan on the establishment of National Atomic Company Kazatomprom No. 3593, dated 14 July 1997, and the Decree of the Government of the Republic of Kazakhstan National Atomic Company Kazatomprom Issue No. 1148 dated 22 July 1997.

In accordance with the Order of the President of the Republic of Kazakhstan No. 669 dated 13 October 2008, on 19 January 2009 Fund of National Prosperity Samruk-Kazyna (the "Shareholder") became the sole owner of the Company. The Shareholder is wholly owned by the Government of the Republic of Kazakhstan. The Company's registered office is 10, Kunayeva Street, Astana, Republic of Kazakhstan. In June 2011 the Company relocated its head office to Astana city in accordance with the decision of the management board of the Shareholder. The Group's principal activities are:

- the extraction of uranium reserves, and the processing and sale of uranium products;
- the manufacture and sale of beryllium products as well as related research and development activities;
- the manufacture and sale of tantalum products as well as related research and development activities;
- the generation and sale of electricity, heating and water;
- the production and sales of equipment for alternative energy;
- the generation and sale of other products and rendering of services for the main production.

The Group's products are sold in Kazakhstan and are also exported outside of Kazakhstan.

In 2011, the Group began development of the production of photovoltaic solar modules. The Group acquired Quartz LLP, which is engaged in the production and processing of quartz and MK Kaz Silicon LLP, which is engaged in the production and sale of steel and polycrystalline silicon (see Note 6). The Group also acquired Bergstein Construction LLP / Kazakhstan Solar Silicon LLP (see Note 6), which will be involved in the development of the production of silicon wafers and photovoltaic cells. In December 2011, the Group established a subsidiary Astana Solar LLP for the production of photovoltaic ("PV") modules and electrical systems based on the PV modules.

(b) Operating environment

Emerging markets such as Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in Kazakhstan and Kazakhstan's economy in general.

Laws and regulations affecting businesses in Kazakhstan continue to change rapidly. Tax, currency and customs legislation within Kazakhstan are subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Kazakhstan. The future economic direction of Kazakhstan is heavily influenced by the economic, fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

The global financial system continues to exhibit signs of deep stress and many economies around the world are experiencing lesser or no growth than in prior years. Additionally there is increased uncertainty about the creditworthiness of some sovereign states in the Eurozone and financial institutions with exposure to the sovereign debt of such states. These conditions could slow or disrupt Kazakhstan's economy, adversely affect the Group's access to capital and cost of capital and, more generally, its business, results of operations, financial condition and prospects.

Kazakhstan is facing a relatively high level of inflation. According to the government's statistical data consumer price inflation for the years ended 31 December 2012 and 2011 was 5.9% and 5.0%, respectively. Because Kazakhstan produces and exports large volumes of mineral resources, the country's economy is particularly sensitive to the price of mineral resources on the world market that fluctuated significantly during 2012 and 2011.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

The consolidated financial statements reflect management's assessment of the impact of the Kazakhstan business and political environment on the Group's performance and financial position. The actual business environment may differ from management's assessment.

2. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(b) Going concern

These consolidated financial statements have been prepared on a going concern basis, which assumes the realization of assets and settlement of liabilities in the normal course of business for the foreseeable future.

(c) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except for certain financial instruments measured at fair value.

(d) Presentation currency

The national currency of Kazakhstan is the Kazakhstan Tenge ("KZT").

The Tenge is not a fully convertible currency outside the Republic of Kazakhstan. Transactions in foreign currencies are recorded at the market rate ruling at the date of the transaction using market rates, defined by the Kazakhstan Stock Exchange ("KASE"). For foreign currencies which are not quoted by KASE, the exchange rates are calculated by the National Bank of Kazakhstan using cross-rates to the US Dollar ("USD" or "US\$") in accordance with the quotations received from Reuters.

The accompanying consolidated financial statements are presented in KZT and all financial information has been rounded to the nearest thousand.

(e) Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3, the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Below is a description of the accounting policies affected by such estimates or assumptions that are expected to have the most significant impact on the Group's reported profit and loss and financial position.

(i) Income taxes

The Group is subject to corporate income taxes in the Republic of Kazakhstan. The taxation system in Kazakhstan is relatively new and is characterized by frequent changes in legislation, and official pronouncements and court decisions which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by authorities, which have the authority to impose severe fines, penalties and interest charges. These circumstances may create tax risks in Kazakhstan that are more significant than in other countries. The Group recognizes liabilities for anticipated additional tax based its interpretations of the current tax laws and the amount it believes that is probable to be paid upon any inspection by the tax authorities.

Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions in the period in which such determinations are made.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Various factors are considered in assessing the probability of the future utilization of deferred tax assets, including past operating results, operational plans, expiration of tax losses carried forward, and tax planning strategies. The Group has recognized income tax benefits in the years presented for assets created, but not recognized, in prior years.

Deferred tax is provided in respect of fair value adjustments on acquisitions. These adjustments relate to assets such as mining rights that, in general, are not eligible for income tax allowances. In such cases, the provision for deferred tax is based on the difference between the carrying value of the asset and its nil income tax base. The existence of a tax base for capital gains tax purposes is not taken into account in determining the deferred tax provision because it is expected that the carrying amount will be recovered primarily through use and not through disposal.

Tax assets and liabilities are not recognized in the financial statements if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in transactions (other than business combinations), which do not affect the tax nor the accounting profit.

(ii) Uranium reserves

Uranium reserves are a critical component of the Group's projected cash flow estimates that are used to assess the recoverable values of assets and to determine depreciation and amortization expense. In estimating the amount of uranium reserves, the Group obtains reports from geological experts who estimate the reserves based on the quantification methodology set out by the Kazakhstan State Commission on Mineral Reserves ("GKZ") to interpret geological and exploration data and determine indicated resources (proven reserves) and an estimate of indicated resources (probable reserves). The estimation of reserves is based on expert knowledge and estimation. The quantification of the reserves involves a degree of uncertainty. The uncertainty is primarily related to completeness of reliable geological and technical information. In addition, the presence of reserves does not mean that all reserves will be able to be extracted on a cost effective basis. Uranium reserves are recognized and assessed on an annual basis. The quantity of reserves can be subject to revision as a result of changes in production capacities and changes in development strategy.

(iii) Depreciation of mining assets

The Group's mining assets are depreciated over the life of the mine using the unit-of-production method based on uranium reserves. Any changes to the uranium reserves has a direct impact on the depreciation rates and asset carrying values. Any change in the depreciation rate is applied on a prospective basis, which could result in higher depreciation in future periods.

(iv) Impairment of assets

The Group assesses its tangible fixed assets and definite lived intangible assets at the end of each reporting period to determine whether any indicators of impairment exist. If there are any such indicators, the recoverable amount of the assets is calculated and compared to the carrying amount. The excess of the carrying amount over the recoverable amount is recognized as impairment.

The recoverable amount is calculated as the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. The calculation of value in use requires the Group to make estimates regarding the Group's future cash flows. The estimation of future cash flows involves significant estimates and assumptions regarding commodity prices, the level of sales, profitability, uranium prices and discount rates. Due to its subjective nature, these estimates could differ from future actual results of operations and cash flows; any such difference may result in impairment in future periods and would decrease the carrying value of the respective asset.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

(v) *Environmental protection and reclamation of mine sites*

The Group is subject to a number of environment laws and provision, and based on these establishes a provision for the cost of site restoration. The Group estimates the site restoration costs based on management's understanding of the current legal and contractual requirements. The provision is based on management's estimated of the total cost of restoration and discounted to its net present value and is recorded as expense over the estimate life of the mine. The estimate of total costs requires management to make a number of assumptions including the level of effort and the discount rate. A change in these assumptions, or a change in the environmental laws, could result in a change in the provision in a future period. Any such change will be recorded at the time of the revision, and the amount of expense each period will be modified on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of the consolidated financial statements are described below.

(a) **Basis of consolidation**

(i) *Subsidiaries*

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) *Non-controlling interests in subsidiaries*

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the Group:

- derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- derecognizes the carrying amount of any non-controlling interest in the former subsidiary at the date when the control is lost (including any components of other comprehensive income attributable to them);
- recognizes any investment retained in the former subsidiary at its fair value at the date when control is lost; and
- recognizes any resulting difference as a gain or loss in profit or loss attributable to the parent.

(iii) *Business combinations*

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognized in profit or loss as incurred.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal Groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is acquiree immediately in profit or loss as a bargain purchase gain.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusting during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

(iv) *Goodwill*

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or Groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. The recoverable amount is calculated as the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. The calculation of value in use requires the Group to make estimates regarding the Group's future cash flows. The estimation of future cash flows involves significant estimates and assumptions regarding commodity prices, the level of sales, profitability, uranium prices and discount rates. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(v) *Jointly controlled entities*

Jointly controlled entities are those entities over whose activities the Group has joint control. The consolidated financial statements include the Group's share of the income and expenses of jointly controlled entities using the equity method. When the Group's share of losses exceeds its interest in a jointly controlled entity, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee. If the investee subsequently reports profits, the investor resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising in a business combination.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

(vi) *Associates*

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method. The consolidated financial statements include the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee. If the associate subsequently reports profits, the investor resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 *Financial Instruments: Recognition and Measurement* are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

(vii) *Transactions eliminated on consolidation*

Intra-group balances and transactions and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(viii) *Sale of controlling interest in subsidiaries*

Profit or loss on sale of interest in subsidiaries in which there is a loss of control is recognized in the consolidated statement of comprehensive income.

(b) **Foreign currency transactions and translation**

Transactions in foreign currencies are translated to the functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. With the exception of foreign currency differences arising on the translation of available-for-sale equity instruments recognized directly in other comprehensive income, all such translation differences are recognized in profit or loss.

(c) **Financial instruments**

Financial assets and financial liabilities are recognized in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

All normal purchases or sales of financial assets are recognized and derecognized on a trade date basis. Normal purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(i) *Cash and cash equivalents*

Cash and cash equivalents comprise petty cash, cash held in bank accounts and demand deposits with original maturity terms of three months or less. Cash and cash equivalents are carried at cost which approximates fair value due to the short term nature thereof.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

(ii) *Financial assets*

Financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss ("FVTPL"), which are initially measured at fair value. Financial assets are classified into the following specified categories: financial assets at FVTPL, "held-to-maturity" investments, "available-for-sale" ("AFS") financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(iii) *Effective interest method*

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified at FVTPL.

(iv) *Financial assets at FVTPL*

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in the consolidated statement of comprehensive income. The net gain or loss recognized in the consolidated statement of comprehensive income incorporates any dividend or interest earned on the financial asset and is included in financial income line item in the consolidated statement of comprehensive income. Fair value is determined in the manner described in Note 4.

(v) *Available for sale financial assets*

Listed shares and listed redeemable notes held by the Group that are traded in an active market are classified as AFS and are stated at fair value at each reporting period end date. The Group also has investments in unlisted shares that are not traded in an active market but are also classified as AFS financial assets. The fair value of these investments cannot be reliably measured and therefore the instruments that are settled by delivery of such unquoted equity instruments are measured at cost less any impairment losses at the end of each reporting period. Fair value is determined in the manner described in Note 4.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in equity with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognized directly in the consolidated statement of comprehensive income for the year. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in equity is reclassified to profit or loss for the year. There were no such gains or losses in either of the years presented.

Dividends on AFS equity instruments are recognized in the consolidated statement of comprehensive income when the Group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognized in the consolidated statement of comprehensive income are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

(vi) Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(vii) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all of the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all of the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

(viii) Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

(ix) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

(x) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

(xi) Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognized in profit or loss.

(xii) Derivative financial instruments

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting period end date. The resulting gain or loss is recognized in the consolidated statement of comprehensive income unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the consolidated statement of comprehensive income depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

(xiii) Embedded derivatives

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, and the host contract is not measured at FVTPL.

Embedded derivatives that are accounted for separately are recognized initially at fair value. Attributable transaction costs are recognized in the consolidated statement of comprehensive income when incurred. Subsequent to initial recognition, embedded derivatives are measured at fair value, and changes therein are recognized immediately in the consolidated statement of comprehensive income.

(d) Share capital

(i) Ordinary shares

Ordinary shares are classified as equity.

(ii) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Group's option, and any dividends are discretionary. Dividends thereon are recognized as distributions (payments to shareholders) within equity.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in the statement of comprehensive income.

(iii) Dividends

Dividends are recognized as a liability and deducted from equity at the end of the reporting period only if they are declared before or on the reporting period end date. Dividends are disclosed when they are proposed before the end of the reporting period or proposed or declared after the end of the reporting period but before the consolidated financial statements are authorized for issue.

(iv) Distributions

Shall the Shareholder of the Group make a decision to the Group to acquire an asset, such acquisition should be considered as a benefit to the Shareholder. The cost of such acquisition should be reflected in the consolidated statement of changes in equity as a distribution.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

(e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment at 1 January 2005, the date of transition to IFRSs, was determined by reference to its fair value at that date.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are recognized in other income or expense in the consolidated statement of comprehensive income.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in the statement of comprehensive income as incurred.

(iii) Depreciation

Depreciation of property, plant and equipment used in extraction of uranium and its preliminary processing is charged on a unit-of-production method in respect of items for which this basis best reflects the pattern of consumption. Land is not depreciated.

The following types of assets are depreciated using the unit-of-production method based on extractable reserves of a particular block which the assets are attributable to, over the license period:

- production buildings and constructions;
- machinery and field equipment.

Depreciation of other property, plant and equipment is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives.

The estimated useful lives for the current and comparative periods are as follows:

- | | |
|-----------------------|---------------|
| • buildings | 10 - 45 years |
| • plant and equipment | 2 - 5 years |
| • vehicles | 2 - 10 years |
| • other | 3 - 20 years |

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(f) Mine development assets

The Group uses the method of calculation established by GKZ. This methodology has been consistently applied during all periods.

Mine development assets comprise the capitalized costs of pump-in and pump-out well drilling, main external binding of the well with surface communications and measurement instrumentation equipping. Mine development assets are measured at cost less accumulated depreciation and accumulated impairment losses. Mine development assets are charged to the cost of production using the unit-of-production method based on estimates of proven and probable reserves commencing when uranium first starts to be extracted. The estimate of proved and probable reserves is based on reserve reports which are part of each subsoil use agreement. These reserve reports are incorporated into feasibility models which are approved by the Government of the Republic of Kazakhstan and detail the total proven reserves and estimated scheduled extraction by year.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

Mine development assets are either transferred from exploration and evaluation assets upon demonstration of commercial viability of extracting uranium or capitalizable costs incurred subsequent to being transferred to mine development assets. Mine development assets include the costs of drilling production uranium mines, estimated site restoration costs, the cost of plant for the extraction and preliminary processing of uranium, and overheads associated with such costs.

Capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses.

(g) Mineral rights

Mineral rights are measured at cost less accumulated amortization and accumulated impairment losses.

Mineral rights are amortized using the unit-of-production method based upon proven and probable reserves commencing when uranium first starts to be extracted.

The capitalized cost of acquisition of mineral rights comprises of the subscription bonus, commercial discovery bonus, the cost of subsurface use rights and capitalized historical costs.

The Group is obligated to reimburse historical costs incurred by the Government in respect of licensing areas prior to licenses being issued. These historical costs are recognized as part of the acquisition cost with a corresponding liability equal to the present value of payments made during the license period.

The estimate of proven reserves is based on reserve reports which are part of each subsoil use contract. These reserve reports are incorporated into feasibility models which are approved by the Government and detail the total proven reserves and estimated scheduled extraction by year.

(h) Intangible assets

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in the consolidated statement of comprehensive income when incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labor and overhead costs that are directly attributable to preparing the asset for its intended use. All other development expenditure is recognized in the consolidated statement of comprehensive income when incurred.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in the statement of comprehensive income when incurred.

(iv) Amortization of intangible assets

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

- License and patents 4 to 7 years
- Software 3 to 6 years
- Other 2 to 7 years

(i) Exploration and evaluation assets

The Group follows the cost model.

Exploration and evaluation assets comprise the capitalized costs incurred after the Group has obtained the legal rights to explore a specific area and prior to proving that viable production is possible and include geological

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

and geophysical costs, the costs of drilling of pits and directly attributable overheads associated with exploration activities.

Activities prior to the acquisition of the natural resource rights are pre-exploration. All pre-exploration costs are expensed as incurred and include such costs as design work on operations, technical and economical assessment of a project, and overheads associated with the pre-exploration activities.

A decision on termination of a sub-surface contract upon expiry of the exploration and evaluation period is subject to success of the exploration and evaluation of mineral resources and the Group's decision whether or not to progress to the production (development) stage.

Exploration and evaluation assets are classified as tangible or intangible based on their nature.

Exploration and evaluation assets are transferred to mine development assets upon demonstration of commercial viability of extracting uranium.

Exploration and evaluation assets are assessed for impairment, and any impairment loss recognized, before reclassification.

In addition, exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

All general overhead costs not related directly to exploration and evaluation activities are expensed as incurred.

(i) Amortization of exploration and evaluation assets

Exploration and evaluation assets are amortized using the unit-of-production method during the period in which extraction occurs but the feasibility study is not yet complete. Upon completion of the feasibility study, the cost basis of the exploration and evaluation assets, along with any accumulated amortization, is transferred to mine development assets.

(j) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the Group's accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognized in the Group's statement of financial position.

Payments under operating lease agreements are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

Minimum lease payments made under finance leases comprise two elements, i.e. finance expense and discharge of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the contingency no longer exists and the lease adjustment is known.

(k) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average costing principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses

(l) **Distribution of non-cash assets to Owners**

The Group recognises an obligation to distribute assets to its owners (in this case the ultimate controlling party), when the Group has entered into an irrevocable commitment to transfer such assets, for no consideration, to the owners (which involves, amongst other things, authorization by the owners of the Company) and the amount of the liability can be reliably measured. When the liability is recognised, the Company also recognises a distribution to owners in the consolidated statement of changes in equity.

(m) **Impairment**

(i) *Financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. All impairment losses are recognized in the statement of comprehensive income.

When an impairment loss in respect of an AFS financial asset is determined using objective evidence, the cumulative loss that had been recognized in other comprehensive income is reclassified from equity to the statement of comprehensive income for the year as a reclassification adjustment even though the financial asset is not derecognized. The impairment is calculated by reference to its current fair value.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and AFS financial assets that are debt securities, the reversal is recognized in the statement of comprehensive income. The reversal is recognized to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognized.

(ii) *Non-financial assets*

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business acquisition, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the consolidated statement of comprehensive income.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Employee benefits

(i) Other long-term employee benefits

The Group's net obligation in respect of long-term service benefits relating to compensation for disablement, occupational diseases and loss of breadwinner, is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Estimated compensation is calculated based on current legislation. The discount rate is the risk-free interest rate on government bonds.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(o) Retirement benefit costs

The Group's entities contribute to the state pension funds on behalf of all its current employees in accordance with the Law of the Republic of Kazakhstan "On pension provisioning in the Republic of Kazakhstan" effective from 1 January 1998.

All employees have the right to receive guaranteed pension benefits in proportion to their accumulated working time record and if they had a working time record as at 1 January 1998. In addition, employees have the right to receive pension payments from their pension fund accumulating accounts provided by the 10% compulsory pension contributions from their salary but not exceeding KZT 130,792.50 per month in 2012 (2011: KZT 119,992 per month).

(p) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(i) Site restoration

Activities of the Group are subject to compliance with a number of environmental laws and provisions. The Group estimates site restoration provisions based on the management's understanding of current legal requirements and the terms of license agreements. The provision is determined by estimating future cash flows to be incurred for disturbance caused through the end of the reporting period and discounting these cash flows to their present value. Actual costs to be incurred may differ significantly from the provisional amount. Future amendments to environmental legislation, field license terms, and discount rates may affect the carrying value of the provision. When additional, unprovided costs are identified based upon new information, laws or other significant changes in the underlying calculation, the provision is re-calculated.

(q) Guarantees

Where the Group enters into contracts to guarantee the indebtedness of other related entities, the Group considers these to be insurance arrangements, and accounts for them as such. In this respect, the Group treats the guarantee contract as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the guarantee.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

(r) Revenue

(i) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. For sales of uranium, tantalum and beryllium products, transfer usually occurs, in accordance with the INCOTERMS classification, at the Delivered at Frontier, Delivered Duty Unpaid, Free-On-Board and Cost, Insurance and Freight.

Revenue from the sale of public utilities (energy, water and other public utilities) is measured at the fair value of the consideration received or receivable, net of allowances. The revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable and the amount of revenue can be measured reliably, which is upon delivery of public utilities to the customer.

Evidence of the quantity of public utilities delivered is determined on the basis of meter data. Meter data is monitored on a monthly basis by the Group's sales department.

(ii) Services

Revenue from services rendered is recognized in the consolidated statement of comprehensive income in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(s) Other income and expenses

(i) Grants

Grants are recognized initially as deferred income (recorded as grants on the consolidated statement of financial position) when they are received and the Group has reasonable assurance it will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognized in the consolidated statement of comprehensive income on a systematic basis in the same periods in which the expenses are recognized. Grants that compensate the Group for the cost of an asset are offset against the asset on a systematic basis over the useful life of the asset.

(ii) Social expenditure

To the extent that the Group's contributions to social programs benefit the community at large, and where such contributions are not set by the subsoil use contracts and are not restricted to the Group's employees, they are recognized in the consolidated statement of comprehensive income as incurred.

(t) Financial income and expenses

Financial income comprises interest income on funds invested (including AFS financial assets), dividend income, changes in the fair value of financial assets at FVTPL, and foreign currency gains. Interest income is recognized as it accrues in the consolidated statement of comprehensive income, when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably, using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Dividend income is recognized in the consolidated statement of comprehensive income on the date that the Group's right to receive payment is established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Financial expenses comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, foreign currency losses, changes in the fair value of financial liabilities at FVTPL and impairment losses recognized on financial assets.

Borrowing costs include exchange differences arising on foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. All borrowing costs are recognized in the consolidated statement of comprehensive income using the effective interest method, except for borrowing costs related to qualifying assets which are recognized as part of the cost of such assets.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

Foreign currency gains and losses are reported on a net basis.

(u) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the consolidated statement of comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity, accordingly.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base used in the computation of taxable profit or which arises from the initial recognition of goodwill. Deferred tax is not recognized for temporary differences in connection with the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis.

Liabilities are recognized for taxable temporary differences arising on investments in associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend is recognized.

In Kazakhstan, the corporate income tax regime requires the advance payments of estimated income tax based on the prior year's actual corporate income taxes. Advances are required to be made monthly, by making equal payments to budget. The tax return is filed on 31 March and when the actual tax is calculated, the resulting underpayment is made or overpayment is received.

(v) Adoption of new and revised standards

Standards adopted with no material effect on the consolidated financial statements

The Group has adopted the following new and revised standards and interpretations issued by the IASB and the International Financial Reporting Interpretations Committee (the "IFRIC") which became effective for the Group's annual consolidated financial statements for the year ended 31 December 2012:

Amendments to IFRS 7

Disclosures - Transfers of Financial Assets (effective for annual periods beginning on or after 1 July 2011). The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred but the transferor retains some level of continuing exposure in the asset. The revised standard has been retrospectively applied in compliance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" with the exception that in the first year of application, the Group need not provide comparative information for the disclosures required by the amendments for periods beginning before 1 July 2011. The adoption of the revised standard did not have any effect on the disclosures in the consolidated financial statements of the Group as the Group did not have transactions of this nature during the year ended 31 December 2012.

New and revised IFRSs in issue but not yet effective

At the date of authorization of these financial statements, the following new standards and interpretations were in issue, but not yet effective, and which the Group has not early adopted:

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

- IFRS 9 *Financial Instruments* (as revised in 2010)³;
- IFRS 10 *Consolidated Financial Statements*¹;
- IFRS 11 *Joint Arrangements*¹;
- IFRS 12 *Disclosure of Interest in Other Entities*¹;
- IFRS 13 *Fair Value Measurement*¹;
- Amendments to IFRS 7 *Financial Instruments: Disclosures*¹;
- Amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* - Mandatory Effective Date of IFRS 9 and Transition Disclosures³;
- Amendments to IFRS 10, IFRS 11, IFRS 12: Transition Guidance¹;
- IAS 19 *Employee Benefits* (as revised in 2011) — improvements to the accounting for post-employment benefits¹;
- IAS 27 *Separate Financial Statements* (as revised in 2011)¹;
- IAS 28 *Investments in Associates and Joint Ventures* (as revised in 2011)¹;
- IAS 32 *Financial Instruments: Presentation* — *Offsetting Financial Assets and Financial Liabilities*²
- Amendments to IFRSs: Annual Improvements to IFRSs 2009-2011 Cycle¹;
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*¹.

¹ Effective for annual periods beginning on or after 1 January 2013

² Effective for annual periods beginning on or after 1 January 2014

³ Effective for annual periods beginning on or after 1 July 2015

The Group will adopt relevant new, revised and amended Standards and new Interpretations from their effective date. Retrospective application is required in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, unless otherwise noted below.

IFRS 9

IFRS 9 *Financial Instruments*, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement and for derecognition of financial liabilities.

Key requirements of IFRS 9:

- all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability, that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The Group expects that the application of IFRS 9 in the future may have an impact on amounts reported in respect of the Group's financial assets and financial liabilities.

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five Standards are described below.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

IFRS 10 *Consolidated Financial Statements* replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. SIC-12 *Consolidation - Special Purpose Entities* will be withdrawn upon the effective date of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is, control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's return. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 *Joint Arrangements* replaces IAS 31 *Interests in Joint Ventures*. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Ventures* will be withdrawn upon the effective date of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportional consolidation.

IFRS 12 *Disclosure of Interest in Other Entities* is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

Amendments to IFRS 10, IFRS 11 and IFRS 12 were issued in June 2012 to clarify certain transitional guidance on the application of these IFRSs for the first time.

These five standards together with the amendments regarding the transition guidance are effective for annual periods beginning on or after 1 January 2013, with earlier application permitted provided all of these standards are applied at the same time.

The Group's management is currently assessing the impact of the application of these five standards on its financial statements.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three- fair value hierarchy currently required for financial instruments only under IFRS 7 *Financial Instruments: Disclosures* will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. IFRS 13 should be applied prospectively as of the beginning of the annual period in which it is initially applied. The disclosure requirements of IFRS 13 need not be applied in comparative information provided for periods before initial application of the Standard.

The Group expects that the application of the new Standard will result in more extensive disclosures in the consolidated financial statements.

Amendments to IFRS 7 and IAS 32 *Offsetting Financial Assets and Financial Liabilities and the related disclosures.*

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

The amendments to IFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to IAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The Group's management anticipates that the application of these amendments to IAS 32 and IFRS 7 may result in more extensive disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

Amendment to IAS 19 *Employee Benefits*

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

The Group's management does not anticipate that the amendments to IAS 19 will have a significant effect on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2009 - 2011 Cycle issued in May 2012

The *Annual Improvements to IFRSs 2009 - 2011 Cycle issued in May 2012* include a number of amendments to various IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Retrospective application is required in accordance with IAS 8. Amendments to IFRSs include:

- amendments to IAS 16 *Property, Plant and Equipment*; and
- amendments to IAS 32 *Financial Instruments: Presentation*.

Amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. The Group anticipates that the amendments to IAS 16 will effect the Group's consolidated financial statements. The Group's management is currently assessing the impact of the amended standard on its consolidated financial statements.

Amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 *Income Taxes*. The Group does not anticipate that the amendments to IAS 32 will have a significant effect on the Group's consolidated financial statements.

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine (production stripping costs). Under the Interpretation, the costs from this waste removal activity (stripping) which provide improved access to ore is recognised as a non-current asset (stripping activity asset) when certain criteria are met, whereas the costs of normal on-going operational stripping activities are accounted for in accordance with IAS 2 *Inventories*. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part.

IFRIC 20 is effective for annual periods beginning on or after 1 January 2013. Specific transitional provisions are provided to entities that apply IFRIC 20 for the first time. However, IFRIC 20 must be applied to production stripping costs incurred on or after the beginning of the earliest period presented. The Group do not anticipate that IFRIC 20 will have an effect on the Group's financial statements given the Group's mining method is in-situ leaching.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

4. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Investments in equity and debt securities

The best evidence of fair value of equity instruments is quoted prices in an active market. If the market for a financial instrument is not active, the Group establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the Group calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on any available observable market data.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost.

(b) Trade and other receivables and payables

The fair value of non-current trade and other receivables and payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

The current portion of trade and other receivables are carried at cost less a provision of doubtful debts, and approximates fair value due to the short-term nature thereof.

(c) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

5. SEGMENT INFORMATION

The Group, based on information contained in reports that are regularly reviewed by the chief operating decision maker, the chief executive, and which are used to make decisions about the allocation of financial resources and to assess segment performance, has six reportable segments namely:

Uranium products	-	The production of uranium, and the processing and sale of uranium products.
Beryllium products	-	The manufacture and sale of beryllium products as well as related research and development activities.
Tantalum products	-	The manufacture and sale of tantalum products as well as related research and development activities.
Utilities	-	The generation and sale of electricity, heating and water.
Equipment for alternative energy	-	The production and sale of equipment for alternative energy.
Other	-	The generation and sale of other products and rendering of services for the main production.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

Information regarding the Group's reportable segments is presented below. Inter-segment sales are charged at prevailing market prices. The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment profit is the factor that management uses to manage its business and represents gross profit earned by each segment. This is the measure reported to the chief executive for the purpose of resource allocation and assessment of segment performance.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

(a) Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment in 2012:

	Uranium products	Beryllium	Tantalum	Utilities	Equipment for alternative energy	Other	Eliminations	Consolidated
	'000 KZT	'000 KZT	'000 KZT	'000 KZT	'000 KZT	'000 KZT	'000 KZT	'000 KZT
Revenue								
External sales	235,306,985	7,956,613	10,370,976	34,062,479	706,093	33,342,918	-	321,746,064
Inter-segment sales	-	-	-	-	-	28,105,501	(28,105,501)	-
Total revenue	235,306,985	7,956,613	10,370,976	34,062,479	706,093	61,448,419	(28,105,501)	321,746,064
Segment result	64,466,256	843,800	1,416,421	3,758,594	(646,764)	11,310,753	(3,309,920)	77,839,140
Distribution expenses								(3,590,108)
Administrative expenses								(24,416,043)
Financial income								3,820,825
Financial expense								(13,046,433)
Foreign exchange loss								(2,745,934)
Share of profit of associates and jointly controlled entities								32,370,205
Other income								422,714
Other expense								(8,378,303)
Profit before income tax								62,276,063

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

The following is an analysis of the Group's revenue and results by reportable segment in 2011:

	Uranium products	Beryllium	Tantalum	Utilities	Equipment for alternative energy	Other	Eliminations	Consolidated
	'000 KZT	'000 KZT	'000 KZT	'000 KZT	'000 KZT	'000 KZT	'000 KZT	'000 KZT
Revenue								
External sales	249,616,464	7,791,351	6,404,787	30,578,856	245,509	27,314,201	-	321,951,168
Inter-segment sales	-	-	-	-	-	16,514,936	(16,514,936)	-
Total revenue	249,616,464	7,791,351	6,404,787	30,578,856	245,509	43,829,137	(16,514,936)	321,951,168
Segment profit	73,731,027	852,360	1,158,871	5,099,592	37,835	9,614,607	(3,902,610)	86,591,682
Distribution expenses								(3,107,813)
Administrative expenses								(17,080,916)
Financial income								5,466,166
Foreign exchange gains								(11,983,154)
Financial expense								(410,882)
Share of profit of associates and jointly controlled entities								43,715,606
Other income								573,335
Other expense								(6,949,489)
Profit before income tax								96,814,535

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than investments in associates and jointly controlled entities, financial assets and deferred tax assets; and
- all liabilities are allocated to reportable segments other than financial liabilities, current and deferred tax liabilities, and other liabilities.

(a) Segment assets

	31.12.2012 '000 KZT	31.12.2011 '000 KZT
Uranium products	349,068,578	291,942,293
Beryllium	5,210,888	5,670,804
Tantalum	8,747,109	7,710,041
Utilities	25,352,874	22,689,893
Equipment for alternative energy	27,335,607	3,059,938
Other	39,474,468	26,882,019
Eliminations	<u>(31,422,592)</u>	<u>(6,035,539)</u>
Total segment assets	423,766,932	351,919,449
Unallocated assets	<u>233,367,440</u>	<u>259,740,645</u>
Consolidated assets	<u>657,134,372</u>	<u>611,660,094</u>

(b) Segment liabilities

	31.12.2012 '000 KZT	31.12.2011 '000 KZT
Uranium products	134,996,837	110,950,765
Beryllium	412,071	451,178
Tantalum	691,712	613,423
Utilities	7,002,573	4,771,454
Equipment for alternative energy	7,751,676	145,907
Other	7,437,457	2,085,121
Eliminations	<u>7,112,115</u>	<u>22,464,129</u>
Total segment liabilities	165,404,441	141,481,977
Unallocated liabilities	<u>114,373,700</u>	<u>122,321,051</u>
Consolidated liabilities	<u>279,778,141</u>	<u>263,803,028</u>

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

(c) Geographical information

External revenue based on the country of domicile of the customer is as follows:

	Revenue from external customers	
	2012	2011
	'000 KZT	'000 KZT
China	113,957,846	123,984,121
Kazakhstan	66,784,846	62,474,479
France	32,890,692	14,168,926
United States of America	25,308,680	6,415,808
Japan	25,269,680	33,769,990
India	17,916,448	6,608,503
Russia	13,559,861	51,729,319
South Korea	12,558,997	13,666,382
Germany	6,090,565	6,112,012
Switzerland	5,776,308	31,298
Belgium	1,289,416	1,295,852
Austria	258,881	359,008
Argentina	-	1,255,892
Other	83,844	79,578
	321,746,064	321,951,168

(d) Other segment information

Depreciation and amortization of mine development assets, exploration and evaluation assets, and property, plant and equipment, and amortization of mineral rights and intangible assets accrued for the period is detailed below:

	Depreciation and amortization	
	2012	2011
	'000 KZT	'000 KZT
Uranium products	16,646,736	13,459,453
Beryllium	166,845	226,840
Tantalum	280,070	308,413
Utilities	2,327,461	2,204,719
Equipment for alternative energy	260,292	15,488
Other	1,479,998	1,194,828
	21,161,402	17,409,741

The portion of the above reported depreciation and amortization included in the measure of segment profit is detailed below:

	Depreciation and amortization	
	2012	2011
	'000 KZT	'000 KZT
Uranium products	16,326,605	12,943,900
Beryllium	106,303	130,978
Tantalum	178,443	178,078
Utilities	2,123,746	2,031,407
Equipment for alternative energy	115,175	188
Other	1,138,168	940,535
Elimination	(1,671,350)	(1,070,284)
	18,317,090	15,154,802

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

In addition to the depreciation and amortisation reported above, impairment losses of KZT 3,568,731 thousand (2011: KZT 1,177,104 thousand) were recognised, including of property, plant and equipment for KZT 2,622,507 thousand (Note 18). These impairment losses were attributable to the following reportable segments:

	Impairment	
	2012 '000 KZT	2011 '000 KZT
Uranium products	511,409	430,333
Beryllium	15,609	93,383
Tantalum	26,202	126,964
Equipment for alternative energy	585,960	410,374
Other	2,429,551	116,050
	3,568,731	1,177,104

	Additions to non-current assets	
	2012 '000 KZT	2011 '000 KZT
Uranium products	17,150,102	47,969,950
Beryllium	244,074	409,264
Tantalum	409,707	556,436
Utilities	3,111,514	1,627,700
Equipment for alternative energy	19,193,015	11,582,837
Other	11,085,456	3,547,727
	51,193,868	65,693,914

6. ACQUISITIONS OF BUSINESSES, DISPOSALS OF INVESTMENTS AND NON CONTROLLING INTERESTS

These consolidated financial statements include financial information for the following subsidiaries:

		31.12.2012	31.12.2011
	Country of incorporation	Ownership/Voting	Ownership/Voting
MAEK-Kazatomprom LLP	Kazakhstan	100%	100%
GRK LLP	Kazakhstan	100%	100%
Kazatomprom - Demeu LLP	Kazakhstan	90%	90%
Bailany NAC LLP	Kazakhstan	100%	100%
Taikonyr JSC	Kazakhstan	-	100%
Korgan KAP LLP	Kazakhstan	100%	100%
Appak LLP	Kazakhstan	65%	65%
Semizbai-U LLP	Kazakhstan	51%	51%
Ulba Metallurgical Plant JSC	Kazakhstan	90%	90%
Volkovgeology JSC	Kazakhstan	90%	90%
Institute of High Technologies LLP	Kazakhstan	100%	100%
Kyzyltu LLP	Kazakhstan	76%	76%
JV SARECO LLP	Kazakhstan	51%	51%
Ecoenergomash LLP	Kazakhstan	100%	100%
Kvarz LLP	Kazakhstan	100%	100%
MK KazSilicon LLP	Kazakhstan	100%	100%
Bergstein Construction LLP / Kazakhstan Solar Silicon LLP	Kazakhstan	100%	100%
Astana Solar LLP	Kazakhstan	100%	100%
JV KT Raremetals company LLP	Kazakhstan	51%	51%
DP Ortalyk LLP	Kazakhstan	100%	100%
Kazakhstan Nuclear University LLP	Kazakhstan	100%	-

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

SARECO LLP

In July and September 2012, the partners of SARECO LLP provided additional contributions to charter capital totaling KZT 2,940,000 thousand (2011: KZT 1,953,000 thousand). The contributions of the partners were proportionate to their ownership interests, and consequently no change in ownership interests arose as a consequence of this contribution.

Ecoenergomash LLP

In June 2011, the Company provided an additional capital contribution to Ecoenergomash LLP charter capital of KZT 800,000 thousand.

Kazatomprom - Demeu LLP

In January, August and September 2012, the company provided an additional contribution to Kazatomprom - Demeu LLP charter capital in the amount of KZT 2,068,000 thousand (2011: KZT 1,000,000 thousand). The contribution did not result in any change in ownership interest, as in accordance with Charter contributions to charter capital don't lead to changes in voting share.

Bergstein Construction LLP/ Kazakhstan Solar Silicon LLP

In November 2011, the Company purchased all of the issued capital of Bergstein Construction LLP for KZT 3,294,781 thousand and provided a contribution to its charter capital of KZT 191,793 thousand. The entity's principal activities include production of silicon solar grades, silicon plates and PV plates.

In 2012 the entity changed its name to Kazakhstan Solar Silicon LLP.

Kvarz LLP

In November 2011, the company purchased all of the issued capital of Kvarz LLP for KZT 1,000 thousand and provided a contribution to its charter capital of KZT 241,000 thousand (Note 45). The entity's principal activities include mining and processing of vein quartz and primary processing of mineral raw materials.

MK Kaz Silicon LLP

In November 2011, the company purchased all of the issued capital of MK Kaz Silicon LLP for KZT 4,750,000 thousand and provided a contribution to its charter capital of KZT 2,508,000 thousand (Note 45). The principal activities of the entity involve production and sale of metallurgical and polycrystalline silicon and recycling of silicon production waste.

Astana Solar LLP

In December 2011, the company created a wholly owned subsidiary Astana Solar LLP and provided a contribution to its charter capital of KZT 52,000 thousand. The entity's principal activities include production of silicon solar plates, silicon plates, PV plates, PV modules and electrical systems on its basis. In 2012 the Company made an additional contribution to the entity's charter capital of KZT 2,132,846 thousand.

DP Ortalyk LLP

In December 2011, the Company purchased a 100% ownership interest in DP Ortalyk LLP for KZT 21,124,874 thousand. The principal activities of the entity include the provision of services on mining, processing chemical concentrate to uranium and services.

JV KT Raremetals company LLP

In November 2011, JV KT Raremetals Company LLP was established with another partner. The Company owns 51%. The Company made a contribution to the entity's charter capital of KZT 382,500 thousand. The principal activities of the entity involve performing feasibility studies on the exploration and extraction of rare and rare-earth metals.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

Institute of High Technologies LLP

In June 2012 the Company made an additional contribution to the entity's charter capital of KZT 353,703 thousand.

Bailanys NAC LLP

In June 2012 the Company made an additional contribution to the entity's charter capital of KZT 1,656,000 thousand.

Kazakhstan Nuclear University LLP

In December 2012, the Company purchased an additional 60% ownership interest in Kazakhstan Nuclear University LLP for KZT 10,553 thousand whereupon the Company's ownership interest became 100%. Through December 2012 the Company had a 40% ownership interest and classified Kazakhstan Nuclear University LLP as an associate. Gain on acquisition was KZT 22,280 thousand (Note 45).

Taykonir JSC

In 2012 Taykonir JSC has been liquidated.

7. REVENUE

	2012 '000 KZT	2011 '000 KZT
Sales of uranium	235,306,985	249,616,464
Sales of energy products	34,062,479	30,578,856
Drilling services	13,349,913	8,853,018
Sales of tantalum	10,370,976	6,404,787
Sales of beryllium	7,956,613	7,791,351
Processing services	7,794,390	9,335,873
Transportation services	6,693,517	5,270,197
Sales of purchased goods	1,854,253	279,117
Research and development services	149,670	347,298
Other	4,207,268	3,474,207
	321,746,064	321,951,168

8. COST OF SALES

	2012 '000 KZT	2011 '000 KZT
Materials and supplies	151,887,823	154,933,623
Processing and other services	26,772,259	26,321,803
Wages and salaries	26,339,270	21,579,748
Depreciation and amortization	18,382,644	15,154,802
Taxes other than income tax	13,487,058	10,758,581
Maintenance and repair	2,616,552	2,218,600
Utilities	1,367,706	1,522,556
Rent expenses	393,274	488,186
Transportation expenses	256,747	300,033
Research and development	113,421	248,476
Other	2,290,170	1,833,078
	243,906,924	235,359,486

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

9. DISTRIBUTION EXPENSES

	2012 '000 KZT	2011 '000 KZT
Shipping, transportation and storing	1,841,609	1,403,857
Wages and salaries	709,716	598,175
Commissions	349,205	266,240
Rent	177,007	134,623
Materials and suppliers	173,108	225,970
Cargo insurance	63,610	59,901
Advertising and marketing expenses	62,927	62,782
Depreciation and amortization	49,454	42,295
Travel	37,084	46,221
Custom duties	13,130	8,402
Taxes other than income tax	291	248
Other	112,967	259,099
	3,590,108	3,107,813

10. ADMINISTRATIVE EXPENSES

	2012 '000 KZT	2011 '000 KZT
Wages and salaries	12,804,528	11,471,815
Consulting, auditing and information services	2,113,436	757,536
Taxes other than income tax	1,606,904	968,104
Research expenses	1,452,822	93,869
Rent	936,677	491,124
Depreciation and amortization	926,309	665,249
Travel	487,750	386,087
Materials and suppliers	454,916	396,607
Bonus pay accrual	403,842	294,114
Training expenses	391,274	287,423
Maintenance and repair	325,350	203,873
Communication	296,113	123,969
Bank charges	210,462	165,950
Utilities	128,951	89,897
Stationary	106,205	78,969
Corporate events	93,643	98,179
Security	70,015	53,528
Insurance	61,502	37,696
Entertainment expenses	41,440	58,915
Other	1,503,904	358,012
	24,416,043	17,080,916

11. FINANCIAL INCOME AND EXPENSE

	2012 '000 KZT	2011 '000 KZT
<i>Financial income</i>		
Interest income on term deposits, deposits on demand and current accounts	1,954,767	3,651,783
Dividend income	1,596,623	1,606,827
Other	269,435	207,556
	3,820,825	5,466,166

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

<i>Financial expense</i>	2012 '000 KZT	2011 '000 KZT
Interest expense on loans and borrowings	6,633,835	6,310,567
Unwinding of discount on other financial liabilities	5,098,781	4,724,601
Unwinding of discount on provisions	701,924	494,618
Loss on sales in foreign currency	115,790	80,784
Preference share dividend expense	52,965	52,965
Other	443,138	319,619
	13,046,433	11,983,154

12. OTHER INCOME

	2012 '000 KZT	2011 '000 KZT
Property received free of charge and excess	253,975	128,447
Income from fines and penalties	121,075	118,730
Other	47,664	326,158
	422,714	573,335

13. OTHER EXPENSES

	2012 '000 KZT	2011 '000 KZT
Impairment of non-current assets	2,497,107	973,602
Social sphere expenses	2,041,760	887,480
Loss on disposal of non-current assets	867,268	607,828
Sponsorship and charitable donations	685,741	1,279,063
Loss on suspension of production	315,558	444,877
Unrecoverable value added tax ("VAT")	229,635	339,929
Impairment of investments in associates	-	992,249
Other	1,741,234	1,424,461
	8,378,303	6,949,489

14. PERSONNEL COSTS

	2012 '000 KZT	2011 '000 KZT
Wages and salaries	44,202,243	37,753,730
Social tax and social contributions	4,223,165	3,502,831
	48,425,408	41,256,561

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

15. INCOME TAX EXPENSE

	2012 <u>'000 KZT</u>	2011 <u>'000 KZT</u>
<i>Current tax expense</i>		
Current year	11,665,737	15,432,005
Under provided in prior years	216,401	20,916
	<u>11,882,138</u>	<u>15,452,921</u>
<i>Deferred tax (income)/expense</i>		
Origination and reversal of temporary differences	(1,603,099)	1,672,571
	<u>10,279,039</u>	<u>17,125,492</u>

The entities based in Kazakhstan are subject to income tax on taxable profit as determined under the laws of the Republic of Kazakhstan. The income tax rate was 20% in both 2011 and 2012.

Reconciliation of effective tax rate:

	2012 <u>'000 KZT</u>	%	2011 <u>'000 KZT</u>	%
Profit before income tax	62,276,063	100	96,814,535	100
Income tax at applicable tax rate	12,455,213	20.00	19,362,907	20.00
Tax effect of:				
Change in tax rate	-	-	229,060	0.24
Non-taxable income	(517,813)	(0,83)	(405,007)	(0,42)
Non-deductible expenses	2,380,574	3,82	3,284,576	3,39
Transfer pricing adjustment	1,869,507	3	4,124,266	4,26
Elimination of margin in finished goods	634,639	1,02	106,597	0,11
Tax on share of results of associates	(3,888,938)	(6,24)	(6,044,431)	(6,24)
Tax on share of results of jointly controlled entities	(2,585,103)	(4,15)	(2,698,691)	(2,79)
Utilization of tax losses not recognized in prior periods	(539,407)	(0,87)	(905,147)	(0,93)
Current year losses for which no deferred tax asset is recognized	253,786	0,41	50,446	0,05
Under provided in prior years	216,401	0,35	20,916	0,02
	<u>10,279,039</u>	<u>16,51</u>	<u>17,125,492</u>	<u>17,69</u>

16. EARNINGS PER SHARE

Basic and diluted earnings per share:

	2012 <u>KZT</u>	2011 <u>KZT</u>
Basic and diluted earnings per share	1,388	2,135

The Group has no dilutive potential ordinary shares.

The profit for the year attributable to owners of the Company and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

	2012 '000 KZT	2011 '000 KZT
Profit for the year attributable to owners of the Company	<u>50,914,945</u>	<u>78,337,759</u>
Earnings used in the calculation of the total basic and diluted earnings per share	<u>50,914,945</u>	<u>78,337,759</u>
	2012 '000 KZT	2011 '000 KZT
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	36,692,361	36,692,361

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

17. INTANGIBLE ASSETS

'000 KZT	Licenses and patents	Software	Goodwill	Other	Total
At 1 January 2011	29,280	380,438	-	416,094	825,812
Additions	17,401	202,011	-	934,077	1,153,489
Acquisitions through business combinations (Note 45)	22,734	4,389	10,696,216	1,040	10,724,379
Disposals	(335)	(55,223)	-	(1,299)	(56,857)
At 31 December 2011	69,080	531,615	10,696,216	1,349,912	12,646,823
At 1 January 2012	69,080	531,615	10,696,216	1,349,912	12,646,823
Additions	9,555	350,606	-	187,248	547,409
Disposals	(20,069)	(34,226)	(585,960)	(6,726)	(646,981)
At 31 December 2012	58,566	847,995	10,110,256	1,530,434	12,547,251
<i>Accumulated amortization</i>					
At 1 January 2011	17,448	198,953	-	12,704	229,105
Amortization charge	7,545	75,252	-	58,952	141,749
Disposals	(335)	(55,073)	-	(948)	(56,356)
At 31 December 2011	24,658	219,132	-	70,708	314,498
At 1 January 2012	24,658	219,132	-	70,708	314,498
Amortization charge	9,517	108,493	-	120,416	238,426
Disposals	(669)	(31,977)	-	-	(32,646)
At 31 December 2012	33,506	295,648	-	191,124	520,278
<i>Net book value</i>					
As at 31 December 2011	44,422	312,483	10,696,216	1,279,204	12,332,325
As at 31 December 2012	25,060	552,347	10,110,256	1,339,310	12,026,973

The most significant portion in other intangible assets relates to value of the technology development project.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

Impairment test for goodwill

The following is a summary of goodwill allocation for each cash-generating units.

	As at 1 January 2011	Additions	Disposals	Impairment	As at 31 December 2011
Uranium production	-	10,110,256	-	-	10,110,256
Quartz production	-	585,960	-	-	585,960
Total	-	10,696,216	-	-	10,696,216
	As at 1 January 2012	Additions	Disposals	Impairment	As at 31 December 2012
Uranium production	10,110,256	-	-	-	10,110,256
Quartz production	585,960	-	(585,960)	-	-
Total	10,696,216	-	(585,960)	-	10,110,256

There was no impairment of goodwill recognized in the consolidated statement of comprehensive income as at 31 December 2012. The recoverable amounts of the cash-generating units are determined from value in use calculations. The value in use of cash generating units is determined based on the volume of proven reserves, expected future cash flows based on the size of the estimated volume of production in the field on the basis of an 8-year strategy of mine development approved by management and the discount rate was 7% per annum (2011: 10% per annum). The Group prepares pre-tax cash flow forecasts derived from the most recent financial budgets approved by management.

The assets of "Ortalyk" LLP and mining assets of JSC "NAC" Kazatomprom", including the right of subsoil use in the Central Mynkuduk field, that generates cash flow together are considered cash generating units.

The key assumptions used in calculating the recoverable amount of goodwill:

- the growth rate was 3%;
- the prices have been agreed to independent official source "Ux consulting LLC" published in the 4th quarter of 2012;
- the production volume was obtained from management's approved strategy and agreed to working program, that has been approved by the Government of the Republic of Kazakhstan. Production volume was agreed to production capacity of the cash generating unit, taking into consideration future acquisition of assets and investments cash flows;
- the base for cash outflows has been taken based upon current performance of the cash generating unit.

The key assumptions for the value in use calculations are those regarding discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management believes that the key assumptions underlying the calculation of the recoverable amount are reasonably achievable and consistent with external sources of information.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

18. PROPERTY, PLANT AND EQUIPMENT

	'000 KZT	Land	Buildings	Plant and equipment	Vehicles	Other	Construction in progress	Total
<i>Cost</i>								
At 1 January 2011	116,148	51,350,417	43,711,909	7,251,048	2,963,245	8,432,057	113,824,824	
Additions	52,326	3,606,446	4,330,668	1,358,027	405,173	8,995,553	18,748,193	
Transfers	78,097	3,703,706	2,924,000	(75,051)	8,067	(8,199,620)	(1,560,801)	
Additions through business combinations								
(Note 45)	4,256	5,763,350	2,272,313	194,144	130,778	158,521	8,523,362	
Disposals	(79)	(154,778)	(760,469)	(98,923)	(112,267)	(8,198)	(1,134,714)	
Foreign currency translation difference	-	-	58	-	2,700	-	2,758	
At 31 December 2011	250,748	64,269,141	52,478,479	8,629,245	3,397,696	9,378,313	138,403,622	
At 1 January 2012	250,748	64,269,141	52,478,479	8,629,245	3,397,696	9,378,313	138,403,622	
Additions	13,708	786,388	6,194,227	3,592,073	365,348	27,425,583	38,377,327	
Transfers	-	111,323	2,279,422	17,221	30,724	(2,438,690)	-	
Transfers to mine development assets (Note 19)	-	-	-	-	-	(788,620)	(788,620)	
Disposals	(1,546)	(871,032)	(776,309)	(120,934)	(161,945)	(887,472)	(2,819,238)	
At 31 December 2012	262,910	64,295,820	60,175,819	12,117,605	3,631,823	32,689,114	173,173,091	

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

'000 KZT	Land	Buildings	Plant and equipment	Vehicles	Other	Construction in progress	Total
<i>Accumulated depreciation and impairment losses</i>							
At 1 January 2011	-	8,002,902	15,159,822	2,592,197	1,089,530	1,176,167	28,020,618
Depreciation charge	-	2,892,807	5,253,201	1,065,009	362,208	-	9,573,225
Transfers	-	(433,522)	(82,910)	(77,693)	9,205	-	(584,920)
Disposals	-	(75,379)	(668,771)	(83,702)	(86,161)	-	(914,013)
Impairment loss and reversals of impairment losses recognized in prior periods	-	1,464,786	121,280	(5,354)	37,780	(441,388)	1,177,104
Foreign currency translation difference	-	-	57	-	2,379	-	2,436
At 31 December 2011	-	11,851,594	19,782,679	3,490,457	1,414,941	734,779	37,274,450
At 1 January 2012	-	11,851,594	19,782,679	3,490,457	1,414,941	734,779	37,274,450
Depreciation charge	-	3,049,814	6,163,275	1,295,659	385,965	-	10,894,713
Disposals	-	(329,019)	(700,890)	(84,392)	(137,636)	(28,116)	(1,280,053)
Impairment loss and reversals of impairment losses recognized in prior periods	-	984,591	3,100	(2,757)	21,823	1,615,750	2,622,507
At 31 December 2012	-	15,556,980	25,248,164	4,698,967	1,685,093	2,322,413	49,511,617
<i>Net book valuebook value</i>							
As at 31 December 2011	250,748	52,417,547	32,695,800	5,138,788	1,982,755	8,643,534	101,129,172
As at 31 December 2012	262,910	48,738,840	34,927,655	7,418,638	1,946,730	30,366,701	123,661,474

The Group recorded impairment losses attributable to property, plant and equipment of KZT 2,622,507 thousand during the year ended 31 December 2012 (2011: KZT 1,177,104 thousand), relating to assets that will not bring future revenue.

In 2012 KZT 125,401 thousand (2011: 203,502) of the total amount of impairment was allocated to cost of sales and KZT 2,497,107 thousand (2011: 973,602) to other expenses.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

- (a) Depreciation expense of KZT 10,044,340 thousand (2011: KZT 8,948,017 thousand) has been charged to cost of sales, KZT 49,138 thousand (2011: KZT 42,039 thousand) to distribution expenses and KZT 801,235 thousand (2011: KZT 583,169 thousand) to administrative expense.

(b) **Borrowing costs**

Borrowing costs capitalized in the reporting periods were as follows:

	<u>2012</u> <u>'000 KZT</u>	<u>2011</u> <u>'000 KZT</u>
Capitalized borrowing costs	163,585	-

The weighted-average capitalization rate was 3.15% in 2012.

(c) **Construction in progress**

Construction in progress comprises construction of new assets and capital improvements of existing property, plant and equipment. In 2012, the significant increase in this account was due to road construction and repaid as, the construction of a new mine, and the construction of factories for production of equipment for alternative energy.

(d) **Collateral**

In 2012 property, plant and equipment that was pledged to secure bank loans was KZT nil due to the settlement of the related contract in the current year (2011: KZT 3,868,936 thousand).

(e) **Fully depreciated property plant and equipment**

As at 31 December 2012, the gross carrying value of fully depreciated property, plant and equipment still in use was KZT 5,185,565 thousand (2011: KZT 1,690,180 thousand).

(f) **Commitments**

As at 31 December 2012, commitments relating to the acquisition of property, plant and equipment were KZT 12,354,562 thousand (2011: KZT 8,785,562 thousand).

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

19. MINE DEVELOPMENT ASSETS

'000 KZT	Field preparation	Site restoration asset	Ion-exchange resin	Total
<i>Cost</i>				
At 1 January 2011	31,848,942	3,817,161	2,861,204	38,527,307
Additions	11,587,968	-	289,020	11,876,988
Change in estimate	-	2,366,398	-	2,366,398
Transfer from exploration and evaluation assets (Note 21)	3,756,812	65,103	166,392	3,988,307
Transfer from property, plant and equipment (Note 18)	127,511	-	-	127,511
At 31 December 2011	47,321,233	6,248,662	3,316,616	56,886,511
At 1 January 2012	47,321,233	6,248,662	3,316,616	56,886,511
Additions	9,716,453	114,997	457,580	10,289,030
Change in estimate	-	385,049	-	385,049
Transfer from exploration and evaluation assets (Note 21)	357,607	-	-	357,607
Disposal	(21,607)	(51)	-	(21,658)
Transfer from property, plant and equipment (Note 18)	788,620	-	-	788,620
At 31 December 2012	58,162,306	6,748,657	3,774,196	68,685,159
Accumulated depreciation and impairment loss				
At 1 January 2011	14,555,939	177,394	611,816	15,345,149
Depreciation charge	6,113,794	193,093	149,198	6,456,085
At 31 December 2011	20,669,733	370,487	761,014	21,801,234
At 1 January 2012	20,669,733	370,487	761,014	21,801,234
Depreciation charge	9,345,307	333,882	264,028	9,943,217
Disposal	(21,607)	(51)	-	(21,658)
At 31 December 2012	29,993,433	704,318	1,025,042	31,722,793
<i>Net book value</i>				
At 31 December 2011	26,651,500	5,878,175	2,555,602	35,085,277
At 31 December 2012	28,168,873	6,044,339	2,749,154	36,962,366

The change in estimate of the site restoration asset occurs occur primarily as a consequence annual evaluation of estimated remediation costs related to landfill facilities taking into consideration newly drilled wells, built sand tanks and other facilities to be liquidated in future and not liquidated as at 31 December 2012.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

20. MINERAL RIGHTS

'000 KZT	<u>Total</u>
<i>Cost</i>	
At 1 January 2011	1,900,253
Additions	22,841
Change in estimate	(33,223)
Additions through business combination (Note 45)	6,518,857
Transfer from exploration and evaluation assets (Note 21)	122,591
	<u>8,531,319</u>
At 31 December 2011	8,531,319
Additions	22,288
Disposal	(518)
Transfer from intangible assets (Note 17)	19,400
	<u>8,572,489</u>
At 31 December 2012	8,572,489
<i>Amortization and impairment losses</i>	
At 1 January 2011	133,209
Depreciation charge	72,050
	<u>205,259</u>
At 31 December 2011	205,259
Depreciation charge	92,486
Disposal	(518)
	<u>297,227</u>
At 31 December 2012	297,227
<i>Net book value</i>	
At 31 December 2011	<u>8,326,060</u>
At 31 December 2012	<u>8,275,262</u>

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

21. EXPLORATION AND EVALUATION ASSETS

	Tangible assets ‘000 KZT	Intangible assets ‘000 KZT	Total ‘000 KZT
<i>Cost</i>			
At 1 January 2011	5,604,014	181,217	5,785,231
Additions	1,439,868	527,483	1,967,351
Amortization charged to cost of sales	(1,156,116)	(10,516)	(1,166,632)
Transfer to mine development assets (Note 19)	(3,988,307)	-	(3,988,307)
Transfer to mineral rights (Note 20)	-	(122,591)	(122,591)
Transfer from property, plant and equipment (Note 18)	223,136	-	223,136
At 31 December 2011	2,122,595	575,593	2,698,188
At 1 January 2012	2,122,595	575,593	2,698,188
Additions	1,135,718	700,757	1,836,475
Transfer to mine development assets (Note 19)	(357,607)	-	(357,607)
Impairment	(433,867)	(497)	(434,364)
At 31 December 2012	2,466,839	1,275,853	3,742,692

22. INVESTMENTS IN ASSOCIATES

The Group has the following investments in associates:

	Country	31.12.2012		31.12.2011	
		Ownership/ voting	Carrying value ‘000 KZT	Ownership/ voting	Carrying value ‘000 KZT
JV Betpak Dala LLP	Kazakhstan	30%	15,262,789	30%	15,093,411
JV KATCO LLP	Kazakhstan	49%	38,262,088	49%	45,326,938
Uranenergo LLP	Kazakhstan	45.59%	4,897,488	44.82%	4,371,545
JV SKZ					
Kazatomprom LLP	Kazakhstan	24.5%	607,149	22%	657,973
JV Inkai LLP	Kazakhstan	40%	12,171,185	40%	9,614,565
JV Zarechnoe JSC	Kazakhstan	49.67%	2,477,560	49.67%	2,875,543
JV Rosburmash LLP	Kazakhstan	49%	200,379	49%	171,716
Kazakhstan Nuclear University LLP	Kazakhstan	0%	-	40%	16,180
Kazgeomash LLP	Kazakhstan	49%	44,125	-	-
Kyzylkum LLP	Kazakhstan	30%	3,459,452	30%	1,559,373
NPK Ulba LLP	Kazakhstan	33%	55,267	-	-
SKZ - U LLP	Kazakhstan	49%	3,163,172	49%	3,590,018
JV IFASTAR	France	49%	11,324	49%	11,179
PKF Ulba Electro	Kazakhstan	30%	-	30%	42,073
			80,611,978		83,330,514

In January 2012 Kazgeomash LLP was established as an associate with the Company and another party. The Company acquired a 49% interest and contributed to the charter capital of the Partnership in the amount of KZT 14,700 thousand. The main activity is manufacturing of pipes.

In April 2012 members of LLP "Kyzylkum" made an additional contribution to the charter capital of the Partnership for KZT 5,8 million tenge, including the Company for KZT 1,740,000 tenge. The contributions are proportionate to their equity, respectively, no change in ownership was as a result of this contribution.

In year 2012 the Group made an additional contribution to the charter capital of the charter capital of Uranenergy LLP for KZT 761,627 thousand tenge, as a result of the contribution ownership has been increased to 45,59%.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

The following table summarizes the unrecognised share of losses of the associates:

	2012	2011
	'000 KZT	'000 KZT
Accumulated gains/(losses):		
At the beginning of the year	-	2,209,475
Movement in:		
Kyzylkum LLP	-	(2,189,060)
JV Zarechnoe JSC	-	(20,415)
At the end of the year	-	-

The following is summarized financial information, in aggregate, in respect of associates:

	31.12.2012	31.12.2011
	'000 KZT	'000 KZT
Current assets	109,103,434	110,464,703
Non-current assets	236,426,398	205,644,599
Total assets	345,529,832	316,109,302
Current liabilities	(79,207,787)	(63,197,338)
Non-current liabilities	(68,145,324)	(51,602,217)
Total liabilities	(147,353,111)	(114,799,555)
Net assets	198,176,721	201,309,747
Group's share of net assets of associates	80,611,978	83,330,514
	2012	2011
	'000 KZT	'000 KZT
Total revenue	168,054,599	197,548,479
Total profit for the year	50,638,002	78,538,819
Group's share of profit of associates after tax	19,444,689	30,222,153

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

23. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

The Group has the following investments in jointly controlled entities:

	Country	31.12.2012		31.12.2011	
		Ownership/ voting	'000 KZT	Ownership/ voting	'000 KZT
Karatau LLP	Kazakhstan	50%	9,998,036	50%	11,293,526
JV Akbastau LLP	Kazakhstan	50%	9,046,950	50%	6,299,839
CJSC COU	Russian Federation	50%	681,552	50%	658,059
JSC Yingtan Ulba Shine Metal Materials Co., Ltd	China	50%	350,905	50%	341,289
ULBA Conversiya LLP	Kazakhstan	50%	30,275	50%	29,605
JV UKR TVS CJSC	Ukraine	33.33%	3,341	33.33%	3,922
Chemieanlagenbau Chemnitz Kazakhstan-Russian Company	Germany	50%	1,976	50%	2,420
JSC Atomic Stations	Kazakhstan	50%	-	50%	-
Geotechnologia KKRUMC	Kyrgyzstan	50%	1,840	50%	1,840
KazPerOksid LLP	Kazakhstan	50%	32,511	-	-
			20,147,386		18,630,500

In 2012 the Group acquired a 50% interest in KazPerOksid LLP for KZT 5,812 thousand and made a contribution to the charter capital in the amount of KZT 21,000 thousand. The main activities of KazPerOksid LLP are the acquisition of chemical products (hydrogen peroxide) and realization, promotion, presentation, and marketing of chemical products and development of chemical products in the Republic of Kazakhstan.

As at 31 December 2012, the Group did not recognize its share of the accumulated losses of the jointly controlled entity Kazakhstan-Russian Company JSC Atomic Stations, which exceeded the cost of the investment in the amount of KZT 36,694 thousand (2011: KZT 36,694 thousand).

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

The following is summarized financial information, in aggregate, in respect of jointly-controlled entities:

	31.12.2012 ‘000 KZT	31.12.2011 ‘000 KZT
Current assets	25,294,424	22,191,647
Non-current assets	48,546,772	44,331,069
Total assets	73,841,196	66,522,716
Current liabilities	(13,172,675)	(19,035,335)
Non-current liabilities	(15,012,737)	(7,768,325)
Total liabilities	(28,185,412)	(26,803,660)
Net assets	45,655,784	39,719,056
Group share in net assets of jointly controlled entities	20,147,386	18,630,500
	31.12.2012 ‘000 KZT	31.12.2011 ‘000 KZT
Total revenue	64,864,401	60,570,036
Total profit for the year	28,764,361	29,511,980
Group share in profit of jointly controlled entities after tax	12,925,516	13,493,453

24. OTHER INVESTMENTS

	31.12.2012 ‘000 KZT	31.12.2011 ‘000 KZT
<i>Available-for-sale investments:</i>		
Toshiba Nuclear Energy Holdings US, Inc.	48,892,455	48,892,455
Toshiba Nuclear Energy Holdings UK, Ltd.	17,112,425	17,112,425
Baiken-U LLP	1,021,590	1,021,590
Other	29,714	29,714
	67,056,184	67,056,184

Investments in Toshiba Nuclear Energy Holdings US, Inc. and Toshiba Nuclear Energy Holdings UK, Ltd.

Under a purchase agreement in 2007, the Company invested in Toshiba Nuclear Energy Holdings US, Inc. (“TNEH-US”) and Toshiba Nuclear Energy Holdings UK, Ltd. (“TNEH-UK”), by acquiring 10% of the Class A ordinary shares for a total amount of USD 540,000 thousand (TNEH-US USD 400,000 thousand and TNEH-UK USD 140,000 thousand).

Simultaneously with the acquisition of the interest in TNEH-US and TNEH-UK, the Company entered into a put option agreement (the “Put Option”). In addition to the Put Option agreement at the end of 2012 the Company and “Toshiba” Corporation signed an agreement under which the Company can use the Put Option until 28 February 2018.

The Put Option gives the Company an option to sell shares of “Toshiba” Corporation for 100% of the original price paid of USD 540,000 thousand for the first 67% of shares, and for 90% of the original price paid for the remaining 33% of shares, resulting in a total exercise price of USD 522,180 thousand. The Put Option was not exercised at 31 December 2012.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

Simultaneously with the acquisition of the interest in TNEH-US and TNEH-UK, the Company entered into a call option agreement (the "Call Option"). The Call Option provides Toshiba Corporation with the right to demand from the Company the sale of its TNEH-US and TNEH-UK shares if the Committee on Foreign Investment in the United States a US government entity decides that the Company is no longer a strategic partner. In such case, the fair value of the Company's shares will be determined by an independent international appraiser. The Call Option was not exercised by Toshiba Corporation at 31 December 2012.

The Company has classified these investments as AFS as this best reflects the intention of the Company with regard to its ability and intention to hold the investment for the long term. Investments in TNEH-US and TNEH-UK are carried at cost because these investments are equity in private companies for which fair value cannot be reliably measured.

25. TRADE RECEIVABLES

	31.12.2012	31.12.2011
	<u>'000 KZT</u>	<u>'000 KZT</u>
Trade receivable	75,711,847	54,043,358
Trade receivable from related parties	<u>5,468,241</u>	<u>9,775,210</u>
	81,180,088	63,818,568
Provision for doubtful debts	<u>(630,827)</u>	<u>(1,439,130)</u>
	<u>80,549,261</u>	<u>62,379,438</u>

Note 42 discloses information on the Group's exposure to credit and currency risks, the provision for doubtful debts and on the ageing of trade receivables.

26. ASSET HELD FOR THE BENEFIT OF THE ULTIMATE CONTROLLING PARTY

In May 2010, the Group was directed by its ultimate controlling party to construct a Student's Palace in Astana city (hereinafter referred to as "the Property").

As at 31 December 2011 the Group had recognized total costs of construction of the Property of KZT 19,799,355 thousand and prepaid advances for further construction of KZT 384,637 thousand.

As at 31 December 2012 the Group has recognized total costs of construction of the Property of KZT 22,800,818 thousand. These costs are recognized as current assets held for the benefit of the ultimate controlling party in the consolidated statement of financial position. As at 31 December 2012 the property was put into exploitation and will be transferred to Department of Finances by the resolution of Astana City Administration in year 2013.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

27. ADVANCES PAID AND OTHER RECEIVABLES

	31.12.2012	31.12.2011
	'000 KZT	'000 KZT
<i>Non-current</i>		
Advances paid for long-term assets	21,305,745	11,531,302
Interest receivable	-	1,227,470
Loans to employees	2,057,384	922,477
Value added tax receivable	4,498,844	751,555
Prepaid expenses	747,717	620,565
Other receivables	521,260	676,026
	29,130,950	15,729,395
<i>Current</i>		
Value added tax receivable	25,658,253	22,271,322
Advances paid for goods and services	3,518,219	5,277,702
Advances paid for goods and services to related parties	218,014	-
Prepaid expenses	1,111,216	1,256,956
Prepaid tax other than income tax	127,157	261,069
Insurance prepayments	292,008	220,071
Other receivables to related parties	1,622	-
Other receivables	1,333,611	1,026,544
	32,260,100	30,313,664

28. INVENTORIES

	31.12.2012	31.12.2011
	'000 KZT	'000 KZT
<i>Current</i>		
Finished goods and goods for resale	32,653,399	31,571,169
Work-in-process	12,972,307	9,132,002
Raw materials	11,050,405	10,760,713
Fuel	988,217	843,190
Materials in process	512,342	777,781
Spare parts	975,717	539,225
Other materials	1,961,291	1,440,969
	61,113,678	55,065,049
Provision for obsolete inventories	(734,017)	(297,316)
Current	60,379,661	54,767,733
Non-current	8,765,218	8,101,277
Total inventories	69,144,879	62,869,010

Non-current 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 workshops.

Collateral

There was no inventory pledged as collateral as at 31 December 2012 (2011: KZT 1,159,572 thousand) due to the settlement of the loans.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

29. DEFERRED TAX ASSETS AND LIABILITIES

(a) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities relate to the following:

	Assets		Liabilities	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Property, plant and equipment	660,642	627,903	(5,197,666)	(4,907,042)
Intangible assets	7,503	12,769	(49,612)	(281,077)
Investment property	-	-	(3,575)	(7,592)
Mineral rights	296,313	161,707	(1,870,810)	(1,750,553)
Exploration and evaluation assets	584,087	332,549	(531,188)	(621,983)
Site restoration	826,882	756,332	(1,207,711)	(1,142,000)
Advances paid and other accounts receivables	22,526	20,765	-	(16,267)
Inventories	395,527	601,741	(1,046,474)	(1,157,108)
Trade receivables	3,583,933	2,894,956	(1,455,671)	(1,339,888)
Grants	32,162	67,306	-	-
Taxes	743,604	563,753	-	-
Accrued liabilities	598,356	439,924	-	-
Mine development assets	106,505	-	-	(20,868)
Provisions	479,669	533,984	(16,716)	(5,830)
Trade and other payables	-	-	(55,692)	-
Loans and borrowings	16,773	34,428	(82,822)	(104,277)
Investments	1,691	125,031	-	-
Tax loss carried forward	685,148	156,230	-	-
Other	90,751	123,066	(5,632)	(148,766)
Total	9,132,072	7,452,444	(11,523,569)	(11,503,251)
Offset of deferred tax assets and liabilities	(6,415,657)	(6,115,017)	6,415,657	6,115,017
Total	2,716,415	1,337,427	(5,107,912)	(5,388,234)

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

(b) Movement in temporary differences

	01.01.2011	Recognized in income	Recognized in equity	Business combinations	31.12.2011
Property, plant and equipment	(3,091,963)	(805,384)	-	(381,792)	(4,279,139)
Site restoration	(120,096)	(265,572)	-	-	(385,668)
Inventories	128,291	(683,658)	-	-	(555,367)
Provisions	1,019,949	(491,795)	-	-	528,154
Provision for unused vacation	305,238	128,435	-	6,251	439,924
Other	1,209,401	445,403	(46,975)	(1,406,540)	201,289
	<u>(549,180)</u>	<u>(1,672,571)</u>	<u>(46,975)</u>	<u>(1,782,081)</u>	<u>(4,050,807)</u>
	01.01.2012	Recognized in income	Recognized in equity	Business combinations	31.12.2012
Property, plant and equipment	(4,279,139)	(257,885)	-	-	(4,537,024)
Site restoration	(385,668)	4,839	-	-	(380,829)
Inventories	(555,367)	(95,580)	-	-	(650,947)
Provisions	528,154	(65,201)	-	-	462,953
Provision for unused vacation	439,924	158,432	-	-	598,356
Other	201,289	1,859,388	55,317	-	2,115,994
	<u>(4,050,807)</u>	<u>1,603,993</u>	<u>55,317</u>	<u>-</u>	<u>(2,391,497)</u>

(c) Unrecognized deferred tax assets

Deferred tax assets have not been recognized for:

<i>Tax effect</i>	31.12.2012 ‘000 KZT	31.12.2011 ‘000 KZT
Tax losses carried forward	550,556	836,177
	<u>550,556</u>	<u>836,177</u>

The tax losses arise from subsidiaries that are loss making where it is not probable that future profits will be sufficient to utilize the benefit of the tax losses. The tax losses expire as follows:

	‘000 KZT
2017-2021	296,770
2022	253,786
	<u>550,556</u>

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

30. TERM DEPOSITS

	Currency	31.12.2012 '000 KZT	31.12.2011 '000 KZT
<i>Non-current</i>			
JSC Tsesna Bank	Tenge	1,600,000	350,000
JSC DB Sberbank	Tenge	1,500,000	-
JSC Vneshtorgbank Kazakhstan	Tenge	500,000	-
JSC ATF Bank	Tenge	100,146	-
JSC Bank CenterCredit	Tenge	50,968	50,000
JSC DB Alfa Bank	Tenge	2,000	-
JSC Halyk Bank of Kazakhstan	Tenge	1,795	1,307
JSC Alliance Bank	Tenge	1,000	1,000
JSC BTA Bank	Tenge	473	221
		3,756,382	402,528
<i>Current</i>			
JSC Eurasian Bank	Tenge	1,001,875	2,006,111
JSC Citi Bank	Tenge	535,879	420
JSC DB Alfa Bank	Tenge	210,129	202,013
JSC Eksim Bank	Tenge	200,321	-
JSC Vneshtorgbank Kazakhstan	Tenge	200,000	-
JSC DB Sberbank	Tenge	11,469	2,071,059
JSC Bank CenterCredit	Tenge	216	401,312
JSC Halyk Bank of Kazakhstan	Tenge	1	-
JSC ATF Bank	USD	-	9,002,457
JSC Kazkommerzbank	Tenge	-	8,840,097
JSC KazInvestbank	Tenge	-	4,048,333
JSC ATF Bank	Tenge	-	500,000
JSC Nurbank	Tenge	-	124,109
JSC BTA Bank	Tenge	-	96
JSC BTA Bank	Euro	-	109,154
		2,159,890	27,305,161

Interest rates on term deposits held by the Group as at 31 December 2012 vary from 0.01% to 8% per annum (2011: from 0.5% to 8%).

Note 42 disclose information on the Group's exposure to interest rate risk and provides sensitivity analysis of financial assets and liabilities.

31. LOANS TO RELATED PARTIES

	31.12.2012 '000 KZT	31.12.2011 '000 KZT
<i>Non-current</i>		
Kyzylkum LLP	7,698,391	6,265,198
Baiken-U LLP	5,579,228	4,559,186
	13,277,619	10,824,384
<i>Current</i>		
Kazakhstan-Russian Company	20,000	20,000
JSC Atomic Stations	20,000	20,000
	20,000	20,000

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

In September and December 2010, the Group provided interest-bearing long-term loans to Kyzylkum LLP and Baiken-U LLP. In 2012 the repayment schedule was revised in terms of maturity of the Kyzylkum LLP and Baiken-U LLP loans to 2024 and 2022, respectively. The loans are collateralized by property of the borrowers.

32. CASH AND CASH EQUIVALENTS

	31.12.2012	31.12.2011
	'000 KZT	'000 KZT
Bank accounts	37,086,677	28,069,179
Demand deposits	831,662	13,678,706
Petty cash	120,566	89,276
	38,038,905	41,837,161

33. RESTRICTED CASH

	31.12.2012	31.12.2011
	'000 KZT	'000 KZT
Deposits relating to site restoration activities	4,304,041	3,452,317
Other	1,680,074	1,671,578
	5,984,115	5,123,895

In accordance with the terms of its subsurface use agreements, the Group invests cash in long-term bank deposits to finance future site restoration activities.

Following a governmental investigation into one of the Group's suppliers, the Company has acted as a depository at the Government of Kazakhstan's request for the cash balances of a supplier who has been arrested. This is reflected as restricted cash in the consolidated statement of financial position and not reflected in the Group's cash flows as it is not part of the Group's operations.

Note 42 disclose information on the Group's exposure to interest rate risk and sensitivity analysis of financial assets and liabilities.

34. EQUITY

(a) Share capital

	Common shares 2012	Common shares 2011
Number of authorized and issued shares (par value: KZT 1,000)	36,692,361	36,692,361
	36,692,361	36,692,361

All shares of the Company are owned by the Shareholder JSC "NWF "Samruk-Kazyna" who ultimately decides on dividend distribution.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

(b) Dividends

In accordance with the legislation of the Republic of Kazakhstan, the amount of distributable reserves is limited to the amount of cumulative retained earnings as reflected in the Group's IFRS consolidated financial statements. As at 31 December 2012 the Group had cumulative retained earnings, including the profit for the current year, of KZT 324,999,663 thousand (2011: KZT 297,656,953 thousand).

(c) Additional paid-in capital

Historically shares have been issued at par value and consequently no additional paid in capital arises from the issuance of shares.

Additional paid-in capital comprises the following: (a) discounts on zero or low interest loans provided to associates by other owners, (b) the Group's share of changes in equity of associates, and (c) gains received on disposal of subsidiaries in excess of its nominal value.

(d) Translation reserve

Exchange differences relating to the translation of the net assets of the Group's foreign operations, from their functional currency into presentation currency, are recognized directly in the foreign currency translation reserve.

(e) Distributions

Construction of a property for the benefit of the ultimate controlling party

As described in Note 26, the Company entered into an irrevocable commitment with its ultimate controlling party in 2010 to construct the Property that, upon completion, will be transferred to the ultimate controlling party for no consideration. As there is an irrevocable commitment to transfer the Property to the ultimate controlling party for no consideration, the Company recorded an asset held for the benefit of the ultimate controlling party of KZT 18,892,550 thousand in 2010 which was determined based upon the estimated present value of the construction contract. In 2011 and 2012, management reassessed the estimated liability and recognized as a distribution to owners KZT 70,907 thousand (2011: KZT 3,837,361 thousand) for the change in the estimated liability.

35. LOANS AND BORROWINGS

	31.12.2012 '000 KZT	31.12.2011 '000 KZT
<i>Non current</i>		
Bonds	74,740,067	73,331,606
Secured bank loans	19,336,629	20,035,127
Unsecured non-bank loans	251,515	1,297,456
Finance lease obligations	-	6,329
	94,328,211	94,670,518
<i>Current</i>		
Secured bank loans	11,168,438	17,828,491
Unsecured non-bank loans	1,252,427	3,367,196
Unsecured bank loans	1,062,903	-
Interest payable on bonds	533,524	522,356
Finance lease obligations	6,329	27,863
	14,023,621	21,745,906

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

(a) Bonds

On 20 May 2010, the Company issued USD 500,000,000 (equivalent to KZT 73,510,000 thousand) of unsecured 6.25% bonds due in 2015 (the "Bonds"). Interest on the Bonds is payable semi-annually in arrears on 20 November and 20 May of each year.

(b) Bond covenants

(i) Negative pledge

The Company and material subsidiaries thereof, as defined, are restricted from creating, incurring, assuming or suffering to exist any liens, other than permitted liens, on any of their assets or any income or profits therefrom, securing any indebtedness, unless, at the same time or prior thereto, the Bonds are secured equally and rateably with such other indebtedness.

(ii) Limitation on payments of dividends

The Company is precluded from paying any dividends, in cash or otherwise, or making any other distribution of any sort in respect of its share capital (a) at any time when there exists an event of default (b) or at any time when no such event of default or event exists, in an aggregate amount exceeding 50 per cent of the Company's consolidated net income for the period in respect of which the dividend or other distribution is being paid.

(iii) Limitation on sales of assets and subsidiary stock

The Company is precluded from consummating any asset disposition involving aggregate consideration equal to or greater than USD 10 million (or its equivalent as at 31 December 2012 KZT 1,507,400 thousand) unless the Company or such material subsidiary receives consideration at the time of such asset disposition at least equal to the fair market value of the shares and assets subject to such asset disposition; and solely with respect to an asset disposition of shares of capital stock of a material subsidiary, after giving effect to any such asset disposition, the Company should continue to "beneficially own", directly or indirectly, at least the restricted percentage of the shares of capital stock of such material subsidiary.

The management of the Group believes that it complies with the covenants as set out above as at 31 December 2012.

In connection with the transfer of the Property (Note 26) in favor of the ultimate controlling party or to another person to be determined by the ultimate controlling party, in March 2012 the Company received the consent of bondholders to waive the condition "Restricting the sale of assets and equity of subsidiaries" and any other conditions that may occur as a direct result of the construction and transfer of the Property by the Company.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

'000 KZT	Currency	Year of maturity	31.12.2012	31.12.2011
Secured bank loans				
Japan Bank of International Cooperation	USD	2014	7,106,072	6,213,118
Industrial and Commercial Bank of China	USD	2013	3,019,208	5,949,142
ING bank Japan	Euro	2012	-	5,694,011
Mizuho Corporate Bank Ltd.	USD	2015	3,109,707	4,174,278
RBS (ABN AMRO Bank N.V.)	USD	2013	-	2,982,297
Natixis Bank	USD	2013	736,388	2,470,959
Citibank, Tokyo	USD	2013	644,113	2,451,502
Japan Bank of International Cooperation	USD	2014	1,468,331	2,228,226
Natixis Bank	USD	2022	2,896,739	2,020,265
JV «Citi Bank»	Tenge	2012	-	1,120,000
Natixis Bank	USD	2014	629,237	1,030,311
RBS (ABN AMRO Bank N.V.)	USD	2013	-	627,135
Commerce and Industry bank of China in Kazakhstan	Tenge	2012	-	457,087
JV «Bank of China in Kazakhstan»	USD	2012	452,396	445,287
The Bank of Tokyo-Mitsubishi UFJ. Ltd	Euro	2024	10,442,876	-
			<u>30,505,067</u>	<u>37,863,618</u>
Unsecured bank loans				
JV «Kazinvestbank»	USD	2013	1,062,903	-
			<u>1,062,903</u>	<u>-</u>
			<u>31,567,970</u>	<u>37,863,618</u>
Unsecured non-bank loans				
Sumitomo Corporation	USD	2013	841,723	3,191,125
Purelight International	Tenge	2014	18,163	-
Purelight AG	USD	2014	6,754	-
“SGHK” LLP	Tenge	2013	78,207	-
Kansai Electric Power Inc.	USD	2013	332,497	1,265,931
Kozhema Katko Demeu	Tenge	2024	226,598	207,596
			<u>1,503,942</u>	<u>4,664,652</u>
Finance lease obligations				
JSC «Center Leasing»	Tenge	2012	-	9,957
JV LLP «Betpak Dala»	Tenge	2013	6,329	24,235
			<u>6,329</u>	<u>34,192</u>
Bonds (unsecured)				
Bonds	USD	2015	75,273,591	73,853,962
			<u>108,351,832</u>	<u>116,416,424</u>

In 2012 the Group's weighted average interest rate on fixed interest rate loans was 6.45% (2011: 6.72%) and on floating interest rate loans, was 2.53% (2011: 2.26%).

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

Loan covenants

The Group's various loan agreements include covenants with banks, pursuant to which the Group must comply with laws to which it is subjected, must not create or permit any security over its assets or dispose of assets, except for the cases indicated in loan agreements, and must obtain the lenders' approval for acquisitions, mergers and disposals if any. It must also sell uranium solely to customers for non-military purposes residing in countries which have signed the Nuclear Non-Proliferation Treaty, and are members of International Atomic Energy Agency.

Additionally, the Group is subject to certain key financial covenants based on the Group's consolidated financial information, such as the debt to equity ratio, debt to EBITDA ratio and debt to net interest ratio, all calculated as defined in the various loan agreements.

Management of the Group believes that it complied with the financial covenants related to the Group's various loan agreements as at 31 December 2012.

Collateral

Bank loans are secured by contracts on delivery of goods (uranium concentrate).

In 2012 property, plant and equipment that was pledged to secure bank loans was removed from encumbrance due to the settlement of the contract. (2011: KZT 3,868,936 thousand) (Note 18). On 14 February 2012, the encumbrance of collateral in the form of inventories was withdrawn from a credit line in Halyk Bank of Kazakhstan due to expiration of the contract (2011: KZT 1,159,572 thousand) (Note 28).

The Group has no right to re-pledge the collateral. There were no other significant terms and conditions associated with the use of collateral.

Finance lease obligations

Finance lease obligations are subject to repayment as follows:

'000 KZT	Minimum lease payments	31.12.2012 Less future finance charges	Present value of minimum lease payments
Not later than one year	6,629	(300)	6,329
Later than one year and not later than five years	-	-	-
	6,629	(300)	6,329
'000 KZT	Minimum lease payments	31.12.2011 Less future finance charges	Present value of minimum lease payments
Not later than one year	29,698	(1,835)	27,863
Later than one year and not later than five years	6,479	(150)	6,329
	36,177	(1,985)	34,192

More information on interest rate and currency risk is presented in Note 42.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

36. PROVISIONS

	Compensation for occupational diseases	Environmental protection	Reclamation of mine sites	Social object	Other	Total
'000 KZT						
Balance as at 1 January 2011						
Non-current	329,409	888,194	5,365,335	-	15,730	6,598,668
Current	59,029	-	49,108	18,892,550	-	19,000,687
Total	388,438	888,194	5,414,443	18,892,550	15,730	25,599,355
Provision created within the year	146,823	33	2,307,663	-	1,343	2,455,862
Change in estimate	-	152,295	98,380	2,791,334	-	3,042,009
Unwinding of discount	45,397	62,173	377,096	1,046,027	594	1,531,287
Provision used within the year	(74,790)	-	(61,195)	-	-	(135,985)
Foreign exchange	-	-	74	-	-	74
Balance as at 31 December 2011	505,868	1,102,695	8,136,461	22,729,911	17,667	32,492,602
Allocated as:						
Non-current	420,407	1,102,695	8,136,461	-	17,667	9,677,230
Current	85,461	-	-	22,729,911	-	22,815,372
Total	505,868	1,102,695	8,136,461	22,729,911	17,667	32,492,602
Provision created within the year	85,224	12	114,997	-	1,369	201,602
Change in estimate	-	12,191	385,048	70,907	-	468,146
Unwinding of discount	36,049	77,190	588,050	-	635	701,924
Provision used within the year	(90,342)	(31,229)	(3,313)	-	-	(124,884)
Foreign exchange	-	-	175	-	-	175
Balance as at 31 December 2012	536,799	1,160,859	9,221,418	22,800,818	19,671	33,739,565
Allocated as:						
Non-current	441,548	1,160,859	9,221,418	-	19,671	10,843,496
Current	95,251	-	22,800,818	-	-	22,896,069
Total	536,799	1,160,859	9,221,418	22,800,818	19,671	33,739,565

Changes in accounting estimates occur primarily as a consequence annual retranslation of estimated remediation costs related to landfill facilities taking into consideration newly drilled wells, built sand tanks and other objects obtained by the Group.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

(a) Provision for compensation for occupational diseases

In accordance with Articles 939, 943 and 944 of the Civil Code of the Republic of Kazakhstan, the Group is required to pay compensation for occupational diseases and disability arising during the period of employment, or during retirement as a result of disease or disability occurring due to former work conditions.

In determining the amount of the provision, the Group's management base their estimates on the number of persons currently entitled to the compensation, the estimated duration of payments and the average annual payments to various categories of employees based on their relative salaries extrapolated for the estimated future rates of disease and disability during the expected lifetime of current and former employees. As at 31 December 2012 the undiscounted amount of the estimate is KZT 898,733 thousand (2011: KZT 760,398 thousand).

This estimate has been recognized at present value using a discount rate of 7% (2011: 7%) and inflation rate of 5% (2011:5%). This is a risk free nominal rate as the Group's future cash outflows reflect risk specific to the liability.

(b) Provision for environmental protection

The Group, pursuant to the legislation of the Republic of Kazakhstan on environmental protection, is required to dispose of radioactive waste and to decommission and dispose of polluted property, plant and equipment. As at 31 December 2012 the undiscounted value of the estimated costs to comply with this legislation were KZT 27,987,180 thousand (2011: KZT 28,005,680 thousand). A substantial part of environmental protection expenses pertains to years 2068-2071.

In computing the provision for environmental protection the Group used a discount rate of 7% discount rate (2011: 7%) and inflation rate of 5% (2011: 5%), the risk free nominal rate as the Group's future cash outflows reflect risk specific to the liability.

When determining the amount of the environmental provision, Group management used assumptions and assessments based on the experience of decommissioning and clean up work of a similar nature carried out in 2000-2011, and considered the input provided by both in-house engineers and professional advisors based on their best interpretation of the current environmental legislation.

(c) Provision for reclamation of mine sites

Management estimates the site restoration costs for each field operated by the Group. As at 31 December 2012 the undiscounted estimated cost of reclamation activities is KZT 17,469,486 thousand (2011: KZT 16,473,580 thousand) and the present value of such cost has been estimated using a discount rate of 7% (2011: 7%). This is a risk free nominal rate as the future cash outflows reflect risk specific to the liability.

In view of the long-term nature of reclamation liabilities, there is uncertainty concerning the actual amount of expenses that will be incurred in performing site restoration activities for each field.

Management's estimates of the costs of closure, reclamation and decommissioning are based on reclamation standards that meet existing regulatory requirements, while environmental legislation in Kazakhstan continues to evolve. The provision is the discounted value of estimated costs at the end of the mine life. Elements of uncertainty in estimating these amounts include potential changes in regulatory requirements and decommissioning and reclamation alternatives.

In accordance with the terms of the subsurface use agreements the Group invests cash in long-term bank deposits to finance future site restoration activities. As at 31 December 2012 the amount of restricted such deposits was KZT 4,304,041 thousand (2011: KZT 3,452,317 thousand) (Note 33).

Key assumptions, in addition to the discount rate noted above, which serve as the basis for determining the carrying value of the provision for reclamation of mine sites provision are as follows:

- there is a high probability that the Group will proceed to development and production stages for its fields which are currently under exploration. These facts set out a constructive obligation for the Group to recognize the site restoration provision for all mining and exploration licenses;
- the expected term for future cash outflows for the mine sites is based on the life of the mines. A substantial part of expenditures is expected to occur in 2019 - 2034, at the end of the life of the mine; and
- inflation rate - 5% per annum.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

(d) Provision for social object

As described in Notes 26 and 34 above, the Group entered into an onerous commitment with its ultimate Shareholder to construct the Property that, upon completion, will be transferred to a body to be nominated by the Shareholder for no consideration. The discounted amount of the provision in December 2010 was calculated using a discount rate of 7%, which is a risk-free nominal rate, as the future cash flows reflect risks attributable to the obligation. In 2011 and 2012 the Company revised the estimate of its obligation and increased the recorded liability.

This provision reflects the full value of the obligation to construct the Property and is considered to be short-term in nature due to the expectation that the commitment will be fulfilled within twelve months from the period end date.

37. TRADE PAYABLES

	<u>31.12.2012</u>	<u>31.12.2011</u>
	<u>'000 KZT</u>	<u>'000 KZT</u>
<i>Non-current</i>		
Trade payables	<u>2,815,395</u>	<u>686,945</u>
<i>Current</i>		
Accounts payable to related parties (Note 44)	35,547,556	34,654,231
Trade payables	<u>14,020,324</u>	<u>11,580,859</u>
	<u>49,567,880</u>	<u>46,235,090</u>
	<u>52,383,275</u>	<u>46,922,035</u>

Trade payables mainly include the balance from purchased goods and services, and current expenses. The average credit term is 60 days.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 42.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

38. ADVANCES RECEIVED AND OTHER PAYABLES

	31.12.2012 ‘000 KZT	31.12.2011 ‘000 KZT
<i>Non-current</i>		
Advances received (Note 33)	-	1,671,578
Other payables	1,786,001	41,064
	1,786,001	1,712,642
<i>Current</i>		
Dividends payable to shareholder	11,750,664	-
Taxes payable other than income tax	6,461,254	4,615,264
Advances received	1,800,245	2,192,488
Salaries payable	2,199,041	2,173,259
Advances received from related parties	892,072	-
Social contributions payable	686,706	600,317
Dividends payable to other participants	155,604	98,460
Income tax payable	164,092	23,455
Interest payable	22,130	1,922
Other liabilities to related parties	1,740	-
Other accounts payable	546,025	643,171
	24,679,573	10,348,336
	26,465,574	12,060,978

39. PREFERENCE SHARES

Non-participating cumulative preference shares are shares of the Company's subsidiary entities, JSC Ulba Metallurgical Plant (264,827 shares) and JSC Volkovgeology (75,857 shares), which have par value of 1,000 and 170 tenge per share, respectively.

The holders of the non-participating cumulative preference shares of JSC Ulba Metallurgical Plant are entitled to receive an annual dividend of KZT 52,965 thousand (20% of par value) and the holders of the non-participating cumulative preference shares of JSC Volkovgeology are entitled to receive an annual dividend of KZT 644 thousand (5% of par value), in both cases before dividends are declared on their ordinary shares. These dividends are accrued in accordance with the respective company charter agreements. Non-participating preference shares have no rights to share in any surplus assets and no voting rights. These preference shares are classified as liabilities on the consolidated statement of financial position because they contain a mandatory dividend payment.

40. ACCRUED LIABILITIES

	31.12.2012 ‘000 KZT	31.12.2011 ‘000 KZT
<i>Current liabilities</i>		
Vacation pay accrual	1,821,092	1,530,713
Provision for remuneration of employees	1,032,116	660,498
Services accrual	488,185	433,642
Other	10,832	19,888
	3,352,225	2,644,741
<i>Non-current liabilities</i>		
Provision for remuneration of employees	149,645	-
	149,645	-

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

41. OTHER FINANCIAL LIABILITIES

(a) Minimum distributions of "Semizbay-U" LLC

In 2008, the Group entered into an Agreement (the "Agreement") to dispose of 49% of its interest in "Semizbay-U" LLP ("Semizbay") to Beijing Sino-Kaz Uranium Resources Investment Company Limited ("Sino-Kaz Company").

The Agreement entitled Sino-Kaz Company to a minimum distribution of annual net income of Semizbay in the period 2010 until 2033. The payments of these distributions are guaranteed by Company. This liability was measured at fair value at inception.

In August 2012 the Company and Sino-Kaz Company signed an amicable agreement extinguishing Sino-Kaz Company's entitlement to a minimum distribution of annual net income of Semizbay in the period 2010 until 2033, coupled with the associated guarantee by the Company, in return for either: Option A - Sino-Kaz Company will retain its 49% ownership interest in Semizbay, and the Company will make a cash payment equal to the difference between the original contractual obligation and the current fair value of Semizbay as determined by an independent third party, or Option B - Sino-Kaz Company will relinquish its 49% ownership interest in Semizbay and the Company will make a cash payment to Sino-Kaz Company computed using a pre-established formula based upon the original contractual obligation amount adjusted for interest accrued and dividends paid

The Company had submitted documents to the Government seeking consent to exercise Option A as set forth in the Amicable Agreement. The Group's Management is waiting for the Government's consent which is expected in April 2013. If Government consent is not received, then starting from May the two parties must exercise Option B.

The amount accrued in other financial liabilities in the consolidated statement of financial position approximates the Company's maximum obligation under the Amicable Agreement (Option B above). As at 31 December 2012 the entire obligation was classified as current as the liability will be settled (depending on the option taken) within twelve months from the reporting period end date.

	2012 000'KZT	2011 000'KZT
Beginning balance	45,028,274	42,478,457
Unwinding of discount	4,988,414	4,634,273
Foreign exchange loss	1,003,820	331,842
Payment	(4,344,150)	(2,416,298)
	<u>46,676,358</u>	<u>45,028,274</u>
Allocated as :		
Non-current	-	40,745,811
Current	46,676,358	4,282,463

(b) Subsoil use agreement

Subsoil use agreements for uranium fields held by the Group require it to reimburse the Government for historical geological exploration and evaluation costs incurred. The amount of such liabilities as at 31 December 2012 was 3,224,124 thousand tenge (2011: 2,761,283 thousand tenge).

In accordance with new tax legislation effective from 1 January 2010, the historical costs are to be reimbursed to the Government via quarterly payments over a 10 year period, beginning from the date of commercial extraction of uranium. The liability represents the discounted cash flow of estimated future payments. The discount rate applied in 2012 is 3.3% for historical costs denominated in USD and 7% for those denominated in tenge (2011: 3.3% and 7% respectively). This is a risk free nominal rate as the future cash outflows reflect risk specific to the liability.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

	2012	2011
	000'KZT	000'KZT
As at 1 January	2,374,543	2,112,669
Created within the year	689,613	488,475
Change in cost	-	(33,223)
Unwinding of discount	110,367	90,328
Repaid within the year	(329,348)	(304,830)
Foreign exchange	39,870	21,124
As at 31 December	2,885,045	2,374,543
Comprised of:		
Non-current	2,474,691	2,068,365
Current	410,354	306,178

42. FINANCIAL RISK MANAGEMENT

(a) Overview

The Group has exposure to the following risks relating to the operations of the Group:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's policy for management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established a Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, cash and cash equivalents, and term deposits.

The credit risk on cash and cash equivalents and term deposits is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. Approximately 39% of the Group's revenue (53% of trade receivables) is attributable to sales transactions with two main customers as at 31 December 2012. The Group defines counterparties as having similar characteristics if they are related entities.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

The Group applies a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered.

The Group does not require collateral in respect of trade and other receivables.

(c) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

'000 KZT	Carrying amount	
	31.12.2012	31.12.2011
Other investments (available-for-sale)	67,056,184	67,056,184
Trade receivables	80,549,261	62,379,438
Cash and cash equivalents	38,038,905	41,837,161
Term deposits	11,900,387	31,160,006
Loans to related parties (Note 31)	13,297,619	10,844,384
Loans to employees (Note 27)	2,057,384	922,477
Receivables from subsoil users	-	12,654
	212,899,740	214,212,304

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

'000 KZT	Carrying amount	
	31.12.2012	31.12.2011
China	37,109,489	33,060,835
USA	11,051,545	2,738,370
Europe	9,349,768	2,339,127
India	9,327,523	-
Kazakhstan	8,788,305	11,491,393
Japan	3,040,762	3,551,953
Russia	1,875,262	9,197,760
Other	6,607	-
	80,549,261	62,379,438

The most significant clients of the Group are China Nuclear Energy Industry Corporation and CGNPC Uranium Resources Company Limited. As at 31 December 2012, the cumulative balance receivable from these clients was KZT 36,190,935 thousand (2011: KZT 32,984,856 thousand).

(d) Provision for doubtful debts

The average credit period taken on sales of goods is 30 days. No interest is charged on receivables for the first 30 days from the date of the invoice. Thereafter, interest is charged at the refinancing rate set by the National Bank of the Republic of Kazakhstan (31 December 2012: 5.5%) on the outstanding balance. Allowances against doubtful debts are recognized against trade receivables between 30 days and 120 days and over 120 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

As at reporting date, the ageing of the trade receivables was as follows:

'000 KZT	Gross	Provision for	Gross	Provision for
	31.12.2012	doubtful debts	31.12.2011	doubtful debts
		31.12.2012		31.12.2011
Not past due	74,437,088	-	60,757,399	-
Past due 0-30 days	1,659,037	-	1,230,468	-
Past due 31-120 days	4,302,498	-	300,726	-
Past due more than 120 days	781,465	630,827	1,529,975	1,439,130
	81,180,088	630,827	63,818,568	1,439,130

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

During the reporting period, the movement on the provision for doubtful debts was as follows:

	2012 ‘000 KZT	2011 ‘000 KZT
At 1 January	1,439,130	563,432
Increase in provision for doubtful debts	112,758	1,050,651
Change in estimate	(779,928)	-
Amounts written off during the year	(141,133)	(174,953)
At 31 December	630,827	1,439,130

(e) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities as they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group’s reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expense of financial obligations which excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Below is a summary of the Group’s undrawn borrowing facilities and available cash and cash equivalents, including term deposits, which are the important instruments in managing the liquidity risk:

	31.12.2012 ‘000 KZT	31.12.2011 ‘000 KZT
- amount used (current deposits)	2,991,552	40,983,867
- amount used (bank account)	37,207,243	28,158,455
- amount unused	9,818,625	4,254,340
	50,017,420	73,396,662

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

(f) Liquidity risk, continued

The following are the contractual maturities of financial liabilities:

31.12.2012 '000 KZT	Carrying amount	Contractual cash flows	0-6 mths	6-12 mths	from 1 to 2 years	from 2 to 3 years	from 3 to 4 years	from 4 to 5 years	More than 5 years
Non derivative financial liabilities									
Secured bank loans	31,567,970	33,441,991	6,822,780	6,276,037	8,249,607	3,132,836	2,179,138	2,128,426	4,653,167
Preferred shares	264,827	264,827	-	-	52,965	52,965	52,965	52,965	52,967
Finance lease liabilities	6,329	6,329	6,329	-	-	-	-	-	-
Unsecured non-bank loans	1,503,942	1,510,958	924,815	334,628	24,917	-	-	-	226,598
Other liabilities	27,004,649	27,004,649	27,004,649	-	-	-	-	-	-
Other financial liabilities	49,561,403	49,561,403	-	47,086,712	309,336	309,336	309,336	309,336	1,237,347
Bonds	75,273,591	87,192,814	2,356,563	2,356,563	4,713,125	77,766,563	-	-	-
Trade payables and payables to related parties	52,948,930	52,948,930	49,566,760	566,775	27,245	-	798,318	1,989,832	-
	238,131,641	251,931,901	86,681,896	56,620,715	13,377,195	81,261,700	3,339,757	4,480,559	6,170,079
31.12.2011									
'000 KZT									
Non derivative financial liabilities									
Secured bank loans	37,863,618	39,569,525	5,993,856	12,843,835	11,611,164	6,638,341	1,170,350	309,224	1,002,755
Preferred shares	264,827	264,827	-	-	52,965	52,965	52,965	52,965	52,967
Finance lease liabilities	34,192	34,192	18,636	9,227	6,329	-	-	-	-
Unsecured non bank loans	4,664,652	4,729,635	1,704,569	1,696,285	1,121,185	-	-	-	207,596
Other financial liabilities	47,402,817	119,648,830	2,148,906	2,455,084	4,527,631	10,329,477	5,849,726	4,994,646	89,343,360
Bonds	73,853,962	90,431,250	2,318,750	2,318,750	4,637,500	4,637,500	76,518,750	-	-
Trade payables and payables to related parties	46,922,035	46,922,035	46,235,090	-	-	143,723	143,723	143,724	255,775
	211,006,103	301,600,294	58,419,807	19,323,181	21,956,774	21,802,006	83,735,514	5,500,559	90,862,453

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

(f) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will have a negative impact on the Group's income or the value of its financial instrument holdings. The objective of market risk management is to monitor and control market risk exposures within acceptable limits, while optimizing the return on investments.

The Group occasionally utilizes derivatives in order to manage market risks. Derivatives are not entered into for speculative purposes.

(g) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings denominated in currencies other than the Company's functional currency Tenge.

Borrowings are denominated in currencies that match the cash flows generated by operating entities in the Group. Therefore, in most cases, economic hedging is achieved without derivatives.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by planning future expenses taking into consideration the currency of payment.

(i) Price risk on the uranium products

The Group is exposed to the effect of fluctuations in the price of uranium, which is quoted in USD on the international markets. The Group prepares an annual budget based on future uranium prices.

Uranium prices historically fluctuate and are affected by numerous factors outside of the Group's control, including, but not limited to, demand from utilities, depleting levels of secondary sources such as recycling and blended down highly enriched stocks available to close the gap of the excess demand over supply, regulations by International Atomic Energy Agency and other factors related specifically to uranium.

At the end of the reporting period there was no significant impact of commodity price risk on the Group's financial assets and liabilities.

(ii) Currency risk exposure

Exposure of the Group to currency risk was as follows:

	31.12.2012	31.12.2011
	USD-denominated	USD-denominated
Term deposits	-	9,002,457
Trade receivables	70,677,810	47,907,252
Cash and cash equivalents	15,441,834	27,076,516
Other investments	492,016	-
Total assets	86,611,660	83,986,225
Loans and borrowings	(22,306,068)	(35,049,576)
Bonds issued	(75,273,591)	(73,853,962)
Other financial liabilities	(49,561,403)	(47,402,817)
Other liabilities	(492,095)	(484,456)
Trade payables	(1,267,491)	(4,747,686)
Total liabilities	(148,900,648)	(161,538,497)
Net exposure	(62,288,988)	(77,552,272)

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

The following exchange rates applied during the year:

In KZT	Average rate		Reporting date spot rate	
	2012	2011	2012	2011
USD 1	149.11	146.62	150.74	148.40

Sensitivity analysis

A 10% weakening and 10% strengthening of the KZT against the USD as at 31 December 2012 (2011:10% and 10%) would increase (decrease) equity and profit/loss by the amounts shown below. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

	Profit or (loss) '000 KZT
2012	
USD	
+10%	(6,228,899)
-10%	6,228,899
2011	
USD	
+10%	(7,755,227)
-10%	7,755,227

(h) Interest rate risk

Changes in interest rates impact loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (floating rate debt). Management adopts a risk management policy of ensuring that between 20% and 40% of its borrowings are on a fixed rate basis primarily by entering into interest rate swaps.

At the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or a floating rate would be more favorable to the Group over the expected period until maturity.

The Group has interest rate swap contracts. The Group does not designate interest rate swaps as hedging instruments under a fair value hedge accounting model. The present value of swaps entered into by the Group are not material to the consolidated financial statements presentation as at 31 December 2012.

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

'000 KZT	Nominal amount	
	31.12.2012	31.12.2011
Fixed rate instruments		
Financial assets	24,349,594	55,683,096
Financial liabilities	(77,118,612)	(76,382,951)
	(52,769,018)	(20,699,855)
Floating rate instruments		
Financial liabilities	(31,226,891)	(40,298,300)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

Fair value sensitivity analysis for floating rate instruments

An increase of 100 basis points and a decrease of 25 basis points in interest rates at the reporting date would have (decreased) increased equity and profit or loss by the amounts shown below, represents management's assessment of reasonably possible changes in the interest rates based upon current interest rates and the current economic environment. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2011.

'000 KZT	Profit or (loss)	
	100 bp increase	25 bp decrease
2012		
Floating rate instruments	(312,269)	78,067
2011		
Floating rate instruments	(402,983)	100,746

(i) Fair values versus carrying amounts

Except as detailed in the following table, the Group considers that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

In assessing fair values, management used the following major methods and assumptions:

Interest free financial liabilities and financial liabilities with fixed interest rate

Financial liabilities were discounted at a effective interest rate which approximates the market rate.

Financial liabilities with floating interest rate

The fair value is not materially different from the carrying amount because the effect of the time value of money is immaterial.

	31.12.2012		31.12.2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Secured bank loans and unsecured notes	31,567,970	31,540,808	37,863,618	37,821,648
Unsecured non-bank banks loans	1,503,942	1,392,869	4,664,652	4,500,443
Bonds	75,273,591	74,734,684	73,853,962	74,011,069
	108,345,503	107,668,361	116,382,232	116,333,160

(j) Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital includes all capital and reserves of the Group. The Group monitors the following indicators:

- financial stability, or measures of loan management, determining the degree of borrowing funds utilization; and
- profitability, determining cumulative effects of liquidity, asset and capital management as a result of business activities.

In September 2012 the Shareholder of the Group adopted a new policy on borrowings and financial stability in order to identify common principles and rules of fundraising for non-financial organizations.

In order to evaluate the financial stability of the Group, the following key financial ratios are used:

- the debt to equity ratio of not greater than 2;
- the debt ratio to earnings before interest, taxes, depreciation and amortization (Debt/EBITDA) of not greater than 3.5; and
- the ratio of earnings before interest and tax to net interest expense (EBIT/ net interest expenses) of not less than 2.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

43 CONTINGENCIES

(a) Insurance

The insurance industry in Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full insurance coverage for its plant facilities, business interruption, or third party liabilities in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial results.

(b) Taxation contingencies

(i) Taxation contingencies

The tax system of Kazakhstan is quite new and characterized by a large number of taxes (corporate income tax, value added tax, mineral extraction tax and other taxes being material to the Group's operations) and frequent changes in legislation, official regulation and court rulings. Taxes are subject to review by a body which is entitled to charge fines, interest and penalties. Tax years remain open for review by tax authorities for five calendar years subsequent to the tax year-end; however in certain circumstances the tax year can remain open longer. Various Kazakh legislative acts are not always clearly set forth and their interpretation depends on the opinion of local tax authorities and the Ministry of Finance of the Republic of Kazakhstan, for example, the definition of taxable turnover for VAT purposes, the deductibility of certain expenses for corporate income tax purposes, questions of application of the new tax code effective from 2009, the determination of the timing of revenue recognition, and other issues. The opinions of the local, regional, and state tax officials often differ. The existing regime of charging penalties and fines in the case of declared and discovered violations of laws, decrees and standards of Kazakhstan are strict and tax authorities are aggressive in the inspection of subsurface users. The sanctions include the penalty, which comprise 50% of the additional charge of the tax and payment of penalties of 2.5 times the official refinancing rate set by the National Bank of the Republic of Kazakhstan for each day of the violation. As a result, penalties and fines can result in amounts many times greater than the incorrectly calculated taxes.

Such conditions create more serious tax, penalty and interest risks in Kazakhstan as compared to other countries. Management believes that it has appropriately provided for all tax liabilities based on existing interpretations of applicable tax laws, regulations and court rulings. Nonetheless, the opinions of the respective authorities can differ, which can significantly impact the financial statements.

During 2009, the Group's associate JV Betpak-Dala LLP (the "Associate") was the subject of a tax audit for the 2004-2008 tax years. Based on the results of the tax audit, an act and notification were issued to the Associate for additional taxes, penalties and interest of KZT 3,392,911 thousand. On 24 November 2009 the Associate paid KZT 177,117 thousand. In 2011 the Associate paid and expensed the remaining amount of tax accruals, penalties and interest based on the decision of the Supreme Court.

Management of the Group believes that it adequately recognized its tax liabilities in the consolidated financial statements.

(ii) Excess profit tax ("EPT")

In accordance with tax legislation from 2009 the subsoil users must pay EPT on the amount of net income earned from contractual operations in a calendar year, which exceeds the amount equal to 25% from the deductions used for EPT calculations. For EPT calculation purposes, EPT expenditures include the following:

- corporate income tax deductions claimed in a calendar year, net of any fixed asset depreciation and intangible asset amortization charges, as determined for corporate income tax purposes;
- any capital expenditures that a subsoil user incurs in the calendar year for the purposes of its subsoil use operations; and,
- any unused net operating losses that a subsoil user incurred in the course of its subsoil operations in prior years and that were carried forward to the calendar year.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

The EPT base is the portion of the net income calculated for each subsoil contract, in excess of 25% of the amount of the corresponding EPT deductions. For the purposes of calculating EPT, the net income represents the difference between the taxable income and the amount of corporate income tax liability, where the taxable income is the gross annual revenues less the amount of abovementioned EPT expenditures. The applied EPT rates vary on the progressing scale from 10% to 60% depending on the ratio of total annual revenues to annual EPT deductions.

Taking into account that the revenue from the Company's contracts is defined as cost of production, increased by 20%, using the current method of calculating corporate income tax and EPT, management of the Group anticipates that an internal rate of return of above 20% will not be reached for the foreseeable future.

(iii) Mineral Extraction Tax ("MET")

There has been uncertainty in the past regarding the taxable base for MET. Previously, management of the Company used the cost of initial processing as the taxable base and applied the MET rate of 22% which was set by the Tax Code. In 2012 through discussions between the uranium producing companies and the tax authorities, a mutual understanding was reached that the taxable base should include the cost of initial production grossed up for MET. As part of that negotiation, the MET rate was reduced for 2009-2012 from 22% to 17.5%. The relevant changes in the Tax Code were approved in December 2012. The Company recognized the effect of this revision in its consolidated financial statements for the year ended December 31, 2012. The tax authorities have not yet conducted any specific review of the Company's compliance with taxation laws relating to mineral extraction tax.

Effective from 1 January 2013 certain changes were made in the Tax Code and the mineral extraction tax rate was changed to 18.5% on prospective basis.

(iv) Transfer Pricing

The Kazakhstan transfer pricing law, which was amended and enacted on 1 January 2009 primarily applies to cross-border and domestic transactions involving sales of goods and services. As at 31 December 2012, the Company has made adjustments that it considers appropriate to comply with the transfer pricing law.

In 2012 a documentary thematic inspection on state control over transfer pricing for the period for 2007 in JSC "NAC" Kazatomprom was completed (started and suspended in 2009). The inspection had been completed before the due date, which expired on 31 December 2012. As a result of the inspection the Company received a report and notice of payment of additional corporate income tax, penalties and interest for a total amount of KZT 6,390,276 thousand. The Company does not agree with the notice and intends to challenge the lawfulness of this tax charge in the courts of Kazakhstan. On 5 February 2013 a complaint regarding the report and notice was sent to the Tax Committee of the Ministry of Finance. Management of the Company has reason to believe that the judicial proceedings with the tax authorities of Kazakhstan will be decided in favor of the Company, but the decision process may be long. According to this, the Company has decided not to provide for the taxes, penalties and fines resulting from this report and notification.

(c) Environmental obligations

In accordance with "the Implementing Agreement between the Department of Energy of the United States of America and the Ministry of Energy, Industry and Trade of the Republic of Kazakhstan" (Hereinafter Agreement) dated 19 December 1999, the governments of the United States of America and Kazakhstan have assumed responsibility for decommissioning reactor BN - 350 and for storing the reactor's nuclear fuel rods. Under the Agreement, the US Government has undertaken to obtain financing from international organizations including Technical Assistance for CIS countries (TACIS) of the European Union, Precioso (France), Canberra (Belgium), and ALSTOM (France), and domestic not-for-profit organizations, Scientific Production Centre BYaT and KATEP JSC.

According to the Program approved by the Government of Kazakhstan of the nuclear industry development in the Republic of Kazakhstan for 2011-2014 with the prospect of up to 2020 (hereinafter "Program") the Ministry of Industry and New Technologies of the Republic of Kazakhstan is the government body responsible for the decommissioning of the BN-350, including the further utilization of the related equipment and materials. In addition, the action plan for implementation of the program is also provided that Republican budget will be the source of funding of these activities. As at December 31, 2012 Company confirms that has no juridical and financial obligations to decommission the nuclear reactor BN-350.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

(f) Guarantees

The maximum exposure to credit risk for financial guarantees given to secure financing of certain related parties at the reporting date is KZT 38,265,908 thousand (2011: KZT 35,712,325 thousand).

44. RELATED PARTY TRANSACTIONS

(a) Control relationships

The Company was established in accordance with the Order of the President of the Republic of Kazakhstan no. 3593 dated 14 July 1997. On 19 January 2009 the Shareholder became the sole owner of the Company. The Shareholder is wholly owned by the Government.

(b) Transactions with management and close family members

Members of the Board of Directors, executive directors, heads of departments and their close family members do not control any voting shares of the Group, as 100% of the shares are owned by the Government.

(i) Management remuneration

Key management received the following remuneration during the year, which is included in personnel costs (Note 14).

	<u>2012</u> <u>'000 KZT</u>	<u>2011</u> <u>'000 KZT</u>
Salaries and bonuses	<u>1,887,519</u>	<u>1,658,975</u>

The Group's related party transactions are disclosed in the following tables. In relation to government entities who are related parties, the Group only has transactions with the group of companies controlled by the Shareholder, as detailed below.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

(c) Transactions with other related parties

(i) Revenue and trade receivables

'000 KZT	Transaction value 2012	Outstanding balance 2012	Transaction value 2011	Outstanding balance 2011
<i>Sale of goods</i>				
Associates	1,550,117	236,002	3,811,821	415,872
Jointly controlled entities	4,173,152	506,755	4,238,874	123,196
Entities under common control	13,838,289	331,662	9,847,822	295,122
Other	1,071,299	808,727	-	-
<i>Services provided:</i>				
Associates	17,973,993	4,096,719	16,324,340	3,561,935
Jointly controlled entities	3,308,142	375,054	3,588,595	419,365
Entities under common control	84,783	1,064	88,236	2,405
Other	3,711,684	1,024,689	-	-
<i>Dividends:</i>				
Dividends declared by associates	24,802,068	-	14,090,944	725,293
Dividends declared by jointly controlled entities	11,500,387	-	6,958,458	4,522,694
Dividends declared to other related parties	1,596,620	-	-	-
	83,610,534	7,380,672	58,949,090	10,065,882

All outstanding balances with related parties are to be settled in cash within six months of the reporting period end. None of the balances are secured.

(ii) Expenses and trade payables

'000 KZT	Transaction value 2012	Outstanding balance 2012	Transaction value 2011	Outstanding balance 2011
<i>Purchase of goods:</i>				
Associates	36,927,573	20,275,139	61,531,749	23,941,571
Jointly controlled entities	39,085,956	10,655,694	41,129,645	6,688,789
Entities under common control	22,007,920	3,995,452	17,265,232	1,805,406
Other	1,686,770	777,528	-	-
<i>Services received:</i>				
Associates	2,062,136	156,743	3,222,676	1,900,531
Jointly controlled entities	65,318	2,319	43,299	60,571
Dividends to owner	23,501,328	11,750,664	-	-
Entities under common control	2,592,460	144,330	1,648,161	257,363
Other	966,532	434,163	-	-
	128,895,993	48,192,032	124,840,762	34,654,231

All outstanding balances with related parties are to be settled in cash within six months of the end of the reporting period. None of the balances are secured.

(iii) Loans

'000 KZT	Amount loaned 2012	Outstanding balance 2012	Amount loaned 2011	Outstanding balance 2011
Associates	7,698,391	7,698,391	6,265,198	6,265,198
Jointly controlled entities	20,000	20,000	20,000	20,000
Other	5,579,228	5,579,228	4,559,186	4,559,186
	13,297,619	13,297,619	10,844,384	10,844,384

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

(iv) Transactions with Halyk Bank JSC

Deposits

'000 KZT	<u>Gross</u>	<u>Principal</u>	<u>Change</u>
At 1 January 1 2011	31,220,399	31,116,659	103,740
Placed/Accrued	36,675,883	36,116,728	559,155
Withholding tax	(99,152)	-	(99,152)
Foreign exchange difference	(77,655)	(76,560)	(1,095)
Withdrawn	(58,508,857)	(57,947,000)	(561,857)
At 31 December 2011	9,210,618	9,209,827	791
Placed/Accrued	8,008,965	8,002,846	6,119
Withholding tax	(1,027)	-	(1,027)
Foreign exchange difference	-	-	-
Withdrawn	(17,206,666)	(17,200,840)	(5,826)
At 31 December 2012	11,890	11,833	57

Current account

'000 KZT	<u>2012</u>	<u>2011</u>
At 31 December	18,604,260	16,578,587

*(v) Transactions with Subsidiary insurance Group of Halyk Bank of Kazakhstan "Halyk-Kazakhinstrakh" JSC
(Subsidiary Group of Halyk Bank of Kazakhstan JSC)*

'000 KZT	<u>Transaction value 2012</u>	<u>Outstanding balance 2012</u>	<u>Transaction value 2011</u>	<u>Outstanding balance 2011</u>
Revenue - services provided	592	-	25,639	3,331
Expenses - services received	92,612	-	19,917,159	630,841

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

(vi) Transactions with BTA Bank JSC

Deposits

'000 KZT	Gross	Principal	%
As at 1 January 2011	311,216	308,188	3,028
Placed/Accrued	11,444,424	11,373,789	70,635
Withholding tax	(10,786)	-	(10,786)
Foreign exchange difference	(11,498)	(11,498)	-
Withdrawn	(10,976,129)	(10,915,009)	(61,120)
As at 31 December 2011	757,227	755,470	1,757
Placed/Accrued	398,172	399,250	(1,078)
Withholding tax	(101)	-	(101)
Foreign exchange difference	(1,417)	(1,417)	-
Withdrawn	(1,153,408)	(1,152,833)	(575)
As at 31 December 2012	473	470	3

Loans

'000 KZT	Gross	Principal	%
As at 1 January 2011	392,908	366,159	26,749
Received/Accrued	28,912	-	28,912
Repaid	(421,820)	(366,159)	(55,661)
As at 31 December 2011	-	-	-
Received/Accrued	-	-	-
Repaid	-	-	-
As at 31 December 2012	-	-	-

Current account

'000 KZT	31.12.2012	31.12.2011
As at 31 December	253,490	1,093,638

(vii) Transactions with "SC of BTA Bank BTA Insurance"

'000 KZT	Transaction value	Outstanding balance	Transaction value	Outstanding balance
	2012	2012	2011	2011
Expenses – services received	-	-	14,292	-

(d) Pricing policies

Pricing for related party transactions are primarily based on the "comparable uncontrolled price" method in accordance with the Law "On Transfer Pricing", dated 5 July 2008 and Rules (procedures) of Pricing of Natural Uranium Concentrate (U308), approved by the Government №74, dated 3 February 2008.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

45. BUSINESS COMBINATIONS

Acquisition of Kvarz LLP and MK KazSilicon LLP

On 31 October 2011 the Company purchased a 100% ownership interest in Kvarz LLP and MK KazSilicon LLP. Kvarz LLP has a subsoil use contract for the mining of vein quartz at Sarykulscoe field, which is located in the Almaty region of Kazakhstan. The principal business activities of Kvarz LLP include mining and processing of vein quartz and processing of mineral raw materials. Principal business activities of MK KazSilicon include production and realization of metallurgical and polycrystalline silicon and recycling of silicon production. The vein quartz is mined and processed by Kvarz LLP, and is subsequently processed for the production of silicon metal by MK KazSilicon LLP, and as such, the companies operate as a single generating unit. These companies were acquired for cash consideration in the amount of KZT 4,751,000 thousand.

The fair value of identifiable net assets as at the acquisition date was as follows:

Fair value recognized after acquisition	'000 KZT
Cash and cash equivalents	4,863
Current assets	757,124
Intangible assets	19,446
Mineral rights	6,518,857
Property, plant and equipment	1,121,614
Deposits	90
Total assets	8,421,994
<i>Current liabilities:</i>	
Loans	2,053,369
Trade payables	187,144
Financial liabilities	554,415
Deferred tax liabilities	1,431,960
Non-current liabilities	30,066
Total liabilities	4,256,954
Net assets	4,165,040
Cost of acquisition	4,751,000
Goodwill (Note 17)	585,960
Cash balances acquired	4,863
Cash consideration paid	(4,751,000)
Net cash outflow	(4,746,137)

The combined net loss of Kvarz LLP and MK KazSilicon LLP amounted to KZT 57,585 thousand from the date of acquisition until 31 December 2011. If the acquisitions had occurred on 1 January 2011 there would have not been a material impact on the Group's revenue and profit for 2011. In 2012 the goodwill recognized as at acquisition date in the amount KZT 585,960 thousand has been disposed (see Note 17).

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

Acquisition of DP Ortalyk LLP

In December 2011 the Company purchased a 100% ownership interest in DP Ortalyk LLP. The principal business activities of DP Ortalyk LLP include the provision of services on mining, processing of chemical concentrate of uranium and services on mining preparation works at the Central Mynkuduk mine. The mineral rights for exploration and mining of uranium deposits in the Central of Mynkuduk mine was acquired by the Company in 2010. The acquisition in 2011 was primarily related to the acquisition of the processing facility. DP Ortalyk LLP was acquired for cash consideration in the amount of KZT 21,124,774 thousand.

The fair value of identifiable net assets as at the acquisition date was as follows:

Fair value recognized after acquisition	'000 KZT
Cash and cash equivalents	1,347,566
Inventory	1,366,940
Accounts receivable	1,304,942
Intangible assets	8,717
Property, Plant and Equipment	7,401,748
Non-current investments	849,006
Other Non-current assets	15,390
Total assets	12,294,309
Current liabilities	929,570
Deferred tax liabilities	350,121
Total liabilities	1,279,691
Net assets	11,014,618
Cost of acquisition	21,124,874
Goodwill (Note 17)	10,110,256
Cash balances acquired	1,347,566
Cash consideration paid	(21,124,774)
Net cash outflow	(19,777,208)

The net loss of DP Ortalyk LLP amounted to KZT 40,722 thousand from the date of acquisition until 31 December 2011. If the acquisition had occurred on 1 January 2011 there would have not been a material impact on the Group's revenue and net profit for 2011. Identifiable assets and liabilities, as well as goodwill in the amount of KZT 10,110,256 thousand have been recognized in the consolidated financial statements as at 31 December 2011 (Note 17 and 18).

Acquisition of Kazakhstan Nuclear University LLP

In December 2012, the Company acquired 100% share in Kazakhstan Nuclear University LLP. The principal activities of Kazakhstan Nuclear University LLP are professional training and retraining of the Groups personnel, systemization of uranium industry personnel resources, improvement of skills of existing professionals and technical equipment of training. The acquisition of Kazakhstan Nuclear University LLP was conducted to gain full control over the university in order to improve the manageability and enhance education. Kazakhstan Nuclear University LLP was acquired for cash consideration in the amount of KZT 17,589 thousand. The fair value of identifiable net assets as at the acquisition date was as follows:

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

Fair value recognized after acquisition	'000 KZT
Cash and cash equivalents	40,796
Inventory	2,051
Accounts receivable	12,429
Property, plant and equipment	9,975
Deferred tax assets	894
Total assets	66,145
Current liabilities	26,276
Total liabilities	26,276
Net assets	39,869
Cost of acquisition	17,589
Bargain purchase gain (Note 17)	22,280
Cash balances acquired	40,796
Cash consideration paid	(17,589)
Net cash inflow	23,207

In the consolidated financial statements as at 31 December 2012 a bargain purchase gain in the amount of KZT 22,280 thousand was reflected in other income in the consolidated statement of comprehensive income.

Acquisition of SafTechnologies LLP

On 4 December 2012 the Company acquired 51% share in in joint venture SafTechnologies LLP. The main activity of SafTechnologies is technological research and development in the field of hydrometallurgy of uranium, gold and other rare and valuable metals.

The main purpose of the acquisition of SafTechnologies LLP is for the Company to access solutions to relevant problems regarding sustainable mining of ion exchange resins in the long term, in order to create world class innovations.

SafTechnologies LLP was acquired for cash consideration in the amount of KZT 77,000 thousand.

The fair value of identifiable net assets as at the acquisition date was as follows:

Fair value recognized after acquisition	'000 KZT
Cash and cash equivalents	12,409
Inventory	10,725
Intangible assets	51
Property, plant and equipment	2,467
Total assets	25,652
Current liabilities	
Loans	24,907
Accounts receivables	2,288
Other liabilities	143
Total liabilities	27,338
Net liabilities	(1,686)
Cost of acquisition	77
Goodwill	1,763
Cash balances acquired	12,409
Cash consideration paid	(77)
Net cash inflow	12,332

In the consolidated financial statements as at 31 December 2012 goodwill in the amount of KZT 1,763 thousand was not reflected by the Group.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

46. SUBSEQUENT EVENTS

In January 2013, the Group made cash contribution to the share capital of Astana Solar LLC of KZT 1,958,015 thousand and cash contribution to the share capital of Bailanys – NAC LLC of KZT 1,400,000 thousand.

In January 2013, the Group made a decision to merge MK KazSilicon LLP with Quartz LLP.

47. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by management of the Group and authorized for issue on 14 March 2013.