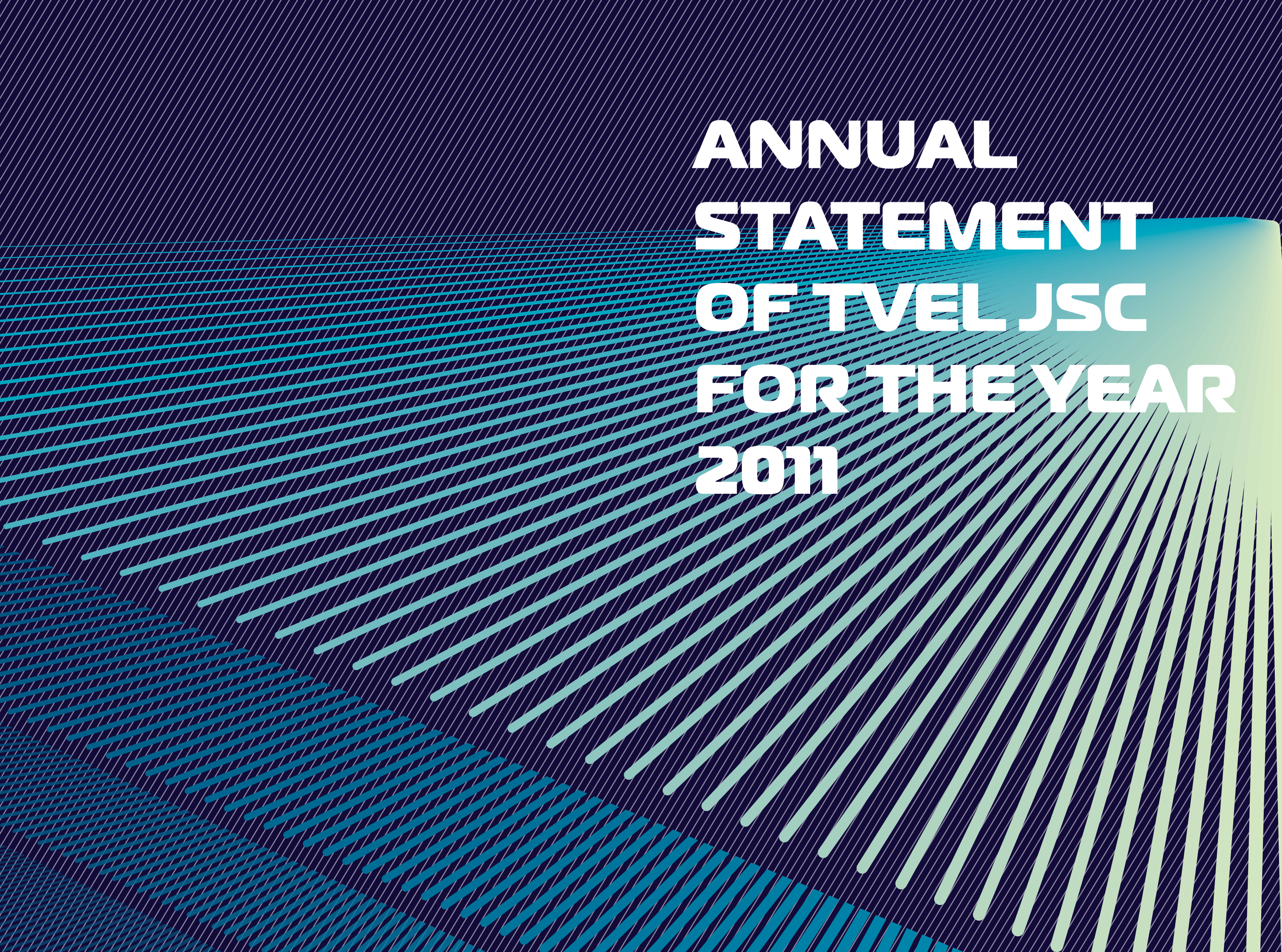




FUEL COMPANY OF ROSATOM

TVEL



**ANNUAL
STATEMENT
OF TVEL JSC
FOR THE YEAR
2011**

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Information about the Statement and preparation thereof

The annual Statement of TVEL JSC as for the year 2011 (hereinafter — the Statement) covers results of activity of TVEL JSC — the parent company of the Fuel Company “Rosatom” State Atomic Energy Corporation (hereinafter TVEL FC, the Company) and subsidiary companies thereof.

The Statement was prepared in an integrated format to provide for comprehensive description of the major results in financial and manufacturing fields of activity as well as results of activity in the field of sustainable development. The Statement was executed in follow-up of the Company activity as of 2011. The key indicators are cited in progress in the course of 3 years. The Statement also includes description of plans and intents of the Company for 2012.

■ According to the decision of the Committee on Public Reporting of TVEL FC, the margins of the Statement’s consolidation were modified as compared to the Annual Statement of TVEL FC for 2010: TVEL-INVEST CJSC, TVEL-STROY CJSC, UZGTs LLC, Incorporated Company RSK OJSC, Novouralsky Priborny Zavod, LLC, Novouralsk Research and Development Center, LLC, Tsentrteck SPb CJSC, OKB-Nizhny Novgorod CJSC, Russian Gas Centrifuges CJSC, Commercial Center-100, LLC were excluded

All financial figures are formulated and cited in the Statement in accordance with the Russian accounting standard. The consolidation profile shall include TVEL JSC, MSZ JSC, CMP JSC, JSC NCCP, MPP JSC, JSC VNIINM, JSC UEIP, SGChE JSC, AECC JSC, JSC “PA ECP”, VPA «Tochmash» JSC, KMP OJSC. As compared with last-year’s report, the consolidation limits have changed: TVEL-INVEST CJSC, TVEL-STROY CJSC, UZGZ LLC, United Company RSK JSC, Limited Company Novouralsk Instruments Plant, Novouralsk Research and Development Center LLC, Tsentrteck SPb CJSC, OKB-Nizhny Novgorod CJSC, Russian Gas Centrifuges CJSC, Commercial Center-100 LLC were excluded due to relatively low value of the specified subsidiaries and affiliates with refer-

ence to the degree of their relevance for results of activity in the field of sustainable development.

Due to the fact that TVEL Fuel Company was incorporated only 2 years ago, correct consolidated financial data may be cited for a 2-year period. The priority subjects of the Statement were set forth in the context of the company activity in 2011 and in compliance with the recommendations of the Public Reporting Committee members of TVEL FC and related parties of the Company. The priority subjects of the Statement shall be “The Development of TVEL FC” and “Management of social, environmental and economic impact on the territory of presence of FC enterprises”.

These subjects shall be for the extension and development of priority subjects disclosed in the previous statement.

The Statement was prepared with account of requirements of the regulatory documents as follows:

- Policy of “Rosatom” State Atomic Energy Corporation in the field of public reporting and Typical Standard of public annual reporting of the major organizations of “Rosatom” State Atomic Energy Corporation;
- Order of FFMS No.06–117/pz-n dd. 10.10.2006 “Concerning Approval of the Provision related to Information Disclosure by the issuers of issuable securities”;
- Code of Corporate Conduct (recommended for use by the Resolution of the Federal Commission for the Securities Market dd. 04.04.2002 No. 421/r);
- Guidance for reporting in the field of sustainable development the Global Reporting Initiative;
- Standard AA1000SES of the International Institute of Social and Ethical Accountability.

Level of information disclosure

A list of public reporting indices disclosed in the Statement in compliance with GRI Guidance is set forth in Appendix 1. When establishing the number of disclosed performance indicators TVEL JSC was guided by achievement of information disclosure level A+. Reliability of information contained in the Statement was confirmed by the opinions as follows:

- opinions of the Audit Commission (with regard to accounting reports of TVEL JSC);

- opinion of Internal Control and Audit Management of TVEL JSC (with regard to compliance of the Statement with the requirements of law and standards in the field of public annual reporting);

- opinion of the audit organization confirming reliability of financial reports of TVEL JSC;

- opinion of the audit organization confirming reliability of non-financial data published in the Statement.

| Level of GRI application | A+ | A | B | B+ | C | C+ |
|----------------------------------|----|---|---|----|---|----|
| Mandatory Self-declared claim | ✓ | | | | | |
| Potential Audit by a third party | ✓ | | | | | |
| Potential GRI Audit | | | | | | |

Variation from the previous statement

Major differences from the Statement of TVEL JSC for the year 2011 as compared to the previous statement are:

- achievement of level A+ information disclosure in compliance with GRI Guidance (G3.1);

- reliance on the Guidance require-

ments related to integrated reports of the International Integrated Reporting Council in particular by information disclosure on the “business model”;

- conducting additional negotiations with related parties upon the Statement preparation.

The process of the Statement preparation

Work related to the Statement preparation was accomplished in consort with related parties of TVEL FC (the controlling organization is “Rosatom” State Atomic Energy Corporation, the authorities are federal and regional, suppliers, consumers, SA, administration of Closed Administrative-Territorial Entities, environmental organizations, trade union organization (RNPITU), foreign business partners etc.).

As part of the Statement preparation there has been conducted 4 dialogues with related parties with the subjects:

- “Concept of the annual statement of TVEL JSC for the year 2011”;

- “Management of environmental, social and economic impact on the territory of presence of FC enterprises”;

- “Development of TVEL FC”;

- “Disclosure of business model of TVEL JSC in the annual Statement for the year 2011”;

The draft Statement was presented to related parties at Public Consultations. In follow-up of the events the recommendations of related parties concerning information disclosure in the Statement were collected.

Limitation of liability

The Statement contains certain statements of forecasting nature related to financial status, economic and social indices and development perspectives of the Company.

Probability to implement such statements and to achieve the stated results is directly related to economic, social and legal factors existent in the Russian Federation and abroad. Actual results may differ from forecasting statements, assessment whereof being relevant as of the moment of the Statement execution.

The Company neither represents, nor warrants that the results of activity set forth in the forecasting statements will be achieved, nor bears any liability for losses to be incurred by individuals and legal entities having relied upon the forecasting statements.

Schedule of key milestones of the year 2011

| MONTH | EVENT | COMMENTS |
|---------|--|---|
| January | Completion of supply of Russian replacement fuel for test reactor in the Ukraine | The supply was provided for within the framework of Russian and American intergovernmental agreement stipulating for replacement of highly-enriched fuel of the test reactors constructed under the Russian projects in various countries worldwide by reduced-enrichment fuel |
| March | TVEL JSC becomes the shareholder of Uranium Enrichment Center CJSC | TVEL JSC took in its possession 50% of the shares of Russian and Kazakhstan JV of Uranium Enrichment Center CJSC (TSOU). The shareholder on behalf of the Kazakhstan party is OJSC "NAK Kazatomprom" also owning 50% of the shares. Earlier Russian shares of JV belonged to JSC "Tecksnabexport" |
| May | Completion of fuel production qualification for Swiss NPP | Qualification of fuel production for Swiss NNP in Gosgen and Becnau in terms of plant concentration at MSZ JSC |
| | Launch of the program for succession pool development in TVEL FC | The major goals of a new educational project include: development of strategic vision by the managers, competence development necessary for change management and, finally, application of obtained knowledge in the activity related to key performance areas of the Company |
| June | Acceptance tests of the first FA set for the floating power unit | Successful completion of final acceptance tests of the first fuel assembly (FA) set for the floating power unit (FPU) being constructed at the Baltiysky plant in Saint-Petersburg |

| EVENT | COMMENTS | MONTH |
|---|---|-----------|
| TVEL FC confirmed compliance with the world quality, environmental and safety standards | The Company successfully underwent a routine audit for compliance with the requirements of standards ISO 9001:2008, ISO 14001:2004, BS OHSAS 18001:2007 held by an independent company TUV International Certification (TIC) | July |
| Commissioning of SAP EPR system | TVEL FC and SAP company, the leading world supplier of business management solutions declare of the successful completion of project related to development and introduction of a typical enterprise resource management solution powered by SAP solutions in TVEL FC | July |
| On the 12th of September, 2011 TVEL FC celebrated its 15th anniversary | | September |
| Completion of the major reorganization stage in terms of the program "Noviy Oblik". | Cumulative economic effect from the sale of program as of 2011 made up RUB 4.8 B | October |
| Issue of the order concerning creation of an integrated corporate quality management, environmental and safety system | The purpose of IMS introduction shall be the creation of a single interrelated approach to the establishment and operation of serviceable and efficient corporate management system for achievement of business goals of the company | November |
| Completion of registration of Russian and Ukrainian JV | TVEL JSC and National Concern "Nuclear Fuel" in 2011 implemented a range of corporate and procedural events related to the creation of a joint venture (JV) in the Ukraine. JV was registered with the state registration authorities of the Ukraine on the 2nd of December, 2011 | December |
| ALVEL Technological Services Center is being established in the Czech Republic | TVEL FC and a Czech joint-stock company ALTA Investa.s. signed the constituent documents related to the establishment in the Czech Republic of a Technological services center in the form of a joint venture | December |
| Approval of the development strategy for the Fuel Division including TVEL JSC and its subsidiary companies | The development strategy of the Fuel Division up to 2030 is aimed at the implementation of a strategic initiative of "Rosatom" State Atomic Energy Corporation "Global leadership retention in NFC IS". The strategy established the goals for the period up to 2030 as follows: <ul style="list-style-type: none"> ■ increase in the sales results from USD 6 B in 2011 up to USD 16 B by 2030; ■ increase in the share at the basic market at the nuclear fuel cycle initial stage up to 30-32% | December |

Key performance indicators of TVEL FC

| Indicators | 2010 year | 2011 year |
|---|---------------|---------------|
| Proceeds (net) from sales of product (excluding VAT and excise duties, similar mandatory payments), M RUB | 121443 | 126090 |
| Gross margin, M RUB | 45488 | 33506 |
| Sales profit, M RUB | 26495 | 28372 |
| Income tax, M RUB | 6091 | 6499 |
| Net profit, M RUB | 12245 | 16494 |

| Indicators | 2010 year | 2011 year |
|---|---------------|---------------|
| Net assets, M RUB | 539244 | 559318 |
| EBITDA (earnings from operating activity before interest, taxation, depreciation and amortization), M RUB | 31974 | 38078 |
| Gross tax liabilities to the federal, regional and local budgets, M RUB | 10292 | 11877 |
| Labour efficiency, M RUB/persons | 2,12 | 2,96 |
| Expenses related to implementation of environmental programs, M RUB | 1787 | 2220 |

**Alexander
Lokshin**

The Chairman
of the Board
of directors
of TVEL JSC



Proclamation of the chairman of the board of directors of TVEL JSC Lokshin A. M.

Dear colleagues!

In 2011 TVEL FC completed the major stage of reorganization process having commenced several years ago. The Company has finally established its corporate profile, finalized optimization processes, approved the development strategy, provided for operation of the programs for increase in labour efficiency and control mechanism optimization to their full potential.

New structure ensures additional economic effect by means of a “synergy effect” and formation of complex proposals of hi-tech products for the customers.

Operating in complicated “post-Fukushima” conditions of fabrication and enrichment market contraction the Company displayed a high efficiency level and proved validity of chosen ways for further development.

Progress of TVEL FC is obvious both at the global and internal markets. Thus, it for the first time conclud-

ed contracts for supply of test FAs for foreign design reactors — one of the most capacious and prospective markets, new generation centrifuges are being brought into pilot production.

Thereat, the Company consciously focuses on social and environmental aspects of its activity paying increased attention to the same on the Statement’s pages.

The overall range of work product is consolidated in the document submitted to You.

I am convinced that next year the progressive advance of the Company will continue and it will successfully cope with the new tasks waiting ahead.

**Yury
Olenin**
The President
of TVEL JSC



Proclamation of the President of TVEL JSC Olenin Yu. A.

Dear colleagues!

In 2011 TVEL JSC turned 15. In the course of its existence the Company has worked a long way of development and to a large extent has acquired new features, new competencies! Nowadays TVEL JSC is the parent company of the Fuel Company "Rosatom" State Atomic Energy Corporation consolidating all Russian enterprises engaged in nuclear fuel fabrication, uranium conversion and enrichment, production of gas centrifuges as well as a range of research and development organizations related to handling the tasks of nuclear fuel cycle innovative development.

Working at one of the most innovative markets the Company within recent years has provided for a material internal reorganization, implemented production modernization, has been introducing "Rosatom" Manufacturing system based on the expediency and lean production principles. Implementation of such measures resulted in a significant increase in the Company efficiency.

In the expired year the proceeds increased by 11%, profitability — by 23%, average wage at the Company's enterprises — by 26%, labour efficiency — by 40% as compared to the year 2010.

The Company achieved significant success at the global market: the process of establishment of a nuclear fuel fabrication plant on the territory of the Ukraine has reached its active stage, the Company entered an agreement on the establishment of a technological services center in the Czech Republic, concluded first contracts for supply of test FAs for foreign design reactors.

These and other achievements encourage further development. In 2011 we accepted the development strategy for the fuel division determining the major goals of the Company in the long run: increase in proceeds by 2030 by more than 2 times (up to USD 16 B) and increase in the share of NFC initial stage market up to 30–32%.

To achieve the stated goals we are planning to emerge into new markets,

to proceed with the increase in efficiency of the operating manufacturing facilities and to create new up-to-date manufacturing capacities on the territory of the Russian Federation and abroad.

TVEL FC is actively working over the creation of non-nuclear business kernel based on the released high-tech science-driven products of general industrial purpose. In 2010–2011 we implemented a range of projects in consort with “RUSNANO” JSC. We are planning to make non-nuclear innovative production generate for the Company proceeds amounting to USD 5–6 B by 2030. Due to slowdown process at the nuclear fuel market after the disaster at Fukushima NPP manufacture of non-nuclear products shall become the second standing point of the Company.

The priority related to the activity concerning creation of the most favourable conditions for the business environment and social program development in the presence regions shall also persist. Our policy is underlain with a principle of increase in the tax liabilities paid to local budgets. Thereat, regional authorities shall be liable for implementation of long-term development programs and creation of new vacancies at the expense of increase in the taxes collected. Such strategic initiative mostly displays that successive implementation of sustainable development principles ensures receipt of mutual benefit by the Company, society and all related parties.

Such an approach forms a solid foundation for the team-work of the Company and local government authorities, trade union, public associations, environmental organizations. It would be impossible for us without their support to preserve and raise efficiency of our activity in terms of corporate social liability, the major tasks

thereof being articulated in the Company's Public position.

This annual Statement was prepared in close collaboration with the representatives of related parties which rendered assistance to us in the choice of priority subjects and selection of the most essential information. Mostly owing to the same we set an ambitious task: to ensure compliance of the Statement with the highest level of information disclosure in the field of sustainable development A+ (GRI), to make this Statement interesting and highly beneficial to the society, financial communities and all related parties.

I want to thank those people liable for the success of our Company for their cooperation — experts and managers of “Rosatom” State Atomic Energy Corporation, our partners, directors and enterprise teams, the trade union, the management of the presence regions, public organizations.

We have achieved a lot working hand-in-hand and I am sure next year the Company will display more efficient work to the benefit of domestic nuclear industry and power industry.





Chapter 1.

GENERAL DATA

- 1.1** Company background information
- 1.2** Description of enterprise activity
- 1.3** Mission, goal and values
- 1.4** Public position in the field of sustainable development



Company background information

The Fuel Company “Rosatom” State Atomic Energy Corporation (TVEL FC, the Company) includes enterprises engaged in nuclear fuel fabrication, uranium conversion and enrichment, production of gas centrifuges as well as research and development organizations. TVEL JSC is a parent company of the Fuel Company “Rosatom” State Atomic Energy Corporation.

TVEL FC was established in order to reach optimum management structure for nuclear fuel cycle enterprises of the Russian atomic industry, increase in efficiency of their activity and competitiveness at the global market.

History of establishment

Joint-Stock Company TVEL was established on the 12th of September, 1996 in compliance with the Decree of the President of the Russian Federation dd. 08.02.1996 No. 166 “Concerning Improvement of Nuclear Fuel Cycle Enterprises Management”. Upon establishment of TVEL JSC the shares of the following NF fabrication enterprises were contributed towards payment of its authorized capital:

- JSC “Mashinostroitelny zavod” (49% of shares);
- JSC “Chepetsk mechanical Plant” (51% of shares);
- JSC “Novosibirsk chemical Concentrates Plant” (38% of shares);
- JSC “Chemical & Metallurgical Plant” (51% of shares).

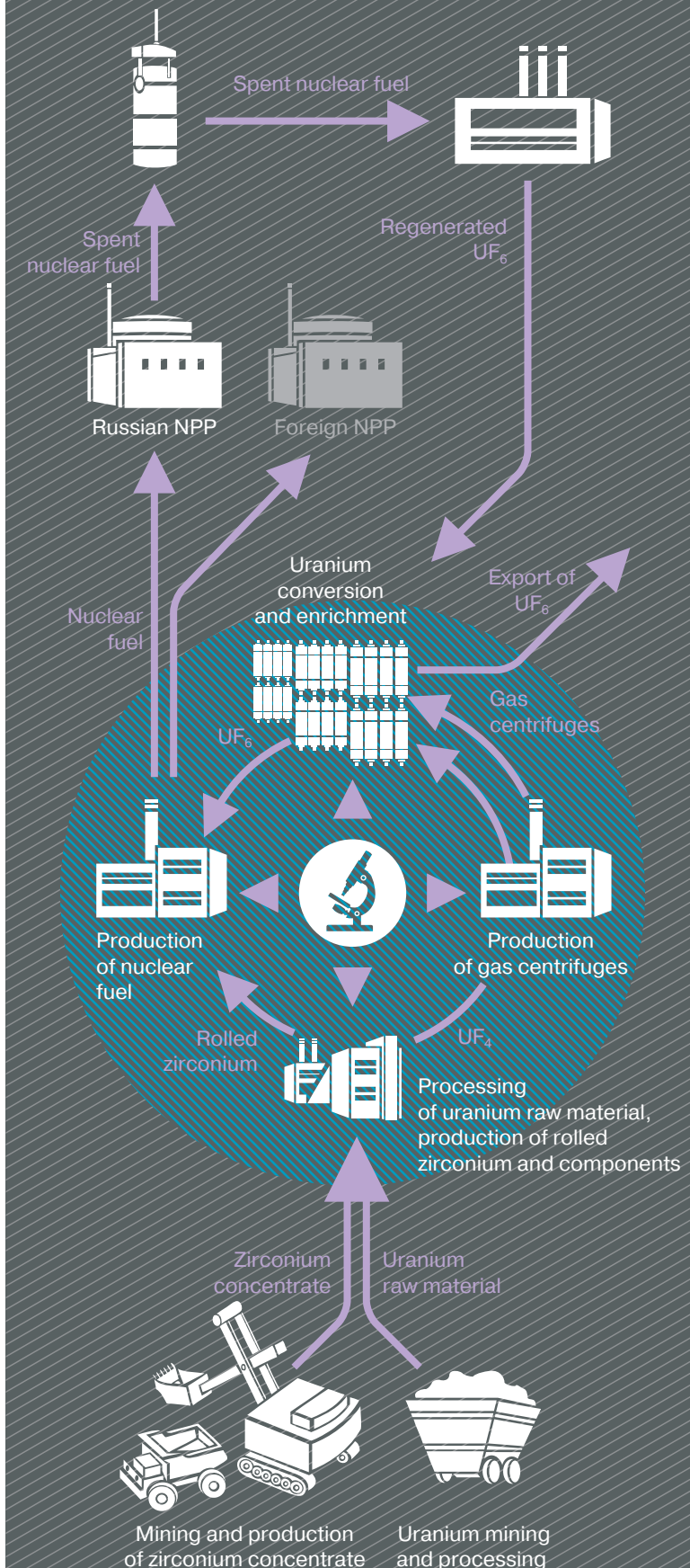
By early 2000-s TVEL JSC had increased its participation shares in the subsidiary companies, established support infrastructure companies as well as consolidated industrial ore mining assets which further served as a basis for foundation of industrial uranium mining company JSC “Atomred-metzoloto”.

In 2007 the open joint-stock company “Atomic Power Generation Complex” became the sole shareholder of TVEL JSC, consolidating assets of the civil sector of the Russian atomic industry.

In compliance with the Federal law dd. December 1, 2007 No. 317-FZ “Concerning “Rosatom” State Atomic Energy Corporation” shares of JSC “Atomenergoprom” (100%) assigned as federal property were transferred to “Rosatom” State Atomic Energy Corporation as an asset contribution of the Russian Federation.

In September, 2009 “Rosatom” State Atomic Energy Corporation adopted a decision to establish based on TVEL JSC the Fuel Company of “Rosatom” State Atomic Energy Corporation having integrated apart from TVEL JSC and its subsidiary and affiliated companies enterprises of separation and sublimation and gas-centrifuge complexes of the Russian atomic industry.

Position of TVEL FC in the nuclear fuel cycle



Structure of TVEL FC



Description of enterprise activity²

1.2

The core activity of TVEL FC is production and supplies of nuclear fuel for power and test reactors in Russia and abroad.

All Russian NPP, test reactors as well as Russian transportation plants of Nuclear-powered Fleet operate using fuel under TVEL trade name.

TVEL FC satisfies the needs of 76 power reactors in Russia and 15 states in Europe and Asia, 30 test reactors worldwide. Every sixth power reactor in the world operates using the fuel produced by TVEL FC.

Provision of raw materials for nuclear fuel production shall be accomplished based on long-term contracts with organizations pertaining to "Rosatom" State Atomic Energy Corporation.

Apart from its core activity related to nuclear fuel production TVEL FC supplies to the Russian and global market a wide range of non-nuclear products: zirconium, lithium, calcium, magnets, thin-wall pipes, polishing powders, pinch rolls, zeolite catalysts, superconductor materials and other products.

Hydrometallurgical, metal-working, machine-building and rolling production processes are successfully effected at the enterprises of TVEL JSC with the assistance of own design and engineering and research and development divisions.

Depending on the role occupied in the overall system of nuclear fuel production enterprises of TVEL FC shall be divided into four functional complexes:

- Nuclear fuel fabrication complex;
- Separation-sublimation complex;
- Gas-centrifuge complex;
- Research and development complex.

² The key performance indicators are cited only for the major enterprises of FC TVEL



Nuclear fuel fabrication complex

JSC “Mashinostroitelny zavod” – MSZ JSC

*Electrostal,
the Moscow Region*

The basis of the production program of JSC “Mashinostroitelny zavod” is nuclear fuel production supplied in the form of fuel assemblies (FA) for various types of power plant reactors (VVER-440, VVER-1000, RBMK-1000, RBMK-1500, BN-600, EGP-6, PWR), propulsion reactors of the Russian Fleet and test reactors as well as fuel components (fuel pellets).

Along with the nuclear fuel production for NPP the plant manufactures other products. The enterprise successfully carries out production of anisotropic ferritic-strontium magnets of various geometric patterns. As of the present moment the plant mastered manufacture of magnets based on neodymium-iron-boron alloy, arranged for the production of highly thin-wall pipes made of corrosion-resistant steels and alloys for nuclear fuel units (fuel pins) and FA components of power plants as well as to

satisfy the needs of machine-building production. The company provides for manufacture and supply of calcium in granulae and chips.

In 2011 MSZ JSC was pronounced the winner of the Moscow Region competition “Honoree of the Year 2010” nominated as “the Best Industrial Organization”, was awarded a Diploma and a statuette “Golden Phoenix”. Moreover, MSZ JSC represented by the CEO Oleg Sedelnikov and the chairman of the trade union committee Vladimir Bakhtin was given a Certificate of Merit of the governor of the Moscow Region and a Diploma of the Moscow Region tripartite commission for regulation of social and labour relations for the 1st place in the regional competition “Collective agreement, production efficiency is the basis for protection of the workers’ labour rights”.

| KEY PERFORMANCE INDICATORS | 2011 YEAR |
|--|-----------|
| Proceeds (net) from sales of product (excluding VAT and excise duties, similar mandatory payments), M RUB | 10 522 |
| Gross margin, M RUB | 2 821 |
| Sales profit, M RUB | 901 |
| Income tax, M RUB | 214 |
| Net profit, M RUB | 528 |
| Net assets, M RUB | 22 818 |
| EBITDA (earnings from operating activity before interest, taxation, depreciation and amortization), M RUB | 1 559 |
| Gross tax liabilities to the federal, regional and local budgets, M RUB | 1 405 |
| Labour efficiency, M RUB/persons | 2,5 |
| Social expenses (including personnel costs, expenses related to social programs and charity), M RUB | 27 138 |
| Investments excluding uncontrolled factors (financial investments into EPOS, technical assistance and power efficiency program), M RUB | 2 135 |

Key performance indicators of MSZ JSC

JSC “Novosibirsk Chemical Concentrates Plant” (JSC “Novosibirsky zavod khimkontsentratov” – JSC NCCP)

Novosibirsk,
the Novosibirsk Region

JSC NCCP is one of the largest enterprises of the Russian nuclear fuel cycle (NFC) for production of nuclear fuel for power and test reactors, production of lithium and its compounds.

The plant represents a modern automated complex of chemical and machine-building production processes related to fuel production for NPP (major produce is fuel for NPP with reactor VVER-1000), test and commercial reactors.

The enterprises provided for a large-scale technological complex for manufacture of lithium products.

| KEY PERFORMANCE INDICATORS | 2011 YEAR |
|---|-----------|
| Output | 4 832 |
| Proceeds (net) from sales of product (excluding VAT and excise duties, similar mandatory payments), M RUB | 4 640 |
| Gross margin, M RUB | 1 653 |
| Sales profit, M RUB | 391 |
| Income tax, M RUB | 38 |
| Net profit, M RUB | 24 |
| Net assets, M RUB | 13 880 |
| EBITDA (earnings from operating activity before interest, taxation, depreciation and amortization), M RUB | 6 239 |
| Gross tax liabilities to the federal, regional and local budgets, M RUB | 573 |
| Labour efficiency, M RUB/persons | 1,96 |
| Social expenses (including personnel costs, expenses related to social programs and charity), M RUB | 88 6 |
| Expenses related to sale of environmental programs, M RUB | 61 94 |

Key performance indicators
of JSC NCCP

JSC “Chepetsk Mechanical Plant” (JSC “Tchepetsky mekhanishesky zavod” – CMP JSC)

Glazov,
the Udmurt Republic

CMP JSC is a sole manufacturer of zirconium, zirconium-base alloys in Russia as well as items made of zirconium nuclear quality alloys, natural and depleted uranium.

Products made of natural uranium are manufactured in the form of ingots, uranium-metal powder, uranium oxide and tetrafluoride.

The plant provided for use of unique technologies for manufacture of rolled tubular products, sheet products made of zirconium and items made

thereof applied not only at the nuclear power enterprises but also in chemical, oil-and-gas, medical and food industry sectors.

The plant is also one of the largest world producers of calcium and a sole enterprise in Russia possessing unique equipment for release of superconductors based on niobium-titanium alloy and niobium-tin compounds which will be used by the production of magnets for nuclear fusion reactor ITER — the largest international project of the future.

| KEY PERFORMANCE INDICATORS | 2011 YEAR |
|---|-----------|
| Proceeds (net) from sales of product (excluding VAT and excise duties, similar mandatory payments), M RUB | 11 102 |
| Gross margin, M RUB. | 2 629 |
| Sales profit, M RUB | 1 332 |
| Income tax, M RUB | 112 |
| Net profit, M RUB | 854 |
| Net assets, M RUB | 12 892 |
| EBITDA (earnings from operating activity before interest, taxation, depreciation and amortization), M RUB | 2 452 |
| Gross tax liabilities to the federal, regional and local budgets, M RUB | 719 |
| Labour efficiency, M RUB/persons | 2,4 |
| Social expenses (including personnel costs, expenses related to social programs and charity), M RUB | 202 |
| Expenses related to sale of environmental programs, M RUB | 199 |

Key performance indicators
of CMP JSC

JSC “Moscow Polymetals Plant” (JSC “Moskovsky zavod polimetallov” – MPP JSC)

Moscow

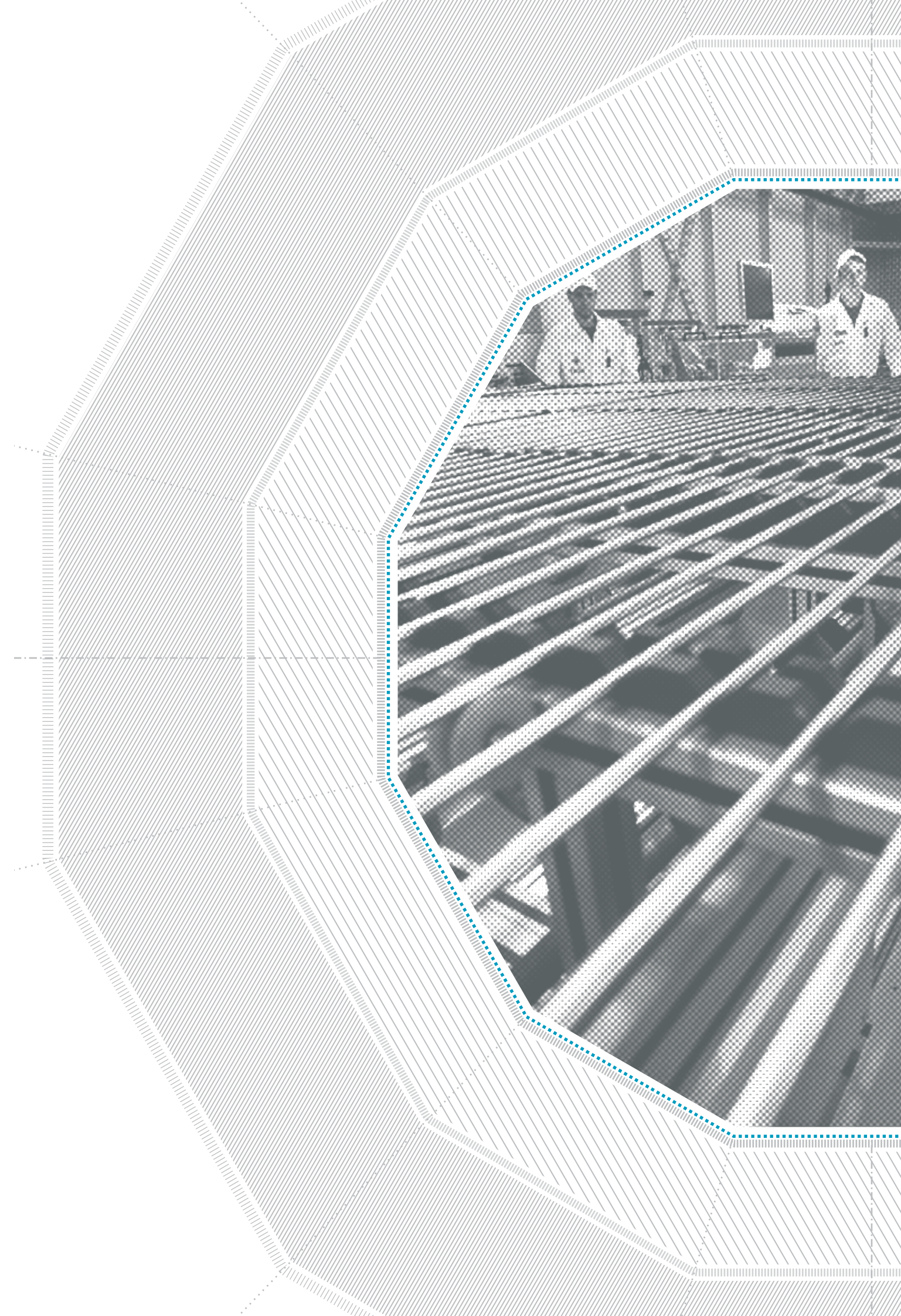
From 1960 till the present moment MPP JSC has been the head organization for development and production of the bodies for government, management and protection of power nuclear reactors VVER-1000, RBMK-1000/1500, BN-600, test and commercial reactors as well as reactor plants of the vessels of nuclear-powered fleet and special-purpose vessels.

The enterprise supplies products for systems of management and protection of 42 power units located at Russian and foreign NNP including such countries as Ukraine, Bulgaria, China.

The plant goods are used also at NNP under construction in China, Iran, India.

| KEY PERFORMANCE INDICATORS | 2011 YEAR |
|---|-----------|
| Output | 1 298 547 |
| Proceeds (net) from sales of product (excluding VAT and excise duties, similar mandatory payments), M RUB | 1 172 064 |
| Gross margin, M RUB | 506 465 |
| Sales profit, M RUB | 294 684 |
| Income tax, M RUB | 48 921 |
| Net profit, M RUB | 216 055 |
| Net assets, M RUB | 3 001 023 |
| EBITDA (earnings from operating activity before interest, taxation, depreciation and amortization), M RUB | 375 888 |
| Gross tax liabilities to the federal, regional and local budgets, M RUB | 223 494 |
| Labour efficiency, M RUB/persons | 3,03 |
| Social expenses (including personnel costs, expenses related to social programs and charity), M RUB | 15 912 |
| Expenses related to sale of environmental programs, M RUB | 1,0465 |

Key performance indicators
of MPP JSC





Separation-sublimation complex

JSC “Angarsk Electrolysis Chemical Complex” (JSC “Angarsky Elektrolizny Khimichesky Kombinat” – AECC JSC)

Angarsk,
the Irkutsk Region

The core Company activity is the production of nuclear materials. Released uranium products are meant for use in world nuclear power industry of Russia and foreign states.

Business areas of the Company:

- production of reduced-enrichment uranium hexafluoride;
- production of uranium hexafluoride;
- services for conversion of triuranium octoxide into uranium hexafluoride;
- services for conversion of uranium tetrafluoride into uranium hexafluoride;
- services for uranium enrichment in the form of hexafluoride from customer-furnished raw materials.

The production process is provided for by a developed system of manufacturing parameter management and supervision.

Along with the core operations AECC JSC carries out general industrial activity. The core profit-making areas from various types of activity are:

- chemical products
- telecommunication services
- other products and services.

The amount of proceeds from the sale of products (works, services) of the general industrial activity makes up about 6% of the overall proceeds of the enterprise.

As of the present moment the Company is actively involved in the discussion of the issue of a large-scale development of non-uranium production to be closely related with the future of AECC JSC. There are several projects of sublimation production diversification in prospect:

- Modernization of production of anhydrous hydrogen fluoride (AHF) for processing of fluorinated wastes of aluminum industry. TVEL JSC and RUSAL JSC considered the project to be of current concern and interest and determined the ways for interaction by the project implementation. There are some preliminary arrangements with IrkAZ-SUAL OJSC related to collaboration in the field of project implementation. The business-model of AHF production from wastes produced by IrkAZ-SUAL OJSC is subject to follow-up revision.
- Establishment at the production site of AECC JSC of a refinery for processing columbite concentrate in order to release consumable goods in the form of tantalum and niobium oxides.

As regards AECC JSC prospects at the nuclear materials market allowing for the development trends of the global nuclear power industry the main task of the Company shall be increase in the competitive edge of uranium conversion and enrichment services at

the expense of cost minimization and decrease in the cost of goods sold as well as extension of general industrial activity necessary for gaining profit sufficient for enterprise sustainable development.

| KEY PERFORMANCE INDICATORS | 2011 YEAR |
|---|-----------|
| Proceeds (net) from sales of product (excluding VAT and excise duties, similar mandatory payments), M RUB | 6 574 |
| Gross margin, M RUB | 2 454 |
| Sales profit, M RUB | 1 476 |
| Income tax, M RUB | 406 |
| Net profit, M RUB | 635 |
| Net assets, M RUB | 13 337 |
| EBITDA (earnings from operating activity before interest, taxation, depreciation and amortization), M RUB | 2 250 |
| Gross tax liabilities to the federal, regional and local budgets, M RUB | 1 745 |
| Labour efficiency, M RUB/persons | 1,99 |
| Social expenses (including personnel costs, expenses related to social programs and charity), M RUB | 154 |
| Expenses related to sale of environmental programs, M RUB | 11 |

Key performance indicators of AECC JSC

JSC “Production Association “Electrochemical Plant” (Proizvodstvennoye Objedineniye “Elektrokhimichesky zavod” – JSC “PA ECP”)

*Closed Administrative-Territorial Entity of Zelenogorsk,
the Krasnoyarsk Territory*

JSC “Production Association “Electrochemical Plant” produces low-enriched uranium (for 235U isotope) used for production of fuel for nuclear power plants (NPP).

JSC “Production Association “Electrochemical Plant” in collaboration with the associated companies – JSC “Angarsk Electrolysis Chemical Plant” (Angarsk, the Irkutsk Region), JSC “Ural Electrochemical Integrated Plant” (Novouralsk, the Sverdlovsk Region), JSC “Siberian Group of Chemical Enterprises” (Seversk, the Tomsk Region) determines the leading position of “Rosatom” State Atomic Energy Corporation at the global market of uranium enrichment services.

Apart from low-enriched uranium JSC “Production Association “Electrochemical Plant” releases stable isotopes of various chemical elements, possesses the know-how for radioactive isotopes production, is engaged in storage and processing of depleted uranium hexafluoride (DUHF) with the production of fluohydric acid and anhydrous hydrogen fluoride as well as sells a range of other high-tech products.

JSC “PA ECP” is one of the largest world producers of stable isotopes using a gas-centrifuge method. The nomenclature of products offered for consumers accounts for 95 isotopes of 19 chemical elements.

The history of establishment of the Electrochemical Plant is closely related to the implementation of the Soviet Atomic project having enabled our country to gain the status of a nuclear-weapon state, the world leader in the creation of nuclear technologies and use of atomic energy.

The present and future days of JSC “Production Association “Electrochemical Plant” determine ambitious tasks related to increase in the share of atomic generation in the power industry of the country, strengthening and extension of the positions of the Russian Federation at the global markets in the sphere of nuclear technologies, the Russian atomic industry is charged with.

JSC “Production Association “Electrochemical Plant” is a town-forming enterprise of the Closed Administrative-Territorial Entity of Zelenogorsk (the Krasnoyarsk Territory).

| KEY PERFORMANCE INDICATORS | 2011 YEAR |
|---|-----------|
| Proceeds (net) from sales of product (excluding VAT and excise duties, similar mandatory payments), M RUB | 11 540 |
| Gross margin, M RUB | 3 813 |
| Sales profit, M RUB | 2 105 |
| Income tax, M RUB | 163 |
| Net profit, M RUB | 624 |
| Net assets, M RUB | 30 621 |
| EBITDA (earnings from operating activity before interest, taxation, depreciation and amortization), M RUB | 3 768 |
| Gross tax liabilities to the federal, regional and local budgets, M RUB | 2 188 |
| Labour efficiency, M RUB/persons | 2,4 |
| Social expenses (including personnel costs, expenses related to social programs and charity), M RUB | 897 |
| Expenses related to sale of environmental programs, M RUB | 2 215 |

Key performance indicators of JSC “PA ECP”

JSC “Siberian Group of Chemical Enterprises” (JSC “Sibirsky khimichesky kombinat” – SGChE JSC)

Seversk,
the Tomsk Region

The production kernel of JSC SGChE is represented by four plants handling nuclear materials:

- isotope separation plant,
- sublimation,
- radio-chemical,
- chemico-metallurgical

The major produce is enriched uranium (up to 5%) hexafluoride, uranium hexafluoride for enrichment as well as services related to enrichment, conversion and refining (affinage) of uranium materials connected therewith. Sale of products (services) of JSC SGChE is accomplished both at the domestic market and starting from 1993 – for export.

JSC SGChE is a town-forming enterprise of the Closed Administrative-Territorial Entity of Seversk.

In 2011 the development team of JSC SGChE became the honoree of the corporate bonus of TVEL FC for the best engineering and technological solution. The bonus was obtained for the development of “The technology of solvent refining of reprocessed uranium from technesium-99”.

Also, in 2011 JSC SGChE received an award “Honour of the Motherland” for the product “Highly-enriched uranium hexafluoride”.

Besides, JSC SGChE won as in three nominations of a regional stage of the All-Russian competition “Russian organization of high social efficiency”:

- “For participation in the solution of social problems of the territories and development of corporate charity”;
- “For the formation of healthy lifestyle within the organization”;
- “For the development of human resources in the production industry organizations”.

JSC SGChE was also awarded with a III-degree Diploma in the nomination “For the development of social partnership in the production industry organizations”.

In follow-up of the annual All-Russian competition “The Best Insurer” the Pension Fund of the Russian Federation named JSC SGChE among the best insurers.

| KEY PERFORMANCE INDICATORS | 2011 YEAR |
|---|-----------|
| Proceeds (net) from sales of product (excluding VAT and excise duties, similar mandatory payments), M RUB | 17 213 |
| Gross margin, M RUB | 3 527 |
| Sales profit, M RUB | 1 177 |
| Income tax, M RUB | 407 |
| Net profit, M RUB | 673 |
| Net assets, M RUB | 20 093 |
| EBITDA (earnings from operating activity before interest, taxation, depreciation and amortization), M RUB | 2 790 |
| Gross tax liabilities to the federal, regional and local budgets, M RUB | 2 406 |
| Labour efficiency, M RUB/persons | 2,0 |
| Social expenses (including personnel costs, expenses related to social programs and charity), M RUB | 379 |
| Expenses related to sale of environmental programs, M RUB | 1 066 |

Key performance indicators of JSC SGChE

JSC “Ural Electrochemical Integrated Plant” (JSC “Uralsky elektrokhimichesky kombinat” – JSC UEIP)

Novouralsk,
the Sverdlovsk Region

JSC UEIP is the largest uranium enrichment enterprise in the world.

As of the present day the core activities of JSC UEIP are production of enriched uranium hexafluoride for nuclear power plants; release of nickel products; development of filters and filtering elements of general industrial and special use; production of accumulators; release of isotopic products (standard specimens of uranium isotopic and chemical composition).

Unique scientific research results of JSC UEIP provided for release of “Photon” generators for the reus-

able spacecraft “Buran”. JSC UEIP produced nickel-hydrogen batteries installed in the space vehicles “Yamal-100” and “Sterkh”.

The system of standard specimens of uranium isotopic composition (SSU-IC) offered to the customers within the industry and outside the same includes 140 types of standard specimens encompassing the overall range of uranium-235 content ensuring satisfaction of any consumer demands.

| KEY PERFORMANCE INDICATORS | 2011 YEAR |
|---|-----------|
| Proceeds (net) from sales of product (excluding VAT and excise duties, similar mandatory payments), M RUB | 19700 |
| Gross margin, M RUB | 8602 |
| Sales profit, M RUB | 5882 |
| Income tax, M RUB | 1221 |
| Net profit, M RUB | 3665 |
| Net assets, M RUB | 54458 |
| EBITDA (earnings from operating activity before interest, taxation, depreciation and amortization), M RUB | 7356 |
| Gross tax liabilities to the federal, regional and local budgets, M RUB | 5918 |
| Labour efficiency, M RUB/persons | 2,9 |
| Social expenses (including personnel costs, expenses related to social programs and charity), M RUB | 661 |

Key performance indicators
of JSC UEIP

Gas-centrifuge complex

JSC “Vladimir Production Amalgamation “Tochmash” (JSC “Vladimirskeye proizvodstvennoye objedineniye “Tochmash”)

Vladimir,
the Vladimir Region

Development of the production of VPA “Tochmash” is as of the present time concentrated on the assimilation of new types of up-to-date items of smart instrument engineering and machine-building. Earlier, about 70% of the products produced by VPA “Tochmash” were represented by major equipment for uranium enrichment – gas centrifuges. VPA “Tochmash” JSC manufactures “Ampules PT” – equipment for storage of spent nuclear fuel in the form of a bundle of fuel pins.

In its prospects the association disposes of various types of smart mechanical processing of ferrous and non-ferrous metals, foundry production of plastics and metals, electroplating and welding, a developed machine-tool base for release of equipment for engineering processes, tool-making facilities for manufacture of press-tools, stamps, cutting and measuring tools, PCB, a base for mechanical and environmental tests.

| KEY PERFORMANCE INDICATORS | 2011 YEAR |
|---|-----------|
| Output | 3072,5 |
| Proceeds (net) from sales of product (excluding VAT and excise duties, similar mandatory payments), M RUB | 3114,9 |
| Gross margin, M RUB | 609,8 |
| Sales profit, M RUB | 52,0 |
| Income tax, M RUB | 42,2 |
| Net profit, M RUB | 40,1 |
| Net assets, M RUB | 3088,5 |
| EBITDA (earnings from operating activity before interest, taxation, depreciation and amortization), M RUB | 225,2 |
| Gross tax liabilities to the federal, regional and local budgets, M RUB | 354,3 |
| Labour efficiency, M RUB/persons | 1,34 |
| Social expenses (including personnel costs, expenses related to social programs and charity), M RUB | 21,1 |
| Expenses related to sale of environmental programs, M RUB | – |



Key performance indicators
of VPA “Tochmash”

OJSC “Kovrov Mechanical Plant” (OJSC “Kovrovsky mekhanichesky zavod” – KMP OJSC)

Kovrov,
the Vladimir Region

As of the present moment Kovrov Mechanical Plant settles the tasks of completing sublimation-separation facilities of TVEL FC with gas centrifuges. been involved in batch production of ball valves. Moreover, in September 2010 the plant commercialized a wide range of photodiode illumination devices.

Also, starting from the year 1991 OJSC “Kovrov Mechanical Plant” has

| KEY PERFORMANCE INDICATORS | 2011 YEAR |
|---|-----------|
| Output | 4 278,3 |
| Proceeds (net) from sales of product (excluding VAT and excise duties, similar mandatory payments), M RUB | 4 254,2 |
| Gross margin, M RUB | 853,2 |
| Sales profit, M RUB | 270,1 |
| Income tax, M RUB | 53,6 |
| Net profit, M RUB | 108,2 |
| Net assets, M RUB | 1 141,6 |
| EBITDA (earnings from operating activity before interest, taxation, depreciation and amortization), M RUB | 381,2 |
| Gross tax liabilities to the federal, regional and local budgets, M RUB | 441,9 |
| Labour efficiency, M RUB/persons | 1,7 |
| Social expenses (including personnel costs, expenses related to social programs and charity), M RUB | 39,5 |
| Expenses related to sale of environmental programs, M RUB | 1,3 |

Key performance indicators
of KMP OJSC

Research and development complex

JSC “A. A. Bochvar High-Technology Research Institute of Inorganic Matirials” (JSC VNIINM)

Moscow

JSC VNIINM is the leading research and development institute for the development of fissionable, radioactive, construction, superconductor and nano-materials; resistance, rare-earth, super-purity and other metals; creation of alloys on the basis thereof, development of manufacturing techniques for the production of goods thereof; development of radiochemical production technologies and technologies for handling radioactive waste.

The core activities of the research and technology activity of the institute:

- development of new types of nuclear fuel, construction materials and fuel pins for reactors of various use;
- processing of spent nuclear fuel and handling radioactive waste;
- development of low- and high-temperature superconductor materials.

| KEY PERFORMANCE INDICATORS | 2011 YEAR |
|---|-----------|
| Output | 2751 |
| Proceeds (net) from sales of product (excluding VAT and excise duties, similar mandatory payments), M RUB | 2751 |
| Gross margin, M RUB | 807,1 |
| Sales profit, M RUB | 445,6 |
| Income tax, M RUB | 133,6 |
| Net profit, M RUB | 541,1 |
| Net assets, M RUB | 4954,809 |
| EBITDA (earnings from operating activity before interest, taxation, depreciation and amortization), M RUB | 695,7 |
| Gross tax liabilities to the federal, regional and local budgets, M RUB | 302,167 |
| Labour efficiency, M RUB/persons | 2,2 |
| Social expenses (including personnel costs, expenses related to social programs and charity), M RUB | 55,9 |
| Expenses related to sale of environmental programs, M RUB | 5,2 |

Key performance indicators
of JSC “A. A. Bochvar High-
Technology Research Institute
of Inorganic Matirials”

1.3 Mission, goal and values

Mission of TVEL FC:

Provision of the service package in demand to increase competitiveness of the power energy produced by NPP by way of implementation of energy strategy of Russia in terms of supply of enriched uranium product and nuclear fuel of Russian-design NPP acting, being under construction and planned for construction both on the territory of Russia and outside the same, entry into the global NF market for reactors of PWR, BWR type.

Strategic goal of TVEL FC:

Penetration by 2030 to the global market of NFC initial stage products and services hereinafter – NFC IS) by 30-32% due to release of products with high consumer properties enabling TVEL FC to retain and to expand its presence at the enriched uranium product and nuclear fuel market.

Values of TVEL FC:

- reliability, quality and safety of nuclear fuel, compliance with the highest international requirements and standards;
- confidence of the customers and partners of the Company in the future by way of building-up stable, foreseeable long-term relations;
- self-development and self-fulfillment of the employees of incorporated enterprises in the dynamically developing and prosperous company.

1.4 Public position in the field of sustainable development

In 2011 in the course of execution of the Annual Statement of TVEL JSC for the year 2010 the Company developed based on the values of TVEL FC a public Company position in the field of sustainable development. The draft of the public position was submitted and discussed as part of dialogue with related parties concerning the subject "Agenda of TVEL FC in the field of sustainable development: major issues in the sphere of social and environmental impact of the Company". In follow-up of the event the Public position was improved with account of recommendations of related parties.

Liability for radiation "legacy" and environmental safety of production

Activity of a range of enterprises of TVEL FC is connected with accumulation of radioactive materials, use whereof being temporarily inhibited notwithstanding a significant level of nuclear technologies. About 90% thereof was produced before early

60-s of the twentieth century within the period of active development of the first atomic project having been implemented to the benefit of the whole state. Since then nuclear fuel production management suffered significant changes which almost to the fullest extent stopped the increase of material quantity contained in the tailings dumps of TVEL FC.

We reckon that solution of radiation problems having accrued in the past in the field of environmental protection is one of the most important tasks forming the basis of sustainable development of the Company.

As of the present moment the Company conducts works for the disposal and ensuring safe storage of "nuclear legacy" of the first atomic project at the industrial sites of TVEL FC both within the framework of the approved federal targeted program and at the expense of own Company resources. Meanwhile, TVEL FC proceeds from the assumption that eventually successful solution of the "legacy" problem and the problem of handling radioactive wastes in the industry is determined by legislative assignment of respon-

sibility for consequences of anti-ecologic enterprise activity having arisen within the framework of a military atomic project between the state and the companies producing radioactive waste in their current activity.

Prior to adoption of this law within their current activity the enterprises of TVEL FC aspire to ensure maximum radiation and environmental safety. Following the goals of Environmental policy of TVEL JSC they have willingly assumed obligations to comply with the highest requirements of international environmental safety standards being provided for by the application of Environmental management system certified for conformity by ISO 14001:2004 in TUV CERT.

An important aspect of our environmental liability is our readiness to restore contaminated territories within the initial boundaries of industrial sites in case of reduction of their areas in the course of enterprise reorganization projects. ³

As part of its work related to increase in environmental safety of production TVEL FC is open for collaboration with any constructive environmental organizations.

Liability to personnel

TVEL FC is one of the largest atomic industry companies – it functions in terms of open market competition and shall comply with the requirements

to the level of efficiency of the world-wide enterprises. The major goal of TVEL FC is achievement of the best world indices of labour efficiency and performance.

Considering that a significant share of full-time employees of TVEL FC is not involved in the core activity of production enterprises and provides for operation of non-core assets to fulfil tasks related to increase in labour efficiency and enterprise competitiveness as well as increase in the volume of in-house investments the Company pursues the policy of non-core assets reorganization. Within the period of reorganization TVEL FC fully understands its liability to personnel and complies with all regulatory and legislative requirements stipulated by the Labour Code of the Russian Federation and collective agreements.

For the transitional period the management of the Company feels compelled to preserve employment benefits and the level of wages for personnel of separate companies, to provide for the most comfortable conditions for their business dealing (retention of the order quality and preferences).

In order to increase competitiveness of separated companies in the open market terms which shall also have a positive impact on the increase of their employees welfare TVEL FC implements the development program for managers of the incorporated companies subject to a comprehensive small business management program, renders advisory support by the execution of business-plans.

On the other hand, a high level of competence and qualification of the employees of major subdivisions making up the Company kernel is one of its most essential assets and values.

The Company pays special attention to planned development of personnel competencies in compliance with strategic challenges and requirements to professional and personal and business competencies consistent with the level of HR in a global company. As the key tools for personnel development the Company uses comprehensive educational and training programs engaging the leading Russian and foreign professors, experts and business practitioners, traineeship programs at the leading Russian and foreign enterprises, training project activity of the succession pool, rotation programs at the enterprises of TVEL FC profile. Significant attention is centered on the search and targeted training of newcomers even at the stage of their learning in the leading higher educational institutions.

As a result, increase in efficiency of each individual employee and the enterprise on the whole shall facilitate continuous growth and employee benefits to the employees of the enterprises. ⁴

Liability for the development of socio-cultural environment and infrastructure of the presence regions

Historically many enterprises of TVEL FC assumed full liability for maintenance and development of infrastructure in the towns of corporate presence. The enterprises represented a complex conglomerate fostering both the production and adjacent territories.

In 2000-2003 resolutions of the Government of the Russian Federation assigned powers and liability for the welfare facilities to local executive authorities. Under current conditions such role belongs to municipal or special-purpose commercial enterprises. In connection therewith the task of TVEL FC shall be not provision for but assistance by the maintenance of the town infrastructure subject to the terms stipulating for the town's balance of convenience and economic efficiency of the enterprise.

It is essential for the management of TVEL FC to ensure decent living conditions and opportunities for cultural development for the population of the presence regions, many people among the same being engaged at the enterprises with their families, representing veterans and potential employees, even in the localities distant from the cultural centers.

Apart from targeted funding of the town social infrastructure development, enterprises of TVEL FC annually

³ Detailed information on the activity in the field of environmental effect management and nuclear and radiation safety is cited in Chapter 8. Environmental impact

⁴ For more information see Chapter 10. HR management and labour safety

⁵ Chapter 9. Economic impact of TVEL FC on the territory of presence

implement the development programs for the territories, in compliance with the same there being arranged a wide variety of sports and cultural and educational events. ⁵

Liability for ensuring social accessibility of TVEL FC reorganization

Aggravated international competition at the nuclear fuel market makes the company solve the problem of increase in the economic efficiency of its activity. One of the conditions of its successful settlement shall be restructuring of non-core assets of the company obtained as "inheritance" of the centralized state-planned economy of the Soviet period. No foreign competitor of TVEL FC has such a number of socially significant encumbrances: this has a negative impact on the competitiveness of TVEL FC. To overcome this situation the Company launched the project "Novije obliki" aimed at increase in the economic efficiency of TVEL FC activity, the welfare facilities being transferred to the local authorities as part thereof.

As the transferred welfare facilities render services of importance for employees and local residents it is essential for the management of TVEL FC to make them retain their profile and accessibility also following their transfer. For these purposes a sine qua non required from the local authorities upon free transfer of such facilities shall be retention of their activity profile. More-

⁶ For more details see Chapter 9.2. Results of enterprise reorganization

over, organizations transferred to municipal bodies free of charge continue to benefit from co-funding of the TVEL FC enterprises. Separated social sphere organizations shall receive a guaranteed order to render services to the Company employees.

Management of TVEL FC considers that settlement of any issues related to possible constraints in the course of reorganization in relations between the Company, personnel and local and regional authorities shall be accomplished under mutually accepted conditions with account of the exact situation. For these purposes the Company establishes multilateral commissions urged to develop conditions and terms of reorganization acceptable for all parties, forms corporate teams to execute Schedules of top-priority events in the reorganization period. Management of TVEL FC in consort with administrations of the regions strictly supervises execution of all adopted decisions and regularly informs the enterprise employees and the residents of mono-towns of the events held within the framework of reorganization.

Great significance upon ensuring social accessibility of TVEL FC reorganization shall be attached to the creation on the presence territories of innovative environment for further development of non-core activity excluded from the profile of TVEL FC. The Company facilitates engagement of additional resources at the federal and regional level to create new vacancies in the towns of corporate presence. ⁶

Liability for innovative development and ensuring quality of fuel products.

One of the basic principles of TVEL FC activity shall be provision for maximum safety, reliability and efficiency for use of the Company products. In connection therewith the Company management shall pay increased attention to innovative development of the released products ensuring their quality and competitiveness. ⁷

Apart from increase in quality and decrease in the cost of production of goods the management of TVEL FC attaches particular value to increase of such indices significant for sustainable development of the company as energy efficiency of production and extension of the planned useful life of fuel elements in the reactor as this facilitates conservation of natural resources and decrease in the volume of radiation-exposed reactor materials.

In compliance with Investment memorandum the Company determined the goals, areas of innovative development and plans for implementation thereof in TVEL FC both short-term (the nearest one-two years), medium-term (the nearest five years) and long-term (for 20-30 years). Elaboration of events related to development of technologies and technical re-equipment in subsidiary manufacturing enterprises under the supervision of experts of TVEL FC provides for timely production modernization and makes the Company one of the world leaders in the field of nuclear fuel production.

In compliance with R&D Plan TVEL FC expects to proceed with engineering works to improve technical and economic indices of nuclear fuel while ensuring the necessary safety level.

The major aspects of quality assurance of the fuel products are determined in the Policy and goals of TVEL FC related to quality, they are implemented within the framework of the current Quality management system and approved by a voluntary international certification TUV CERT for compliance with ISO 9001.

⁷ See Chapter 7. Innovative activity

Liability for reliable supplies of fuel

The priority task of TVEL FC is to ensure timely supply of high-quality nuclear fuel to the consumers to the fullest extent. Understanding high responsibility for the settlement of this issue TVEL FC has always executed and will execute assumed obligations right on time both with regard to Russian consumers and foreign customers. ⁸

As of the present moment implementing its strategy the Company aims at expanding its presence at the foreign markets of nuclear fuel and its components. Under the conditions of fierce international competition the solution of this problem requires establishment of a complex of competitive advantages, one of which is the possibility to guarantee reliable supply of fuel.

⁸ See clause 5.3. Manufacturing control

The major tools providing for reliable supply of fuel shall be long-term agreements creating an opportunity of long-term planning; continuous production modernization excluding the possibility of material technological breaches and transition to production localization of nuclear fuel and its components in the course of implementation of a range of infrastructure projects of the Nuclear fuel cycle abroad. Such projects are already being implemented in Ukraine, China and other countries. In future TVEL FC plans to expand this practice.⁹

The procurement activity is accomplished using the Unified industrial procurement standard guaranteeing to all suppliers equal rights to access information on tender announcement. In 2011 the purchase rate in the cash equivalent effected by way of arrangement for public open bidding made up 90.13% with the target value of 80%.¹¹ To approve efficiency of the quality system the Company regularly provides for audit of its product quality management system.¹²

⁹ Detailed information on the implementation of the Company strategy for quality and risk management is cited in the relevant chapters of Section I. Strategy and management

¹⁰ The reporting data on the progress and results of interaction with related parties is cited in Section IV. Interaction with stakeholders

¹¹ Clause 5.8. Procurement activity

¹² Clause 5.5. Quality management

Ensuring information transparency

TVEL FC due to specific character and scope of its activity is within the range of interest of a very large number of related parties. Expansion of the Company presence at the foreign markets will only increase the demand to establish constructive relationship with new related parties. Thereat, it is obvious that the level of partnership with us will depend on the degree of confidence in the Company and its products. Confidence in its turn is created only in terms of transparency.¹⁰

Management of TVEL FC aims at maximum transparency in its relations with its partners (except for cases when protection of state and trade secrets is required).

For these purposes the Company holds regular meetings with related parties including in the course of preparation of public annual statements; in 2011 the Company completed works related to creation of the public reporting system of TVEL FC.





Chapter 2.

BUSINESS MODEL AND EXTERNAL ACTIVITY ENVIRONMENT

- 2.1** Business model of TVEL FC
- 2.2** Global NFC IS market
- 2.3** Particular territories of corporate presence
- 2.4** Legal scope of activity







2.1 Business model of TVEL FC

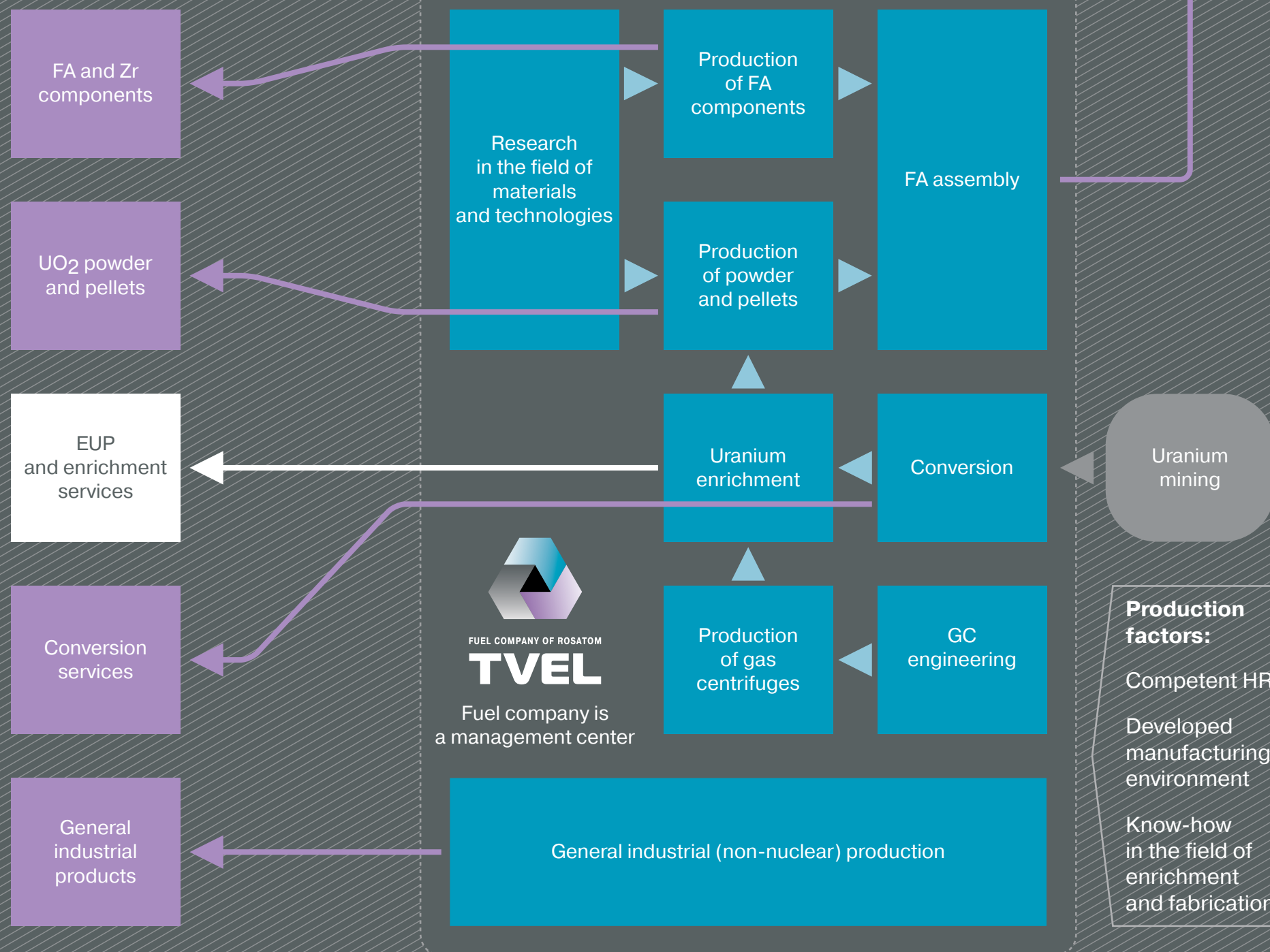
¹³ Within the framework of execution of this statement TVEL JSC conducted negotiations with related parties with the subject "Disclosure of business model of TVEL FC".

Value chains in the business model of TVEL FC ¹³

Competitive edge of FC:
Competitive price at the expense of technological know-how and scope of production

Competitive edge of FC:
Technological know-how in the field of NF for Russian-design reactors

-  TVEL FC
-  Value elements of FC
-  External elements of value delivery
-  Basic products
-  Supplementary products
-  Domestic products



The major elements of the business model shall be the value chains. The basic value chain is connected with nuclear fuel production and underlies the Company activity. It includes uranium conversion and enrichment, production of powder and pellets, FA assembly. Additional value chain related to manufacture of fuel assembly components merges with the basic value chain at the FA assembly stage. Engineering of gas centrifuges and research in the field of materials and technologies also represent a contribution to value delivery.

In 2011 there was separated as part of the business model the second prospective value chain – “general industrial production”. This value chain shall underlie the basis of the second business kernel of TVEL FC.

Uranium oxide as the major material supplied from outside as a result of a set of manufacturing processes applied in the Company is transformed into two major products – complete supply of nuclear fuel for power reactors and enriched uranium. The major produce is placed at the nuclear fuel market and at the market of uranium enrichment services.¹⁴ The market advantages of TVEL FC products are represented by high quality and competitive price of the enrichment services achieved due to extensive production scope and technological know-how in the field of NF production for Russian-design reactors.

The major manufacturing factors of fundamental importance for the operation of the business model shall be competent HR, developed manufacturing infrastructure and know-how in the field of enrichment and fabrication. Application of the manufacturing factors in the activity of TVEL FC cannot be considered apart from specific nature of the social environment of the territories of corporate presence.¹⁵ Positions of enterprises in the value

chain are shown on the page number 57.

TVEL JSC located in the center of the business model is a management center. Value chain management is accomplished in compliance with legal regulations¹⁶ and with account of TVEL FC strategy¹⁷ inextricably connected with the business model.

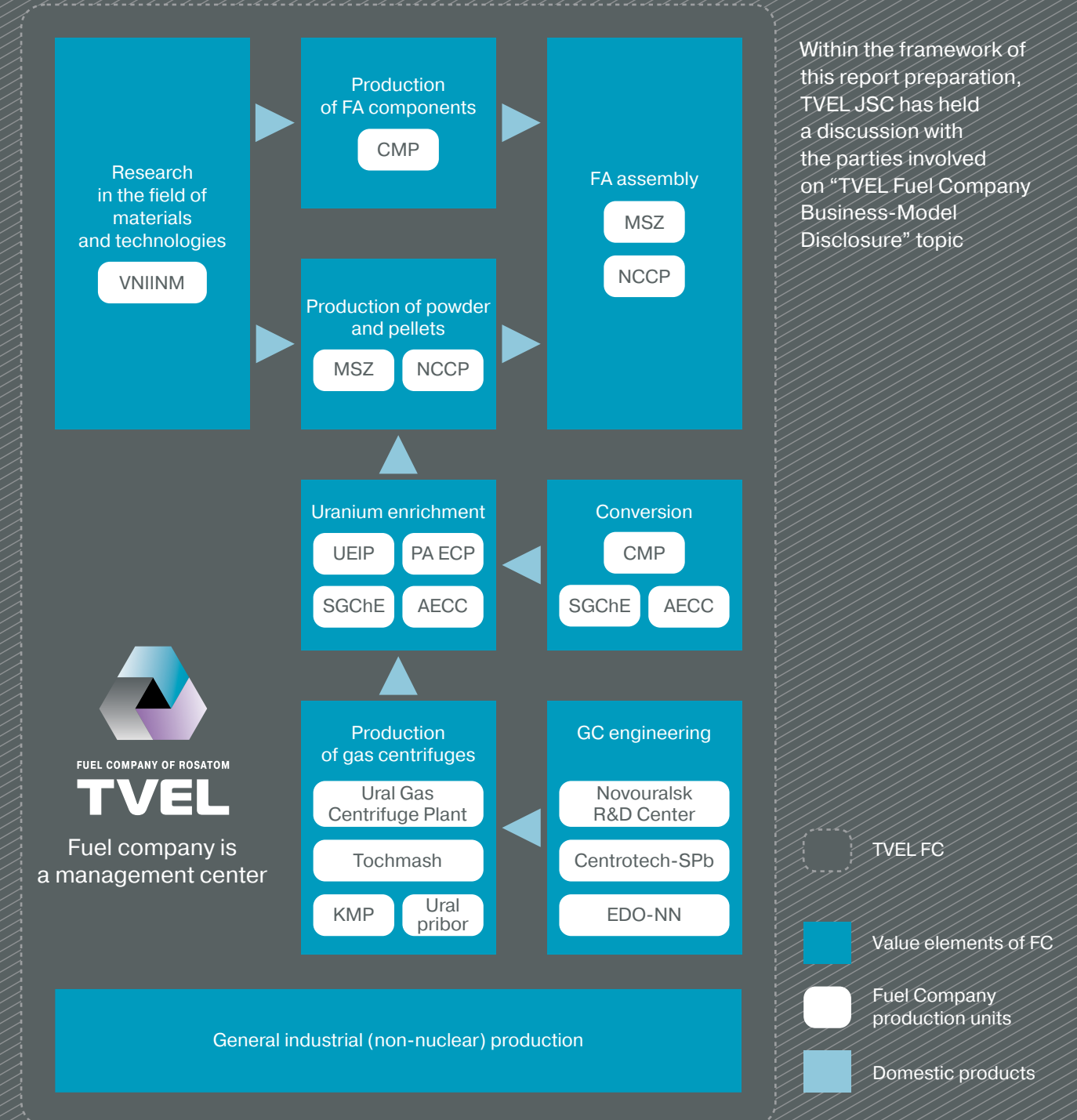
¹⁶ For more details see clause 2.4. Legal scope of activity

¹⁷ For more details see Chapter 3 “Strategy”

¹⁴ For more details about the markets see clause 2.2. Global NFC IS market

¹⁵ For more details see clause 2.3. Particular territories of corporate presence

Place of particular enterprises of TVEL FC in the value chains



2.2 Global NFC IS market

Nuclear fuel market

The major factor for the establishment of global nuclear fuel market shall be the scope and development prospects of global nuclear power industry. As of the end of 2011 436 NPP power units are in operation in 30 countries of the world and 65 power units are under construction.

Almost all countries operating NPP intend to further develop the nuclear power industry. Moreover, NPP may appear in such countries as: Poland, Turkey, Vietnam, Bangladesh, Saudi Arabia, UAE, Malaysia, Egypt, Jordan.

Meanwhile, the disaster at Fukushima-1 NPP resulted in slowdown and reduced scope of reactor park and fabrication market growth:

- a number of states refused to develop nuclear power industry including Germany, Switzerland (gradual decommissioning by 2034), Belgium (gradual decommissioning by 2025), Taiwan (gradual decommissioning of all reactors) as well as Italy, the Philippines, Thailand, Kuwait having no

operating NPP but having denied the plans related to NPP construction;

- a number of states (Japan, China) review the scope of national programs on part of nuclear power industry;
- almost all states building NPP take measures for additional safety assessment (stress-tests) of nuclear facilities which shall obviously increase the time for implementation of the relevant projects.

Reduced scope and slowdown of reactor park growth shall exert the relevant influence on the market of nuclear fuel fabrication services. Subject to preliminary estimates adjustment of the market capacity forecasts in prospect up to 2030 makes up 5-8%.

Nuclear fuel market structure

The global nuclear fuel market has two dimensions: regional and with account of reactor types. The largest regional NF market segments are North America (the USA, Canada, Mexico), Western Europe (Belgium, Finland, France, Germany, the Netherlands, Spain, Sweden, Switzerland, Great Britain) and Asian region (India, China, Japan, South Korea).

FC market divided by type of reactors falls into fuel for PHWR reactors, fuel for BWR reactors, fuel for PWR (foreign-design) reactors and fuel VVER for Russian-design reactors. The last three groups (BWR, PWR, VVER) are incorporated into one – fuel for light-water reactors (LWR). It is characteristic of this market (LWR) that the foreign-design fuel segment is by 3-4 times faster as to its growth rates. The overall nuclear fuel market size in 2011 made up about 12000 tons of heavy metal.

Place and role of TVEL FC at the nuclear fuel market

TVEL FC is the major supplier of fuel for Russian-design reactors and is technically equipped to satisfy all the needs of “Rosatom” State Atomic Energy Corporation at the Russian and foreign markets. In cooperation with AREVA NP the Company produces fuel for BWR and PWR of the Western Europe. Moreover, TVEL FC is a supplier of NF components for Indian PHWR reactors. A full list of consumers of TVEL FC products is represented in the Annual Statement of TVEL JSC for the year 2012 in the section 1.3 Market position of TVEL FC (p. 42).

In the short term TVEL FC sets the mission of significant expansion of its presence at PWR market by means of promotion of its own fuel construction for PWR with unit size of 17x17 (TVS-KVADRAT) as well as development of interaction with foreign companies. Fuel segment for PWR reactors is the most capacious in the world, it extends to 216 acting units with the unit size amounting to 17x17 for 137 units.

As of the present moment the Company is preparing to license TVS-K in a number of countries operating PWR reactors. The Company reached agreement with one of PWR operators concerning trial operation of TVS-KVADRAT. The project will provide for globalization of TVEL FC activity, extension of the sales of nuclear fuel and consolidation of the Company position at the market.

Global suppliers of nuclear fuel

The group of global NF suppliers includes AREVA, Westinghouse, GNF and TVEL FC.

AREVA. The major shareholder is the state. The Company participates in all technological conversions of NFC. Share at the fabrication market is 30%.¹⁸ AREVA produces fuel for all PWR and BWR reactors. The major sales region is Western Europe though the company is represented at the markets of the USA and Asian-Pacific region.

Westinghouse Electric Company (WEC). The major shareholder is Toshiba. Share at the NF fabrication market is 31%. The Company possesses no facilities for uranium mining, conversion, enrichment. The company portfolio includes fuel production technol-

¹⁸ Hereinafter the market share is calculated based on the number of reactors to be supplied with NF

ologies for all reactor types: LWR (PWR, BWR as well as VVER). The major markets are the USA, Western Europe.

WEC makes active endeavors to emerge into and to enforce its position in the fuel segment for VVER reactors in Slovakia (VVER-440) and in the Ukraine (VVER-1000) and is the main TVEL FC's competitor.

Global Nuclear Fuel (GNF). Joint venture of GE, Hitachi, Toshiba. GNF consists of two enterprises: GNF-J (operating at the Japanese market) and GNF-A (operating at the other markets). The company produces fuel only for BWR reactors. Market share equals 17%.

Global market of uranium enrichment services

The major subject of transactions at this market is uranium enrichment services expressed in Separative work units (SWU). A peculiar feature of this type of services is their uniqueness as the demand does not depend on the type of reactor plant, in connection therewith the only consumer advantage is the price. The market distinction is due to twofold purpose of the enrichment technologies which significantly limits the possibility of market entry by new players.

The general trend for the development of enrichment facilities lies in replacement of gas-diffusion technology by gas-centrifuge technology. It is supposed that by 2020 centrifuges will have satisfied 96%-100% of the market needs.

Capacity of the global market of uranium enrichment services in 2011 made up 47-48 M SWU/year. The ma-

major providers of enrichment services are the Fuel Division of "Rosatom" State Atomic Energy Corporation (TVEL FC and JSC "Tecksnabexport"), URENCO, AREVA and USEC collectively controlling 95% of the market.

Place and role of TVEL FC at the market

TVEL FC effects supplies of uranium enrichment services only as part of the final product – nuclear fuel (FA).

The company share at the market makes up about 16%.

Supply of Russian enrichment services in the form of HEU or SWU is the obligation of OJSC "Teckhsnabexport" which also represents an authorized organization within the framework of Russian-American HEU-LEU program.

The aggregate share of the two Russian companies at the world uranium enrichment market makes up 45%.

Global providers of uranium enrichment services

URENCO The largest western provider of enrichment services is URENCO controlling about 20% of the market. URENCO is the most efficient enrichment company as part of foreign competitors of TVEL FC.

As of the end of 2011 general installed capacity of the company equaled about 14.6 M SWU/year. As of the present moment URENCO operates three enrichment plants in Europe

(in Almelo (the Netherlands), Capenhurst (Great Britain) and Gronau (Germany)). In 2010 an enrichment plant of URENCO was launched in the USA (Louisiana Energy Services (LES)/ URENCO USA).

URENCO consistently extends its enrichment capacity. By 2012 URENCO intends to reach the index of 18 M SWU a year.

AREVA occupies 19% of the world enrichment market. As of the present moment it operates a uranium enrichment plant George Besse I (GBI), installed capacity whereof making up 10.8 M SWU a year. This plant uses obsolete gas-diffusion technology for uranium enrichment. Nowadays the company is engaged in the construction of plant with gas-centrifuge technology George Besse II (GBII), capacity whereof amounting to 7.5 M SWU a year. By the end of 2012 the plant shall have reached full capacity.¹⁰

United States Enrichment Corporation (USEC) 11% of the market of enrichment services pertains to USEC. As of the present moment the company takes on lease an American gas-diffusion plant for uranium enrichment in Paducah. Installed capacity of the plant equals 8 M SWU a year.

USEC is a state agent of the US Government in HEU-LEU transaction.

The central project of USEC is construction of plant with gas-centrifuge technologies in the USA - American Centrifuge Plant (ACP). Planned capacity of ACP amounts to 3.8 M SWU a year.

Gas centrifuge market

There is no gas centrifuge market for enrichment enterprises as such. It is connected to the fact that a centrifuge is a constituent part of the product "enrichment plant" and is supplied in complex with other equipment. Major supplies of gas centrifuges are effected to the domestic (Russian) market as equipment upgrade for Russian enrichment plants.

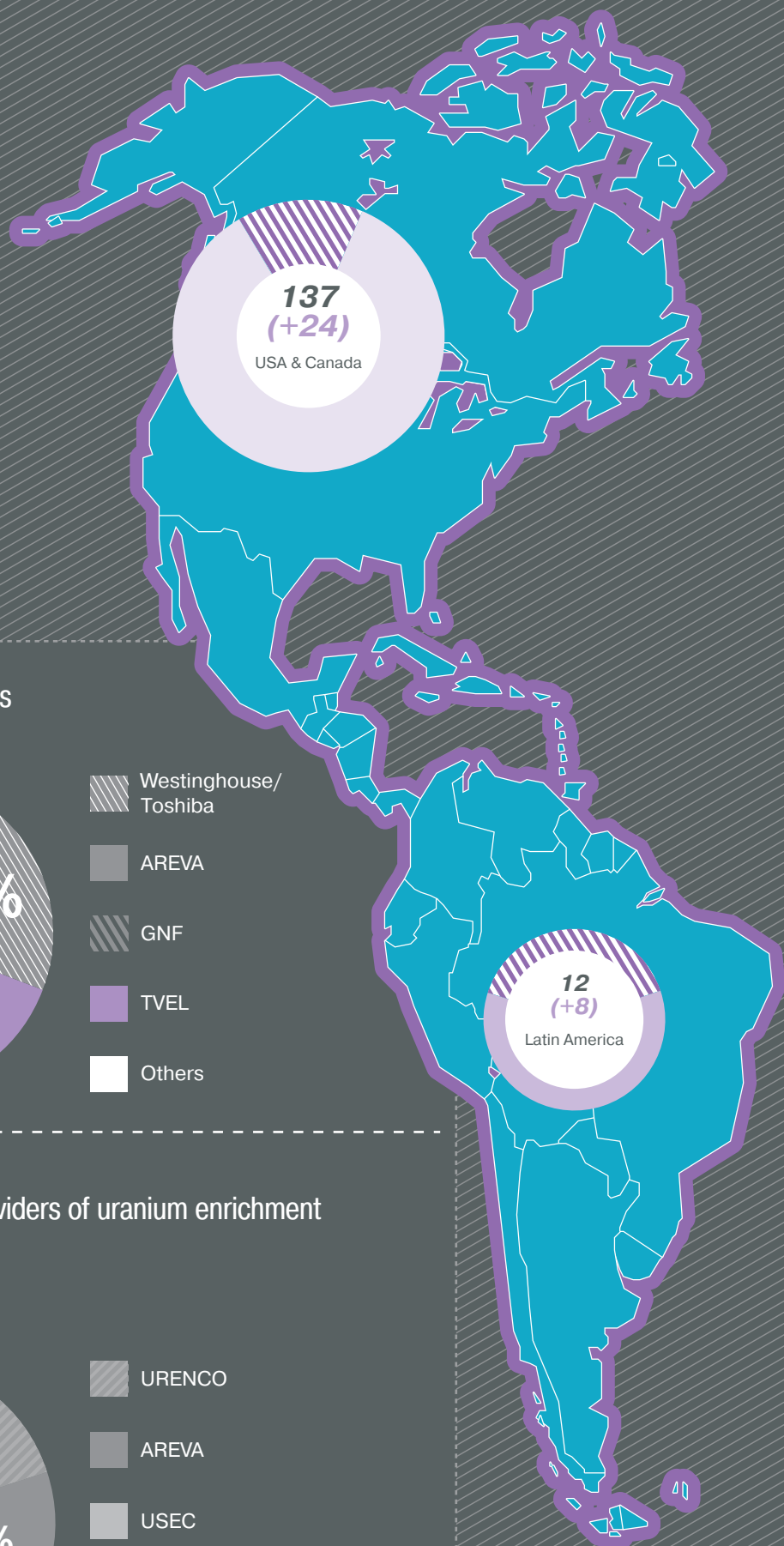
An example of supplies of gas centrifuges to the external market as of the present moment is construction of gas-centrifuge plant in China. The agent on part of Russia under this project is JSC "Tecksnabexport".

¹⁰ The Ux Consulting Company, LCC (UxC), 15.04.2011.

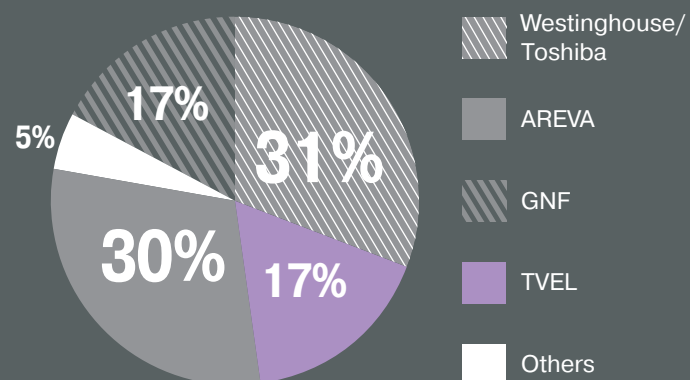
Dynamics and volume of installed NPP power until 2013, GW

Growth rates

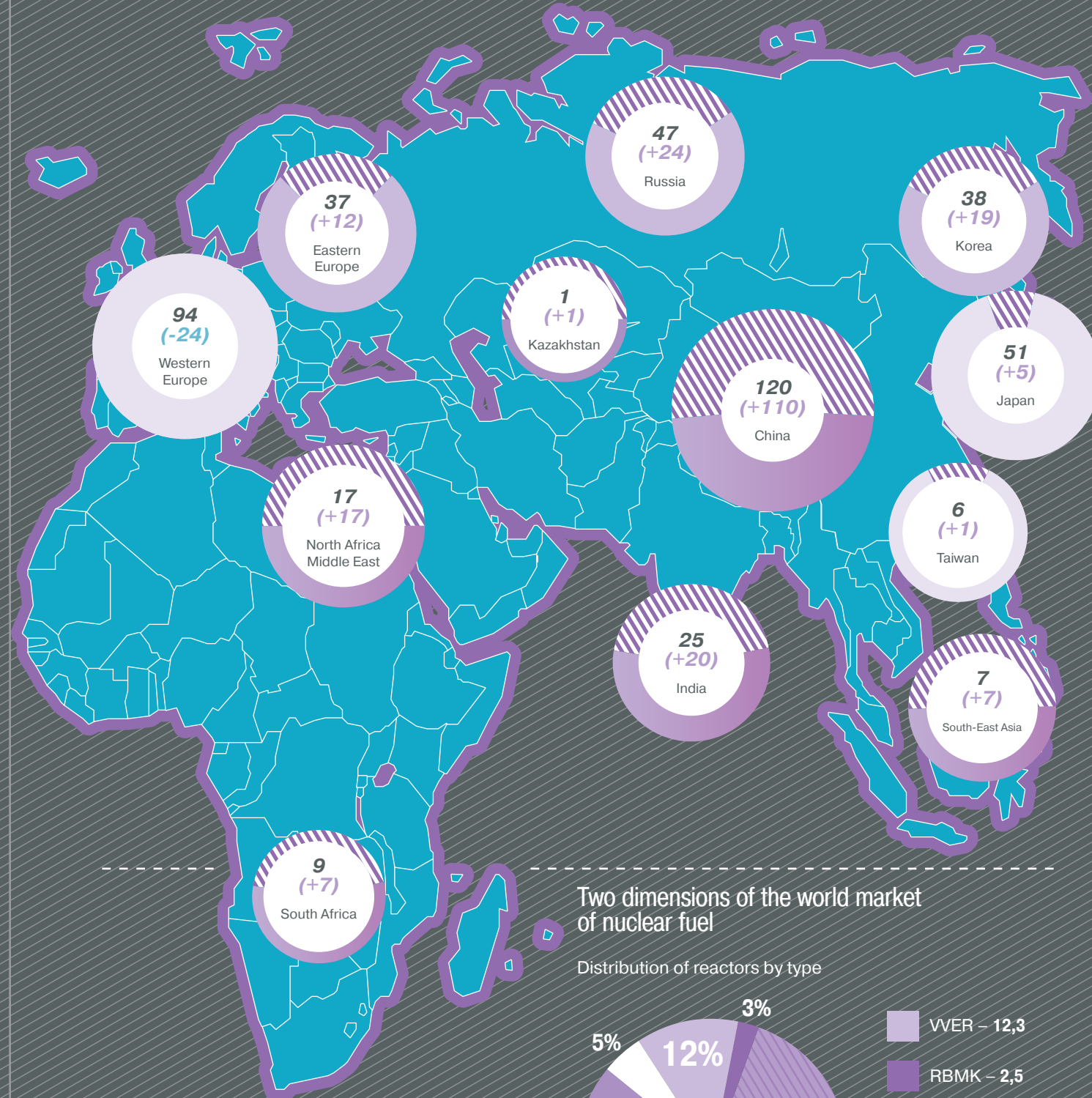
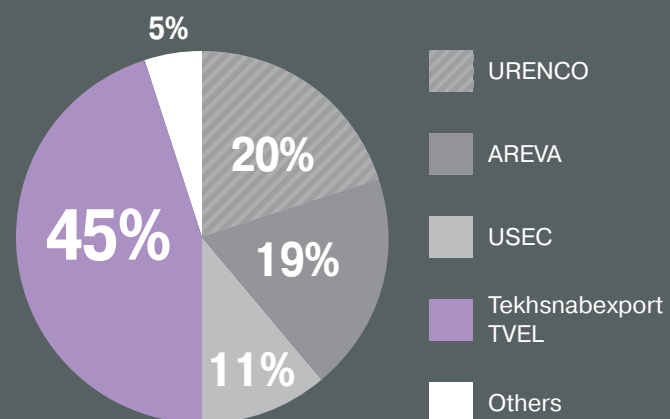
- High
- Medium
- Low
- Incremental growth
- Total power



Share of global NF suppliers at the global market

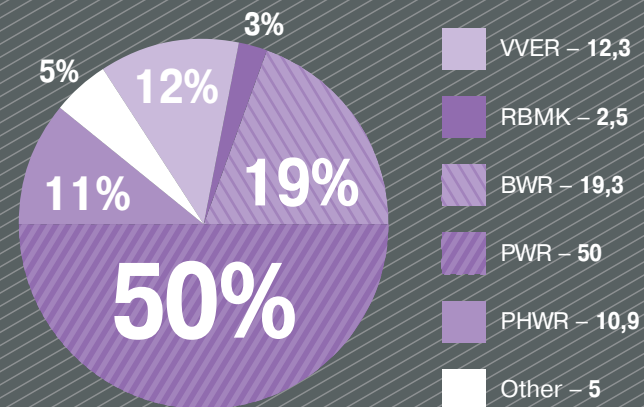


Share of global service providers of uranium enrichment on the world market

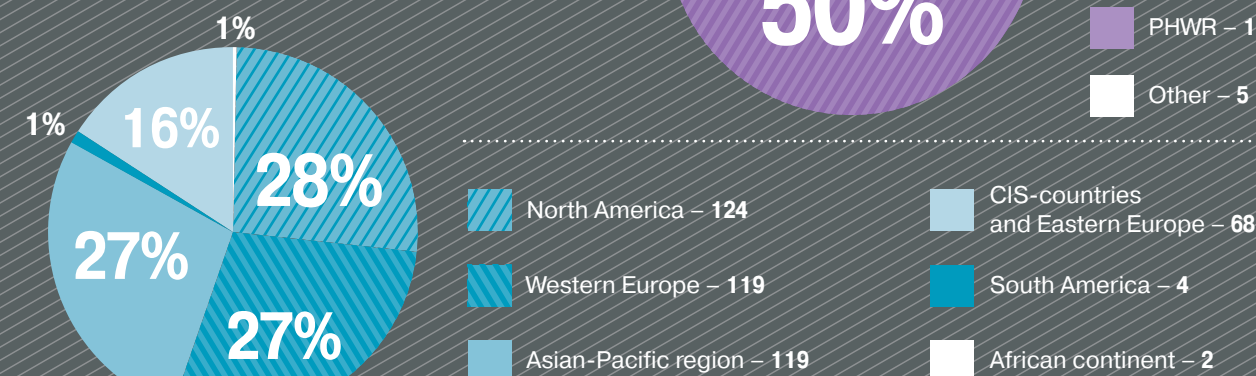


Two dimensions of the world market of nuclear fuel

Distribution of reactors by type



Reactor distribution by regions



2.3 Particular territories of corporate presence

A characteristic feature of the social environment, within the framework whereof TVEL FC is carrying out its activity, is that three enterprises of the Company are located on the territories of Closed Administrative-Territorial Entities and one – on the territory of a mono-town where they represent town-forming organizations and the major tax payers. Historically these enterprises of TVEL FC assumed full liability for maintenance and development of infrastructure in the towns of corporate presence. Under current conditions the task of TVEL FC shall be not provision for but assistance by the maintenance of the town infrastructure subject to the terms stipulating for the town's balance of convenience and

economic efficiency of the enterprise. Thereat, TVEL FC keeps on assuming obligations related to investments into social projects, charity activity and employment of the population of the territories of corporate presence. In connection therewith it is important for the Company to get into a constructive dialogue with local authorities, mainly with the Administrations of the towns of Closed Administrative-Territorial Entities and public organizations.²⁰

²⁰ See. 9.1. Management of socio-economic impact on the presence regions; 4.2. Development of the second business kernel; IV. Interaction with stakeholders

SEVERSK

| | | | |
|--|--------------------------------|------------------------------------|--|
| CLOSED ADMINISTRATIVE-TERRITORIAL ENTITY Status | 64300 Employable population | 1,51% Unemployment rate in 2011 | 1,2 Number of vacancies for each unemployed in 2011 |
| SGChE JSC Enterprise | 15% Employed by SKK OJSC | | |

Tax liabilities of SKK OJSC

| | |
|-------------------------------------|-------------------------------------|
| RUB 1425 M to the federal budget | RUB 849 M to the regional budget |
|-------------------------------------|-------------------------------------|

Effect on the environment of the territory of corporate presence

| | | |
|----------------------|-------------------|--|
| 7,4% of emissions | 46,9% of waste | 81,9% of waste waters in the Tomsk Region |
|----------------------|-------------------|--|

10393,0 тыс. м²

The total area of territories contaminated by radionuclides subject to restoration at SKK OJSC

Plans for the enterprise development

CENTER OF CONVERSION PRODUCTION; R&D-CENTER (CENTER OF RESEARCH AND DEVELOPMENT)
CENTER FOR WORK WITH REPROCESSED URANIUM

ZELENOGORSK

| | | | |
|--|--------------------------------|------------------------------------|--|
| CLOSED ADMINISTRATIVE-TERRITORIAL ENTITY Status | 43400 Employable population | 0,96% Unemployment rate in 2011 | 0,8 Number of vacancies for each unemployed in 2011 |
| "PA ECP" JCS Enterprise | 15% employed at PO EK OJSC | | |

Effect on the environment of the territory of corporate presence

| |
|--|
| 4,8% of waste waters in the Krasnoyarsk Territory |
|--|

Plans for the enterprise development

CREATION AT PO EKZ OJSC OF A BASIC SITE FOR ESTABLISHMENT OF ENRICHMENT PLANT WITH THE LOWEST COST OF URANIUM ENRICHMENT IN THE WORLD

GLAZOV

| | | | |
|-----------------------|--------------------------------|------------------------------------|--|
| MONO-TOWN Status | 62280 Employable population | 1,32% Unemployment rate in 2011 | 2,3 Number of vacancies for each unemployed in 2011 |
| CMP JSC Enterprise | 13% Employed at TMZ OJSC | | |

Effect on the environment of the territory of corporate presence

| | | |
|--------------------|--------------------------|---|
| 3% of emissions | 4,96% of waste waters | 3,5% of waste in the Udmurt Republic |
|--------------------|--------------------------|---|

1987,0 THOU. M2

Общая площадь загрязненной радионуклидами территории, подлежащей реабилитации на ОАО «ЧМЗ»

Plans for the enterprise development

ESTABLISHMENT OF THE METALLURGICAL CENTER OF ROSATOM STATE ATOMIC ENERGY CORPORATION; PRODUCTION OF THE ESSENTIAL ELEMENT FOR THE DEVELOPMENT AT THE NF MARKET - ZIRCONIUM; SHALL BECOME THE GROWTH POINT OF TVEL FC AT THE ADJACENT MARKETS

NOVOURALSK

| | | | |
|--|--------------------------------|------------------------------------|--|
| CLOSED ADMINISTRATIVE-TERRITORIAL ENTITY Status | 54157 Employable population | 3,01% Unemployment rate in 2011 | 0,5 Number of vacancies for each unemployed in 2011 |
| UEIP JSC Enterprise | 20% Работает на ОАО «УЭХК» | | |

Effect on the environment of the territory of corporate presence

INSIGNIFICANT

Plans for the enterprise development

CREATION OF RESEARCH AND TECHNICAL CLUSTER OF CENTRIFUGE-ENRICHMENT TECHNOLOGIES

Legal scope of activity

2.4

Carrying out its activity on the territory of the Russian Federation TVEL JSC complies with all regulatory and legislative requirements of the Russian law, in particular the Labour Code of the Russian Federation and environmental legislation as well as Russian and international legislation in the field of nuclear power industry.²¹

TVEL JSC is not only confined to compliance with current legislation but of its own accord takes an active part in the improvement of legislative initiatives.

²¹ List of major regulatory legal acts governing the activity of TVEL JSC is specified in Appendix 5

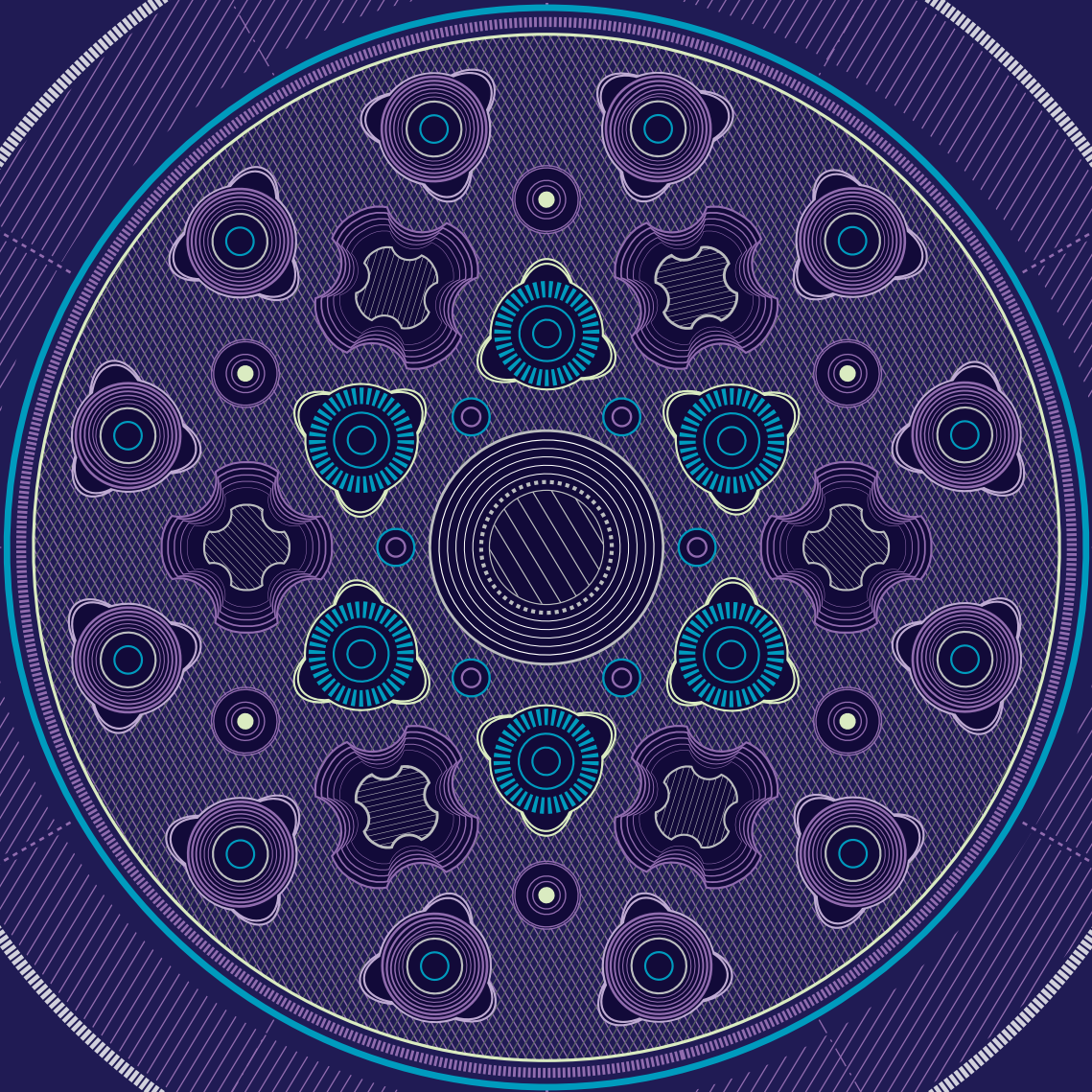
Major legislative initiatives, elaboration thereof having been effected with the participation of TVEL JSC

| LEGISLATIVE DRAFT | PURPOSE OF THE DRAFT |
|---|--|
| Draft Federal Law "Concerning introduction of amendments into article 4 of the Federal Law dd. 05.02.2007 No. 13-FZ "Concerning aspects of management and disposal of the assets and shares of the organizations carrying out their activity in the field of atomic energy application" and concerning introduction of amendments into particular legislative acts of the Russian Federation" | Determination of title to nuclear materials and nuclear plants at the disposal of legal entities |

| LEGISLATIVE DRAFT | PURPOSE OF THE DRAFT |
|--|--|
| Draft Law "Concerning Holdings" | Improved regulation of issues related to establishment and operation of holdings (associations of business entities where one business entity has legal grounds to approve decisions adopted by other business entities) |
| Draft Federal Law "Concerning introduction of amendments into the Federal Law dd. 29.04.2008 No. 57-FZ "Concerning the procedure for foreign investment in business entities of strategic importance for national defense and state security" | Improvement of legislation in the field of supervision over foreign investments in the Russian Federation |
| Draft Federal Law "Concerning the state regulation of safety upon atomic energy use" and draft Federal Law "Concerning introduction of amendments into particular legislative acts of the Russian Federation for the purpose of safety regulation in the field of atomic energy use" | Improved regulation in the field of atomic energy use including in part related to safety regulation |
| Draft Federal Law "Concerning introduction of amendments into several legislative acts of the Russian Federation (in part related to regulation of issues concerning elimination of environmental damage including connected with the previous business activity)" | Improved regulation of issues related to elimination of environmental damage |
| Draft Ruling of the Government of the Russian Federation concerning introduction of amendments into the ruling of the Government of the Russian Federation dd. July 14, 1997 No. 865 "Concerning approval of the regulation related to licensing activity in the field of atomic energy use" | Improved legislation concerning licensing of particular types of activity with account of aspects of licensing of various types of activity in the field of atomic energy use |
| Draft Decree of the President of the Russian Federation dd. April 27, 2007 No. 556 "Concerning reorganization of the atomic energy industrial complex of the Russian Federation" | Addition to the list of Russian legal entities, which may own nuclear materials and to the list of Russian legal entities which may own nuclear plants |

SECTION I

STRATEGY AND MANAGEMENT

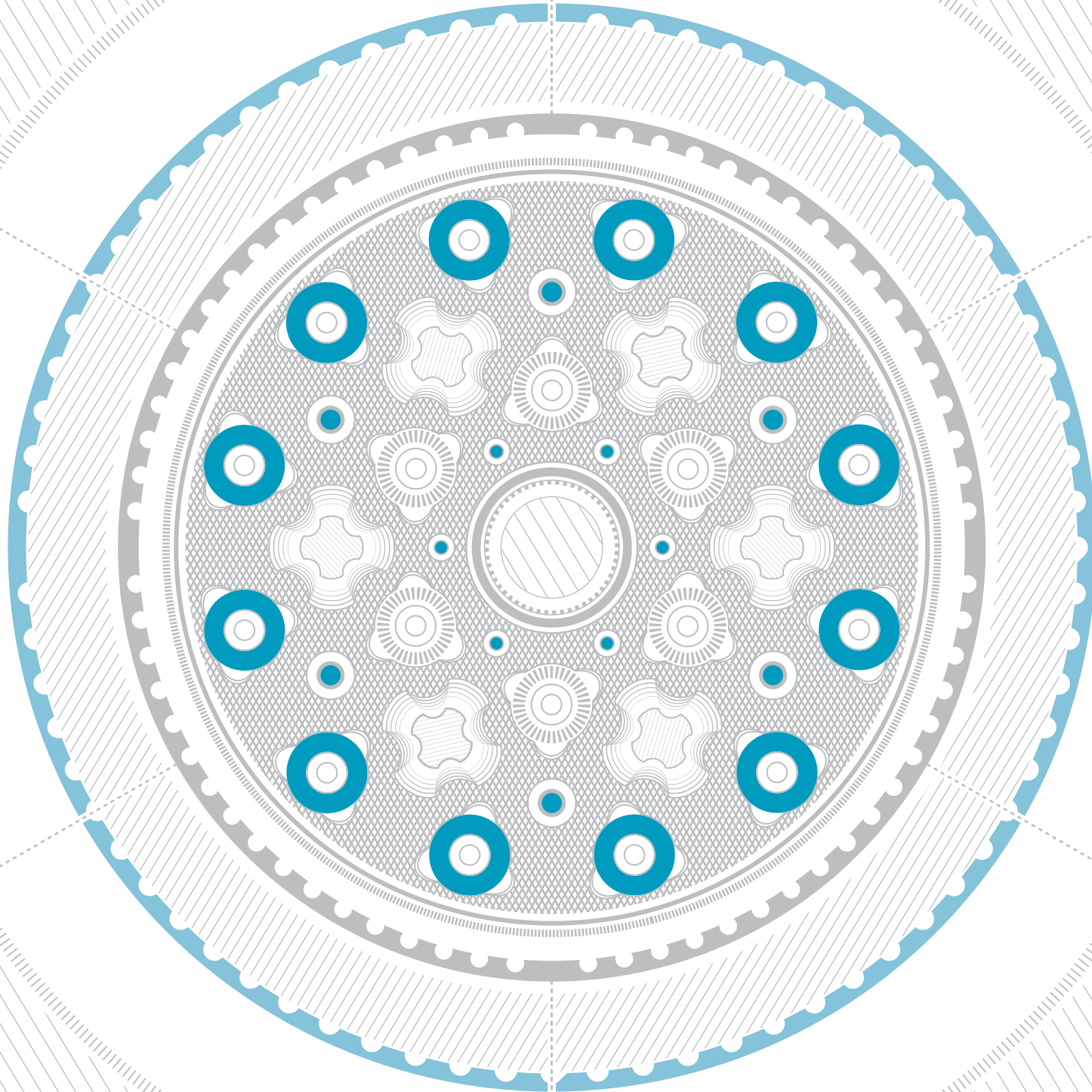


Chapter 3

STRATEGY

3.1 Fuel Division development strategy 2030

3.2 Development strategy and program



3.1 Fuel Division Development Strategy 2030

Fuel Division Development Strategy 2030 adopted on December 6, 2011 is the primary document that determines TVEL Fuel Company's development strategy. In addition to TVEL JSC and its subsidiaries, Fuel Division also includes Tekhsnabexport JSC.

Fuel Division Development Strategy 2030 is aimed at implementing Global NFC IS Leadership Retention, a strategic initiative launched by "Rosatom" State Atomic Energy Corporation.

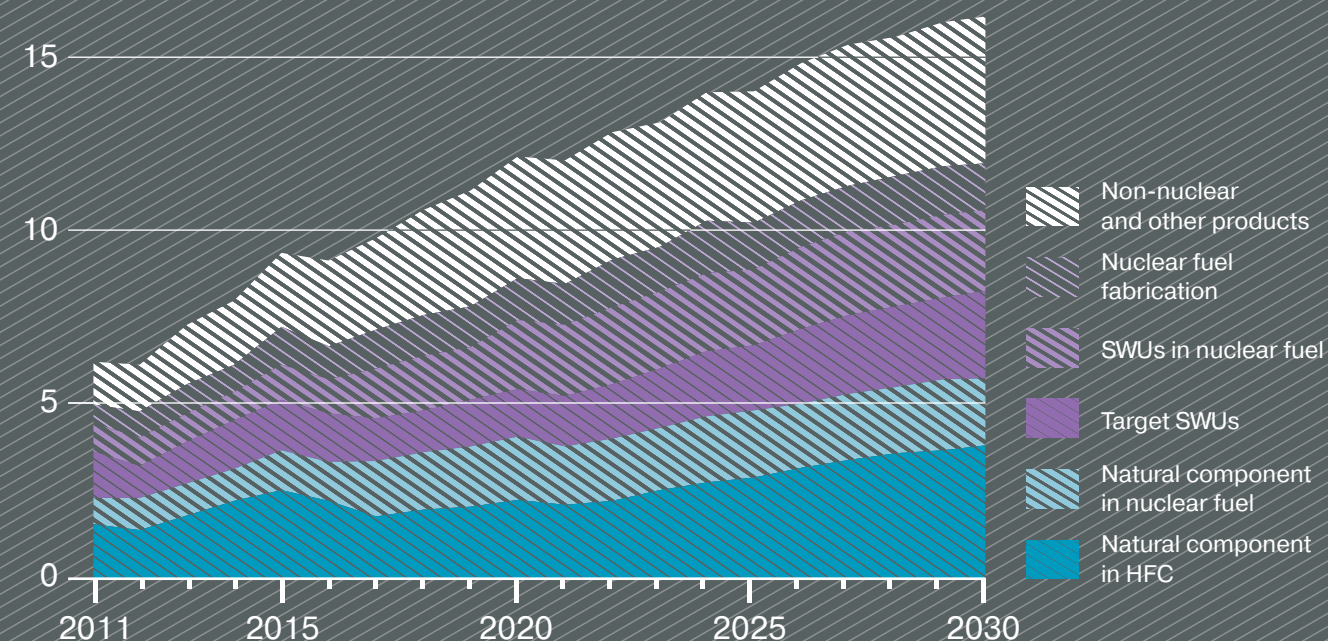
"Rosatom"'s initiative for retaining global leadership at nuclear fuel cycle initial stage (NFC IS) sets the following strategic tasks for Fuel Division until 2030:

- increasing proceeds from \$6 B in 2011 to \$16 B by 2030;
- increasing its share in the basic NFC IS market from 25% to 30-32%.

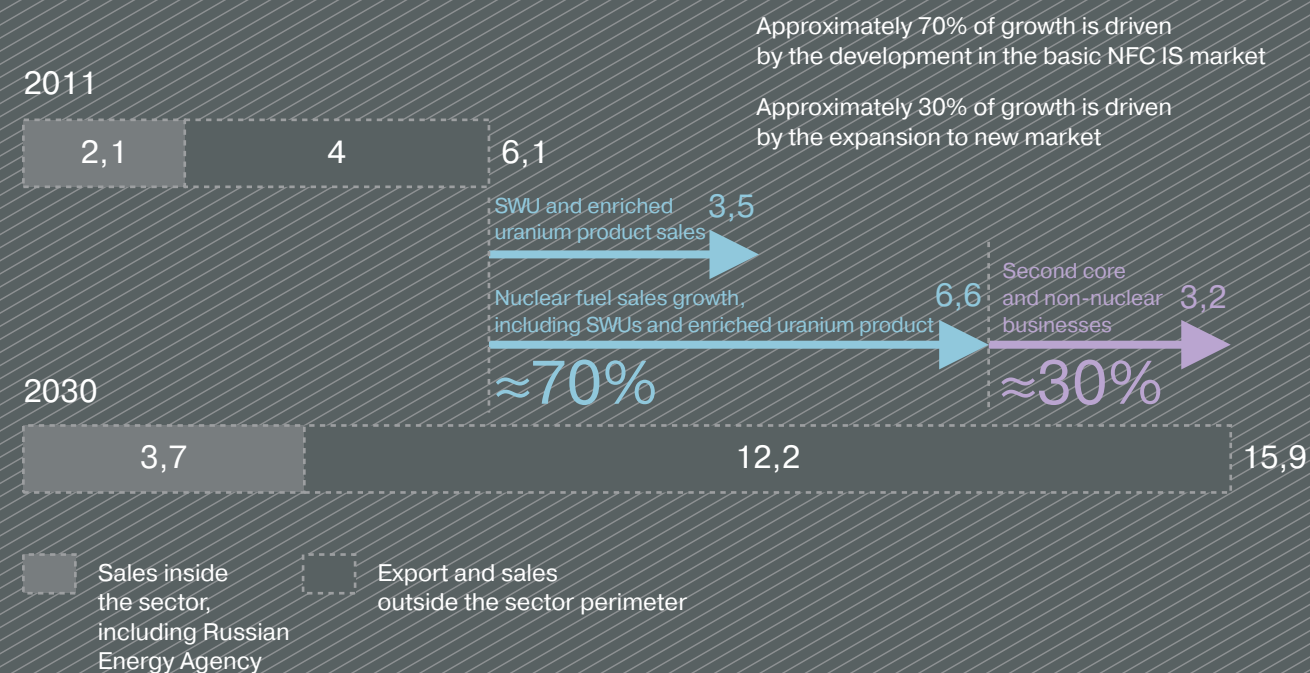
The above-mentioned strategic objectives differ from those presented in the previous annual report (see TVEL JSC's Annual Report for 2010, page 58) because in 2011 the targets for TVEL Fuel Company's strategy were revised and clarified.

Fuel Division's target proceeds growth indicators by 2030

Dynamics of Fuel Division's target proceeds



Factors of revenue growth, billion USD



3.2 Development Strategy and Program

The achievement of the Fuel Division's targets directly depends on successful implementation of TVEL's strategy that was devised based on the assumption that until 2030 the Company will be developing in difficult market conditions:

- basic NFC IS market will grow at 2-3% annually until 2030, while the market of foreign design reactors grows 3-4 times faster than VVER (water-water power reactor) market;
- TVEL Fuel Company is already among the leading players in the global NFC IS market, and its high starting position limits opportunities for further growth;
- Increased risk that the existing player will reinforce their positions or that new players having access to technology, political and investment resources will appear.

An additional limitation on the Company's development is imposed by TVEL FC's historical social commitments²² and nuclear heritage requiring elimination.²³ These factors create disadvantageous conditions for TVEL FC compared to its competitors and make the Company take efforts to maintain the balance between the need to reduce product cost and

to finance activities required to make its business socially and economically acceptable.²⁴

Taking into consideration the factors described above, the corporate management decided that TVEL FC's strategic objectives could be achieved by implementing the following three key strategic indicatives:

- Global NFC IS Leadership Retention;
- Second Business Core Development;
- Creating Conditions for Business Development.

Global NFC IS Leadership Retention Initiative

Global NFC IS leadership will be retained through a differentiated approach to the two key market segments: nuclear fuel market and uranium enrichment service market.

TVEL FC's market strategy in the field of nuclear fuel fabrication is based on the protection of its traditional markets and expansion to new markets through innovative products and local manufacturing sites. Implementing the strategy in the field of nuclear fuel fabrication should result in nuclear fuel output increased from 1.5k to 2.5k heavy metals in 2030.

TVEL FC's marketing strategy in the field of commercial uranium enrichment is based on strategic SWU cost management. Implementing in the field of enrichment should result in the share of commercial enrichment market (exclusive of HEU-LEU) increased from 33% to 41%.

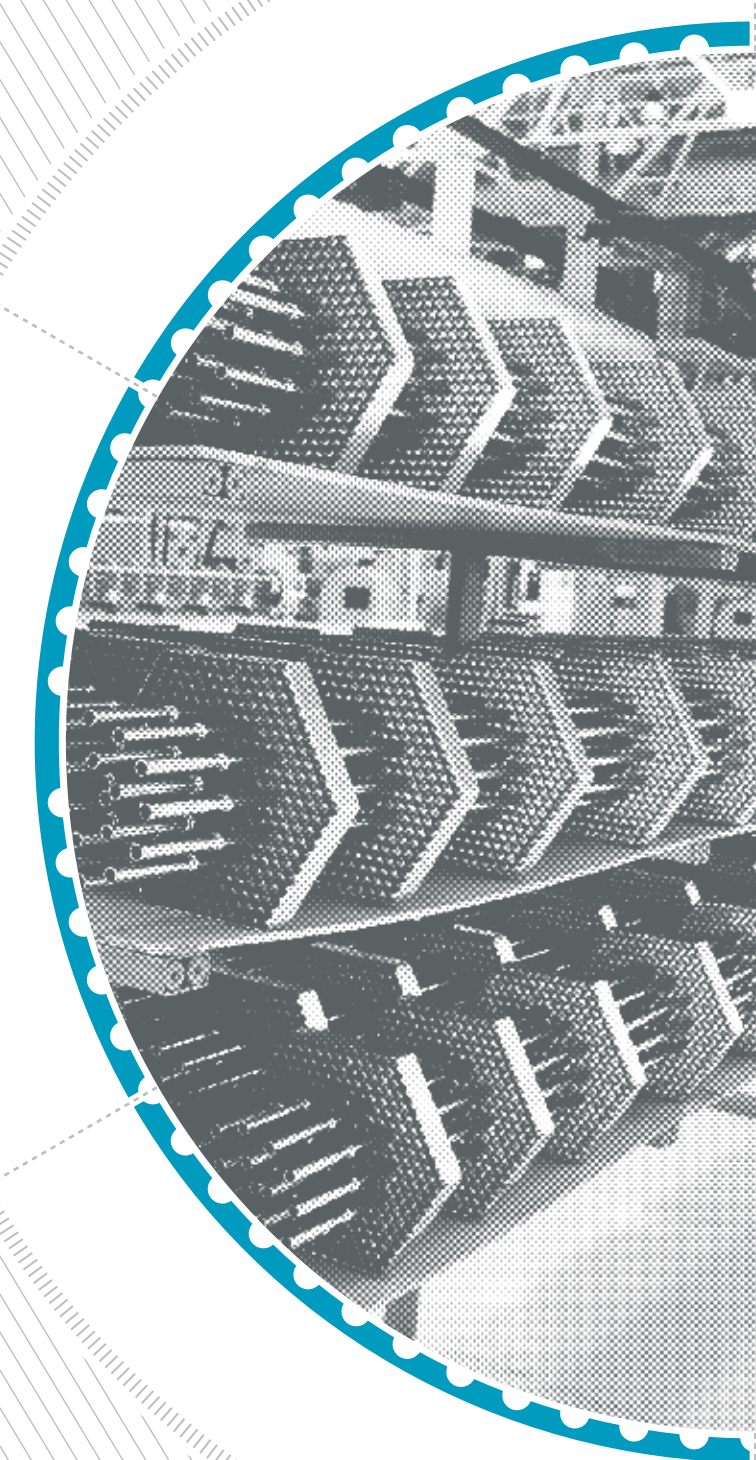
These objectives will be achieved within two areas of strategy implementation: growth in NFC markets and improved production efficiency.

The following basic projects have been elaborated within the said areas.

²² See Chapter 10 Economic Impact of TVEL Fuel Company on the Environment

²³ See Chapter 8. Environmental Impact

²⁴ The approach to making its business safe, and socially and economically acceptable, as well as the official position of TVEL JSC's management with respect to safety, social and economic acceptability of its business are described in article 1.4 Public Position



Current projects within Global NFC IS Leadership Retention Initiative

| PROJECT TITLE | PROJECT DESCRIPTION AND OBJECTIVES |
|--|--|
| 1. GROWTH IN NFC MARKETS | |
| Fabrication plant in Ukraine | The project of a local plant in Ukraine is aimed at reinforcing the positions of Russian NF fabrication and uranium enrichment services in the Ukrainian market of NFC products and services. It is expected that a nuclear fuel fabrication plant will be built in Ukraine using Russian technologies. According to the decision of the Prime-Ministers of the two countries this project was included in the list of infrastructure projects. It is a priority project within large-scale integration of the nuclear energy industry complexes of Ukraine and Russia |
| Entering PWR fuel market (FA-SQUARE fuel assembly) | This project is aimed at extending TVEL FC's presence in more dynamically developing markets of reactors of western design by promoting its proprietary PWR fuel assemblies sized 17x17 (FA-SQUARE). Successful licensing of Russian fuel assembly design FA-SQUARE will allow TVEL FC's business to go global and increase its nuclear fuel sales |
| Supplies of zirconium products (AECL, GNF, KNF) | The project for supplies of zirconium products is implemented for entering the market of fuel assembly components |

| PROJECT TITLE | PROJECT DESCRIPTION AND OBJECTIVES |
|---|--|
| 2. UPGRADING PRODUCTION FACILITIES AND IMPROVING PRODUCTION EFFICIENCY | |
| Optimizing the geography of production sites | <p>The project for optimizing the geography of TVEL's production sites is aimed at improvement of strategic product cost management. The geography will be optimized based on the following principles:</p> <ul style="list-style-type: none"> ■ improving efficiency through economy of scale and synergy; ■ reducing the number of production sites with nuclear plants and nuclear materials ■ concentrating production within the Closed Administrative-Territorial Entity to the greatest extent possible and using the existing potential and infrastructure; ■ shift to advanced clean technology. <p>This project will affect all three industrial complexes of TVEL FC.</p> |
| Upgrading the main separation-sublimation production complex | This project is aimed at increasing the efficiency of uranium enrichment services by upgrading new production facilities of RSK, including replacement of fifth-generation gas centrifuges with better eighth-generation centrifuges |
| Upgrading fabrication, conversion and manufacture of gas centrifuges | This project is aimed at improving the efficiency of nuclear fuel fabrication services by introducing more effective component technologies to manufacture components, uranium dioxide powder and fuel tablets, as well as upgrading uranium conversion and gas centrifuge manufacturing equipment |
| Creating a conversion center | A conversion center is planned to be created on the basis of JSC SGChE to reinforce the company's specialization by increasing conversion volumes. New dry technology will be used for uranium conversion |

Current projects within Second Business Core Development Initiative

| PROJECT TITLE | PROJECT DESCRIPTION |
|---|---|
| 1. INNOVATIVE DEVELOPMENT PROJECTS | |
| Electrochemistry cluster | <p>Cathode Materials project is implemented by JSC NCCP and Industrial Innovations CJSC in cooperation with "RUSNANO" JSC. The purpose of this project is to launch import-substitution industrial production of cathode material based on lithium iron phosphate for lithium-ion batteries with annual product output of 3,500 tons by 2015</p> <p>Hydrogen Storage System project is aimed at launching production of power plants, electrolyzers and electrochemical generators based on hydrogen-oxygen fuel cells, as well as power plants based on such generators. It is expected that during the implementation of this project production will be launched at Electrochemical Transducer Plant (ZEP), JSC UEIP. In case market forecasts for hydrogen storage systems prove to be correct, it is expected that production will be scaled up and/or expansion to the adjacent market segment will start.</p> <p>An investment project was initiated to develop isotope production at JSC "PA ECP"</p> |

| PROJECT TITLE | PROJECT DESCRIPTION |
|--------------------------|--|
| | <p>Car Catalyzers project is implemented by JSC UEIP jointly with ATEKS LLC (an investor having competences and experience in selling car components) and "RUSNANO" JSC. The purpose of this project is to launch a highly profitable leading-edge production complex for the development and manufacture of catalytic converters and car exhaust gas neutralizers, thus increasing their share in the domestic market of catalytic converters and neutralizers.</p> <p>In line with TVEL FC's Development strategy work is being done to prepare the initiation of promising projects involving launching of production of electrochemical cells and energy storage systems, as wells as setting up production of rare earth elements and nickel-containing powders. It is expected that "RUSNANO" JSC will be engaged in these projects as a financial partner</p> |
| Metallurgy cluster | <p>Superwires project is implemented by JSC VNIINM together with "RUSNANO" JSC. The purpose of this project is to launch production of super strong nanostructure electrotechnical wires with high conductivity. By 2014, annual production output will be 50 tons. The second project stage includes increase annual output to 200 tons by 2016 by expanding production using the industrial site of CMP JSC, which will become a regional metallurgical center</p> |
| Machine building cluster | <p>Feasibility study revealed an opportunity for TVEL FC to start production of high-duty cast iron containers at the facilities of JSC SGChE in order to create equipment for handling spent fuel and nuclear fuel assemblies.</p> <p>Nanocoating-Atom project is implemented by JSC VNIINM in cooperation with "RUSNANO" JSC and PLACKART CJSC (a leading functional coating company in the Russian market). The purpose of this project is to create a network of centers that will provide services for applying multifunctional nanostructured coatings, first of all, to satisfy the needs of the Company and other entities operating in the nuclear industry</p> |

| PROJECT TITLE | PROJECT DESCRIPTION |
|---|--|
| 2. CENTRALIZING PRODUCTION COMPETENCES | |
| Instrument making (Novouralsk) | In 2011, large-scale campaigns were held to centralize instrument and tool making, and repair sites within the restructuring of TVEL FC's assets. These activities allowed to implement a strict specialization of TVEL FC enterprises, thus optimizing and improving the efficiency of its new production sites |
| Instrument making and repair | |

Second Business Core Development Initiative

According to TVEL FC's strategy, non-nuclear product manufacture needs be launched for achieving its target proceeds and implementing its corporate social obligations. The creation of the Company's second business core includes the following tasks:

- increasing proceeds by expanding its project portfolio in new markets with a high growth potential;
- separating supporting production sites, improving management efficiency and attracting capital from external investors;
- creating new jobs for employees released in connection with the production network geography restructuring;
- setting up anchor businesses in industrial parks using released spaces for that purposes;
- commercializing the existing technologies of TVEL FC enterprises and scientific infrastructure;
- maintaining tax revenues in regions by locating new production sites there.

Developing second core business should provide additional \$5-6 B of proceeds by 2030.

TVEL FC's second business core will be created in the two main directions: centralization of the existing production businesses that support the Company's core activity and launching new innovation-based non-nuclear production businesses within three clusters of innovative development (metallurgy, machine building and electrochemical sector). A number of projects are implemented within each cluster.

Creating Conditions for Business Development Initiative

TVEL FC's third strategic initiative is aimed, first of all, at making the Company's business socially acceptable by creating conditions for the development of business in its regions of presence. It is based on several principles:

- Maintaining stability and a high quality of life in the regions where TVEL FC is present;
- Fostering a comprehensive business environment in the cities and regions of its presence;
- Increasing tax payments to the closed administrative-territorial entity and regions;
- Responsibility of regions for long-term development projects and creating new jobs by increasing tax payments.

This strategic initiative will cover two areas: infrastructure development and organizational development.

Current projects within Creating Conditions for Business Development Initiative

| CREATING CONDITIONS FOR BUSINESS DEVELOPMENT | |
|--|---|
| 1. INFRASTRUCTURE DEVELOPMENT | |
| <p>Creating an efficient scientific and technical environment: developing an international network of R&D centers, creating central design and technology institutes, developing design engineering bureaus and VNIINM</p> | <p>An international network of R&D center is a condition necessary to advance technology and a tool to support sales. Project implementation prerequisites include the following:</p> <p>Access to global markets and technologies</p> <ul style="list-style-type: none"> ■ Lack of competences to develop new products and technology in non-nuclear businesses; ■ Enrichment of the scientific environment with new intellectual resources; <p>Marketing support for global expansion</p> <ul style="list-style-type: none"> ■ Developing relations with the existing and new partners, building loyalty to Russian technology; ■ A platform for licensing TVEL FC's products in various geographical segments of the global market |

| CREATING CONDITIONS FOR BUSINESS DEVELOPMENT | |
|--|---|
| <p>Creating a network of industrial parks on released spaces</p> | <p>Mechatronics Industrial Park, a project of VPA «Tochmash» JSC, is aimed at ensuring effective use of the industrial site of VPA «Tochmash» JSC by setting up Industrial Park there. It is expected to attract major specialized residents (tenants and investors), launch new production enterprises (car components, mechatronics, energy efficiency, alternative energy, nanotechnology).</p> <p>The project of an electrochemical industrial park in Novouralsk pursues the following objectives:</p> <ul style="list-style-type: none"> ■ reducing the cost of maintenance of the infrastructure of JSC UEIP; ■ creating new jobs; ■ launching new activities and diversifying the economics of JSC UEIP and Novouralsk |
| 2. ORGANIZATIONAL DEVELOPMENT | |
| <p>Implementing "Rosatom" Production System</p> | <p>"Rosatom" Production System (RPS) has been gradually implemented at TVEL FC enterprises since 2008 to improve their core production and supporting processes, enhance performance, reduce the volumes of production in progress and stocks of finished products, as well as to improve product quality.</p> <p>RPS implementation resulted in reduced costs and reinforced competitive positions in the global market of nuclear fuel cycle products and services. Therefore, RPS is a toll to create a competitive advantage for TVEL FC and achieve global technical leadership in the mid-term</p> |



Chapter 4

IMPLEMENTATION OF STRATEGIC INITIATIVES

- 4.1** Global NFC IS leadership retention
- 4.2** Second business core development
- 4.3** Creating business development conditions

4.1 Global NFC IS Leadership Retention

Growth in NFC markets

Ukrainian fabrication plant

In 2011, TVEL JSC and the State Concern "Nuclear Fuel" implemented a range of corporate and procedural activities to create a joint venture (JV) in Ukraine. On December 2, 2011, JV was registered with the Ukrainian competent authorities. The joint venture started its operations in January 2012. All JV registration steps were completed in full and in due time.

In 2011, the Ukrainian design institute GP UkrNIPIIpromtekhologii together with the Russian design institute GSPI JSC prepared a feasibility report for the project. The technical sections of the feasibility report, prepared by GSPI JSC, were delivered

to the Ukrainian party in due time. In addition, public consultations with respect to the environmental aspects of plant construction and operation were held in 2011 within the feasibility report preparation.

Simultaneously with the feasibility report approval, the selected plant construction site in the village of Smolino, Kirovograd Region, will be finally approved.

A key task of the project in 2012 includes feasibility report approval by the Cabinet of Ministers of Ukraine. Efforts will also be focused on drafting design documentation, developing a financial model for the project, performing and independent evaluation of Russian technologies to be transferred to Ukraine. It is expected that in 2012 JV will receive the status of an

operating company and that custom equipment manufacture contracts will be made.

The first plant section is expected to be commissioned in 2015, and the second section is planned to be commissioned in 2020.

PWR fuel marketing (FA-SQUARE fuel assembly)

In 2011, a contract was signed with a foreign nuclear power plant operator for supply of test FA-SQUARE assemblies for pilot use with PWR reactor.

Upgrading production facilities and improving production efficiency

Optimizing the geography of TVEL FC's production sites (see the page number 91)

Fabrication Modernization

In 2011, MSZ JSC launched a complex for processing of fuel compositions and spent nuclear fuel, and commissioned a section for fabricating fuel assemblies in accordance with the specifications of AREVA NP; mastered the technology of using KUKA robotic center to weld TVSA fuel assembly cases for Ukrainian nuclear power plants, TVSA-PLUS fuel assemblies for Kalininskaya Nuclear Power Plant and TVSA-T for Temelin Nuclear Power Plant. A new automatic line was built to fabricate gadolinium fuel assemblies, section for manufacturing loose-fill absorbing elements for VVER/RBMK reactors and cluster controls for RBMK reactors.

In 2011, JSC NCCP reached design capacity at its reductive reconstructive pyrohydrolysis (RPH) plant for producing uranium dioxide powder. The modernization of the fuel tablet fabrication facilities increased output by 5%.

In 2011, CMP JSC commissioned new rolling mill equipment and started batch production of hull pipes for VVER reactors using a new technological scheme. Manufacture of superconducting materials reached its designed capacity, and 50 tons of superconductive strands were manufactured in pursuance of Russia's obligations under ITER project.

In 2012, MSZ JSC plans to create a section for evaporating HFC from 30V cylinders, Launch a new tablet fabrication line, launch units for automatic control of the appearance of tablets and also launch automatic assembly of VVER-440 fuel assembly units, as well as to relocate its manufacturing site for VVER-1000 fuel assemblies to building 274.

The tasks of JSC NCCP for 2012 include reducing its spaces for powder production using "wet" technology, increasing its output of high-quality fuel tablets, launching an automatic fuel assembly fabrication line ST-60, launching robotic welding of cases for VVER-1000 fuel assemblies, and manufacturing equipment for the Ukrainian nuclear fuel fabrication plant.

The tasks of CMP JSC for 2012 include launching production of zirconium rolled products using new production schemes, and producing 100% of hull pipes for VVER reactors using the new scheme, producing 55 tons of superconductive strands for ITER project, producing and supplying tomography cables (3,000 kg) and implementing zirconium sponge production.

Modernization of the main production facilities of the separation-sublimation complex



Within the modernization of the main production facilities of the separation-sublimation complex in 2011, three units at JSC UEIP, two units at PA ECP and one unit at JSC SGChE were replaced, and two inflexible cascade sections at AECC were launched.

Optimizing the geography of TVEL FC's production sites

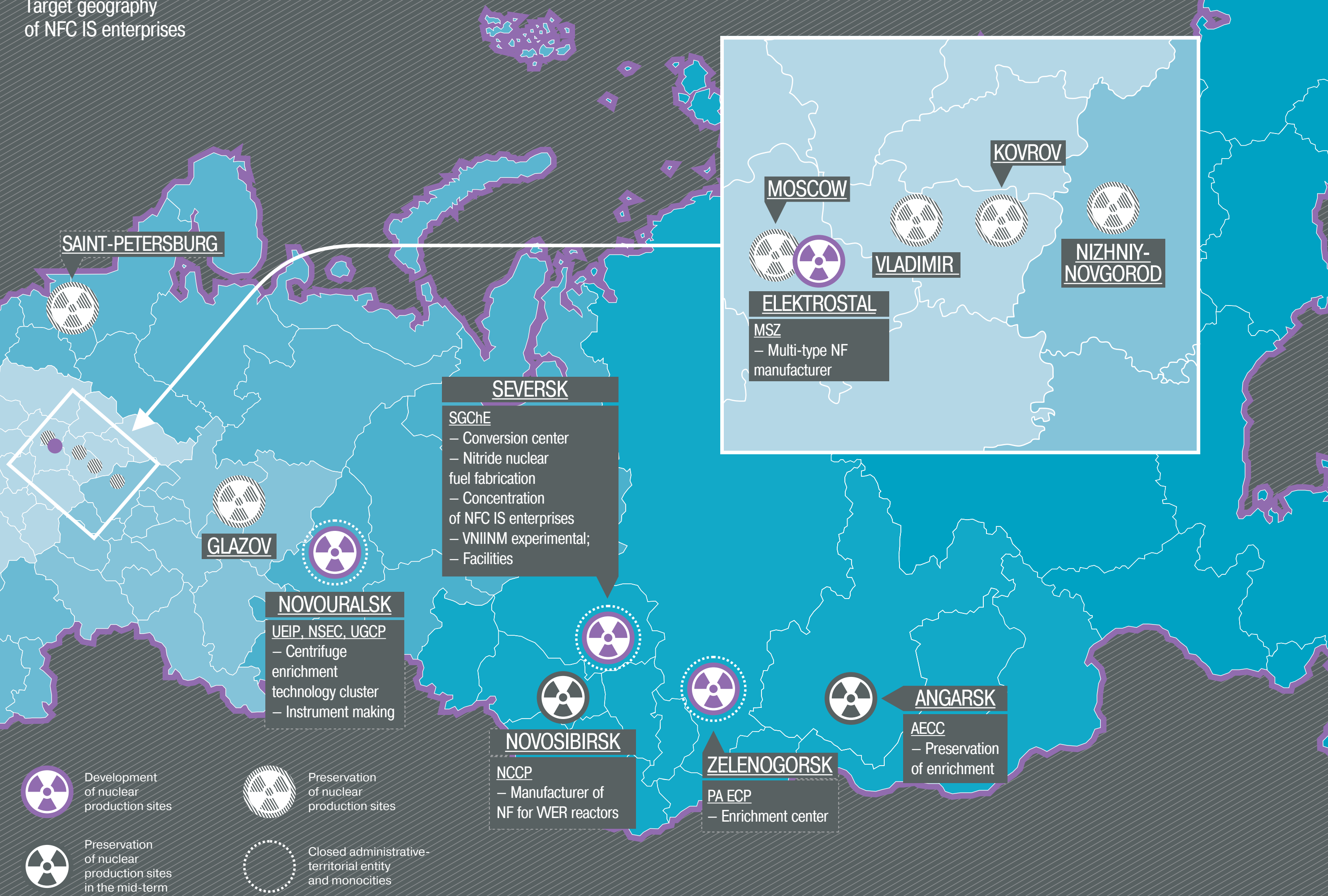
Projects for optimizing the geography of TVEL FC's production sites

Project for optimizing the geography of TVEL FC's production sites»

| | Project life | Investments, RUB billion | Expected effect |
|---|--------------|--------------------------|---|
| Relocation of MPP production to MSZ | 2011–2015 | 1,6 | Safety and control system production cost reduction, more effective use of assets |
| Optimizing gas centrifuge production operations | 2010–2013 | 3,0 | Gas centrifuge production cost reduction by 20-25% |
| Optimizing conversion operations at SGChE | 2012–2016 | 7,3 | Conversion cost reduction in 2.5-3 times |
| Optimizing fabrication operations | 2022–2026 | 10–12 | Fabrication cost reduction by 20-25% |
| Optimizing enrichment operations | after 2030 | TBC | SWU cost reduction |

 Investments already included in Balanced Scorecard
 Investments not included or partially included in Balanced Scorecard

Target geography
of NFC IS enterprises



SAINT-PETERSBURG

GLAZOV

NOVOURALSK

SEVERSK
 SGChE
 – Conversion center
 – Nitride nuclear fuel fabrication
 – Concentration of NFC IS enterprises
 – VNIINM experimental;
 – Facilities

NOVOSIBIRSK

NCCP
 – Manufacturer of NF for WER reactors

ZELENOGORSK

PA ECP
 – Enrichment center

ANGARSK

AECC
 – Preservation of enrichment



Development of nuclear production sites

Preservation of nuclear production sites

Preservation of nuclear production sites in the mid-term

Closed administrative-territorial entity and monocities

4.2 Second Business Core Development

Centralizing production competences

In April 2011, the commission for restructuring non-core assets of TVEL JSC reviewed the business plans developed in accordance with the approved concept of centralization program. Decisions were made to restructure instrument, tool and repair sites of TVEL FC.

In particular, the following was done: at the facilities of the repair mechanical plant JSC SGChE, Siberian Mechanical Works LLC (SibMZ LLC) was created with branches based on the repair-mechanical plan AECC JSC and commercial stocks workshop of JSC "PA ECP". According to the decision of the non-core asset restructuring commission, a repair-mechanical workshop of JSC "PA ECP" was also included.

At the facilities of the repair-mechanical workshop of JSC UEIP, a subsidiary, AtomMashKompleks LLC, was created.

In addition, a tool work center was

created at Uralpribor LLC with branches at the closed administrative territorial formation of Zelenogorsk, Krasnoyarsk Krai (JSC "PA ECP"), Angarsk, Irkutsk Region (AECC JSC) and Tochmash VPA at the facilities of CMP JSC; a tool work center for Russian gas centrifuge cluster at the facilities of IF Pioneer LLC with branches in Kovrov, Vladimir Region, and in Novouralsk, Sverdlovsk Region.

Innovative development projects

Electrochemistry cluster

For implementing a joint project with RUSNANO to produce cathode material of lithium-ion batteries (Li-Ion batteries), the following was done in 2011: the management company Cathode Materials LLC, a pilot cathode material production plant was commissioned (annual capacity is 20 tons), a cathode material synthesis technology was tested, and the first batch of cathode material was tested.

Within the Hydrocarbon Storage Systems project, the planned set of R&D activities was completed at the electrochemical converters plant of EUIP JSC.

In 2011, an investment project was initiated for the development of isotope production, which stipulates launching production of a range of products.²⁶

In 2011, all necessary corporate procedures within the Car Catalysts project were completed; the project participants signed an investment agreement, and the project company (Ecoalliance LLC) supplied products worth RUB 0.9 B to consumers.

In 2012, it is expected that the construction of production buildings and structures within the Cathode Material project, as well as procurements of equipment for producing iron lithium phosphate cathode material will start.

Within the implementation of Car Catalysts project, it is expected that in 2012 the target authorized capital will be formed by project members' contributions (JSC UEIP, "RUSNANO" JSC, ATEKS LLC), the production site will be relocated outside of the secure perimeter of JSC UEIP, and that new equipment for production of catalytic units and neutralizers will be procured.

Metallurgy cluster

In 2011, a concept for the creation of a sector metallurgical center at CMP JSC was drafted and approved. As far as innovations are concerned, during the reporting period rolling-mill production from steel and nonferrous alloys for machine building enterprises was arranged and launched.²⁶

In 2011, the metallurgical complex of enterprises arranged rolling-mill production from steel and non-ferrous alloys for machine-building enterprises. In the reporting period, the technology and equipment for production of stampings and pipes from high-strength aluminum alloys were clarified, and pilot batches of 95x5 and 95x2 stainless steel pipes were produced using three-pass broaching technology.

Within the Super Wires project, all necessary corporate procedures were completed, the project participants signed an investment contract, a company (NPP NANO-ELECTRO LLC) was incorporated and started operations, and the first batch of products was produced.

The following activities are planned for 2012:

- Evaluate the use of a new heat-resistant aluminum alloy within the project for arranging and launching rolling-mill industrial production at CMP JSC (CMP Rolling-Mill Production);
- Launch production of titan pipes with spiral ribs within the JSC CMP Rolling-Mill Production project;
- Create a pilot plant for separating collective concentrates of rare earth elements into individual oxides with a capacity of 10 tons per year;
- Complete transfer of industrial equipment from JSC VNIINM to the authorized capital of NPP NANO-ELECTRO LLC within the project with "RUSNANO" JSC, streamline the technology, and launch batch production.

²⁵ ²⁶ For more information see 7.2. Innovations in Non-nuclear Area

Machine-building cluster

Feasibility studies showed that there is an opportunity for TVEL FC to launch production of high-duty cast iron containers at SibMZ LLC (JSC SGChE). Based on these studies, in 2011 TVEL developed a program for launching batch production of transport packaging for spent nuclear fuel VVER-1000/1200.

In 2011, all necessary corporate procedures were completed within the Nanocoatings-Atom project, the project participants signed an investment contract, and a special company was incorporated and started operations (NP-Atom CJSC).

In 2012, it is expected that within the Nanocoatings-Atom project several pilot nanocoating centers at TVEL FC enterprises and start providing services.

Creating Business Development Conditions

4.3

Infrastructure development

Eliminating ecological heritages and implementing core target federal programs ²⁷

A total amount of RUB 265.4 B (including RUB 146.4 B of estimated obligations related to decommissioning of military heritage) is expected to be allocated for project implementation in 2012-2030.

In 2012, the following issues are expected to be considered jointly with the directorate of "Rosatom" State Atomic Energy Corporation within the Decommissioning Concepts:

- Criteria for including facilities to heritage, general funding and work arrangement schemes;
- A list and status of TVEL FC facilities to be decommissioned;
- Sources of funds and responsible persons;
- Decommissioning program, including a decommissioning schedule broken down by facilities.

Creating an efficient scientific-technical environment: developing an international network of R&D centers, creating central design and technology institutions, developing design bureaus and VNIINM

The Technological Services Center created as a joint venture with TVEL JSC and ALTA Invest a.s. in the Czech Republic is an advanced project within this strategic initiative. The JV's constituent documents were signed on December 8, 2011 in Prague during the visit of the President of the Russian Federation D.A. Medvedev. This project has, first of all, an innovative nature; JV will be directly involved in supporting the operations of the existing nuclear power plants in the Czech Republic, As well as in the construction of new power generating units. The center demonstrates concrete results of the Russian-Czech cooperation in the field of nuclear energy and should also serve as additional prove of the parties' intentions to deepen and extend their cooperation.

The Center is expected to play an important role in marketing general industrial products manufactured by

²⁷ For more information about the scale of contamination and corrective actions taken during the reporting period see Chapter 8 Environmental Impact

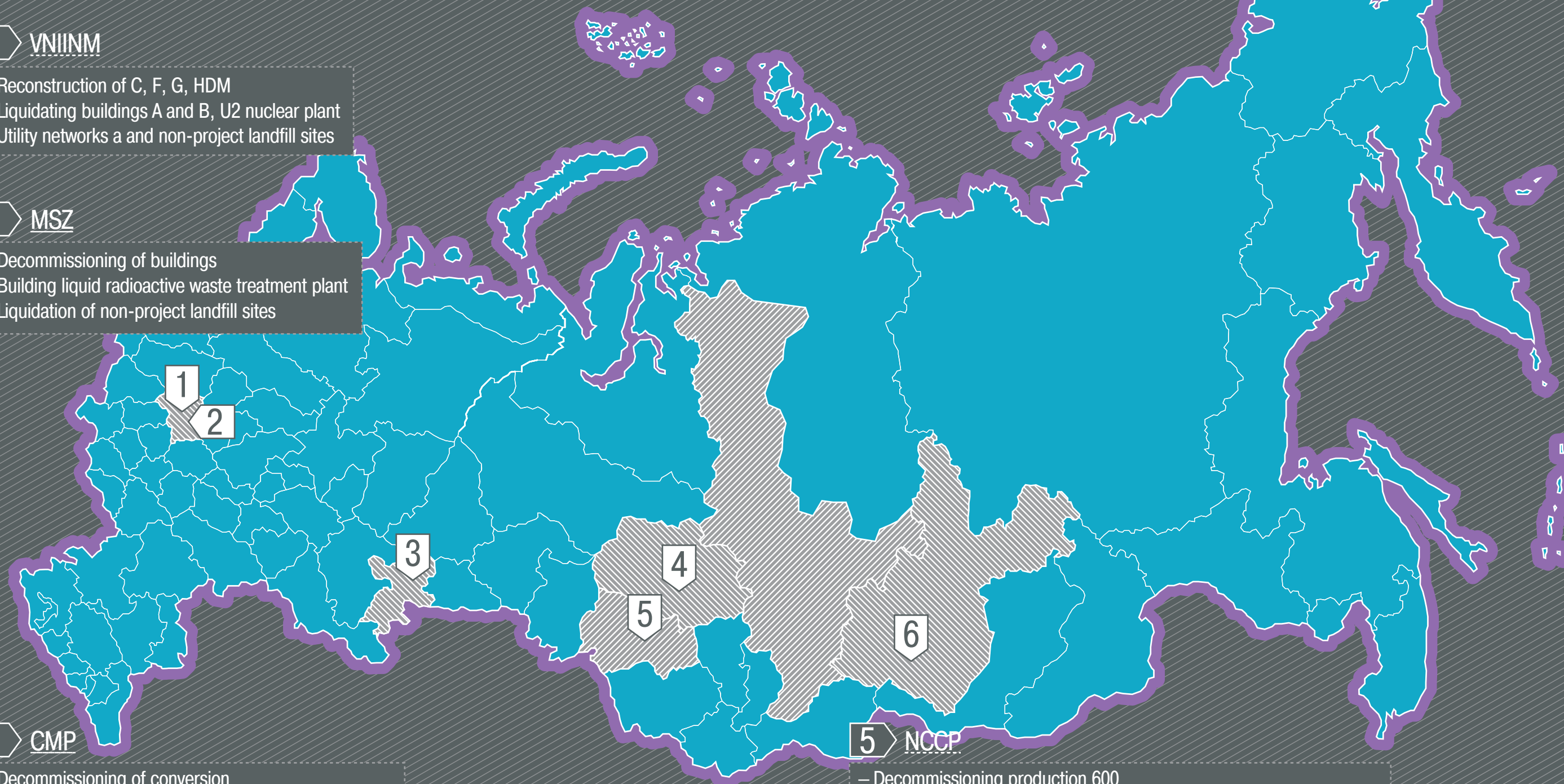
The most contaminated territories and projects for reducing ecological heritages at TVEL FC enterprises

1 VNIINM

- Reconstruction of C, F, G, HDM
- Liquidating buildings A and B, U2 nuclear plant
- Utility networks a and non-project landfill sites

2 MSZ

- Decommissioning of buildings
- Building liquid radioactive waste treatment plant
- Liquidation of non-project landfill sites



3 CMP

- Decommissioning of conversion
- Decommissioning production of uranium products
- Preservation of tail storage facilities
- Reconstruction of buildings; Remediation of territories

5 NCCP

- Decommissioning production 600
- Decommissioning production for industrial uranium-graphite reactors
- Slurry pipeline
- Preservation of tail storages
- Remediation of territories

4 CGChE

- Decommissioning R3 (incl. Industrial uranium-graphite reactors)
- Decommissioning chemical metallurgical plant
- Decommissioning radiochemical plant

6 AECC

- Decommissioning conversion
- Decommissioning building 802, 804
- Decommissioning radioactive waste storage facilities

Investments
in 2012-2030, RUB billion

Possible R&D center of the Fuel Division

1 CZECH REPUBLIC

- Supporting usage of nuclear fuel
- Monitoring of reactor core
- Simulating behavior of fuel pins at PWR

2 FRANCE

- Simulating behavior of fuel pins at PWR
- Material science and radioactive technologies

3 UKRAINE

- Material science
- Physics of radioactive phenomena and technologies

4 ARMENIA

- Design and building of specialized simulators
- Ensuring safe operation of nuclear power plants in seismic conditions

5 INDIA

- Modeling and management of compound complexes, thorium cycle

6 KAZAKHSTAN

- Radiation material science
- Handling of radioactive waste and spent nuclear fuel
- Thorium nuclear fuel production cycle research
- Comparative analysis of advanced nuclear reactors of different countries

7 TOMSK

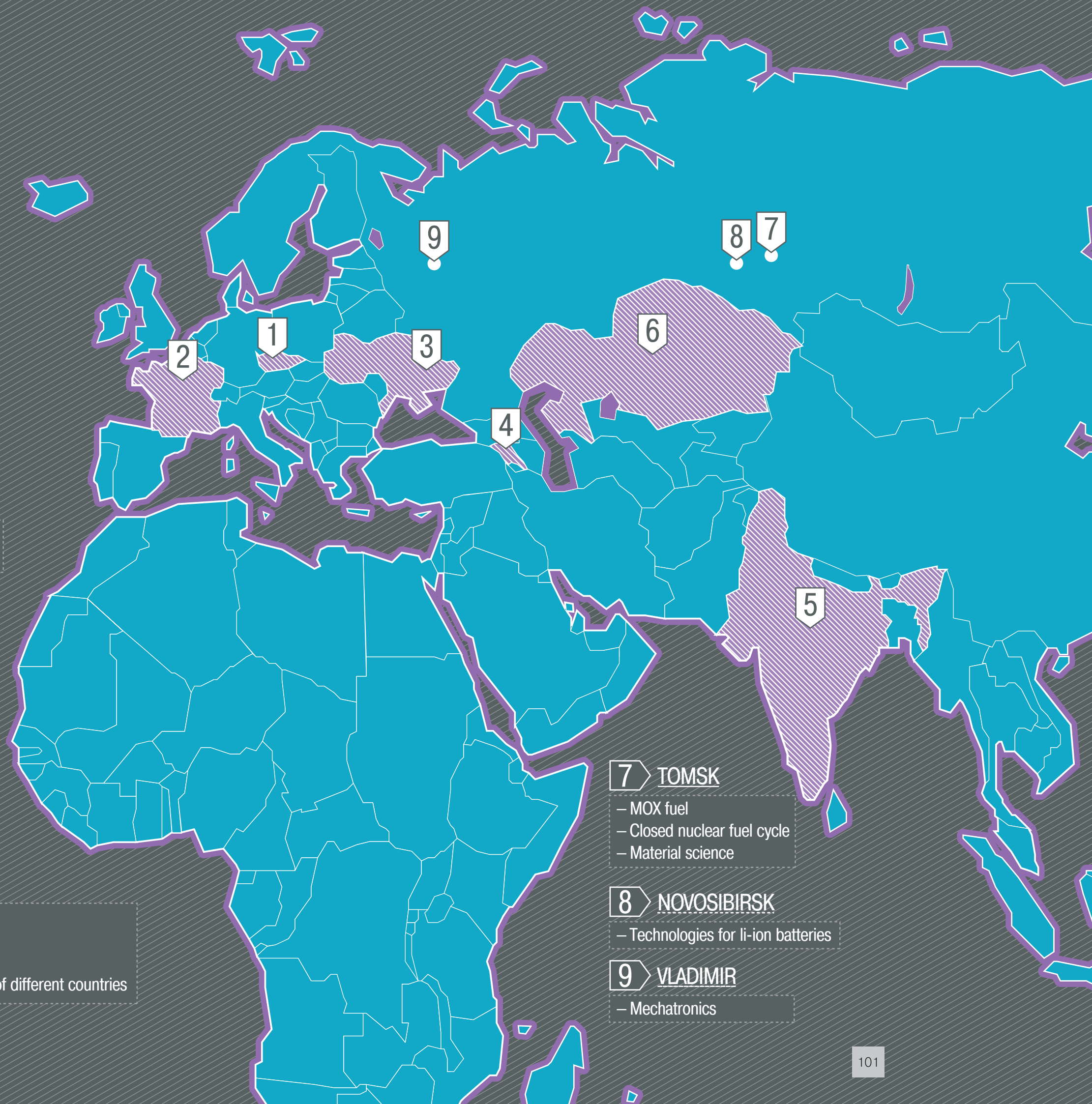
- MOX fuel
- Closed nuclear fuel cycle
- Material science

8 NOVOSIBIRSK

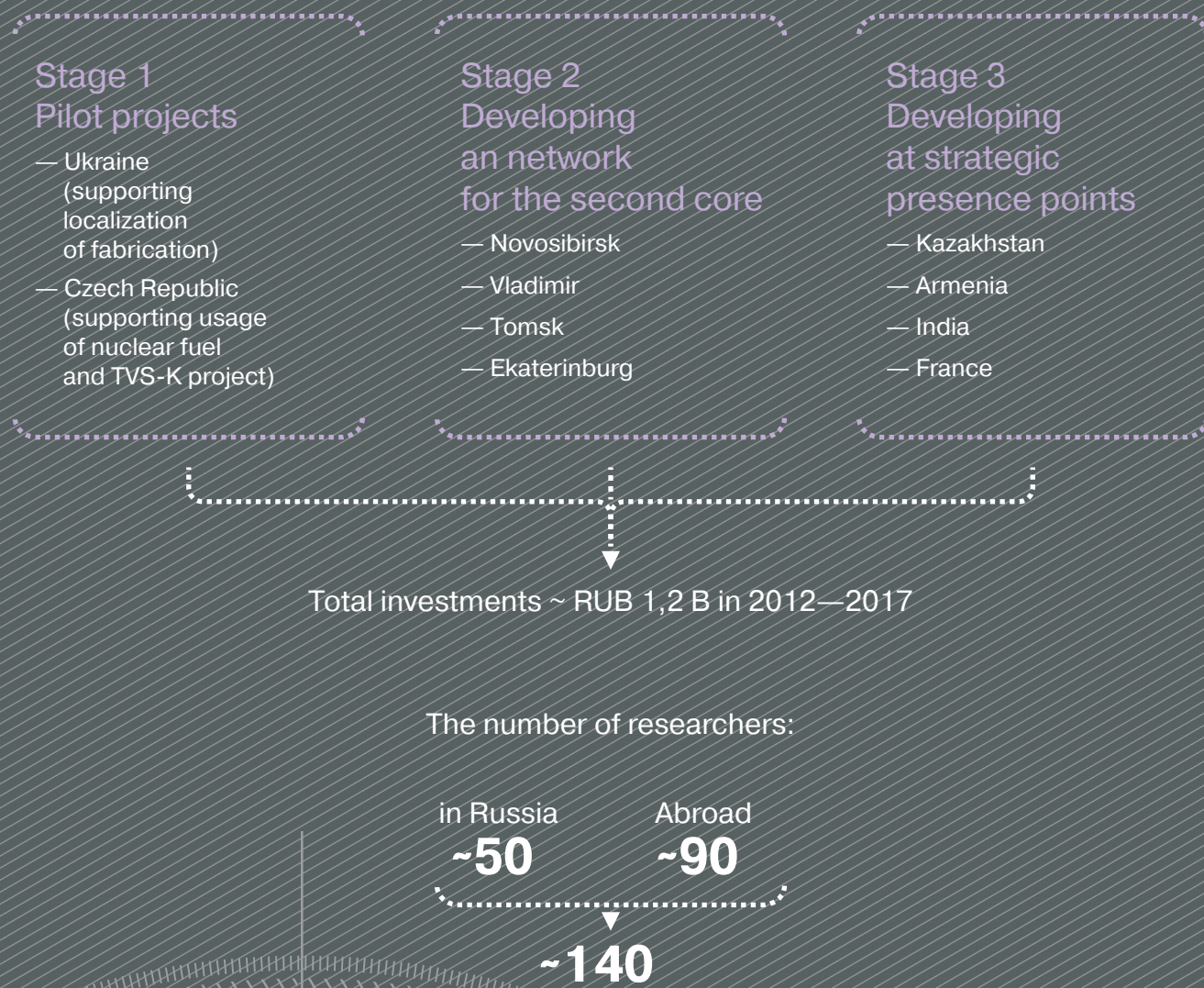
- Technologies for li-ion batteries

9 VLADIMIR

- Mechatronics



The main stages of the development of a network of R&D centers ²⁸



TVEL FC. It is expected that in 2012 active operations of the Center will allow to ensure stable prerequisites for further promotion of Russian high-tech products in the European market.

Creating a network of industrial parks at released spaces

In 2011, the concept and model for managing Mechatronics Industrial Park project in Vladimir were developed. A business plan, a facility passport, a location and facility zoning scheme for the territory of the industrial park were prepared. The concept was reviewed and approved by the Investment Committee of TVEL JSC.

In 2011, a preliminary analysis of justification of the project of Industrial Park in Novouralsk was performed. Development and feasibility study are planned for 2012.

Organizational development

RPS implementation

In 2011, transition was undertaken from implementing “Rosatom” Production System (RPS) at individual pilot sectors to scaling to the experience to cover all major production divisions of TVEL FC enterprises. While in 2010 “Rosatom” Production System was implemented at 51 pilot sectors, in 2011 RPS development projects covered more than 150 pilot sectors (including divisions engaged in engineering developments), where 42 RPS development projects were opened. In 2012, it is expected that RPS development will cover 100% of divisions at fuel company’s enterprises.

In general, the implementation of “Rosatom” Production System in 2011 allowed to achieve the following results:

- Productivity in pilot projects was increased during the year by 30% on average;
- Cost of pilot products decreased during the year by 13% on average;
- Production in progress within pilot projects decreased by 48% on average;
- Total economic effect for RPS projects in 2011 at TVEL FC enterprises made RUB 996 M, with the target value of RUB 881 M.

From the end of 2011, in accordance with the order of “Rosatom’s” General Director S.V. Kirienko the three-step strategy was launched with the project entitled Complex Optimization of Enterprises in the Nuclear Industry. The three-step strategy includes a 100% involvement in RPS development of all divisions: production, auxiliary, including office divisions, which participate in the manufacture of the company’s core products. Based on passport developed for Complex Optimization of Enterprises in the Nuclear Industry project, RPS development targets 2012 were approved for every enterprise included in the fuel company.

The activities planned for the next year should bring a total economic effect of not less than RUB 1.4 b and should become the basis for the development of a complex performance improvement program for TVEL FC in 2013-2015.

²⁸ Project implementation stages; exact sources of funds and investments will be determined after drafting of the concept for the development of a network of R&D centers. Source: internal analysis of technical documentation



Chapter 5

MANAGEMENT SYSTEM OF TVEL JSC

- 5.1** Corporate Governance
- 5.2** Organizational Structure of TVEL JSC
- 5.3** Production Management
- 5.4** Investment Activity
- 5.5** Quality Management
- 5.6** Risk Management
- 5.7** Internal Control and Audit
- 5.8** Procurement Activities
- 5.9** Information Technologies

5.1 Corporate Governance

Corporate procedures at TVEL JSC are implemented in accordance with the provisions of the Code of Corporate Conduct recommended by the Federal Commission on Securities Market of Russia. The provisions of this Code related to the shareholders' rights, disclosure, the quality of preparation and conduct of meetings of the board of directors and meetings of shareholders, control of business and financial operations are set forth in relevant in-house regulations of the Company and its subsidiaries.

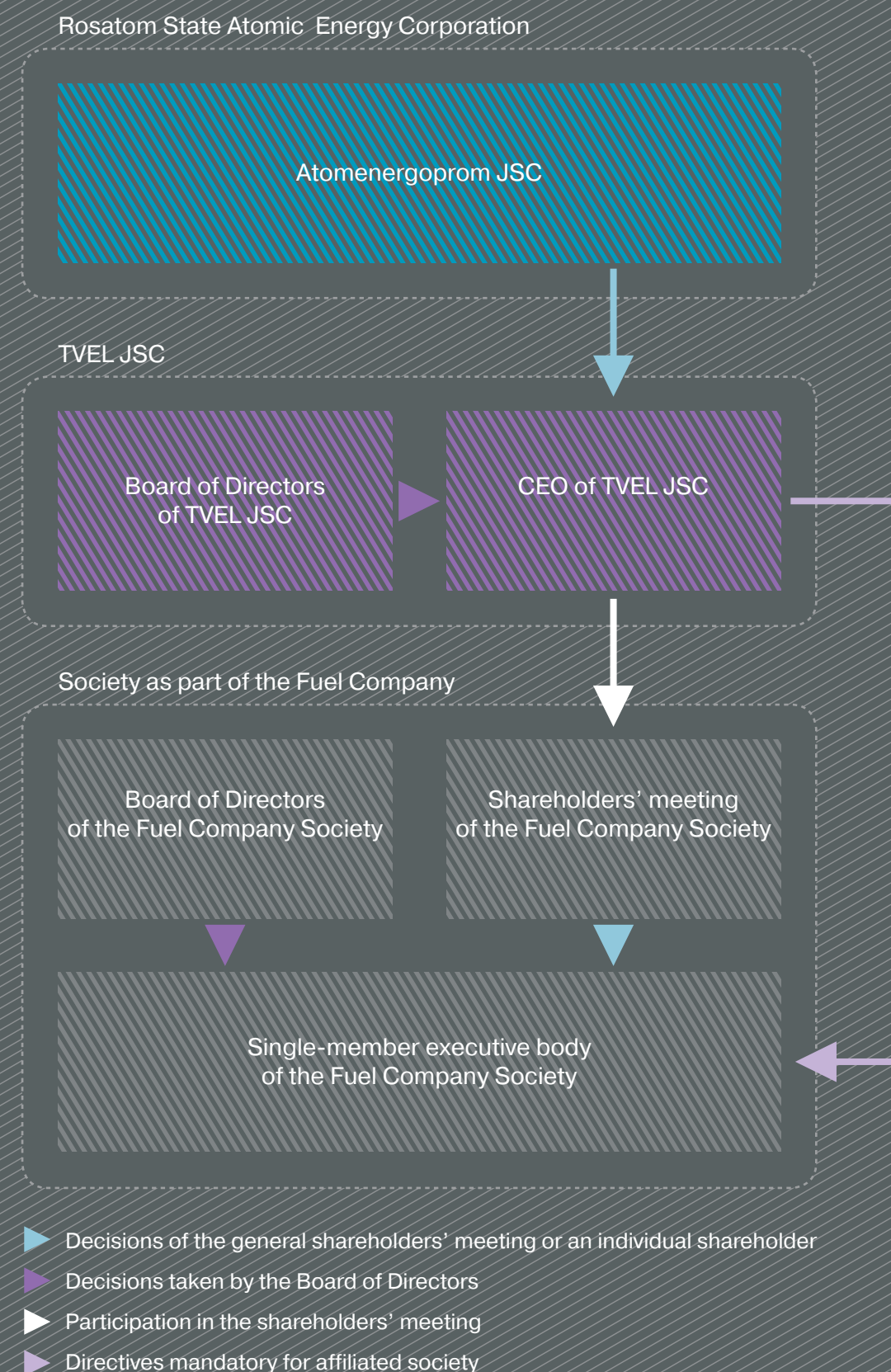
In 2011, the corporate policy was aimed at the formation and improvement of the structure of TVEL FC, the core company of which is TVEL JSC, enhancement of the controllability and performance of subsidiaries.

Management structure

The existing management structure of TVEL FC as a holding-type vertically integrated organization is governed by the provision of the Articles of Association of TVEL JSC and its Subsidiaries and Affiliates, and by the following laws and regulations:

- Federal Law dated November 21, 1995 No. 170-FZ On the Use of Nuclear Energy;
- Federal Law dated December 25, 1995 No. 208-FZ on Joint Stock Companies;
- Order of the President of the Russian Federation dated February 8, 1996 No. 166 on Improvement of Governance at Nuclear Fuel Cycle Companies;
- Resolution of the Government of the Russian Federation dated June 11, 1996 No. 677 on Measures to Ensure the Enforcement of Order of the President of the Russian Federation dated February 8, 1996 No. 166 on Improvement of Governance at Nuclear Fuel Cycle Companies;
- Federal Law dated December 21, 2011 No. 178-FZ on Privatization of State and Municipal Property;
- Order of the President of the Russian Federation dated April 27, 2007 No. 556 on Restructuring of the Nuclear Power Industry Complex of the Russian Federation;
- Federal Law dated December 1, 2007 No. 317-FZ On "Rosatom" State Atomic Energy Corporation.

Corporate governance bodies of TVEL JSC



Since all shares of TVEL JSC are owned by one shareholder (Atomen-ergoprom JSC), all decisions falling to the competence of the general meeting of shareholders are taken by the sole shareholder and are executed in writing.

General meetings of shareholders (members) are the superior governing bodies of companies included in TVEL FC. The procedure of taking resolutions by general meetings of shareholders (members) of the companies included in TVEL FC is laid down in the regulations pertaining to these companies.

In addition, the governing bodies of TVEL JSC and TVEL FC companies include boards of directors and sole executive bodies operating in accordance with the relevant regulations approved by general meetings of shareholders.

Controlling bodies of TVEL JSC and TVEL FC companies include audit commissions operating in accordance with the relevant regulations approved by general meetings of shareholders (members).

Board of directors

The Board of Directors of TVEL JSC plays a key role in strategic management of TVEL JSC and the Fuel Company of "Rosatom" State Corporation in general. The Board of Directors is appointed by the sole shareholder taking into consideration the possibilities for solving tasks for system development and the practice of corporate governance at TVEL JSC, as well as its subsidiaries and affiliates. The Board of Directors of TVEL JSC is composed mainly from its current directors that are not employed by the Company, professionals with a vast experience in the industry and a deep understanding of the peculiarities of the Company's activity. The Chairman of the Board of Director may not be the President of the Company at the same time.

In 2011, the Board of Directors held 16 meetings, all being absentee meetings. The key resolutions passed by the Board of Directors during the reporting period included resolutions regarding the development of the corporate structure of TVEL JSC, resolutions in the field of investment and dividend policy, as well as resolutions to determine KPIs.

The BoD members do not hold shares of TVEL JSC. No remuneration was paid to the BoD members in 2011.

During the year the composition of the Board of Directors did not change. By resolution of the sole shareholder of TVEL JSC dated June 30, 2011, the following six people were elected to the Board of Directors.



Alexander Markovich Lokshin
Chairman
of the Board of Directors
of TVEL JSC

Alexander Lokshin was born on October 11, 1957. In 1980 he graduated from Kalinin Leningrad Polytechnic Institute, where he majored in thermal physics. He was awarded the title of honoured power engineer of the Russian Federation.

1980 to 1996 — engineer, senior engineer at the thermal test laboratory, senior engineer for power generating unit control, shift supervisor at the turbine workshop, shift supervisor at power generating unit No. 2, shift supervisor of the first-state station at Smolensk Nuclear Power Plant (Desnogorsk, Smolensk Region).

1996 to 1998 — deputy head of the general directorate, deputy head of the commerce department — head of the information and analysis department of Rosenergoatom Concern (Moscow).

1998 to 2001 — first deputy director for marketing, economy and commercial activity at the Federal State

Unitary Enterprise Rosenergoatom Concern.

2001 to 2006 — acting director, director, deputy general director of Rosenergoatom Concern — director of Smolensk Nuclear Power Plant, a branch of Rosenergoatom Concern.

2006 to 2008 — first deputy general director, acting general director of the Federal State Unitary Enterprise Rosenergoatom Concern.

2008 to 2010 — deputy general director of "Rosatom" State Corporation.

2010 to 2011 — deputy general director — director of the Directorate for Nuclear Energy Complex, "Rosatom" State Corporation.

Since April 2011 — first deputy general director — director of the Directorate for Nuclear Energy Complex, "Rosatom" State Corporation.



Alexei Antonovich Grigoriev
member of the Board of Director of TVEL JSC

Alexei Grigoriev was born on April 15, 1952 in Kiev. In 1975, he graduated from Moscow Institute of Chemistry and Technology, and in 1983 he finished the All-Union Academy of Foreign Trade.

1998 to 2007 — senior expert, deputy director of Uranservice, director of

Uranservice, deputy general director, first deputy general director, acting general director of Tekhsnabexport JSC, Moscow.

Since 2007 — general director of Tekhsnabexport JSC, Moscow.



Kirill Borisovich Komarov
member of the Board of Director of TVEL JSC

Kirill Komarov was born on December 29, 1973 in Saint-Petersburg. In 1992, he finished the Legal Lyceum under Ural State Law Academy with a golden medal. In 1997, he graduated with honours from the faculty of Judges and Prosecutors, Ural State Law Academy. After graduation he entered the post-graduate program, and in 2000 defended his doctoral thesis on the topic Public Administration: Means in the Field of Economy.

2000 to June 2005 — director for legal affairs and project management at RENOVA CJSC, first deputy general director of RENOVA CJSC, general director of RENOVA – Razvitie CJSC.

2005 to 2006 — deputy head of the Federal Agency for Water Resources of the Russian Federation.

2006 to 2007 — vice-president of TVEL JSC.

Since 2007 — general director of Atomenergomash OJSC (at that time a subsidiary of TVEL JSC).

2007 to 2010 — deputy director of Atomenergoprom JSC, executive director of Atomenergoprom JSC, director of Atomenergoprom JSC. He combined this office with the position of executive director of the Directorate for Nuclear Energy Complex of “Rosatom” State Corporation.

Since April 2011 — deputy general director for development and international business of “Rosatom” State Corporation. He combines this office with the position of director of Atomenergoprom JSC.



Vladislav Igorevich Korogodin
member of the Board of Director of TVEL JSC

Vladislav Korogodin was born on October 25, 1969 in Moscow. In 1992, he graduated from Moscow Institute of Physics and Technology (specialty was applied mathematics and physics).

In 1994 — a Ph.D. student at Bauman Moscow State Technical University.

1994 to 1995 — expert, senior expert of Basmany Branch of JSCB Presentcombank.

1995 to 1997 — expert, head of unit at Khoroshevsky Branch of JSCB Conversbank.

1997 to 1999 — deputy head of unit, head of unit, deputy head of department at Conversbank CJSC.

1999 to 2004 — head of unit, director of department of Atomenergoprom JSC.

2004 to 2007 — deputy head of department of the Federal Agency for Nuclear Energy.

2007 to 2010 — director of the Department for Marketing and Markets of Atomenergoprom JSC, deputy director of Atomenergoprom JSC.

Since March 2010 — deputy director of the Directorate for Nuclear Energy Complex of “Rosatom” State Corporation.



Yuri Alexandrovich Olenin
member of the Board of Director of TVEL JSC

Yuri Olenin was born in 1953 in Kirovabad, Azerbaijan Soviet Socialist Republic, in a family of a military serviceman.

In 1976 he graduated from radio-technical faculty of Yerevan Polytechnic Institute. In 1986, he defended his thesis to get a degree of Ph.D. in technical sciences, and the topic was “Image Recognition for Near Radiolocation”. In 1996, he finished Penza State Technical University in the specialty of jurisprudence. In 2000, he took a course for top executives at Manchester Business School and German Academy of Management.

In 2002, he defended his doctoral thesis on the topic “Detection and Identification of Targets near the Ground Using Radiolocation Methods.

1976 to 1978 — engineer at Ashtarak branch of Central Research Institute Kometa (Ashtarak, Armenian Soviet Socialist Republic). Since 1978 he has been working in the nuclear industry. 1978 to 1989 — engineer, se-

nior engineer, senior research officer, head of laboratory of the Special Design and Technology Bureau (Zarechny, Penza Region).

1989 to 1993 — chief design engineer at the Research and Design Institute of Radio-Electronic Engineering (NIKIRET).

1993 to 2004 — director of Subsidiary State Unitary Enterprise NIKIRET – deputy general director of State Unitary Enterprise SNPO Electron (Zarechny, Penza Region).

2004 to 2007 — general director of the Federal State Unitary Enterprise Federal Research and Production Center Production Complex Start (Zarechny, Penza Region).

Since March 12, 2007 — first vice-president TVEL JSC.

Since June 29, 2007 — president of TVEL JSC.



Nikolai Iosifovich Solomon
member of the Board of Director of TVEL JSC

Nikolai Solomon was born on January 3, 1971 in Moscow. In 1993, he graduated from Moscow Automobile & Road Technical Institute, and in 1995 he finished Moscow Finance Academy under the Government of the Russian Federation. He has the qualifications of a mechanical engineer in road construction machinery and an economist for international economic relations. He is a member of the Association of Chartered Certified Accountants of England and Wales.

1994 to 2003 — held different positions at the departments of audit and management consulting of PricewaterhouseCoopers (consulting major companies in energy sector).

2003 to 2005 — director of project management department, acting general director of the financial and accounting center of Yukos-Moscow JSC.

2005 to 2009 — financial controller and director for economy and controlling at Siberian Coal Energy Company JSC (SUEK JSC).

2009 to 2010 — deputy general director for finance of “Rosatom” State Atomic Energy Corporation.

2010 to 2011 — deputy general director for economy and finance of “Rosatom” State Atomic Energy Corporation.

Since April 2011 — first deputy general director for corporate functions – chief financial director of “Rosatom” State Atomic Energy Corporation.

Single-member executive body

In accordance with TVEL JSC Charter, on the basis of the decision taken at the general shareholders’ meeting (the Directive of Rosimushchestvo of June 29, 2007 No. 2366-p) and the agreement made with TVEL JSC, functions of a single-member executive body are executed by Yuriy Alexandrovich Olenin, the CEO of TVEL JSC.

Remuneration to the President

In accordance with the contract between TVEL JSC and the President of TVEL JSC, the amount of president’s remuneration for the year shall be determined by resolution of the Company’s Board of Directors based on the performance of the Company.

The salary of the president of TVEL JSC includes:

- Salary according to 2c grade;
- Integrated incentive uplift (% of the basic salary);
- Uplift for work with data that constitute state secret (30% of the basic salary);
- Annual bonus based on achievement of KPIs (% of annual basic salary).

The level of salary of TVEL JSC’s President (basic salary, integrated incentive uplift, target annual bonus) is agreed upon with “Rosatom” State Corporation and shall be approved by the Board of Directors of TVEL JSC.

Annual bonus depends on the achievement of actual KPIs set for TVEL JSC’s President for the current

year and is adjusted in accordance with KPI achievement factor for the Directors of Directorate for Nuclear Energy Complex of “Rosatom” State Corporation. The KPI chart for TVEL JSC’s President includes:

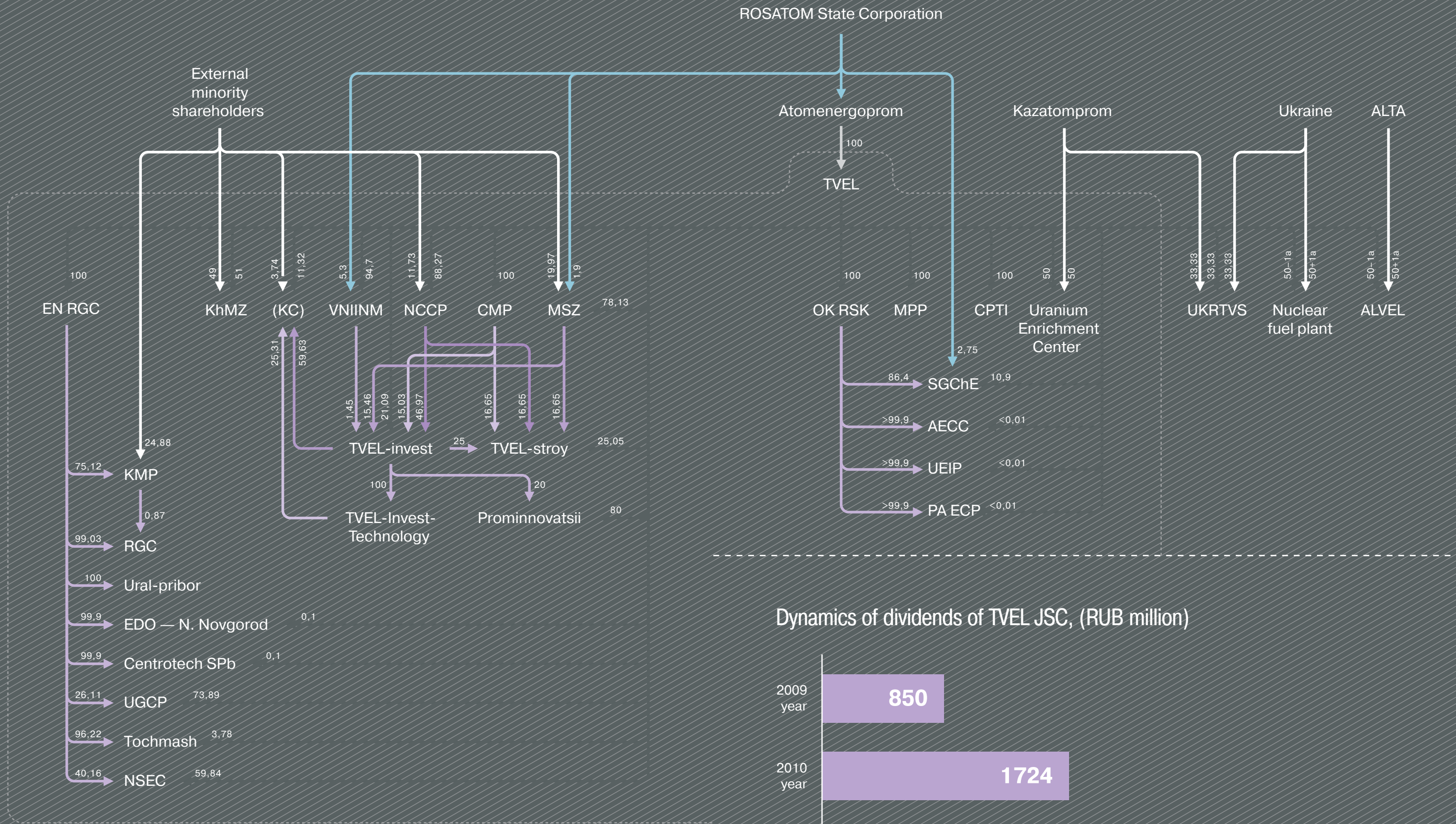
- Sales of non-nuclear products, RUB million;
- EBITDA, RUB million;
- Productivity of labour, RUB million/person;
- Proceeds from foreign operations (including export operations of Russian companies (exclusive of HEU-LEU), USD million);
- Portfolio of foreign orders for a 10-year period (including export operations of Russian enterprises, exclusive of HEU-LEU), USD million;
- Share of fixed costs in proceeds, %;
- No violations above INES level 2;
- Assessment by the manager

In 2011, the annual income of TVEL JSC’s President Yuri Olenin made RUB 51.7 M.

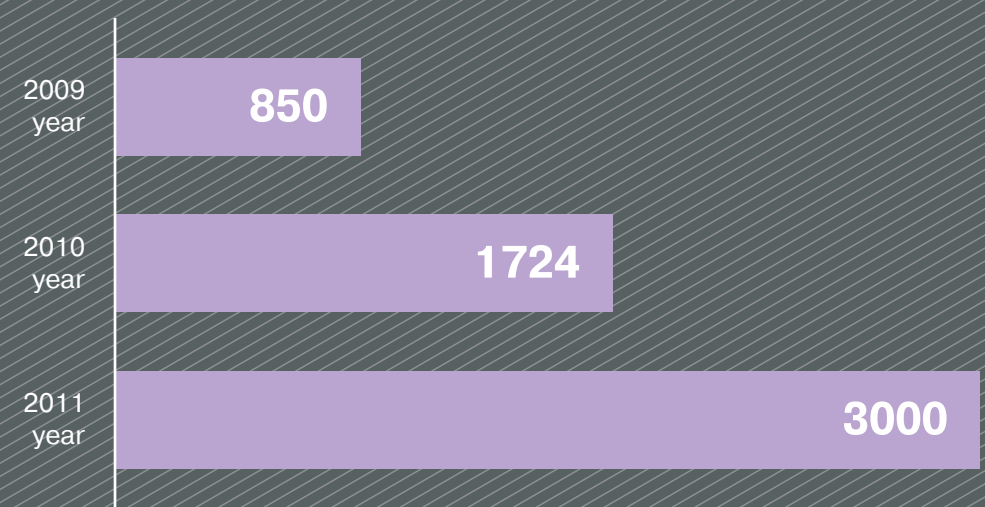
Audit Commission

Audit Commission is among the core bodies in the system of control of business operations of TVEL JSC. It is elected by the General Meeting of

Structure of share capital of companies included in TVEL FC



Dynamics of dividends of TVEL JSC, (RUB million)



Shareholders for a term until the next General Meeting of Shareholders. A shareholder or any person nominated by a shareholder, except for the employees of TVEL JSC authorized to sign accounting and financial statements of TVEL JSC, may become a member of the Audit Commission. The members of the Audit Commission may not be on the Board of Directors or hold any positions in other governing bodies of TVEL FC.

Audit of business activities of TVEL JSC is conducted at the end of each year (scheduled audit) or at any time, if resolved or requested by any bodies or persons authorized to initiate such audit.

The rights, obligations and liability of the members of the Audit Commission are laid down in TVEL JSC's Audit Commission Regulation approved by resolution of the sole shareholder dated 22.12.2009.

The number of members of the Audit Committee was reduced compared to the previous year. By resolution of the sole shareholder of TVEL JSC dated 30.06.2011 the following four members were elected to the Audit Commission:

- Oleg Ivanovich Linyaev – deputy director of the Department for NFC Coordination and Development – head of department for management of balance development of NFC, “Rosatom” State Corporation;
- Galina Ivanovna Bobrova – executive director of the Directorate for Internal Control and Audit of TVEL JSC;
- Dmitry Vitalievich Khomaza – deputy director of the Department for Economy and Financial Control, “Rosatom” State Corporation;
- Tatiana Anatolievna Fokina – head of unit for accounting processes, finance and accounting department, “Rosatom” State Corporation.

Management of Subsidiaries and Affiliates

TVEL JSC coordinates and controls the activity of its subsidiaries in the field of production, science and technology, investments, finance, pricing, sales, social and employment areas.

In 2011, the following steps were taken to shape and improve corporate governance at subsidiaries and affiliates:

- Computerization of the process of decision making and decision making support by collegial governance bodies of subsidiaries and affiliates based on the unified industry document flow management system (EOSDO);
- Replication of EOSDO corporate scenarios at subsidiaries and affiliates;
- Improvement of the corporate structure of TVEL JSC by eliminating redundant level of ownership and non-operating companies;
- Creation and entering to EOSDO of a data base with corporate information about enterprises included in the corporate ownership structure of TVEL JSC;
- Additional issues of shares for inventing funds from the federal budget to subsidiaries and affiliates and for optimizing the corporate ownership structure of TVEL JSC;
- Filling with information and maintenance of real property data base for subsidiaries and affiliates (ASUIA);
- Increasing the level of control over performance of resolutions of the boards of directors and general meetings of shareholders of subsidiaries and affiliates;
- Optimizing sharing of competences between the general directors and BoDs of subsidiaries and affiliates.

During the reporting year, standard articles of association were drafted and implemented at limited liability companies included in the governance perimeter of TVEL FC. In accordance with the instructions given by “Rosatom” State Corporation, in-house regulations, which govern the support of decision making by BoDs of subsidiaries and affiliates and sharing of corporate information with “Rosatom” State Corporation, were drafted and approved by order of the President of TVEL JSC.

One of the mechanisms to resolve conflicts of interest that may arise within TVEL FC is a court of arbitration for resolving economic disputes, which was set up by “Rosatom” State Corporation in 2010. The purpose of this court of arbitration under the private organization Center for Arbitration and Legal Examination (private organization CTRPE) is to ensure independent, competent, confidential and fast resolution through arbitration of economic disputes between enterprises of the nuclear industry, which may arise out of their contractual relations.

Dividend Policy

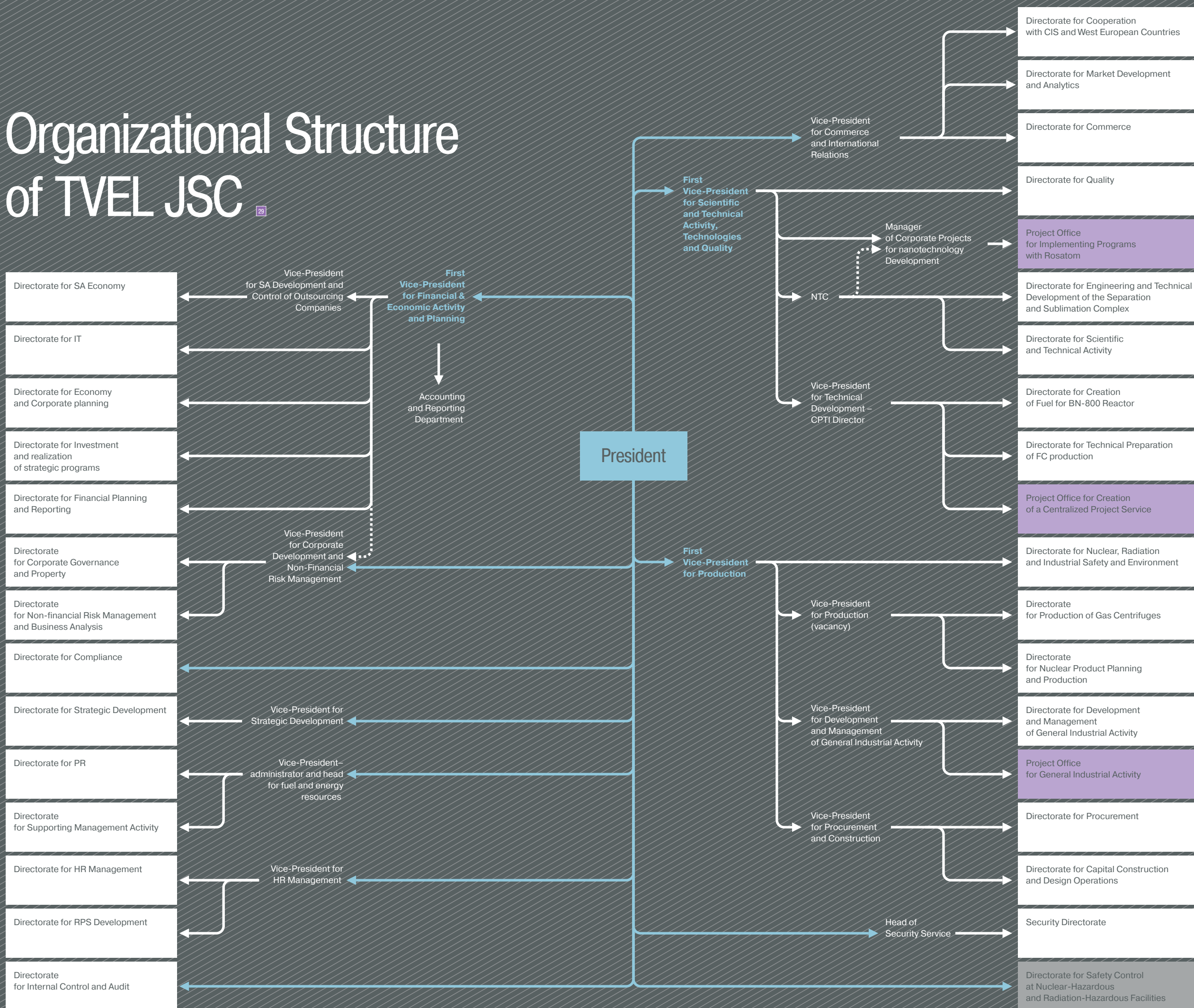
The dividend policy of TVEL JSC, and its subsidiaries and affiliates is elaborated with due account for the need to invest in production, reconstruction and improvement of technical facilities.

In 2011, in accordance with the resolution of the sole shareholder Atomenergoprom dated 30.06.2011 dividend of RUB 3,000 M were paid for 2010.

Major transactions and related-party transactions

In 2011 TVEL JSC did not make any transactions recognized in accordance with law as major transactions. Related-party transactions do not require approval by the governing bodies of TVEL JSC.

5.2 Organizational Structure of TVEL JSC



5.3 Production Management

TVEL JSC manages the production at the enterprises of TVEL FC.

TVEL JSC performs the following functions in relation to its subsidiaries:

- creates mid-term and long-term production plans, estimates the balance of production, needs for raw materials;
- in cooperation with the enterprises concerned prepares annual, quarterly and monthly production plans for raw and enriched uranium, nuclear fuel and its components;
- arranges control of compliance with the production schedules and with the deadlines for product delivery to the warehouse;
- analyzes load of production facilities, develops proposals regarding their efficient use, arranges cooperation with enterprises;
- arranges and exercises control over state accounting and control of nuclear materials in accordance with the applicable regulations in the field of nuclear materials accounting and control, performs stock taking of nuclear materials;
- estimates the needs for special containers, necessary vehicles (special cars) to transport nuclear materials and nuclear fuels, and arranges their transportation (logistics).

The enterprises of TVEL FC perform production management functions by developing and arranging control over the fulfillment of shift, daily, monthly, quarterly and annual production schedules at the level of production units of enterprises: teams, shifts, sections, workshops.

The following are the main documents governing production management:

- TVEL FC production planning and recourse management regulation (SAP ERP);
- Quality management segment “KPK 4-2006 Process Chart. Production Process”;
- Specifications to contracts with enterprises;
- Annual, quarterly and monthly output plans;
- Regulation for structural visions of TVEL JSC and enterprises involved in production management.

Production Planning

The production planning process consists of two stages. At the first stage (April-May of the year proceeding the planning period), the production pro-

gram is allocated among the nuclear fuel fabrication enterprises and the enterprises included in the separation and sublimation complex based on preliminary nuclear fuel supply orders submitted by customers. The following factors are taken into consideration:

- unconditional fulfillment of product supply orders and approved stock of finished products, raw materials and components;
- specialization of the enterprises by types of products;
- even and complete loading of production facilities of the enterprises throughout the year;
- economic services of TVEL JSC and enterprises calculate budgets for the period covered by planning.

Based on production programs drafted and agreed upon with the enterprises, the needs for raw and other materials and components are calculated.

At the second stage (September-October), the production programs are clarified following the same procedure as at the first stage based on clarified orders. Until the end of the year, relevant production and product shipment contracts with schedules and specifications are concluded.

Production Management KPIs

Starting from the First Vice-President for Production of TVEL JSC, with subsequent decomposition to executive directors and heads of departments at structural divisions, and managers, KPIs include section related to production management. For example, product output KPI 2011 included the following items:

- achievement of target effectiveness of labour indicators and capacity factor for the separation production;
- creation of new production sections at TVEL FC enterprises;
- fulfillment of contractual obligations for product output under the government's defence order program.

The executives of TVEL JSC achieved all product output KPIs 2011. Similar KPIs were set for deputy general directors for production and relevant heads of structural divisions at the enterprises of TVEL FC.

Key tasks for 2012

- unconditional fulfillment of all contractual obligations for production of nuclear products, government's defence order, and federal target programs;
- reduction of production costs in accordance with the approved budget figures.

5.4 Investment Activity

The main body controlling the investment activity of TVEL FC is the Investment Committee of TVEL JSC that was set up by order dated February 2, 2010. The Committee was set up with a view to improve production and investment activities, increase the investment attractiveness of TVEL FC and improve the justification of managerial decisions. The Investment Committee is a collegial body that prepares recommendations (opinions) for the corporate management when determining and implementing TVEL FC development objectives and tasks.

The Committee's responsibilities include issuing recommendations (opinions) and preparing decisions regarding investment policy, endorsement of strategic development programs, investment programs, strategic investment projects, projects for reorganizations of companies and diversification of business.

In total, the Investment Committee of TVEL JSC held 17 meetings in 2011, including 4 meetings with persona presence, at which:

- it considered and approved report on the fulfillment of investment list 2010 and determined the investment tasks for TVEL FC enterprises in 2011;

- it considered and approved 17 investment memoranda of TVEL FC companies for 2012-2016;
- based on approved memoranda, it prepared, considered and approved TVEL FC Investment memorandum for 2012-2016 for submission to the Investment Committee of "Rosatom" State Corporation.

The primary document governing investment management at TVEL JSC is TVEL JSC Investment Policy Regulation that sets forth the principles of investment activity, the rules and regulations governing decision making and investment activity. In addition, TVEL JSC uses the following industry-specific governing documents:

- Standard governing investment project and program management at "Rosatom" State Corporation, its organizations and subordinate enterprises, as well as their subsidiaries;
- Standard governing the preparation of investment project passports at "Rosatom" State Corporation.

In 2011, TVEL JSC drafted and implemented TVEL JSC investment project and program management standard that applies to the investment activity of the Company and its subsidiaries. This standard sets forth

the procedure for initiating investment projects, preparing an investment project passport, making and implementing investment decisions, as well as change management, preparation and analysis of reports for investment projects of the companies within the management perimeter of TVEL FC.

In 2011, investment projects of TVEL JSC were financed in accordance with the project-based approach in the following areas at each enterprise.

Increased total investments to finance projects in 2011 (RUB 27,194.9

M was allocated for TVEL JSC's investment activities in 2010) by the following factors:

- Formation of property / separation of subsidiaries of JSC UEIP with total investments of RUB 4,045 M;
- Start of the implementation of the Energy Saving and Improved Energy Efficiency Program with total investments of RUB 1,800 M;
- Start of implementation of R&D projects for the development and improvement of gas centrifuges and new makes of auxiliary equipment for separation with total investments of RUB 1,449 M;

| AREA | FUNDING, RUB MILLION | SHARE |
|--|----------------------|-------------|
| Nuclear production | 18 908,21 | 43,53% |
| Development of general industrial activity | 2 086,58 | 4,80% |
| Infrastructure development | 3 890,60 | 8,96% |
| Safety and encumbrances | 3 334,13 | 7,68% |
| Other | 15 214,42 | 35,03% |
| TOTAL FOR TVEL FC | 43 433,94 | 100% |

Table 5.4.1. Actual funding of TVEL FC investment projects in 2011, broken down by areas

- Start if projects implemented by TVEL FC jointly with "RUSNANO" JSC with total investments of RUB 1,086 M.

Considerable investments in the Company's development is also caused by the implementation of the New Look program at TVEL FC enterprises, which will make it possible to

more effectively use the existing facilities and release additional financial resources. Increased volume of the investment program should reinforce the positions of TVEL FC in the nuclear fuel market in the context of increasing competitions.

| ENTERPRISE | INVESTMENT PROJECT FUNDING, RUB MILLION | SHARE |
|--------------------|---|-------------|
| TVEL JSC | 13634,82 | 31% |
| JSC UEIP | 5 150,93 | 12% |
| JSC SGChE | 4934,69 | 11% |
| JSC "PA ECP" | 4372,61 | 10% |
| UGCP LLC | 4 160,35 | 10% |
| CMP JSC | 3 749,29 | 9% |
| MSZ JSC | 2 275,50 | 5% |
| AECC JSC | 1 617,84 | 4% |
| JSC VNIINM | 1 253,77 | 3% |
| JSC NCCP | 1 130,81 | 3% |
| VPA «Tochmash» JSC | 466,74 | 1% |
| KMP OJSC | 411,35 | 1% |
| MPP JSC | 275,19 | 1% |
| TOTAL | 43 433,89 | 100% |

Table 5.4.2.
Actual funding of TVEL FC investment projects in 2011 broken down by enterprises

Quality Management

5.5

TVEL FC operates a corporate quality management system certified for compliance with ISO 9001 by TUV CERT. The system covers the full cycle of design, development, production, storage, supply and scientific and technical support of fuel assemblies and components of reactor cores.

In 2011, a regular audit was conducted for recertification of quality management systems at JSC "PA ECP", JSC SGChE, JSC UEIP, KMP OJSC and VPA «Tochmash» JSC. According to the auditors' opinions, the processes and procedures of the corporate quality management system are implemented, function and are effective, and comply with the requirements to the corporate quality management system documentation and with ISO 9001. Incompliances identified and observations made are not critical and are aimed at improving the processes and procedures of the corporate quality management system.

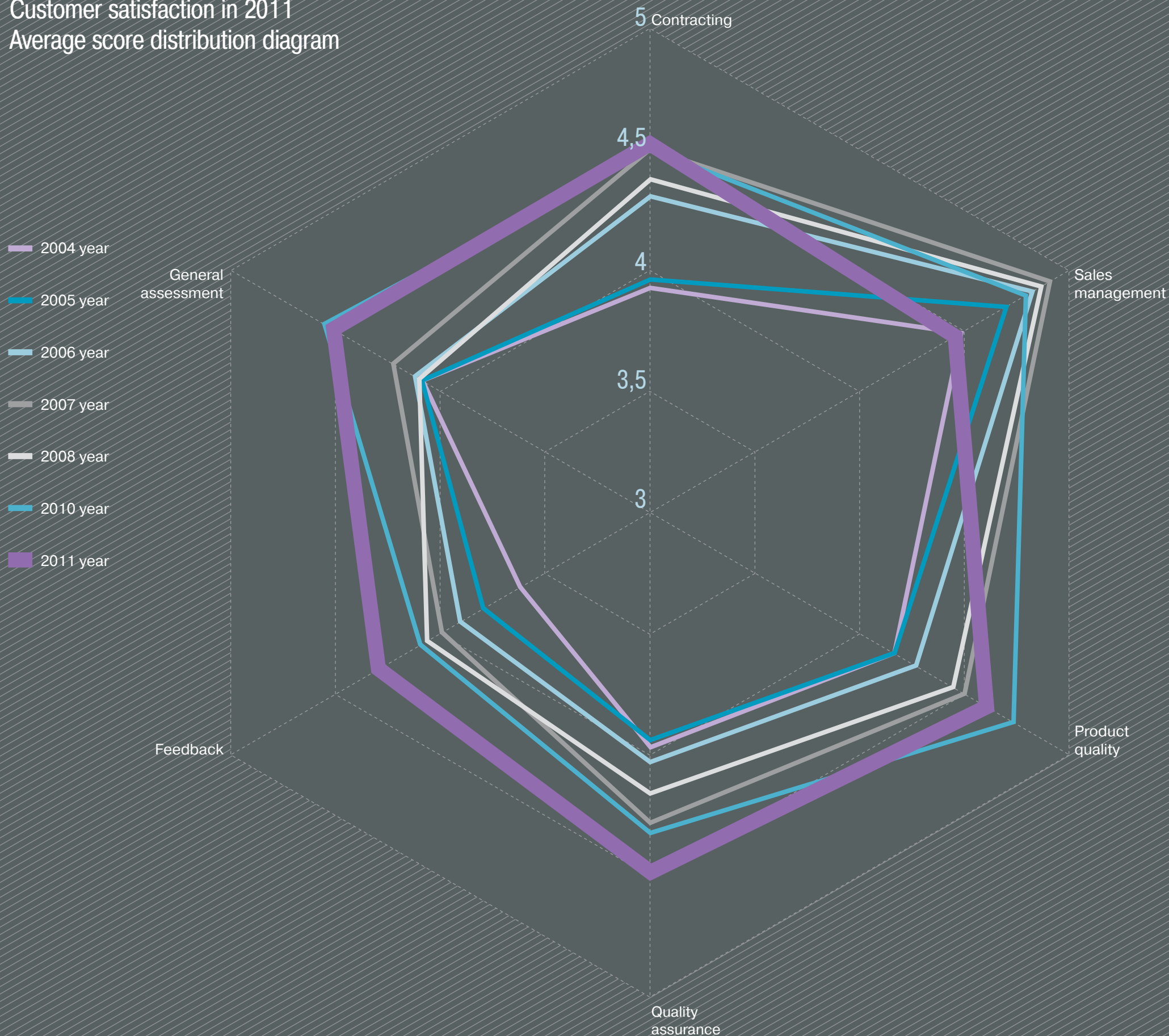
The quality of products of TVEL FC enterprises is regularly audited by a third party, i.e. by the customer of the Company, which visit its production facilities and monitor the production process. The enterprises are appreciated highly by the customers.

Customer satisfaction with products is assessed through regular surveys of customer followed by analysis of the results. This is done in accordance with the procedure Customer Satisfaction Assessment based on ISO 9001:2008 requirements.

In 2011, the Customer Satisfaction Assessment survey covered 12 customers:

- Kozloduy NPP (Bulgaria);
- Mochovce NPP (Slovakia);
- Dukovany NPP (Czech Republic)
- Paks NPP (Hungary)
- Haykakan Atomine Elektrine CJSC (Armenia);
- Atomic Energy Research Institute of the Hungarian Academy of Sciences;
- Institute of Nuclear Physics, Academy of Sciences of the Republic of Uzbekistan;
- Rzez Nuclear Research Institute (Czech Republic);
- Nuclear research Institute, National Academy of Sciences of Ukraine;
- National Centre for Nuclear Research (Poland);
- Nuclear research Institute (Vietnam);
- Korean Nuclear Fuel Company.

Customer satisfaction in 2011 Average score distribution diagram



Based on survey results, average customer satisfaction index in 2011 made 4.5 (on a 5-point scale). The target index for 2012-2013 is 4.6. In 2009-2011, TVEL FC received no complaints or claims from consumers of its products.

In 2011, a regular TVEL FC product and service quality conference was held. The conference held at the facilities of Novosibirsk Chemical Concentrates Plant was attended by 20 representatives included in the company and representing all its major divisions: fabrication, separation and sublimation complex, gas centrifuge production, science, engineering, and logistics. The following issues were discussed at the conference:

- The role of quality in solving strategic problems and achieving a strategic objective – leadership in NFC market, maximum satisfaction of Russian and foreign customers;
- Plans of implementing an integrated management system at TVEL FC based on the existing corporate quality and HSE management system;
- IAEA standards: the main tasks for their comprehensive implementation within TVEL FC integrated management system.

At the conference, decisions were taken to continue to improve the corporate quality management system and to introduce an integrated quality management system at TVEL FC enterprises.

Implementation of an integrated quality, environment and safety management system (IMS)

In November 2011, an order was issued to create an integrated corporate quality, environment and safety management system (hereinafter referred to as "IMS"). The purpose of IMS implementation is to develop a common interrelated approach to building and operation of a workable and efficient corporate management system to achieve macro-business objectives of the company.

The advantages of IMS include the following:

- Using common corporate governance standards, IMS procedures and instructions aimed at optimizing the activity based on the world's best practices for the prevention of non-compliance and risk management in the field of quality and HSE;
- Reducing management costs attributed to the operation of these systems;
- Applying common methods and assessments of management efficiency;
- Joining duplicated processes;
- Increasing the attractiveness or customers, investors and other stakeholders.

IMS operation makes it possible to conduct combined audit of the three systems. The combined audit is a new practice that allows to increase audit efficiency, save time and resources and involve specialists from the departments engaged in audit as effectively as possible.

In 2011, MSZ JSC, JSC NCCP, CMP JSC, OJSC "KC" and MPP JSC for the first time ever has their three systems audited at the same time. Audit included compliance with ISO 9001:2008, ISO 14001:2004, BS OHSAS 18001:2007. Audit was performed by the independent renowned organization TUV International Certification (TIC).

Audit confirmed the efficiency of the existing systems and the correctness of the approaches of subsidiaries and subdivisions of TVEL JSC management company to building an integrated corporate management system.

It is planned that in 2012-2013 JSC UEIP, JSC SGChE, JSC "PA ECP", AECC JSC, VPA «Tochmash» JSC and KMP OJSC will be gradually included in the integrated management system.

Risk Management

5.6

The risk management is performed and improved on the basis of continuous monitoring of the external and internal environment, analysis of threats and probabilities, strategic planning and corporate control.

During 2011 the Company carried out preparatory works for the purpose of implementation of the Corporate Risk Management System (hereinafter referred to as the CRMS), particularly:

- the Risk Management Policy of "Rosatom" SC was adopted for execution and control;
- "Provision on the Risk Officer of TVEL JSC was approved;
- the risk officer of TVEL JSC was appointed;
- holders of key risks in TVEL JSC was appointed;
- the plan of development of the CRMS of TVEL JSC incorporated into the CRMS of "Rosatom" State Corporation was prepared;
- the unified form of the submission of data on investment project risks was developed.

Main tasks and objectives of the CRMS of TVEL JSC:

- implementation of the corporate strategy of "Rosatom" State Corporation on the basis of performance of the corporate-wide risk management process;
- timely identification of risks influencing the achievement of tasks of TVEL JSC;

- development and introduction of necessary procedures for continuous monitoring and reporting on risks;
- integration of the process of risk management with processes of making administrative decisions for the purpose of optimization of resource usage through the control of risk and profitability balance;
- maintenance of continuity (stability) of processes through identification, assessment and minimization of threats that can influence the results of TVEL JSC activities.

Principles of operation of the CRMS of TVEL JSC:

- conformity with strategic objectives of the Company and "Rosatom" State Corporation;
- integration with main process (especially with planning);
- continuity;
- transparency;
- reliability;
- adaptativity;
- comprehensiveness.

The main participants of the CRMS of TVEL JSC are the following:

- Top management;
- Risk holders;
- Risk officer of TVEL JSC.

Risk Map

1. Reduction of demand for uranium enrichment services of TVEL FC

Influence:
high

Probability:
high

Risk description

The relevance of this risk increased significantly after the accident at Fukushima Nuclear Power Plant, Japan, which, in the medium-term can lead to the reduction of the rate of growth of world reactor fleet, and, thus, to slow down the growth of the uranium enrichment market. The reduction of demand for uranium enrichment services will be mainly influenced by the following:

- refusal of some countries to develop nuclear energy and reduction of power generation due to the events at Fukushima NPP;
- multiple expansion of uranium enrichment capacities in China;
- higher growth of regional market segments of uranium enrichment services provided abroad;
- transition of competitors to efficient gas centrifuge enrichment technologies and narrowing the gap in the cost of services;
- outrunning growth of uranium enriching capacities compared to power generation capacities;
- policy of quota allocation of Russian uranium enrichment services.

Risk parry method

To parry the risk it is planned to increase the existing competitive advantages of Russian GCs and technologies of uranium isotope separation, particularly by the way of creation of GCs of the new generations, upgrading and reconfiguration of capacities and restructuring of assets of separation plants and reduction of operating costs.

Moreover, in order promote uranium enrichment services in new regional segments of the world market the projects on localization of uranium isotope separation production are being developed.

2. Reduction of prices for SWU

Risk description

Due to the accident at Fukushima NPP and expected decrease in the volume of the uranium enrichment market the prices for SWU are very likely to reduce significantly and sharply in the medium term compared to the previous forecasts.

Moreover, the main factors contributing to the risk of reduction of prices for SWU remain the following:

- transition of competitors to efficient gas centrifuge enrichment technologies and narrowing the gap in the cost of services;
- outrunning growth of uranium enriching capacities compared to power generation capacities.

Risk parry method

Based on the results of monitoring changes in the market situation in this product segment TVEL FC is intended to take a series of forward-looking measures leading to the reduction of operating costs in the separation and sublimation complex and maintenance of profitability of uranium enrichment services at the highest possible level. Reduced operating costs, thus, will allow to compensate for the reduction of prices for SWU.

Influence:
high

Probability:
high

3. Reduction of the amount of commissioned VVER units compared to the strategy forecast

Risk description

The loss of anticipated volumes of orders for NF due to the non-receipt of contracts for the construction of new power units abroad by ASE CJSC, review of the RU commissioning program in Russia by the RF Government, as well as delayed terms of the construction and commissioning of new power plants in Russia and abroad. The risk factors are presented by the energy strategy of contracting countries; state of the global financial system; geopolitical situation and consequences of the accident at the Nuclear Power Plant in Japan; state of the Russian economy and adjustment of the Russian energy strategy ES-2030. The probability of the events described above is assessed as high, while their

consequences will directly influence the efficiency of development plans of TVEL FC.

Risk parry method

- Joint market research of new markets in countries developing nuclear energy or extending its presence executed by TVEL FC together with ASE CJSC;
- Participation in lobbying the nuclear power generation complex of Russia abroad, execution of GR and PR campaigns;
- Offer of innovative solutions to customers in the field of production of NF and provision of services for handling SNF to increase the attractiveness of the VVER.

Influence:
high

Probability:
high

4. Risk of shortages of scientific and technical personnel during the execution of the project “Provision of Technological Leadership in the Field of NF and Isotope Separation”

Influence:
high

Probability:
high

Risk description

Low attractiveness of research works for young people (the personnel of VNIINM are in average more than 49 years old, 33% among which are retirees) is due to the lack of an effective system of incentives for scientific personnel and unbalanced personnel loading.

Risk parry method

- creation of an effective system of motivation of scientists, particularly using the mechanism of “royalty”;
- additional loading of research departments with works on development of innovative non-nuclear technologies.

5. Risk of transition of competitors to the use of brand new technologies of uranium isotope separation

Influence:
high

Probability:
medium

Risk description

Possible transition of competing companies to the use of laser technology of uranium isotopes separation can be reasonably justified; in the US the plant for uranium enrichment using laser technology is under construction. If laser technology becomes successful TVEL FC is likely to not only lose its technological leadership in uranium enrichment, but also to be behind the competitors.

Risk parry method

- development of promising GC with consumer properties determined by the competitive environment;
- search and development of new industrial competitive methods of uranium isotopes separation.

6. Production and technological risks

Risk description

Operational risks that exist in nuclear industry are mainly characterized by possible breakdowns in products manufacturing processes and failure to perform tasks of products production in due time, in due amount and of due quality. Operational risks that accompany the activities on innovative products manufacturing are more likely generated by possible failures and downtime of new production equipment and the lack of qualified personnel.

Technological risks consist in the reduction or loss of competitiveness of products due to obsolescence of technologies used for its production.

Risk parry method

Parrying of production risks existing in nuclear industry is performed within current activities on production safety assurance, product quality control and through insurance of production equipment.

Minimization of operational risks existing in the industry of innovative products manufacturing shall be provided by creating the system of thorough elaboration of innovative projects, arrangement of supplies and installation of safe equipment and execution of full-scale pilot production. As part of development of the system of search, training and retraining personnel of TVEL FC it is planned to increase the staff qualification.

Methods of parrying technology risks used by TVEL FC include the following:

- continuous investigation of development trends of the nuclear fuel cycle (NFC) and related technologies and construction materials;
- improvement of the technological production base;
- appropriate legal protection of technologies;
- continuous investigation of the global patent environment of relevant technologies.

Influence:
high

Probability:
low

7. Social risks related to structural rearrangement of the TVEL FC enterprises

Influence:
medium

Probability:
medium

Risk description

Production optimization and reconfiguration of capacities are accompanied by personnel transfer. In this regard the social tension is likely to occur at the locations of the TVEL FC enterprises. Thus, this risk imposes significant restrictions on possible optimization rearrangements that have no alternatives in terms of competitiveness.

The probability of occurrence of these events directly depends on the level of state support.

Risk parry method

The preferred direction of risk parrying is the initiation, especially by “Rosatom” State Corporation, of state support activities:

- new business units established in the course of rearrangement;
- creation of the system of transfer of highly qualified personnel;
- development of programs of re-training and conversion of employees;
- development of small and medium enterprises.

TVEL FC makes its efforts for creation replacing innovative productions in released areas of its enterprises.

8. Risks of loss of strategically important competencies by the TVEL FC enterprises due to the outflow of highly qualified personnel as a result of the low salary and life quality level

Risk description

The risk is a result of the outflow/transfer of highly qualified personnel to other organizations. The issue of maintenance of unique competencies is especially relevant at the TVEL FC enterprises located in the CATE.

Risk parry method

Main methods of prevention of loss of competencies by TVEL FC are the following:

- increase in the salary and life quality level for key highly qualified specialists of the TVEL FC enterprises in the course of structural rearrangements at the enterprises;

■ creation of the system of transfer of knowledge and experience and continuity of the holders of knowledge and unique features of various high technologies at the enterprises;

■ attraction of highly qualified specialists from related industry enterprises and provision of conditions for productive work.

Influence:
medium

Probability:
medium

9. Encumbrances existing at the TVEL FC enterprises that adversely influence the productivity

Influence:
high

Probability:
medium

Risk description

The potential for increasing the productivity of technological conversion of the initial stage of the NFC can be adversely influenced by the following factors in the event of partial exclusion or persistence thereof in the current form:

- facilities inherited from the RF as a result of creation of the “nuclear shield” and environmental issues included in the property complex of the TVEL FC enterprises;
- irrational structure of fixed production assets associated with the maintenance of the property, staff and implementation of operational costs leading, in some cases, to damages to the TVEL FC enterprises;
- social encumbrances of enterprises in the CATE.

The influence of the listed factors prevents the achievement of best practices values of the NFC IS and maintenance of long-term competitiveness of products and services of TVEL FC.

Risk parry method

Arrangement of effective cooperation between TVEL FC and “Rosatom” State Corporation and governmental bodies on the elimination or restriction of encumbrances not associated with nuclear and non-nuclear business of the FC enterprises.

Discarding and disposition of the damage-making property.

10. Risks of investments into projects in the rapid-growing food markets within the second business core of TVEL FC

Risk description

The issue of investments return for projects oriented towards the rapid-growing production markets is mainly related to the instability of prospects of new product markets and, thus, to significant fluctuations in sales. Creation of new, more efficient technologies by competitors is another significant factor of this risk.

Risk parry method

- increasing the depth and quality of elaboration of investment projects within the second business core;
- use of priority during development of production capacities within the most complex and risky projects;
- short-term support of innovative products production within the second business core when market conditions are locally deteriorated.

Influence:
medium

Probability:
medium

11. Risks associated with the globalization of the TVEL FC activities

Influence:
high

Probability:
high

Risk description

Development of new products production, entering new regional segments of the world market of products/services of the NFC IS, alliances with foreign companies and localization of production are only possible with appropriate resource support. Mobilization of investments, technological, scientific and technical and human resources for globalization purposes can lead to critical diversion of resources from development areas of the TVEL FC enterprises. The probability of shortage of resources for the development of the TVEL FC enterprises, located in the RF, directly depends on the level of support of TVEL FC by "Rosatom" State Corporation and is currently estimated as medium.

Customer orders of TVEL FC placed at joint or own enterprises located abroad can influence the economy of enterprises of the NFC IS in the Russian Federation. The probability of adverse influence is estimated as medium.

High and continuously growing competition at the initial stage of the NFC will influence the success of projects and investment efficiency of TVEL FC in foreign markets. The probability of decreased performance of TVEL FC in terms of globalization of activities is estimated as a high.

Risk parry method

Basic methods of TVEL FC of minimization of the risk associated with shortage of resource support for activity globalization projects:

- improving the quality and efficiency of resource management of the TVEL FC enterprises;
- support of the projects of globalization at the NFC IS, including in terms of resources provision by "Rosatom" State Corporation;
- bringing, under the most favorable conditions, such key resources as personnel, money, technology and knowledge from the world market.

To reduce the adverse influence of placing customer orders at the TVEL FC enterprises located abroad on the loading of the TVEL FC enterprises located in Russia during elaboration of production plans it is planned to envisage the results of the activities of foreign companies in general for TVEL FC.

As part of the reduction and possible total elimination of the probability of low performance of TVEL FC during globalization of activities the main method consists in increasing the depth and quality of elaboration of each project and providing unconditional achievement of the results envisaged by the project.

Activities of TVEL JSC on Parrying Risks by Way of Insurance

Risks associated with damage to and loss of property, including during its transportation (cargo insurance), liability to third parties, as well as life and health are insured at TVEL JSC. The liability for nuclear damage is also insured. The insurance of civil liability of the operating organization (the nuclear plant operator) to third parties is in accordance with Vienna Convention "On the Civil Liability for Nuclear Damage" (Vienna, May 21, 1963) and the Federal Law dated November 21, 1995 No. 170-FZ "On the Use of Nuclear Energy".

The liability for possible nuclear damage governed by Vienna Convention is insured in the Russian Nuclear Insurance Pool.

In order to increase the reliability of the insurance TVEL JSC controls the presence and amount of the reinsurance protection of its property risks during insurance of property, cargo, business risks, as well as the placement of risks insured in accordance with Vienna Convention "On the Civil Liability for Nuclear Damage" in the international pool system.

In 2010-2011 the TVEL FC enterprises were subject to insurance inspections in order to identify and analyze risks associated with the processing of nuclear materials and nuclear fuel production, management of related processes, level of staff qualification, fire safety, environmental control, etc.

Based on the results of audit conducted in 2011 both at TVEL JSC and at the TVEL FC enterprises in the manner prescribed by the Unified Industry Standard of Procurement of "Rosatom" State Corporation the con-

tracts for a number of types of insurance were signed that allowed to increase the effectiveness of the use of funds allocated for insurance.

Risks of Implementation of Initiative "Maintenance of Global Leadership at the NFC IS"

As part of strategic initiatives of the top level "Maintenance of Global Leadership at the NFC IS" the following key risks were identified:

1. Overestimated growth of the installed nuclear capacity in the world in terms of the basic forecast of the SC. The probability of occurrence and influence of the risk is estimated as high, the consequences of its implementation are the reduction of target revenues across all segments. The advance actualization of the market model by "Rosatom" State Corporation together with experts of TVEL FC is offered as minimization measures.

2. Exacerbation of price competition in enrichment industry and faster decrease of margin. The probability of occurrence is estimated as medium, the influence of this risk is estimated as high, the consequences of its implementation are the reduction of revenues and margin in enrichment industry and possible reduction of market share. Strengthened monitoring of the balance of supply/demand for uranium enrichment services, elaboration of forecast of enrichment market development and update of the marketing model of "Rosatom" SC in terms of enrichment market are offered as minimization measures.

Risks of Implementation of Initiative “Maintenance of Global Leadership at the NFC IS”

| Strategic initiative | Main risks | Probability, influence | Consequences |
|--|--|--|--|
| Maintenance of global leadership at the NFC IS | Overestimated growth of the installed nuclear capacity in the world in terms of the basic forecast of the SC | Probability: high Influence: high | Reduction of target revenues across all segments |
| | Exacerbation of price competition in enrichment industry and faster decrease of margin | Probability: medium Influence: high | Reduction of target revenues and market share across all segments |
| | Political risks and increased protectionism in the main national markets of NF and enrichment | Probability: medium Influence: high | Reduction of target revenues and market share |
| | Re-evaluation of the potential of demand for the comprehensive proposal of the NF + FC FS and supply of the NF + SWU | Probability: medium Influence: medium | Reduction of revenues and margin in enrichment industry, threats to market share |
| | Technical and organizational issues during implementation of projects GC-10, NF of new generation | Probability: medium Influence: low | Reduction of profitability, threats to revenues and market share |
| | Inflation and currency risks that influence the relative production cost of enrichment | Probability: low Influence: medium | Reduction of profitability, threats to revenues and market share |
| | Organizational risks during implementation of complex projects of production rearrangement | Вероятность: medium Influence: medium | Failure to meet the time period, overrun investments, threats to revenues |

3. Political risks and increased protectionism in the main national markets of NF and enrichment. The probability of occurrence is estimated as medium, the influence of this risk is estimated as high, the consequences of its implementation are the reduction of revenues and market share across all segments. The participation in the development of options for overcoming protectionism and elaboration of plans to recovery the markets less subject to political risks or protectionism are offered as minimization measures on the basis of the analysis of the political and economic situation in the main national markets.

4. Re-evaluation of the potential of demand for the comprehensive proposal of the NF + FC FS and supply of the NF + SWU. The probability of occurrence and influence of this risk is estimated as medium, the consequences of its implementation are the reduction of revenues and market share. The monitoring of demand for the comprehensive proposal of the NF + FC FS and supply of the NF + SWU and associated adjustment of forecasts in line with market conditions, and development of measures to improve the attractiveness of the comprehensive proposal are offered as minimization measures.

5. Inflation and currency risks that influence the relative production cost of enrichment. The probability of occurrence is estimated as low, the influence of this risk is estimated as medium, the consequences of its implementation are the reduction of profitability which threatens the revenues and market share. The elimination of delayed payments for supplies through insurance of business risks is offered as minimization measures.

6. Organizational risks during implementation of complex projects of production rearrangement. The probability of occurrence and the influence

of this risk are estimated as medium, the consequences of the failure of its implementation are the failure to meet the time period of project implementation, overrun investments and threats to revenues. Minimizing the risk are achieved through the introduction of modern management information systems of the world-class.

Risks of Implementation of Strategic Initiative “Development of the Second Business Core”

As part of the second-level strategic initiative “Development of the Second Core Business” the following key risks were identified:

1. Overestimated demand for electrochemical energy storages in the Russian market. The probability of occurrence is estimated as medium, the influence of this risk is estimated as high, the consequences of its implementation are the reduction of target revenues in the new businesses segment. Taking an active part in the formation of the Russian market, including in the development of state programs on increasing the demand, adaptation of laws and regulations, arrangement of works to promote the use of electrochemical energy storages of new types in electric power industry, including nuclear power industry, are offered as minimization measures.

2. High dependence of sales of electrochemical energy storages on the implementation of government programs. The probability of occurrence and the influence of this risk are estimated as medium, the consequences of its implementation are the reduction of target revenues. The de-

velopment of mass usage segments that do not require any special infrastructure and are less dependent on state support measures, such as the use of electrochemical storages in existing power sources instead of other types of sources and technologies (including in uninterruptible power supplies and currently operated electric vehicles) are offered as minimization measures.

3. Creation of brand new technologies in the storage segment. The probability of occurrence and the influence of this risk are estimated as medium, the consequences of its implementation are the reduction of target revenues and low efficiency of investments. The development of own competencies in the field of production technologies and development of electrochemical storages and relevant materials through the establishment of the appropriate R&D center are offered as minimization measures.

4. Lack of competencies and human resources for successful development of non-nuclear businesses. The probability of occurrence and the influence of this risk are estimated as medium, the possible consequences of its implementation are the failure to meet the time of projects implementation, overrun limit of investments, reduction of revenues. Minimizing the risk will be realized through the development and implementation of the strategy of increasing the human capacity and efficiency of human resources, involvement of highly qualified human resources that become available during rearrangement of the TVEL FC enterprises, involvement of students and young professionals in the process of production and development of new types of electrochemical energy storages are offered as minimization measures.

Risks of Implementation of Strategic Initiative “Creation of Conditions for Business Development”

1. Lack of competencies and organizational risks during implementation of comprehensive projects of reconstruction. The probability of occurrence and the influence of this risk are estimated as medium, the consequences of its implementation are the failure to meet the time period for projects completion and overrun investments. Minimizing the risk will be achieved through the introduction of modern management information systems of the world-class.

2. Lack of budgeting the program on decommissioning and recovery of territories. The probability of occurrence and the influence of the risk are estimated as high, the consequences of its implementation is the failure to meet the time period for production optimization and development of territories.

Risks if Implementation of Initiative “Development of the Second Business Core”

| Strategic initiative | Main risks | Probability, influence | Consequences |
|---|--|--|---|
| Development of the second business core | Overestimated demand for electrochemical energy storages in the Russian market | Probability: medium Influence: high | Reduction of target revenues in the new business segment |
| | High dependence of sales of electrochemical energy storages on the implementation of government programs | Probability: medium Influence: medium | Reduction of target revenues |
| | Creation of brand new technologies in the storage segment | Probability: medium Influence: medium | Reduction of target revenues, low efficiency of investments |
| | Lack of competencies and human resources for successful development of non-nuclear businesses | Probability: medium Influence: medium | Failure to meet the time period, overrun investments, threats to revenues |

Risks if Implementation of Strategic Initiative “Creation of Conditions for Business Development”

| Strategic initiative | Main risks | Probability, influence | Consequences |
|---|---|--|--|
| Creation of conditions for business development | Lack of competencies and organizational risks during implementation of comprehensive projects of reconstruction | Probability: medium Influence: medium | Failure to meet the time period, overrun investments |
| | Lack of budgeting the program on decommissioning and recovery of territories | Probability: high Influence: high | Failure to meet the time period for production optimization and development of territories |

5.7 Internal Control and Audit

The main purpose of activities of the Internal Control and Audit Management (hereinafter referred to as the ICAM) of TVEL JSC is the continuous improvement of the efficiency and reliability of the internal control system and contribution to the improvement of corporate management of organizations included to the control loop of TVEL FC, in accordance with the laws of the Russian Federation, regulatory government bodies and international standards.

The ICAM is operating in accordance with the regulations of the Russian Federation, local regulations of "Rosatom" State Corporation and TVEL JSC and the Provision on the ICAM.

The director and department heads of the ICAM are members of self-controlled organization Non-Profit Partnership "Moscow Audit Chamber" and members of Non-Profit Partnership "Institute of Internal Auditors".

In order to improve the internal control system in 2011 the ICAM has to set a number of tasks, including the following:

- development of the function "internal audit" at TVEL JSC and organizations incorporated in the control loop of TVEL FC;
- establishment of Internal Control and Audit Services at key organizations incorporated in the control loop of TVEL FC;
- creation of the unified centralized system of internal control and audit at organizations incorporated in the control loop of TVEL FC.

In 2011 as part of development of "internal audit" function "The Procedure for Planning and Conducting Internal Audit of Business Processes" was developed and approved and "pilot" audits of the effectiveness of internal control of financial reports on accounting processes "Formation of Production Costs", "Target Budgeting" at TVEL JSC and MSZ JSC were carried out.

According to the order of State Corporation "Rosatom" dated 19.04.2011 in the reporting year the Internal Control and Audit Services were established, heads of these services were

appointed, provisions on divisions at AECC JSC, JSC SGChE, JSC UEIP, KMP OJSC, CMP JSC.

In 2011 experts of the ICAM of TVEL JSC performed 87 control measures, including the following routine checks:

- 23 checks of financial and economic activities as part of audit commissions;
- 10 separate audits of financial and business and procurement activities.

Moreover, the following unscheduled checks were conducted:

- 21 checks of specific issues of financial and economic activities at organizations incorporated in the control loop of TVEL FC in accordance with the instructions of the management of TVEL JSC and "Rosatom" State Corporation;
- 33 control checks based on the information received via specialized communication hot line channels.

On the basis of to the results of the control measures of the ICAM the subsequent monitoring of identified breakdowns is carried out.

TVEL JSC participates in the anti-theft and anti-fraud program of "Rosatom" State Corporation.

In order to improve the effectiveness of internal control in 2012 the ICAM is intended to set the following tasks:

- provide regular and systematic internal audit of key business processes;
- establish a risk-based planning of internal audit;
- strengthen the role of audit committees;
- create the mechanism for evaluation of internal control and audit.

According to the concept of internal control systems of "Rosatom" State Corporation by 2015 it is planned to implement:

- regular assessment and self-assessment of internal control and separate control systems;
- systematic monitoring of the management process;
- internal audit of the effectiveness of internal control and risk management system.

5.8 Procurement Activities

The procurement management of TVEL FC is based on the Unified Sectoral Purchase Standard of "Rosatom" SC (USPS) and the corporate standard of TVEL JSC – "Procurement Process".

Within the organization of procurement in 2011 a number of programs and projects were implemented:

- the concept of increasing the efficiency of procurement activities of TVEL FC was developed;
- the centralized system of tendering activity in terms of procurement of materials and equipment, works and services was launched;
- the corporate procurement standard at all TVEL FC was implemented;
- the program of annual purchases was developed, the actual contracts and reports on procurement procedures in the information system SAP SRM of "Rosatom" SC were reflected.

The main performance characteristic of the procurement process is the transparency expressed in percentage of purchases in cash carried out through public open competitive procedures. In 2011 the figure was 90.13% (according to the procedure of "Rosatom" SC) and the target value was 80%. In 2010 this figure was 64.5%.

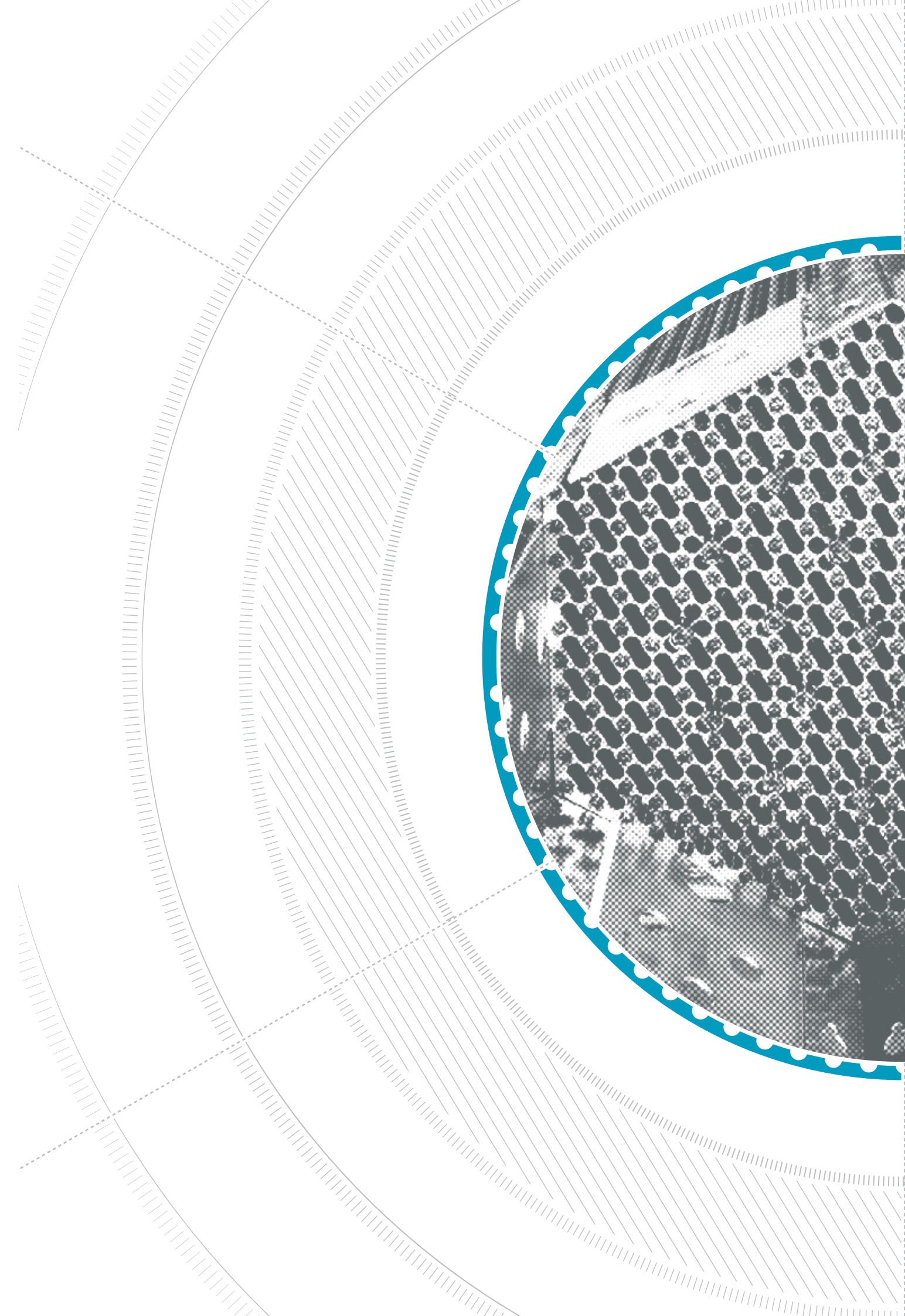
The share of trades conducted on the electronic trading platforms is an important characteristic of the transparency of procurement. In 2010 the share of electronic trading was 10%. In 2011 the figure was 39.39% with the target value of 20%. In 2012 the target value of trades on electronic trading platform was set at 60%.

As a result of procurement activities carried out on the transparent competitive basis in 2011 the total savings of enterprises incorporated in the control loop of TVEL FC was amounted to RUB 1 994.6 M (4.91%).

In general, in 2011 the companies incorporated in the consolidation loop of TVEL JSC issued 12 037 contracts for supply of goods and services. The total purchase amount was about RUB 98 152.6 M.

In accordance with the requirements of antitrust law TVEL FC has no right to grant preferences to suppliers on a territorial basis. Thus, local suppliers are involved in competitive procedures on the same basis, and there are no specific approaches to work with local suppliers.

In 2011 the share of purchases from local suppliers in the territory amounted in average to 29%, in 2010 this value was 27%.



5.9 Information Technologies

In 2011 the following works were performed in the area of information technologies:

- implementation of project activities on development and implementation of new information systems in accordance with the program of rearrangement of FEB and IT of "Rosatom" SC, the requirements of the management of TVEL JSC in view of plans to establish TVEL FC;
- coordination of IT activities of the TVEL FC enterprises;
- continuous performance of staff, existing infrastructure and information systems.

As part of this activity the following results were achieved:

- In July 2011 TVEL JSC and MSZ JSC commissioned the system of enterprise resource management at TVEL FC on the basis of software SAP ERP.

The implemented SAP ERP system of TVEL FC is fully functional scalable resource management tool designed to unify and organize processes and to improve operational efficiency, rate and accuracy of management decisions within a multi-business of TVEL FC.

For the first time in nuclear industry it was a system designed to implement pass-through processes and production procurement of uranium products of various types, conditions, enrichment, and ownership, the processes of complex multi-stage production at MSZ JSC covering all production workshops, processing sites, the procurement of nuclear fuel and its components, as well as the planning and management of material resources and available facilities.

At the moment the system has more than 800 users. In 2012 the developed solution will be implemented within the control system of JSC UEIP.

During the course of distribution across NFC enterprises pass-through and local operating processes of TVEL FC will be harmonized and implemented. This will create the in-

formation base for scalable and fully functional centralized system for the purpose of accurate, cost-effective and efficient management of companies, their product line at all stages through the life cycle, the added-value chain in the division, financial and logistics processes, planning and management reporting.

In December 2011 TVEL JSC, MSZ JSC, JSC UEIP put in commercial operation the Unified Sectoral Document Control System of "Rosatom" SC (USDACS).

The Unified Sectoral Document Control System of "Rosatom" SC (USDACS) will allow to:

- minimize the time of preparation and introduction of decision regarding key activities;
- improve work performance by immediately providing all information and documents necessary for execution of tasks;
- increase the level of control of management decisions performance and ensure the transparency of execution process;
- ensure the transition to "paperless" technologies of information processing and decision making.

In 2012 it is planned to distribute the USDACS at another 8 companies of TVEL FC.

In April 2011 JSC NCCP, CMP JSC, TVEL JSC developed the pilot project for introduction of the automated control system to manage design and technological preparation for production for "Fabrication" division.

In September 2011 projects "Distribution and Development of Functionality of the Automated Control Systems

for Design and Technological Preparation for Production at MSZ JSC, CMP JSC, JSC NCCP, TVEL JSC and "Pilot Implementation of the Automated Design and Management System for Design and Technological Preparation for Production of Gas Centrifuges at KMP OJSC were launched and shall be completed in 2012.

- The implementation of these projects will:
 - reduce the costs by 10% for design and technological preparation for production through the use of more efficient work organization methods;
 - reduce the time period by 20% for design and putting products in production, particularly through coordination of departmental interaction and the use of savings in the system of standard design and technological solutions;
 - reduce the time period by 10% for agreement of technical documentation with third parties;
 - provide direct delivery of electronic construction documents from the designer to the processing center/workshop technician;
 - provide the specialists of TVEL with controlled access to relevant information about the status of projects on design and technological preparation for production implemented in various companies;
 - provide the information systems of enterprises with relevant industrial reference data;
 - minimize the risk of loss of technical documentation (including intermediate) and the risks associated with operational changes, development of new technical documentation, quality and relevance of technical documentation being developed and used.

■ In 2011 as part of FEB and IT transformation of “Rosatom” SC the following projects were successfully completed:

■ “Development and Implementation of the Master System for Personnel Management for TVEL FC (AECC JSC, NCCP OJSC). The system was put into trial operation at JSC NCCP and AECC JSC in December 2011. Salary estimation and personnel management are performed in the centralized system of “Rosatom” SC.

■ “Distribution of Model Solution of MDM Lifecycle NFC (IBM MDM)”.

■ “The Unified Industry Guideline for Contractors” was introduced at all enterprises of TVEL FC.

■ “Development and Implementation of the Automated System of Management of Property Assets of “Rosatom” SC”. At enterprises of TVEL FC the management of property assets is carried out in the centralized system of “Rosatom” SC.

■ “Development and Implementation of Model Solutions of Supplier Relationship Management (SRM)”. Works

are executed in accordance with the schedule. The system was put into commercial operation.

■ “Implementation of Project Portfolio Management as Part of “Rosatom” SC. Works are executed in accordance with the schedule. System is put into commercial operation.

According to the information technology transformation program of “Rosatom” SC for 2012 the following project activities are scheduled:

■ completion of project «Implementation of the Automated Control System for Design and Technological Preparation for Production for “Fabrication” division of MSZ JSC, JSC NCCP, CMP JSC and TVEL JSC;

■ completion of project “Pilot Project for Implementation of the Automated Design and Management System for Design and Technological Preparation for Production of Gas Centrifuges” at KMP OJSC, EDO-NN JSC and TVEL JSC;

■ participation in project “Development of the Master System for Per-

sonnel Management for TVEL FC at JSC UEIP and UZGTs LLC;

■ participation in project “Development and Implementation of the Enhanced Functionality of the Master System for Personnel Management for FC enterprise SAP ERP” at TVEL JSC, MSZ JSC, JSC UEIP and UZGTs LLC;

■ participation in project “Development and Implementation of the Model Solution of Production Management for a Group of Companies “Fuel Fabrication” at MSZ JSC;

■ participation in project “Creation of the unified Corporate Data Storage”;

■ participation in project “Distribution Distribution of Model Solution of MDM Lifecycle NFC (IBM MDM)”;

■ participation in projects on implementation of personnel management system at JSC NCCP, AECC JSC, JSC UEIP, UZGTs OJSC, MSZ JSC;

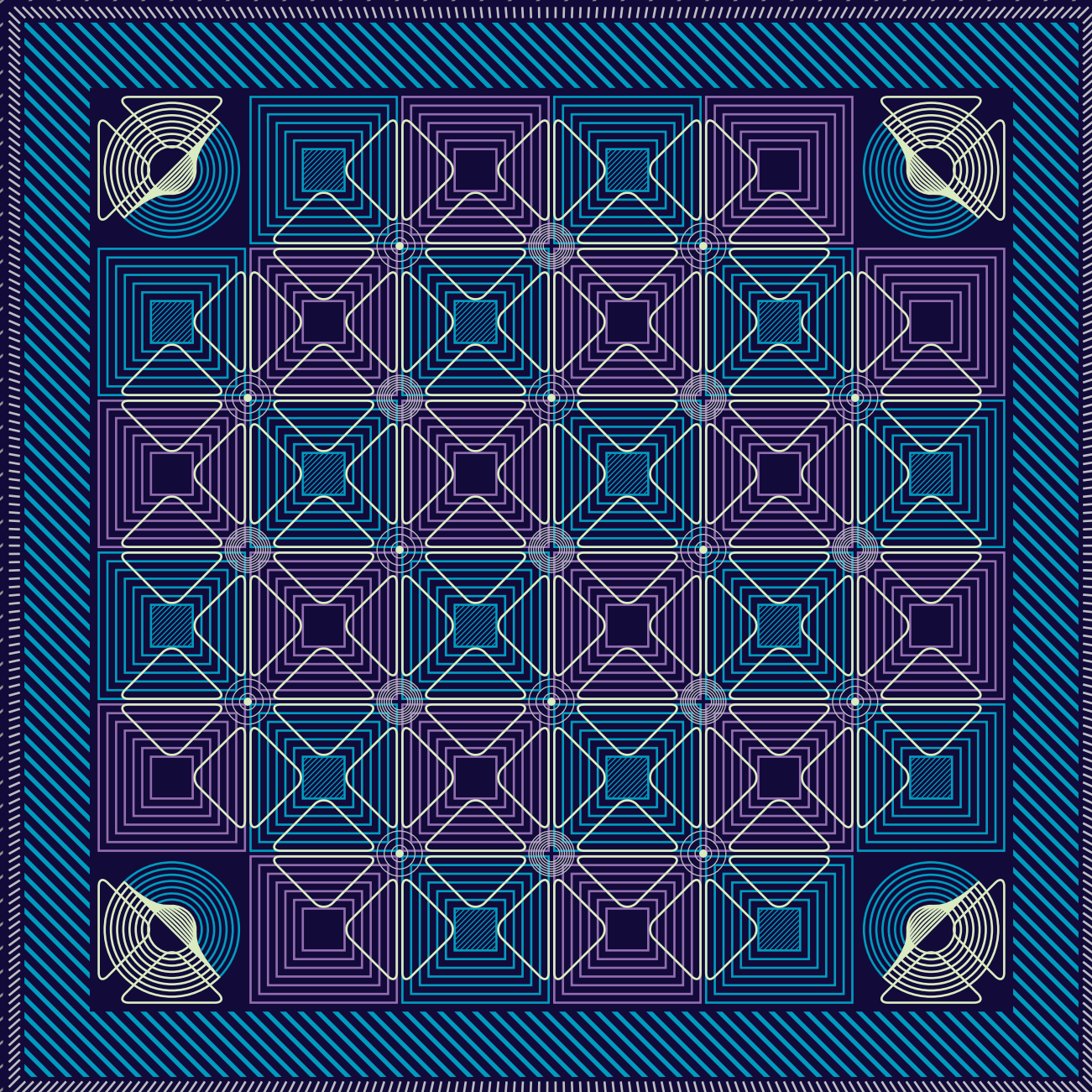
■ participation in projects on implementation of resource planning of enterprise ERP 1C at JSC VNIINM and Tochmash JSC;

■ participation in project “Distribution of USDACS at the FC enterprises at JSC NCCP, AECC JSC, JSC “PA ECP”, JSC SGChE, CMP JSC, VPA “Tochmash” JSC, KMP OJSC, JSC VNIINM;

■ monitoring the completion of project “Implementation of Production Operational Management on the Basis of Software MES HYDRA at CMP JSC (workshop 87)”.

SECTION II

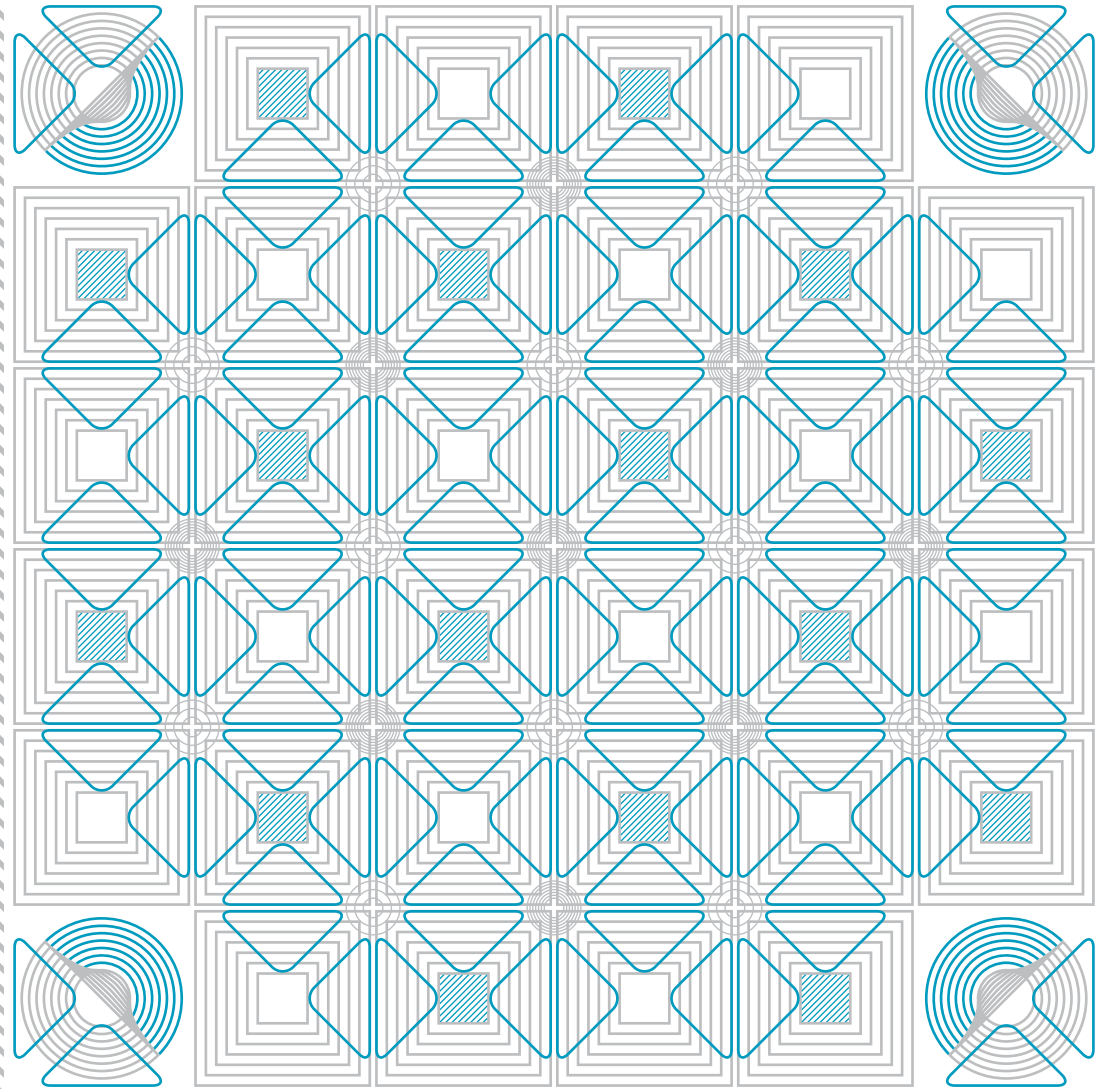
PRODUCTION ACTIVITY



Chapter 6

FINANCIAL AND PRODUCTION ACTIVITY

- 6.1** Finance Management
- 6.2** Financial Results
- 6.3** Production and Economical Results



6.1 Finance Management

Financial management of the Company is in accordance with the approved financial policies of TVEL FC enterprises and its subsidiaries (hereinafter referred to as the Financial Policy of the FC) agreed with "Rosatom".

The main provisions of the Financial Policy of FC are the following:

- TVEL JSC is a pool leader and conducts the overall centralized control of relationships between the TVEL FC enterprises and financial institutions (supporting banks, partner banks) in the management of the consolidated debt portfolio, allocation of free cash and management of company liquidities;
- TVEL JSC directly agrees transactions of the TVEL FC enterprises on allocation of temporarily free funds and raising loans;
- intercompany loans and "cash pooling" are implemented using software products of supporting banks in order to optimize the consolidated loan portfolio of TVEL FC and the cost of external financing, as well as for centralized finance operating activities of enterprises and management of current liquidity.

The centralized budgeting process at the Company enterprises is in accordance with the unified budget regulations and standards of "Rosatom" SC.

The agreement of budgets of companies incorporated to the control loop of TVEL FC is performed by TVEL JSC.

The approval of budgets of the TVEL FC enterprises at the meetings of the Board of Directors is performed on the basis of review of the consolidated budget of TVEL FC at budget committees of TVEL JSC and "Rosatom" SC.

Financial Results

6.2

Financial Results of TVEL JSC

A significant factor contributing to revenues in 2011 compared to 2010 was a transfer of service contracts for conversion and enrichment and sales contracts for gas centrifuge production from Tekhsnabexport JSC to TVEL JSC (total revenue growth amounted to RUB 34,124.8 M).

The total export of fresh nuclear fuel and its components (foreign countries and CIS countries) in rubles in 2011 was 34 398.1 M, which is 2% less than in 2010. In this case a decrease in revenues due to reduced amount of fuel assemblies and reduced ruble exchange rate was partially compensated by an increase in the volume of sales of nuclear fuel components and the growth in currency prices.

The main volume of revenues from sales of products and services (59%) is attributed to fuel assemblies for nuclear power plants, but compared to 2010 the share of this type of production declined substantially (in 2010 it was 85.4%). The share of fuel assemblies for Russian nuclear power plants in total sales of fuel assemblies in

2011 amounted to 48.2%, the market share of exported fuel assemblies was 51.8%, particularly to foreign countries - 31.1%, to Ukraine - 20.7%, respectively.

The decrease in the share of revenues from sales of fuel in the total revenues is a result of execution of contracts for supply of enriched uranium products and services by TVEL JSC to Tekhsnabexport JSC as well as contracts for supply of equipment for the separation and sublimation complex (27.4% and 8% of the total revenues, respectively).

In the total export volume of fuel assemblies the volume of sales of fuel assemblies to foreign countries in 2011 amounted to 60%, to nuclear power plants in Ukraine - 40%.

The absolute increase in operating costs associated with the production and sale was RUB 28 741 M in 2011 compared to 2010 (including the increase in administrative and commercial expenses).

The main factors that contributed to the increase in production cost of sold products were:

Main financial and economic performance characteristics of TVEL JSC (RUB M)

| Description | 2009 year | 2010 year | 2011 year | Change, % 2011 vs. 2010 |
|--|-----------|-----------|-----------|-------------------------|
| Revenues | 58264 | 65136 | 104796 | 61% |
| Cost of sales | (40833) | (50104) | (76909) | 53% |
| Gross profit | 17431 | 15032 | 27888 | 85% |
| Commercial expenses | (1080) | (898) | (1343) | 50% |
| Administration costs | (3463) | (3749) | (5241) | 40% |
| Sales profit (loss) | 12888 | 10384 | 21304 | 105% |
| Profit from participation in other organizations | 26 | 41 | 3204 | 7714% |
| Interest receivable | 20 | 76 | 198 | 160% |
| Проценты к уплате | (1617) | (1008) | (641) | 36% |
| Interest payable | 46564 | 2989 | 3848 | 29% |
| Other incomes | (46888) | (3219) | 4494 | 40% |
| Pre-tax profit (loss) | 10922 | 9264 | 23419 | 153% |
| Current income tax | (2392) | (1910) | (3818) | 100% |
| Incl. permanent tax liabilities | 0 | (47) | 112 | 138% |
| Changes in deferred tax assets | (4) | (17) | (211) | 1141% |
| Changes in deferred tax assets | 127 | 29 | 96 | 68% |
| Net profit | 8723 | 7364 | 19487 | 165% |

- increased sales (RUB 26,146 M);
- changes in the cost of natural resources (RUB 1,394 M);
- increased cost of materials and zirconium (RUB 86 M);
- appreciation of product production limits (RUB 489 M);
- increased expenses for R&D (RUB 84 M);
- increased administrative and commercial expenses (RUB 1 936 M).

In 2011 the commercial expenses increased compared to 2010 by 49% due to an increase in transportation costs of RUB 311.7 M (up to 74%), the cost of insurance of RUB 61.3 M (up to 124%) and the cost of commission contracts, agency contracts and orders of RUB 47.9 M (up to 15%).

The increase in management costs by 40% compared to 2010 was driven by the cost of creation of industry reserves of RUB 950 M (up to 73%), labor costs and insurance premiums of 377 mln. rubles (up to 31%), cost of information and technical support of RUB 52 M (up to 66%), cost of consulting services of RUB 97 M (up to 225%).

The pre-tax profit increased in 2011 compared to 2010 by 2.53 times and amounted to RUB 23,419 M, the net profit increased by 2.65 times and amounted to RUB 19,487 M.

The main factors affecting the change in the net income in 2011 compared to 2010 are:

- changes in the amount and structure of sales and services (RUB 165 M);
- implementation of new products due to changes in terms and conditions of contracting (RUB 31 198 M);
- increased prices for products, works and services (RUB 9113 M);
- negative dynamics of exchange rates (RUB 816 M);
- increased production cost of sales (RUB 26 804 M);
- increased overhead costs (RUB 1 936 M);
- changes in the balance of other incomes and expenses (RUB 3 235 M);
- changes in payments to the budget of income tax (RUB 2 033 M).

Financial Results of TVEL FC for 2011

Main financial and economic performance characteristics
of TVEL FC for 2011 (RUB M) ³⁰

| Description | 2010 year | 2011 year |
|--|---------------|---------------|
| Revenues (net) on sales (net of VAT and excises, similar binding payments) | 121443 | 126090 |
| Gross profit | 45488 | 33506 |
| Sales profit | 26495 | 28372 |
| Income tax | 6091 | 6499 |
| Net profit (including minority) | 12245 | 16494 |
| Net assets | 539244 | 559318 |
| EBITDA (operating profit before interests, taxes, and depreciation) | 31974 | 38078 |

³⁰ Consolidated figure shall be calculated taking into account the annual values, as all companies were included into the control loop of Atomenergoprom JSC during 2012

Distribution of consolidated revenues
between production complexes (RUB M)

Distribution
of consolidated
revenues between
production
complexes

| Description | 2011 year | |
|---------------------------------------|---------------|----------------|
| Nuclear fuel and components | 69190 | 54,88% |
| Conversion and enrichment services | 29166 | 23,13% |
| Gas centrifuges | 2053 | 1,63% |
| R&D | 3332 | 2,64% |
| Other revenues | 22349 | 17,72% |
| TOTAL | 126090 | 100,00% |

Dynamics of work performance
of TVEL FC enterprise (RUB M per person)

| Description | 2010 year | 2011 year |
|-----------------------------------|---------------|---------------|
| Work performance, RUB M/person | 121443 | 126090 |

6.3 Production and Economical Results

Nuclear Fuel Production Complex

The main products of TVEL FC are fuel assemblies for power and research reactors.

The plan of TVEL FC for production of fresh nuclear fuel in 2011 is fully completed. This ensured that contractual obligations for supply of nuclear fuel of the appropriated quality were fully met.

The volume of fuel produced is determined in accordance with pre-orders of consumers. In 2011 the total amount of produced fuel assemblies decreased by 2.5%, of ceramic fuel pellets increased by 8%.

Key Events of 2011:

- two active zones 14-14 were produced for RU KLT-40 C of “Academician Lomonosov” FNPP being under construction;
- JSC NCCP reached rated capacity of the plant of high-temperature pyrohydrolysis (HSV) for production of uranium dioxide powder;
- MSZ JSC created the site for production of the powder of highly enriched uranium for fast-neutron and research reactors;
- MSZ JSC created the single site for two companies to produce TVEGs;
- MSZ JSC put into operation two sites for production of control elements of CPS RU VVER and RBMK;
- MSZ JSC produced the complete nuclear fuel set for power unit No. 2 of Temelin Nuclear Power Plant;
- the starter fuel set was manufactured for unit No. 4 of Kalininskaya NPP was produced;
- JSC NCCP increased the output of produced “valid” pellets by 10%.

| REVENUES FROM SALES OF FRESH FUEL AND NUCLEAR COMPONENTS | 2011 YEAR | SHARE |
|--|---------------|----------------|
| Consumers in Russia | 31 519 | 45,55% |
| Consumers in Europe | 33 382 | 48,25% |
| Consumers in Asia | 4 289 | 6,20% |
| TOTAL: | 69 190 | 100,00% |

Table 6.3.1. Distribution of revenues from nuclear fuel based on geographical location of consumers (RUB M)

| PRODUCTS | 2010 YEAR | 2011 YEAR |
|----------------------------|--------------|--------------|
| FA VVER-1000 | 1 498 | 1 289 |
| FA VVER-440 | 1 808 | 1 769 |
| FA RBMK-1000, FA RBMK-1500 | 3 630 | 3 210 |
| FA BN-600 | 249 | 405 |
| FA EGP-6 | 144 | 144 |
| FA for research reactors | 445 | 630 |
| TBC PWR | 326 | 116 |
| TOTAL OF FA | 8 100 | 7 563 |
| Ceramic fuel pellets, tU | 1463,5 | 1 583 |

Table 6.3.2. Actual production volumes of TVEL FC (NF production plant) on the basis of types of fuel products in 2011 (pcs)

Tasks for 2012:

- production of the simulation area of FA and starting set of NF of the new generation for the first unit of VVER-1200 of Novovoronezh-2 NPP;
- production and delivery of the set of rods for steel and boric protection (RSP and RBP) for BN-800 of Beloyarskaya NPP. Launch of the production of starting set of NF for BN-800 and complete the total production in 2013.
- production of 2 starter sets of NF for the 3rd and 4th units of VVER-440 of Mochovce NPP (Slovakia);
- production of FA VVR-KN with LEU fuel for research reactor VVR-K at the Institute of Nuclear Physics of the National Nuclear Center of the Republic of Kazakhstan;
- production of 100% of cladding tubes for VVER reactors using new technological scheme (bigger storage, new press, radial forging, rolling mills at KPW).

Separation-Sublimation Complex

The plan of supply of products of RAC enterprises was fully completed in 2011 (100.04%). The distribution of the volume of supplies of nuclear products to customers (%SWU) in 2011:

- enterprises of TVEL FC for fabrication of NF — 48%;
- Tekhsnabexport JSC for foreign consumers — 47%;
- under HEU-LEU agreement — 5%.

Key Events of 2011

- 6 blocks with GC of 8th generation were upgraded and commissioned, the creation of NK of AECC JSC was completed;
- JSC “PA ECP” launched the production of HEU raw materials for the production of NF for fast-neutron and research reactors.

Tasks for 2012

- Upgrade of 8 blocks with GC of 8-9th generation;
- Launch of the production of HEU for transport power plants at JSC “PA ECP”

Gas Centrifuge Complex

In 2011 the plans of production of gas centrifuges were fully completed. The distribution of the volume of supplies of GCs to customers:

- JSC UEIP — 3130 pcs.;
- JSC “PA ECP” — 2500 pcs.;
- JSC SGChE — 1920 pcs.;
- AECC JSC — 504 pcs.

The growth of work performance is a result of modernization of equipment, optimization of production processes, reduction of staff at KMP OJSC and VPA «Tochmash» JSC.

Key Events of 2011

- the pre-production series of GCs of the new generation was produced and tested;
- the program of optimization of GC production capacities was optimized;
- the instrument production for SSC enterprises on the basis of Uralpribor LLC was centralized.

Tasks for 2012

- serial production of GCs of the new generation at KMP OJSC;
- production and supply of the pre-production series of export GC-E;
- development of GC production volumes at UGCP LLC in the amount of 2500 units;
- creation of the centralized service center of the FC for installation, start-up and commissioning of GC units at SSC enterprises;
- replacement of GC production at VPA «Tochmash» JSC by production of products for the Center of mechatronics;

- implementation of the first phase of project “New Plant” of KMP OJSC.

Production of General Industrial Products

TVEL FC develops the production of competitive, high-tech products for general industrial nuclear industry and for other industries. In 2011 the plans of TVEL FC for production of general industrial products and services were fully completed in due time. At year-end the sales of general industrial products and services in the domestic and foreign markets amounted to RUB 17 M, or 114%, including foreign markets - about RUB 1.2 B.

Superconductors

The low-temperature and high-temperature superconducting materials were developed and produced in 2011

| ENTERPRISE | 2009 YEAR | 2010 YEAR | 2011 YEAR |
|------------|-----------|-----------|-----------|
| MSZ JSC | 2,2 | 2,6 | 2,5 |
| JSC NCCP | 1,5 | 1,7 | 1,9 |
| CMP JSC | 1,8 | 2,3 | 2,4 |
| MPP JSC | 3,1 | 3,6 | 3,0 |

Table 6.3.3. Dynamics of work performance, RUB M per person

on the basis of Chepetsk mechanical plant JSC of the Joint Center of Metallurgy:

- strands based on niobium-titanium alloy and intermetallic compound of niobium-tin for project ITER and other foreign and Russian research projects;
- insulation-covered wires based on NbTi alloy for magnets of medical MRIs produced by foreign companies and MRIs developed in the Russian Federation;
- high-temperature conductors (BTCП-2) of the second generation.

Niobium-titanium alloy is also used in high-strength wires being developed.

Zirconium Products:

In 2011 zirconium and its alloys were being produced in the form of rods of iodide zirconium (63 tons sold), bars, pipes of different diameters, wires, tapes, terminals and components for fuel elements and FAs.

Calcium Products:

In 2011 calcium and its alloys were being produced in the form of bars, pieces, flakes, grains and granules, as well as calcium and magnesium alloys with aluminum. Products supplied in 2011 amounted to RUB 394 M.

Hafnium Products:

In 2011 iodide hafnium metal was being produced. In 2011 1.5 tons was delivered for export.

Lithium Products:

In 2011 metal, catalyst and battery lithium, chloride electrolyte lithium (EL) and lithium-7 were being produced. In 2011 280 tons were sold.

Stainless Steel Products:

As part of the project for production of stainless steel rods for supply of seamless stainless tubular products made of corrosion resistant steels and alloys to industrial enterprises, in 2011 pre-production batches of seamless stainless steel pipes of grades 95x2 mm and 95x5 mm were produced from centrifugal billet using the three-stage flow diagram. Pipes made of corrosion-resistant stainless steel 12X18H10T 95x2 mm are designed for storage of nuclear waste; pipes made of corrosion-resistant stainless steel 08X18H10T 95x5 mm are designed for the upper part of RBMK fuel channel.

Titanium:

Since 2008 CMP JSC implements subproject "Organization and Development of Production of Titanium Bars". The project is planned to be completed in 2013. The subproject is designed to provide high-quality industrial enterprises with seamless and graded tubular products made of titanium alloys.

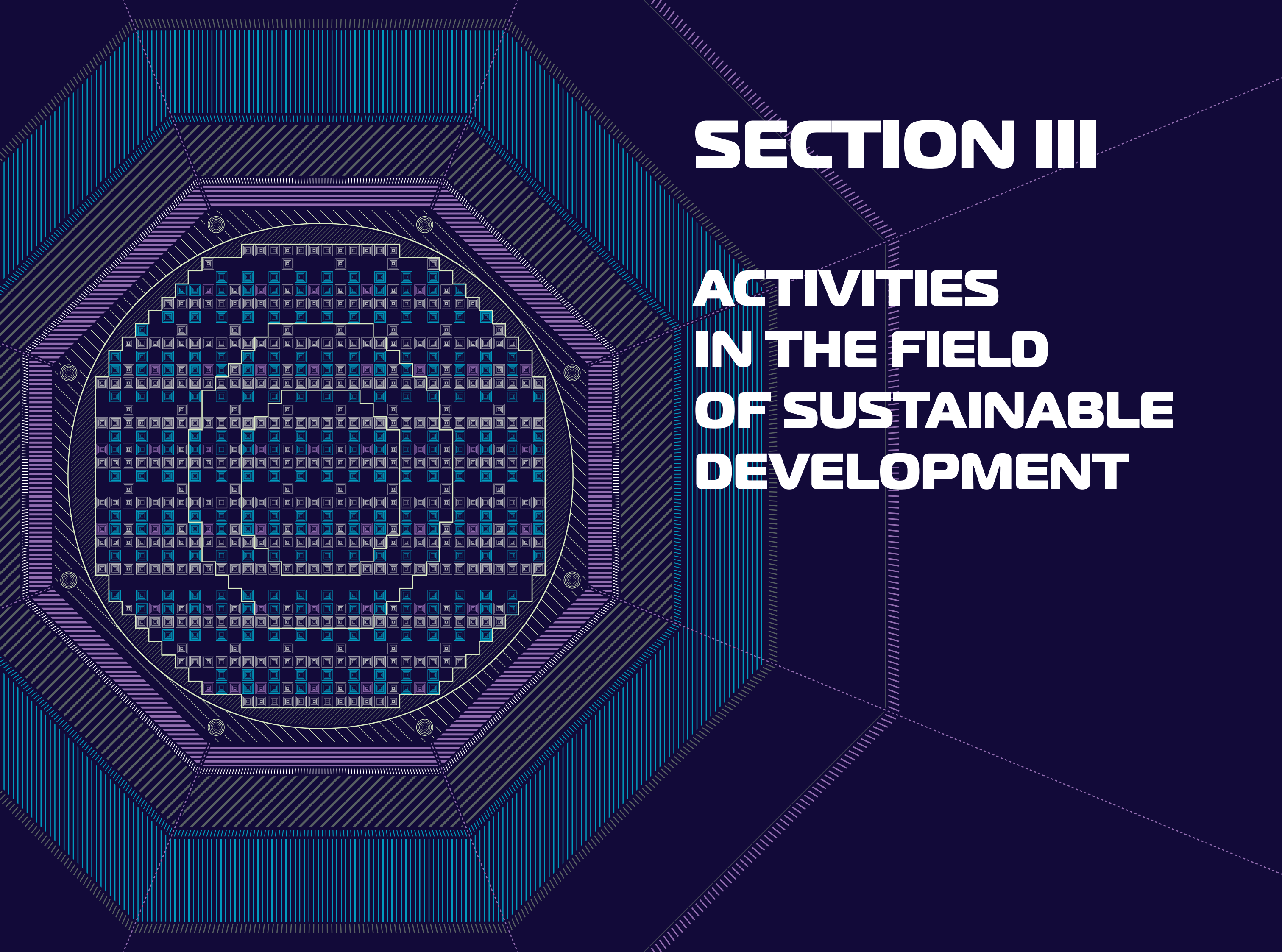
As part of the sub-project production of the following products was launched in 2011:

- serial production of titanium alloy tubes PT-7M $\varnothing 8 \times 1,5$ mm, $\varnothing 83 \times 9$ mm, alloy PT-1M $\varnothing 10 \times 1,5$ mm, $\varnothing 27 \times 3,5$ mm, alloy PT-3V $\varnothing 245 \times 30$ mm, $\varnothing 108 \times 11$, hot pressed alloy tubes VT-6C $\varnothing 50 \times 13$ mm and $\varnothing 58 \times 12$ mm, alloy rods VT 60 mm, alloy wires VT $\varnothing 2-4$ mm;
- serial order from Grandis Titanium to supply titanium alloy rods GRAID 2 was executed;
- prototypes of titanium alloy rods GRAID 5 were produced and sent to the customer for certification.

During 2012 it is planned to supply 100 tons of finished titanium products to customers, namely: seamless pipes and billets, rods, wires, and titanium products for further processing.

SECTION III

ACTIVITIES IN THE FIELD OF SUSTAINABLE DEVELOPMENT



Chapter 7

INNOVATIVE ACTIVITIES

- 7.1** Innovative Activities in Nuclear Industry
- 7.2** Innovation Activities in Non-Nuclear Industry
- 7.3** Intellectual Property of TVEL FC

Innovative Activities in Nuclear Industry

The innovation activities of TVEL JSC is mainly governed by “The Program of Innovation Development and Technological Modernization of “Rosatom” SC for the Period up to 2020 (Civil Aspect)”.

The main task of innovation activities of TVEL FC in nuclear industry is to improve the performance of water-cooled nuclear fuel reactors of VVER and RBMK reactors in order to:

- increase the depth of fuel burnup;
- increase the service life of fuel assemblies;
- increase the reliability of nuclear fuel;
- justify the fuel performance in mobile mode;
- justify the FA performance in high-power reactors.

Costs of R&D in the area of development of new fuels in 2011 were as follows:

- for VVER, RBMK – RUB 1037.6 M;
- for research reactors and low-power nuclear power plants – RUB 64.0 M;
- for NPPs with PWR reactors – RUB 77,4 M.

The design and technological development of the separation and sublimation complex is an important task for TVEL FC. In the area of innovation development of RSK in 2011 R&D works were performed to develop advanced models of gas centrifuges (GC); separation production and special auxiliary equipment of separation plants were developed and improved.

The cost of R&D in the field of design and technological development of the separation and sublimation complex in 2011 amounted to RUB 1445.3 M.

The budgeting for R&D orders of higher educational institutions was 4.23% from the total budgeting volume.

Improvement of Nuclear Fuel Characteristics

In 2011 in the area of improving the consumer properties of nuclear fuel for reactors VVER-1000 and VVER-440 and RBMK the following results were achieved:

For fuel VVER-1000

- The scientific and technical justification for safe operation of nuclear fuel on the basis of TBCA-PLUS was completed for the first load of the fourth unit of Kalininskaya NPP. The fuel has no blankets and ensures the transition to the fuel cycle (3x510 days) at the power level of 104% Nnom.
- The technical project of TBCA-12 with increased uranium content through the use of fuel pellets without a central hole and highly rigid frame was developed. 12 such assemblies were commissioned in the first unit of Kalininskaya NPP. The fuel ensures the operation in the fuel cycles (3x510 or 5x330 days), reduces the consumption of natural uranium by 6.5% compared to the basic model of TBCA.
- Pilot operation of TBC-2M was launched in the active area of the first power unit of Tianwan NPP (PRC). A set of scientific and technical documents to justify the safe operation of TBC-2M during the cycle (3x510 days) at power units No. 1 and No. 2.
- The scientific and technical justification for the safe operation of nuclear fuel on the basis of TBCA-T for complete overload of the second power unit of Temelin NPP (Czech Republic) was completed. On July 30, 2011 the power unit was commissioned for 100% of its capacity.

- Preliminary technical and economic studies of the effectiveness of the fuel containing more than 5% of uranium-235 were performed allowing to implement 24-month fuel cycle using uranium-erbium fuel at VVER-1000.

For fuel VVER-440

- At the fourth power unit of Kolskaya NPP assemblies of the second generation with higher enrichment of 4.87% and the pilot batch of assemblies of the third generation - PK-3 (assemblies with no cover) were operated during 100 effective days at the power level of 107% Nnom. The appropriate reference experience was obtained.
- The transition to the second generation of fuels under power conditions of up to 107% was justified for power units No. 1 and No. 2 of Mochovce NPP (Slovakia).
- The justification of implementation of second generation fuel at Rovenskaya NPP (Ukraine) was completed.

For fuel for PWR reactors

- A positive opinion on the operation of the pilot batch of assemblies in the customer reactor was achieved. The contract on supply of the pilot batch of FA-KVADRAT was signed. Within the contract the safe operation of assemblies in PWR reactor is planned to be justified.

For fuel for FNPP

- The development of nuclear fuel for the reactor unit of the floating power plant was completed. A new type of the cermet fuel meets the requirements of non-proliferation. Two active

zones 14-14 were produced and adopted for RU KLT-40C. The program for creation of the active zone with increased energy resource of up to 3 TWh was developed and approved.

For fuel for research reactors

- The technical project of LEU fuel for reactor MARIA (Poland) was developed.
- Tests of pilot assemblies with LEU fuel in research reactor VVR-K in Kazakhstan were started.

The following is planned for 2012 in order to improve the characteristics of NF:

- To develop project "Fuel Assemblies of the Fourth Generation for VVER-1000" in order to improve the fuel usage by 7% compared to nuclear fuel used at Russian NPPs. The project will consolidate all currently proven advanced technical solutions, including the use of fuel pellets without a central hole, a long fuel column, mixing grids - heat transfer intensifiers, anti-debris filter, etc.

- To develop project "FAs for RU VVER-TOI". Nuclear fuel will ensure the following characteristics according to the technical specifications for the reactor facility: 18-month fuel cycle, unit thermal power of 3,300 MW, operating mode of daily power control in the range of (100-50-100)% Nnom.

- To develop the project of implementation of TBCA-12 at Ukrainian NPPs in order to transfer VVER-1000 to the operation with 5-year fuel cycle.

- To justify the operation of nuclear fuel of Temelin NPP at the increased power of up to 104% Nnom.

- To put into production the first fuel loading for the main unit of NPP-2006 project.

- To develop the physical project of translation of the third unit of Kolskaya NPP to the fuel of the second generation with the average fuel enrichment level of 4.87%.

- To develop the technical project for assemblies of the second generation with increased weight of uranium (with fuel pellets without a central hole). Compared to the fuel assemblies of the second-generation with the average fuel enrichment of 4.87% using the second generation of assemblies with increased weight of uranium will reduce the consumption of fresh fuel due to overloading by 10% at the power of 107% Nnom.

- To start developing of the technical project for the improved active area 14-14-1 for RU KLT -40C (with increased energy resource of up to 3 TWh).

- To complete the development of LEU fuel for research reactor VVR-K and launch serial production of new products.

Design and Technological Development of SSC

In 2011 there were two main areas of design and technological development of SSC: creation of gas centrifuges (GC) of the new generation and improvement of separation production of TVEL FC.

In 2011 the following results were achieved in the area of innovation development of RSK:

As to creation GCs of the new generation

- A series of commercial tests of the pre-production series of GCs of 9th generation was conducted at JSC UEIP.

- Research calculations of design options of promising GCs were conducted.

- A series of R&D works was conducted to develop the more efficient auxiliary equipment (KIA apparatus, electronic controllers, devices, components, control system components, etc.) for GC cascades of the next generation.

As to development and improvement of separation production

- New solutions of technologies of integrated automation of separation of production were elaborated and proposed; JOI for the new plant was conducted with competitive technical and economic characteristics as regards the best world practice.

In 2012 it is planned to launch serial production and commercial operation of GC of the 9th generation and to conduct JOI of modernization of the existing separation production to justify the strategy of development of the separation complex of TVEL FC.

7.2 Innovation Activities in Non-Nuclear Industry

Within three identified clusters of innovative development in 2011 the preliminary analysis and the feasibility study of a number of investment projects were performed. For the purpose of implementation of promoting projects on creation of production of chemical power sources and energy storages, production of rare earth elements and nickel powders in 2012 TVEL FC plans to invest up to RUB 5 B.

It is expected that the total amount of revenues from existing and future projects of TVEL FC will amount to RUB 70 B by 2020, and up to 5 thousand jobs will be provided.

Research and Development Center of TVEL JSC

In 2010 on the basis of R&D center of TVEL JSC the Project Office was established to process projects of "Rosatom" SC and Rosnanotech SC.

The Project Office is designed to search for and identify new projects at "Rosatom" SC organizations, support for the process of filing of applications, approval of corporate procedures at "Rosatom" SC and "RUSNANO" JSC,

execution of relevant documents and decision-making before the creation of project companies. Based on the results of the full range of activities a number of promising areas was identified with possible creation of joint projects with "RUSNANO" JSC. In 2011 11 applications were filed for future projects.

Upon four approved projects:

- "Superwires";
- "Nanocoating-Atom";
- "Cathodic Material";
- "Car Catalyzers"

investment agreements, participants'/shareholders' agreements were signed, 4 design companies created were created, and funding was started during 2011.

The total budget of joint projects with "RUSNANO" JSC is RUB 4.6 B, of which RUB 0.95 B financed in 2011 (including 0.25 bln. rubles from JSC "RUSNANO" and other partners).

In 2012 it is planned to finance RUB 3.18 B (including 1.9 bln. rubles from "RUSNANO" JSC and other partners).

Metallurgical Complex of Enterprises

Rare earth metals

Based on the decisions of Section No. 2 of the NTC of "Rosatom" SC on required production of rare earth products as part of OCM the possible production of REE compounds was considered on the basis of CMP JSC. The application for start of the investment project was prepared to create separation production. High-purity oxides were selected as the main types of finished rare earth products, towards production of which the project is oriented: lanthanum (La), cerium (Ce), neodymium (Nd), samarium (Sm), europium (Eu), terbium (Tb), gadolinium (Gd), dysprosium (Dy), erbium (Er), yttrium (Y), as well as metals and magnets based on neodymium and samarium, polishing powders and other products. Production of these products will allow to cover internal needs of "Rosatom" SC, including with regard to long-term projects, as well as to offer the market volumes of rare and demanded metals.

Project "Superwires"

Project "Superwires" is implemented by JSC VNIINM together with "RUSNANO" JSC. The project is aimed to establish the production of nanostructured electrical wires with ultra-high strength and high electrical conductivity. In 2014 the production capacity will be 50 tons per year. The second phase of the project will increase the production capacity up to 200 tons per year by 2016 through the expansion of production using industrial platform of CMP JSC.

In 2011 all necessary corporate procedures were conducted, project participants signed the investment agreement, the company (NPP NANOELECTRO LLC) activities were established and started; the first batch of products was produced.

Plans for 2012

In 2012 the metallurgical complex of enterprises has to set the following tasks in the area of innovative development:

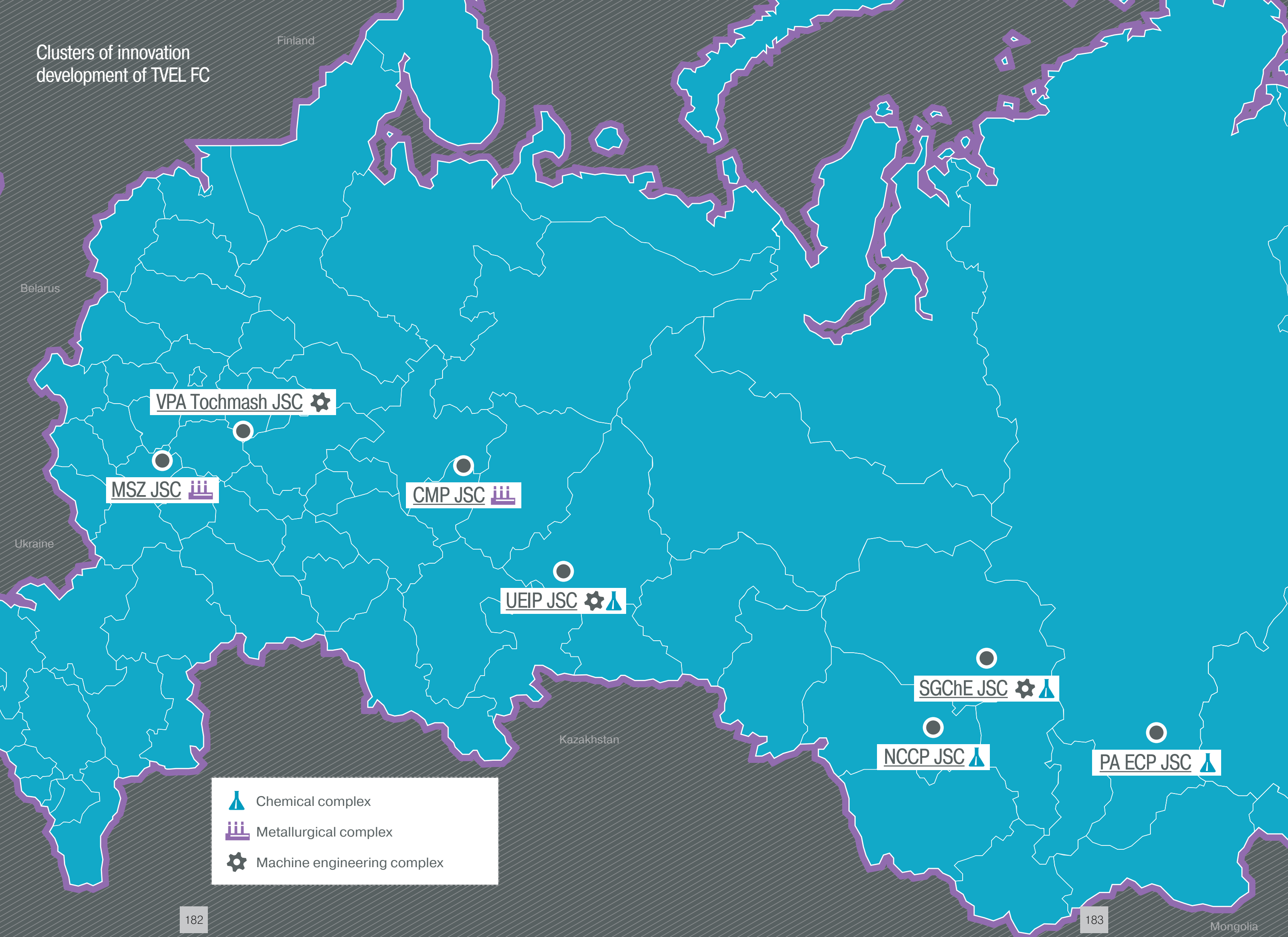
- create the pilot plant for separation of collective concentrates of REE to separate oxides with the capacity of 10 tons per year;
- complete the transfer of JSC VNIINM industrial equipment to the share capital of NPP NANOELECTRO LLC within the project of "RUSNANO" JSC; elaborate the industrial technology; launch the serial production.

Mechanical Engineering Complex of Enterprises

Project "Nanocoating-Atom"

Project "Nanocoating-Atom" is implemented by JSC VNIINM together with "RUSNANO" JSC and PLAKART CJSC (one of the leading Russian companies in the area of application of functional coatings). The project is aimed to create a network of service centers for application of multifunctional nanostructured coatings, primarily to meet the needs of TVEL FC and other nuclear organizations.

Clusters of innovation
development of TVEL FC



In 2011 all necessary corporate procedures were conducted; project participants signed the investment agreement; activities of NP-Atom OJSC were established and started.

In 2012 within the project at enterprises of TVEL FC several pilot centers will be established for providing services on application of the coating.

Chemical Complex of Enterprises

Lithium-ion batteries (LIB)

The LIB area implements the strategic initiative of "Rosatom" SC for energy storage. In accordance with established development concept for this area applications for launch of production of LIB electrolyte and creation of the center for certification, testing and research of LIB and its materials were developed as part of a series of interrelated projects aimed at gradual creation of the whole chain of production of LIB and its components.

Project "Cathodic Material"

Project "Cathodic Material" is implemented by JSC NCCP and Promyshlennye Innovatsii CJSC together with "RUSNANO" JSC. The aim of the project is creation of import-replacing industrial production of cathodic material based on lithium iron phosphate for lithium-ion batteries. The production capacity is planned to be 3,500 tons per year by 2015.

In 2011 all necessary corporate procedures were conducted; project participants signed the investment agreement; activities of LLC "Katodnye Materialy" were established and started; the pilot plant for production of cathodic material was commissioned with the capacity of 20 tons per year; the technology of synthesis of cathode material was elaborated; first batches of cathodic material were synthesized and studied showing good electrochemical characteristics; recommendations on improvement the quality of products were developed to meet the customer (Novosibirsk plant LIA Liotec LLC) requirements.

In 2012 within the project it is planned to start the construction of industrial buildings and structures, as well as to start purchasing the equipment for production of cathodic materials based on lithium iron phosphate.

Project "Car Catalyzers"

Project "Car Catalyzers" is implemented by JSC UEIP together with ATEX LLC (profile investors qualified in the production and sales of automotive components) and "RUSNANO" JSC. The aim of the project is creation of the highly profitable modern industrial complex to develop and produce catalytic units and exhaust neutralizers for vehicles, increasing the share of catalyzers and neutralizers presence in the domestic market.

In 2011 all necessary corporate procedures were conducted; project participants signed the investment agreement; the project company (Ekoalyans LLC) supplied products to customers in the amount of RUB 0.9 B.

In 2012 within the project it is expected to complete the establishment of the target amount of share capital through contributions of project participants (JSC UEIP, "RUSNANO" JSC, ATEX LLC), proceed to the transfer of production beyond the perimeter of the security zone of JSC UEIP and procurement of new equipment for production of catalytic units and neutralizers.

In 2011 in accordance with the Strategy for Development of Fuel Division the Company performed pre-

paratory works for initiation of long-term projects to create production of chemical power sources and energy storages, production of rare earth elements and nickel powders within the development of the second core business based on innovative non-nuclear industries.

For implementation of these projects TVEL FC has significant technological reserves, the ability to provide highly skilled personnel, necessary production facilities with the appropriate infrastructure and communications.

It is planned to involve "RUSNANO" JSC as a financial partner to implement projects on development of production of chemical power sources and energy storages and production of rare earth elements and nickel powders.

Hydrogen Storages

The project is aimed to establish the production of power plants, electrolysis units and electrochemical generators based on hydrogen and oxygen fuel cells and power plants involving the usage thereof.

Within the project it is planned to establish production at the Plant

of Electrochemical Converters of JSC UEIP. If hydrogen storage market forecasts are confirmed production will be scaled and/or expanded to adjacent market segments.

In 2011 the following R&D works were performed at the Plant of Electrochemical Converters of JSC UEIP:

- design and technological documentation for the prototype of electrolysis unit battery was prepared and issued;
- components of the electrochemical cell of electrolysis unit and humidifier were designed and produced;
- water electrolysis unit battery of 2.5 kW was produced;
- the test stand for testing electrolysis unit battery at low pressures (up to 5 bar) was prepared;
- R&D on improvement of catalyzers and electric power storage to reduce the price for fuel cells, and construction documentation for hydrogen consumption driver for high-pressure electrolysis unit was developed.

Isotopes

JSC "PA ECP" is the largest manufacturer of stable isotopes using the centrifuge method. 95 isotopes of 19 chemical elements are currently produced.

In 2011 the investment project was initiated to develop isotope production providing the organization of production of the following products:

- isotopically enriched zone-refined polycrystalline germanium;
- isotopically enriched silicon and germanium with chemical purity of 6N;
- diethylzinc (return waste production);
- silica;
- new promising products on the basis of stable isotopes to expand applications.

Intellectual Property of TVEL FC

7.3

TVEL FC owns more than 600 items of intellectual property. The objects of legal protection are presented by inventions, useful models, production secrets (know-how), softwares, databases, trademarks, production prototypes.

In 2011 TVEL FC organizations were granted the rights for 111 items of intellectual property: 66 inventions, 14 useful models, 31 production secrets (know-how), and filed the applications for 51 inventions and 13 useful models.

In 2011 TVEL FC improved performance characteristics of 2010 by the number of registered inventions and useful models. TVEL FC organizations started to use such form of legal protection as production secrets (know-how) more often.

The annual stable dynamics of registration of exclusive rights is primarily the result of the current policy of the Company on identification and provision of legal protection of hi-tech results of intellectual property created by its organizations as part of R&D.

| | 2009 YEAR | 2010 YEAR | 2011 YEAR |
|---|-----------|-----------|-----------|
| Inventions: Russian/foreign, pcs. | 74/4 | 49/10 | 62/4 |
| Useful models: Russian/foreign, pcs. | 14/1 | 7/- | 14/- |
| Production prototypes: Russian/foreign, pcs. | 3/- | 3/- | - |
| Production secrets (know-how), pcs. | 23 | 23 | 31 |

Table 7.3.1.
Number of registered inventions, utility models, production prototypes and production secrets (know-how)

Number of items of intellectual property the rights on which were granted to TVEL FC organizations in 2011

| TVEL FC organizations | Inventions: Russian/foreign, pcs. | Useful models: Russian/foreign, pcs. | Production secrets (know how), pcs. |
|-----------------------|-----------------------------------|--------------------------------------|-------------------------------------|
| TVEL JSC | 1/3 | 2/0 | 0 |
| VNIINM JSC | 10/0 | 2/0 | 16 |
| MSZ JSC | 8/0 | 7/0 | 12 |
| PA ECP JSC | 25/0 | 0 | 0 |
| SGChE JSC | 9/0 | 0 | 2 |
| CMP JSC | 7/0 | 0 | |
| NCCP JSC | 2/1 | 2/0 | — |
| UEIP JSC | — | 1/0 | |
| NSEC LLC | — | — | 1 |

Number of applications for inventions and useful models

| | 2009 year | 2010 year | 2011 year |
|---|-----------|-----------|-----------|
| Applications for inventions: Russian/foreign, pcs. | 108/7 | 98/5 | 51/- |
| Applications for useful models: Russian/foreign, pcs. | 15/- | 13/2 | 11/2 |

Number of applications for inventions and useful models filed by TVEL FC organizations in 2011

| TVEL FC organizations | Applications for inventions: Russian/foreign, pcs. | Applications for useful models: Russian/foreign, pcs. |
|-----------------------|--|---|
| TVEL JSC | 2/0 | 0/2 |
| VNIINM JSC | 3/0 | 5/0 |
| PA ECP JSC | 5/0 | — |
| SGChE JSC | 14/0 | — |
| CMP JSC | 4/0 | — |
| CMP JSC | 3/0 | 2/0 |
| UEIP JSC | 4/0 | — |
| NSEC LLC | 2/0 | 3/0 |
| Centrotech-SPb CJSC | 7/0 | — |
| EDO-NN CJSC | 5/0 | — |
| AECC JSC | 1/0 | — |
| KMP OJSC | — | 1/0 |
| MPP JSC | 1/0 | — |



Chapter 8

ENVIRONMENTAL IMPACT

- 8.1** Management of Environmental Impact in the Territory of Presence
- 8.2** Environmental impact indicators
- 8.3** Nuclear and radiation safety
- 8.4** Energy saving and efficiency improvement
- 8.5** Environmental protection activities planning

8.1 Management of Environmental Impact in the Territory of Presence

The main purpose of TVEL FC in the area of environmental protection is to ensure the environmental safety of its subsidiaries.

In order to improve the effectiveness of the environmental protection policy the divisions responsible for the performance of works in the area of environmental protection were established at all enterprises incorporated into the loop of TVEL FC. In total 230 people participate in environmental protection at TVEL FC, 121 of which have combined responsibilities (including the activities on nuclear and radiation safety).

To ensure the compliance with all applicable laws and all established limits and specifications TVEL JSC was created and the Register of Regulatory and Legal Acts is being updated

which included three groups of documents: legislative, regulatory and legal acts of the Russian Federation, industry orders and procedures and local documents of enterprises.

The Environmental Policy of TVEL JSC that defines the principles of company activities in the environment, and the Plan for Implementation of the Environmental Policy of TVEL FC for 2010-2015 developed in 2010 that includes organizational and production and technical measures in the area of environmental protection are the main corporate document governing the activities of TVEL FC in the area of environmental protection and environmental safety.

In 2011 82 organizational and 45 production and technical measures were taken.

Organizational Measures for Environmental Protection

Organizational measures include measures on improvement of the environment management system.

| OBJECTIVES | MEASURES |
|---|---|
| Improving and monitoring the application of normative and legal acts | The analysis of documents governing the treatment of industrial and domestic waste in organizations of small and medium business (for organizations established in the process of rearrangements) |
| Introduction and development of the environmental management systems in accordance with international standard ISO 14001:2009 | <p>The unified method "Environmental Aspects. Procedure for identification and Evaluation" was developed and introduced in 2011 by TVEL FC together with TKB Intercertifica LLC.</p> <p>Within the Corporate Environmental Management System (CEMS) in 2011 subsidiaries and affiliates identified environmental aspects with subsequent determination of their relevance on the basis of their impact on the environment. Based on the achieved results "The List of Significant Environmental Aspects in the Corporate Environmental Management System of TVEL FC was developed.</p> <p>"The Program for Achieving Environmental Objectives and Targets to Reduce the Environmental Impact of Significant Environmental Aspects of TVEL FC was established.</p> |

| OBJECTIVES | MEASURES |
|--|---|
| Environmental audit | Comprehensive inspections and audits of the TVEL FC enterprises were conducted. Particularly, in June 2011 at TVEL JSC and enterprises of TVEL FC incorporated in KSMK, KSEM and KSMOZiBT the second joint supervisory audit was conducted by the certification body TUV Thuringene.V. As a result the certificate compliance was confirmed. In view of the merge of the three systems “The Unified Certificate of Conformity of the Management System with the Requirements of ISO 9001:2008, ISO 14001:2004 and BS OHSAS 18001:2007” was issued ³¹ |
| Improving the regulatory and legal framework in the area of environmental protection | Within the Industry-Specific Meetings of managers and specialists of environmental protection services of “Rosatom” SC main directions of legislative activities in the area of environmental protection were highlighted, particularly the provisions of federal law projects prepared by the Ministry of Natural Resources of Russia were discussed. During 2011 opinions on projects of environmental protection regulatory acts were prepared and forwarded to “Rosatom” SC |
| Control of availability and validity of environmental approval documentation | The analysis of availability and validity of environmental documentation in the area of environmental protection was performed. The results of analysis and proposals to update the availability request for approval documentation were forwarded submitted to Rosatom SC. It is planned to address disputable issues on imperfections of environmental legislation which can be resolved at the level of Rosatom SC |

³¹ For more information see cl. 5.5 Quality Control. Implementation of the Integrated Corporate Quality, Environment and Safety Management System

Table 8.1.1.
Main areas of organizational measures in 2011

Production and Technical Activities for Environmental Protection

Production and technical activities in the area of environmental protection is carried out in two industry-specific directions:

Elimination of the “past” environmental damage as a result of the implementation of government defense programs during the period of making the nuclear industry. This direction is characterized by a large volume of works on decommissioning of nuclear facilities and recovery of contaminated territories.

Reduction of the impact of enterprises on the environment against current production activities of enterprises. This direction is characterized by the development of environmental management systems at enterprises, use of modern resource-saving production technologies, arrangement of environmental components monitoring, implementation of environmental protection measures.

Works within the first direction were performed using the funds of of the Federal Target Program “Nuclear and Radiation Safety in 2008 and till 2015”, the special reserve fund No. 3 “Decommissioning and R&D” of “Rosatom” SC, reserves at the disposal of the FC enterprises.

In 2011 works were performed under 11 activities in the amount of RUB 888.0 M using the funds of the federal budget of the Federal Target Program “Nuclear and Radiation Safety in 2008 and till 2015”, including the following most significant events:

- according to cl. 35 “Reconstruction of Sites 18 and 18a Due to the Extension of Service Life of Deep Storages

of Liquid Radioactive Wastes” of OJSC “SKhK” in the amount of RUB 25.0 M: construction works on drilling wells and routine control of deep disposal landfill were performed;

- according to cl. 36 “Construction of Additional Safety Barriers to Prevent the Release of Radionuclides from Radioactive Wastes” of JSC SGChE in the amount of RUB 75.0 M: works on installation of anti-migration barriers in pool B-25 (drilling injection wells and pumping bridging solutions, sampling and analysis of groundwater) and monitoring the territory adjacent to the pool were performed;

- according to cl. 68 “Decommissioning of Industrial Uranium-Graphite Reactors...” of JSC SGChE in the amount of RUB 319.5 M: dismantling and research and development works were performed;

- according to cl. 70 “Conservation of Pool B-1” of JSC SGChE in the amount of RUB 200.0 M: construction works, dam and boreholes works, as well as routine monitoring of the radiation situation in the territory adjacent to the pool were performed;

- according to cl. 71 “Conservation of Pool B-2” of JSC SGChE in the amount of RUB 148.3 M: works on installation of the protection screen and filling the clay protective layer of soil and monitoring of the territory adjacent to the pool were performed;

- according to cl. 118 “Disposal of the Materials Contaminated with Radionuclides and Liquid Radioactive Wastes» of NCCP JSC to the amount of RUB 57.0 M: 20 tons of combustible wastes were disposed, 400 tons of contaminated scrap metal were treated, 3000 m3 of process water containing precipitated uranium were disposed; 15 m3 of RAW were buried;

- during the performance of works the planned values were achieved which are defined for the activities within the Federal Target Program

“Nuclear and Radiation Safety in 2008 and till 2015” for 2011.

Using the funds of special reserve fund No. 3 of “Decommissioning and R&D” of “Rosatom” SC of 2009, 2010 and 2011 at the enterprises of TVEL FC the following works were performed in 2011 under 21 measures with the funding amount of RUB 185.47 M. Works planned for 2011 in the amount of RUB 185.47 M were fully completed.

Particularly, using the funds of special reserve fund No. 3 “Decommissioning and R&D” the planned works were performed in 2011 under the measure according to Cl. 241 “Pres-

ervation of Waste Tailing No. 1” of CMP JSC of the Federal Program “Nuclear and Radiation Safety for 2008 and till 2015” in the amount of RUB 75.0 M.

In 2011 using the funds of reserves of 2010 and 2011 that remained at the disposal of enterprises of TVEL FC in 2011 the works in the amount of RUB 96.9 M were fully completed (the works of SGChE JSC under 11 activities of the Federal Target Program “Nuclear and Radiation Safety in 2008 and till 2015”).

As part of reducing the impact of enterprises on the environment

against the current production activity in 2011 TVEL FC conducted the following main activities:

- MSZ JSC — projects on metering the amount of sewage in domestic sewages No. 1, 2, 3, 4 were implemented (works will be fully completed in 2012.)
- AECC JSC — the sites of installation of energy meters were determined and works on assemblies design with possible integration into the unified automated system are being carried out.
- JSC UEIP — works on installation of household waste disposal accounting system at combine industrial sites were completed.
- AECC JSC — the state expertise of the cooling station renovation project was conducted; and a positive conclusion was achieved.
- JSC “PA ECP” — 2 refrigeration units were replaced operating with units on the basis of safe coolants; the use of freons during production operations was reduced (emissions of freon –12 decreased by 0.5 tons and amounted to 3.5 tons per year). The works are in progress and shall be completed in 2014.
- CMP JSC — the contract for development of technologies of coolant disposal was executed.

Project Initiatives of TVEL FC as for the Control of Radiation and Chemical Situation and Production and Environmental Monitoring

In order to monitor the radiation and chemical environment situation the automated nuclear environment control system (ANECS) and computer-aided measuring system for production environmental monitoring (CAMSPeM) were introduced at a number of the TVEL FC enterprises:

- JSC “PA ECP”: the first line of the CAMSPeM (put into pilot and commercial operation) was created; for in 2012 it is planned to introduce the 2nd line of the CAMSPeM providing, among other things, the upgrade of existing ANECSs which will increase the level of radiation and chemical safety at enterprises and the control of radiation and chemical influence on the personnel, population and environment;
- SGChE JSC: for 2012-2020 it is planned to carry out the comprehensive upgrade of the existing ANECS (with components of the CAMSPeM) by replacement of obsolete equip-

32 7 blocks of diffusion equipment for (LAW) Sealed Radioactive Source, 1 non-project burial storage for SRW (LAW) Radioactive Pollutants at the industrial site of SGChE JSC

| TARGET VALUES | PLANNED VALUES | ACTUAL VALUES |
|--|----------------|-------------------|
| Elimination of nuclear and radioactive facilities, pcs. | 8,0 | 8,0 ³² |
| Activity of RAW transferred into environmentally safe condition, 1018 Bq (Exa Bq). | 0,29 | 0,29 |
| Remediation of contaminated areas, thousand sq.m. | 3,19 | 3,19 |

Table 8.1.2. Meeting the values of the Federal Target Program “Nuclear and Radiation Safety in 2008 and till 2015” for 2011

ment, expansion of functions of the system and the scope of control, development of new software;

- JSC UEIP: for 2011-2015 it is planned to upgrade the existing ANECS (including the components of the CAMSPEM) to ensure its smooth operation, bringing the system into compliance with the requirements for UANECS approved by "Rosatom" SC;

- AECC JSC: for 2010-2012 it is planned to perform a set of works on upgrade of the ANECS in the existing scope (including components of the CAMSPEM) based on the modern information technologies and hardware components;

- MSZ JSC: for 2011-2012 it is planned to perform a set of works on development of information and measuring system for chemical and nuclear environment control (IMSCNEC is a system that combines the functions of the ANECS and CAMSPEM) on the basis of the prototype created in 2009-2010; the IMSCNEC is designed to complement and expand the ANECS operated since 2004;

- CMP JSC: for 2012-2016 it is planned to perform works on creation of integrated safety and security management information system (ISSMIS) including the components of radiation and production and environmental monitoring, the creation of the ISSMIS is performed using the first line of CAMSPEM commissioned in 2009 (also including functions of the ANECS) through its maintenance, development and improvement (upgrading);

- JSC NCCP: for 2011-2014 it is planned to perform a set of works on creation of the object ANECS incorporated, if necessary, in the structure of the system of control elements HCS;

- JSC VNIINM: in 2011-2012, the complex of works on the creation of an automated nuclear environment control system (ANECS) and record-

ing flows and the characteristics of the accumulated, produced and exported RAW".

Expenses of TVEL FC for Environmental Protection

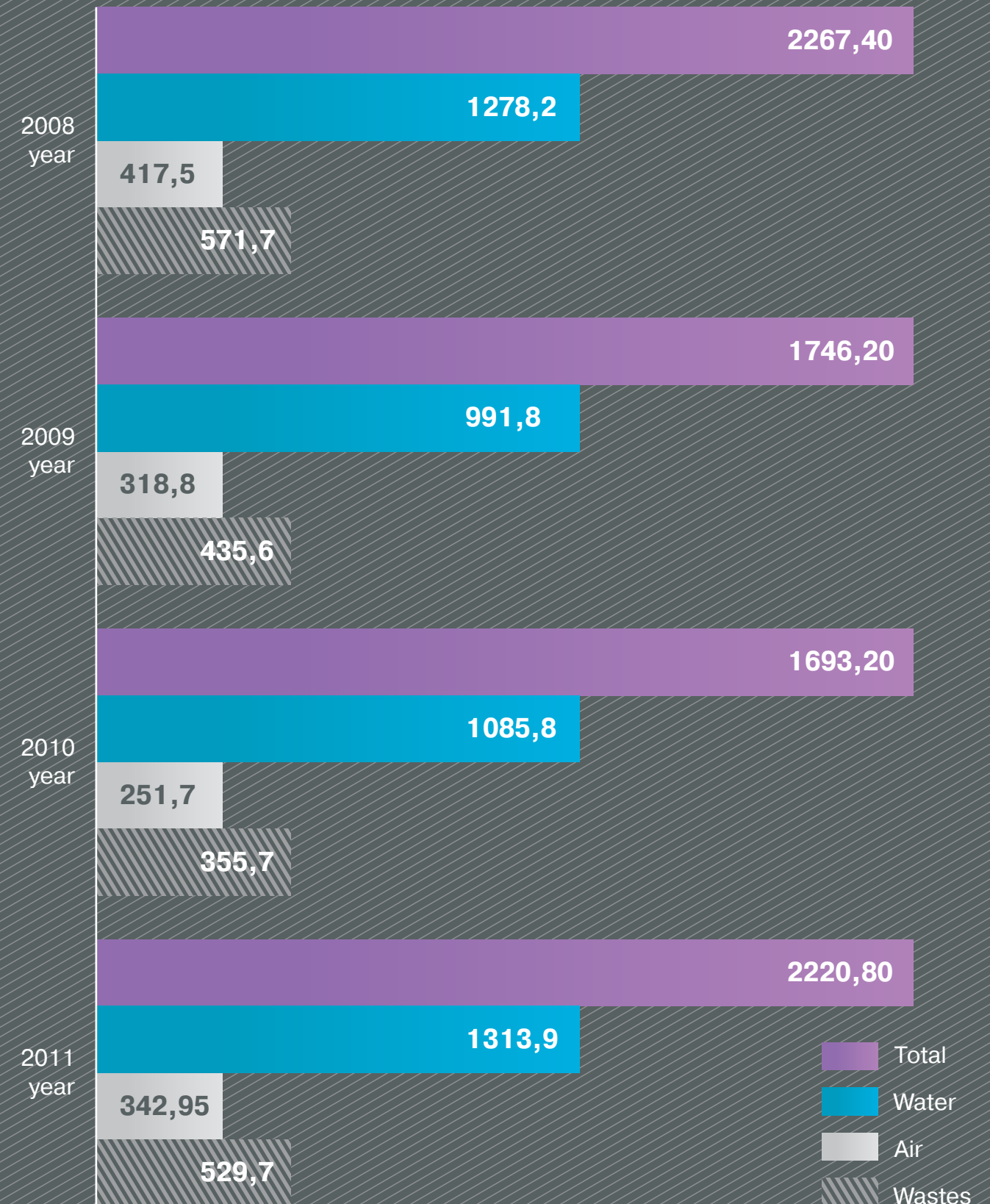
In 2011 the current expenses of TVEL FC enterprises for environmental protection amounted to RUB 2220.77 M, which is RUB 433.4 M more compared to 2010. Most of the expenses are associated with the protection and rational use of water resources. In total it was spent RUB 1313.85 M within this issue. Significant amount are also assigned to the protection of atmospheric air (RUB 324.95 M) and protection of land from industrial and consumer wastes (RUB 529.72 M). JSC UEIP, CMP JSC, SGChE JSC, MSZ JSC, JSC NCCP significantly contribute to the operating expenses of TVEL FC for environmental protection.

Scientific Support of Environmental Protection Activities of TVEL FC Enterprises

TVEL FC arranges comprehensive expertise and scientific support of its enterprises to resolve the existing environmental issues. At TVEL JSC the section of the Scientific and Technical Council operates for "Ensuring Environmental, Nuclear and Radiation safety".

In 2011 three sessions of the section of the NTS of TVEL JSC were held, the most significant of which is the session devoted to the basic requirements of the Federal Law "On Radio-

Expenses of TVEL FC for environmental protection in 2011, RUB M.



active Wastes and Amendments to Specific Legislative Acts of the Russian Federation”.

Decisions made as a result of section meetings allowed to quickly understand and plan the activity of enterprises incorporated in the control loop of TVEL FC upon adoption of the Federal Law.

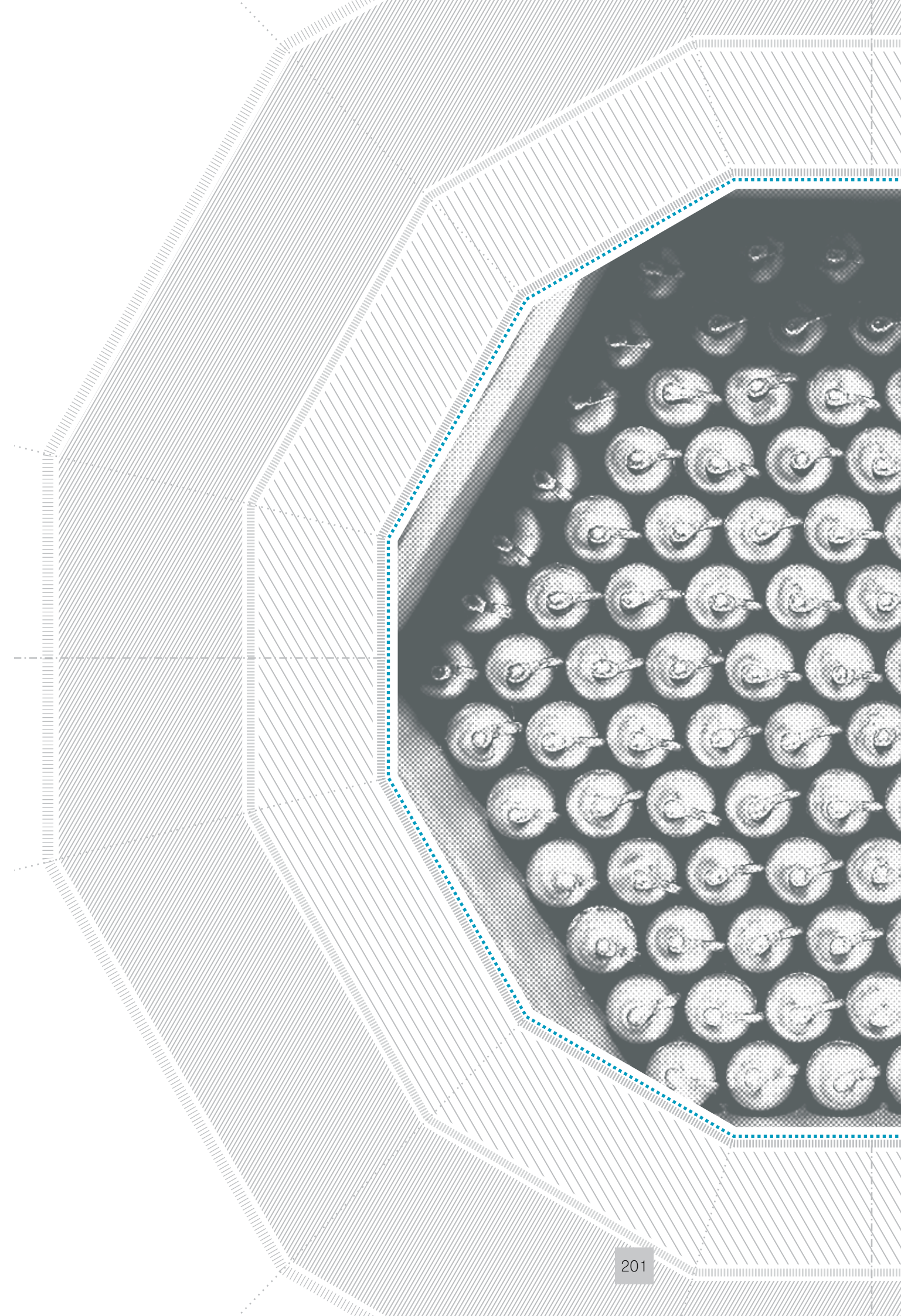
Within the section meetings the activities and preparation of project documentation for the recovery of territories contaminated with mercury during the evolution of nuclear industry were also discussed. These pollutants are bounded and located in the layer of earth at a depth of 2-2.5 m. For the purpose of recovery of contaminated territories various approaches were considered for MSZ JSC and JSC NCCP providing removal of contaminated soil to a specialized organization with possible pre-treatment using the pilot plant developed by JSC VNIINM and using centrifugal equipment for mercury removal.

Specialists of TVEL FC also took part in international conference “Environmental Security: Issues and Solutions” (held on September 12-16, 2011 in Alushta, Ukraine). Within the conference a report on “The Arrangement of Works in the Area of Environmental Protection at Enterprises Incorporated in the Control Loop of TVEL FC was made. Possible Changes in Government Regulation in the Area of Environmental Protection in the Russian Federation”.

The conference allowed to get a valuable experience on current issues in the area of environmental protection and radiation safety in Ukraine, on new developments in the area of development of environmental protection equipment, specifics of the law on environmental protection and treatment of radioactive wastes.

Materials obtained in the course of the conference were forwarded to the Directorate of TVEL JSC for review and operational usage, as well as to enterprises to take into account the work experience of the Ukrainian enterprises and organizations in the area of environmental protection.

Within initiatives for accounting of the amount of greenhouse gases TVEL JSC received the order for preparatory works and analysis of existing documentation in the area of accounting the amount of greenhouse gases as part of Russian and foreign experience. Based on the results of the analysis it was found that greenhouse gas emissions were not inventoried in the Russian Federation in a large scale. There are no adapted methods for inventory, control and accounting of greenhouse gas emissions. Therefore, Russian figures are incomparable with those of other countries. In view of the above for 2012 it is planned to calculate greenhouse gas emissions at TVEL FC enterprises using a method based on the international experience in the area of greenhouse gas emission.



8.2 Environmental impact indicators

Materials use and processing

The amount of materials necessary for the main production of the TVEL FC control contour enterprises is defined by the production program. Various enterprises use different materials.

Enterprises of the separation-sublimation complex use uranium for their production process. Hexafluoride of natural uranium is used for uranium enrichment process. As a result of enriching the uranium by U-235 isotope, an enriched uranium product (EUP) and depleted uranium hexafluoride (DUHF) are produced. EUP is then passed to the consumer, while DUHF is stored for reutilization. Therefore non-renewable materials are not used during the uranium isotopes separation process.

The enterprises of the fabrication block use EUP produced by the separation-sublimation complex enterpris-

es as materials for their technological process.

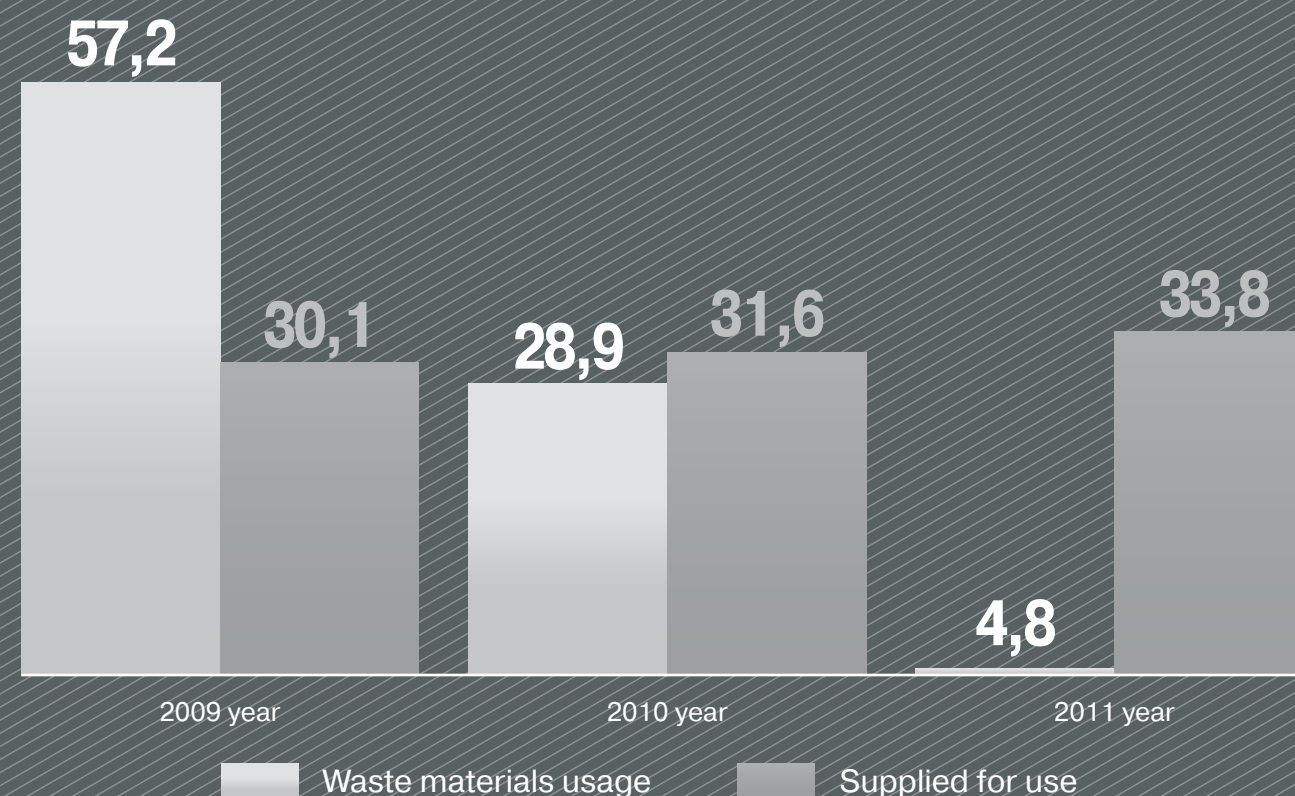
Production of gas centrifuges utilizes mostly synthetic materials, ferrous and non-ferrous metals.

All the raw materials used by the TVEL FC control contour enterprises are obtained from the third-party suppliers. Examples of utilized materials are shown on the page number 203.

4.8 thousand tonnes of recycled or reutilized waste materials were used in 2011. 33.8 thousand tonnes were passed to the third-party organizations for further reuse.

Waste materials reutilization is mostly organized at JSC UEIP and JSC "PA ECP". The decrease in waste materials reutilization at enterprises of TVEL FC control contour is linked to the general decrease of waste materials production at the above mentioned enterprises – by 60.8 % at JSC UEIP and by 71% at JSC "PA ECP".

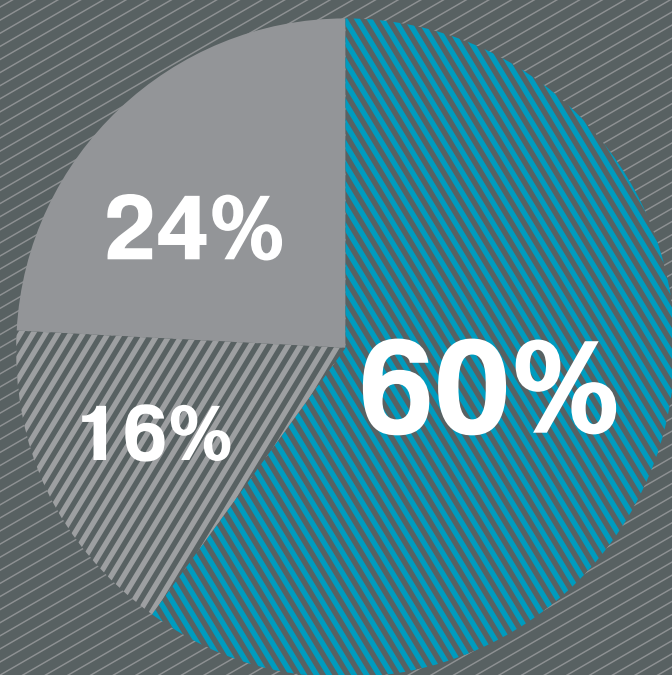
Recycled or reutilized waste materials



Examples of raw materials used for the main production processes by the TVEL FC control contour enterprises

| Material, tonnes | 2009 year | 2010 year | 2011 year | Enterprise |
|--------------------|-----------|-----------|-----------|--------------------------------------|
| Sulphuric acid | 2400 | 2700 | 2150 | AECC JSC |
| Nitric acid | 2036,5 | 2854,2 | 1855,98 | MSZ JSC, NCCP JSC |
| Hydrochloric acid | 423 | 591 | 326 | NCCP JSC |
| Ferrous metals | 1055,08 | 2309,45 | 1082 | Uralpribor LLC, UGCP LLC, EDO-NN JSC |
| Non-ferrous metals | 407,8 | 425,3 | 747,8 | |

The share of costs spent on the protecting of the water resources and atmospheric air and the production waste disposal, from the total environmental costs



Water environment protection costs **RUB 1.3 B**

Costs of air protection measures **RUB 343 M**

Costs spent on the production waste disposal and consumption **RUB 530 M**

Water consumption by the TVEL FC enterprises was 645.4 M m³ in 2011. The main water intake sources are natural sources that have provided 603.8 M m³. 39.6 M m³ were taken from the communal and other water supply systems.

During the last 4 years there's a decrease in water consumption, which allows the Company's enterprises to observe the water consumption normative requirements. Water consumption normative limit for 2011 was 752.5 M m³. Water intake was 85.5% of the normative limit in 2011.

Recirculated water volume in 2011 was 288.5 M m³. Recirculated water share in the overall water intake was 45%, and reused water share in the overall water intake was 15.9%.

Gradual decrease of the water intake is caused by the enterprises' restructurization processes and by the increase of water use in recirculated water system.

Water use in the recirculated water systems at the TVEL FC control contour enterprises varies insignificantly during last three years. Prior to 2008 there was a higher water consumption because of the industrial nuclear reactors operation at the Reactor Manufacturing Plant of JSC SGChE. Whole water volume was used in the cooling systems. Currently the reactors operate in prolonged shutdown mode.

In 2011 TVEL FC enterprises have disposed of 535.1 M m³ of water. All the water was disposed to natural objects.

Overall water disposal volume is in direct correlation to the water consumption and is decreasing in the observed period. This decrease is achieved mainly due to the water consumption reduction measures, and because the non-core assets were ex-

cluded from the TVEL FC control contour. The newly established enterprises use their own water supply sources, with the communal networks among others.

Contaminated disposal water volume was 1.3 M m³ in 2011.

The enterprises implement measures aimed to improve water resources metering, which allows to better observe the environmental impact parameters and to plan the water resource protection measures more carefully. In comparison to 2010, there was a 1.25 drop of contaminated waste water volume in 2011, that was the result of water resources protection measures, including renovation and reconstruction of waste water clean-up system, organizing water circulation and reutilization of water resources.

Pollutants emission

Total pollutants discharge was 32.1 thousand tonnes in 2011. Pollutants were mostly emitted by the JSC SGChE enterprises (85% of total pollutants discharge) and CMP JSC (9.5%), where large Central Heating and Power Plants operate.

During the last four years, pollutants emission varies insignificantly - variation range is around 1.5 thousand tonnes. This variation is due to pollutants emission dependence upon heating season duration and average temperature during the cold seasons. In 2011 pollutants emission increased in comparison to the previous year. At the same time, the allowed normative limits (77.1 thousand tonnes in 2011) were not exceeded.

The difference between normative limits and actual pollutants emission

occurs because the main volume of allowed emission limit is set for Cetral Heating and Power Plants, presuming that they would operate for the whole heating season and would produce energy using solid fuel (coal). TVEL FC uses natural gas to minimize negative impacts. But using natural gas is not always possible because of the existing limits of gas consumption.

Ozone-depleting substances emission by the enterprises of the Company's control contour tends to decrease due to measures taken to replace coolants in refrigerating machines.

Increase of NO₂ and SO₂ is caused by the growth of energy production by Central Heating and Power Plants and boiler-stations. These values also depend greatly on the fuel quality. In 2011 JSC SGChE was supplied with a solid fuel (coal) with higher initial content of sulphur. Normative emission limits were not exceeded though.

Specific pollutants emission also includes mercury, whose emission is stable for the last three years and is around 0.125 tonnes. Mercury is used as a cathodic material in lithium fabrication on JSC NCCP. There are no mercury emissions at the other enterprises.

When measuring greenhouse gases emission, CO discharge was metered, because carbon monoxide emitted to atmosphere by technogenic sources is oxidised to carbon dioxide. CO discharges of the TVEL FC control contour enterprises were 817.3 tonnes in 2011. If converted on the molecular mass base, the amount of carbon dioxide emitted to atmosphere is around 1238.1 tonnes.

Carbon monoxide emission decrease is caused by the implemented environment protection steps. Major share of greenhouse gases discharge

es is caused by the power producing objects (CHPP, boiler-houses) and transport traffic. Currently, at the final stage of the TVEL FC contour formation, almost all enterprises use transportation services provided by other organizations. In order to provide highly competitive transportation services they observe the state of their vehicle fleet and upgrade it, replacing obsolete vehicles with more modern ones that comply to current normative regulations on car exhaust gases toxicity.

Production and consumption waste products handling

In 2011 total amount of production and consumption waste products at the TVEL FC enterprises were 384.12 thousands of tonnes, with the major part being waste products of the category 5 hazard rating (89.2%) – practically not dangerous. Category 5 hazard rating waste products of TVEL FC are being produced by JSC SGChE mostly and are comprised of cinders of solid fuel burning at CHPP.

The decrease in amount of waste utilization is caused by the general decrease of waste products volume in 2011 at JSC UEIP and PA ECP JSC (by 39.2% and 71%, respectively) because the non-core production facilities, including agricultural facilities, were made subsidiary affiliates.

As a result of ongoing modernisation of production facilities and liability redistribution among the TVEL FC control contour enterprises, a significant drop of waste generation was achieved for waste products of I, II and III hazard categories – the most hazardous for the environment and the human health.

Some value variation regarding the IV hazard category waste is a result of the ongoing reconstruction and consequent construction waste products generation.

The amount of V hazard category waste products directly depends on the heating season duration and fuel quality (such indicators, as sulphur and cinder contents) – these are mostly waste products of coal burning (ashes and cinders).

Relative impact of the TVEL FC enterprises on their location environment

The TVEL FC control contour enterprises are situated on the land owned by the enterprises and also on the land belonging to the Russian Federation and used on a leasehold basis. Industrial plots of the TVEL FC control contour enterprises and their surroundings are not areas with high biological diversity value.

Environmental impact of the TVEL FC enterprises on their location areas actually does not exceed 5% of the overall environmental impact of the region's industry. This estimate is based on the data comparison between the TVEL FC statistical reports for 2011 and the State report "On the state and environment protection in the Russian Federation in 2010".

Values for CMP JSC (3% of emissions; 4.96% of discharges; 3.5 % waste products in Udmurt Republic, JSC "PA ECP" (4.8% of discharges in Krasnoyarsk region), AECC JSC (4.15% in Irkutsk region) are not far from those figures. Only JSC SGChE has exceeded the 5% level (7.4% of emissions, 46.9% waste products, 81.9% of discharges in Tomsk region). The other TVEL FC enterprises' share in general environmental impact of economic activity in their location regions is insignificant and is around several per cent or less.

Given the large impact of JSC SGChE on Tomsk region environment, TVEL FC cooperates actively with the local authorities and civil society organizations on solving the environment protection issues.³³

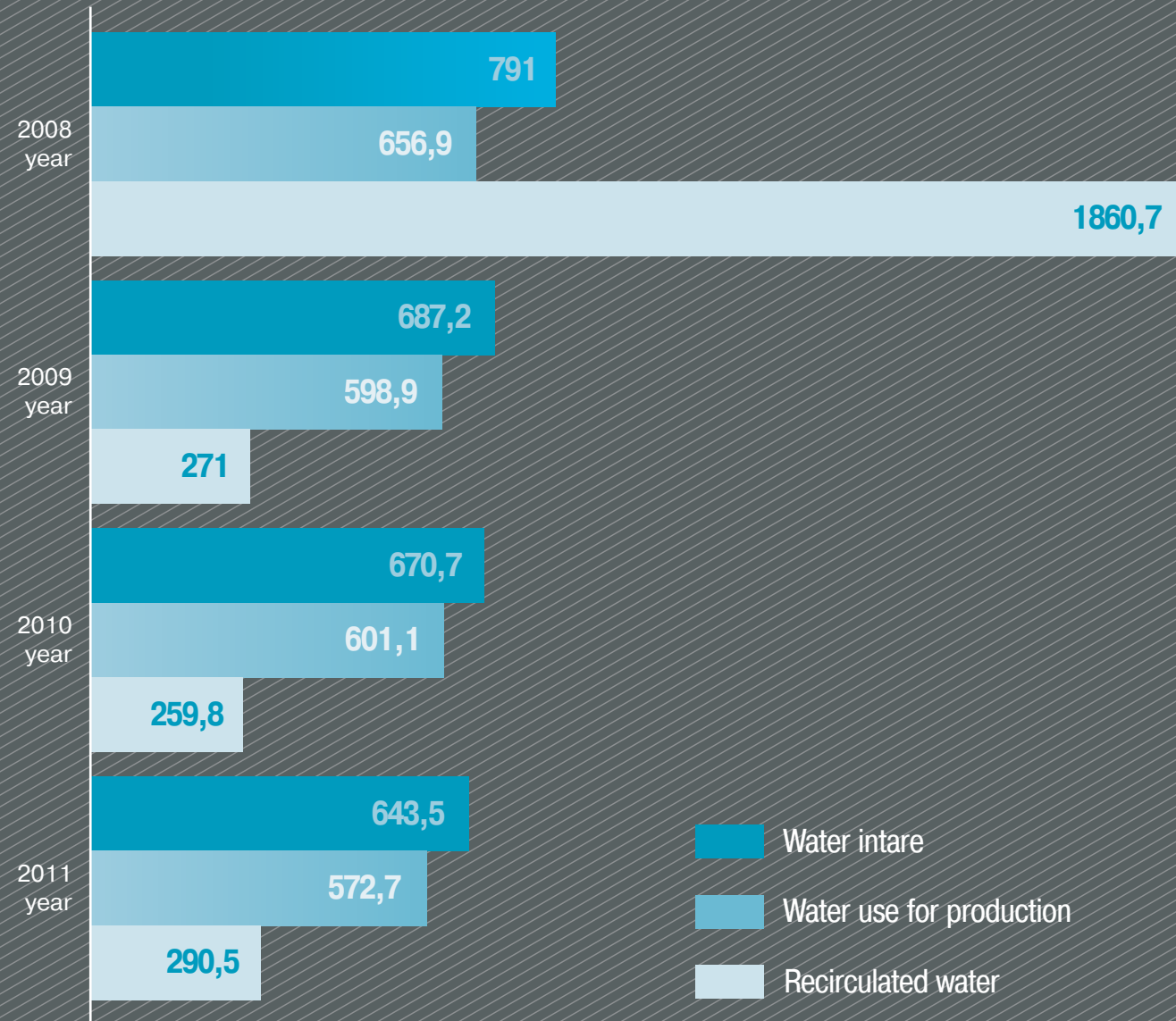
Payments for negative environmental impact

Total amount of payments for the negative environmental impact was RUB 20 M in 2011.

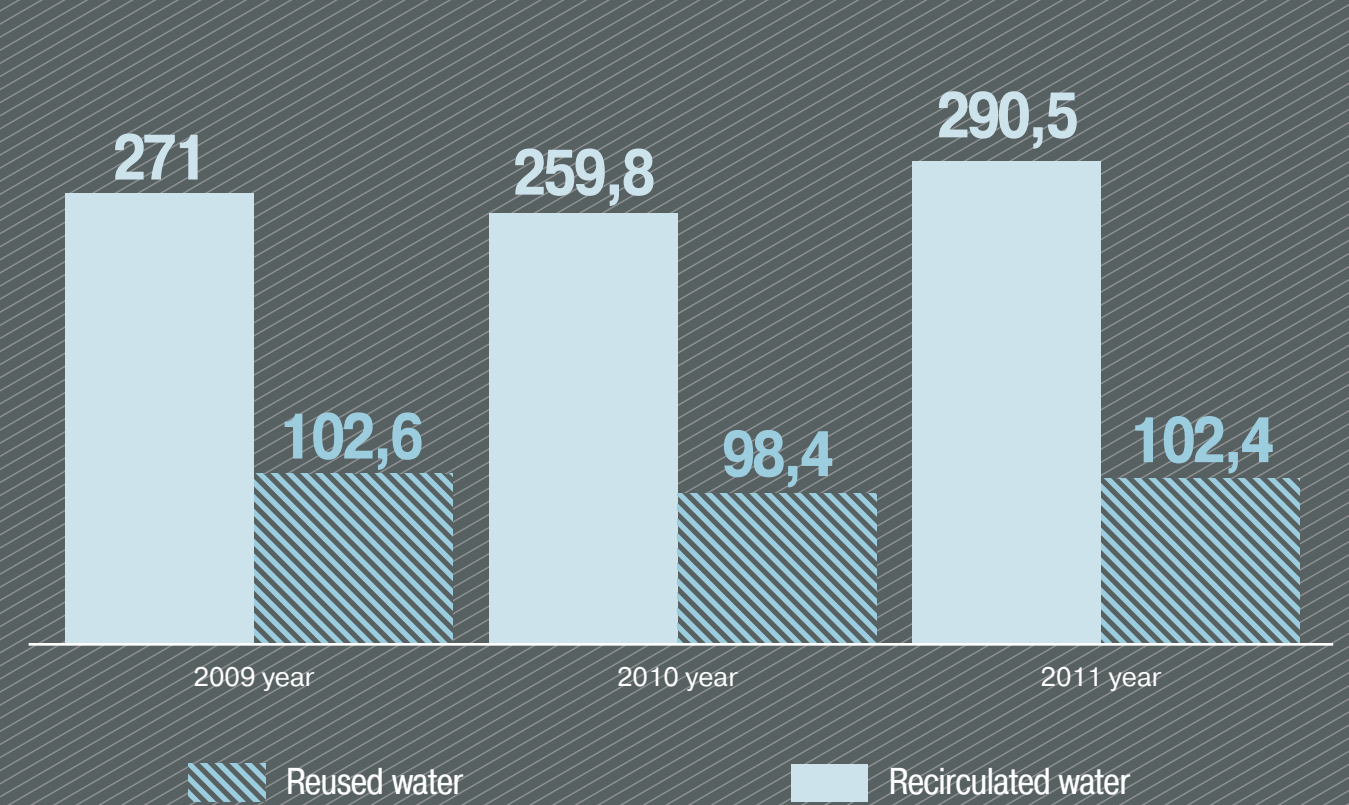
During the reported period there was a significant reduction in payments for the negative environmental impact in comparison to the previous year (RUB 30.3 M). This is due to the positive effect of the implemented environment protection measures, increased quality of enterprises work on registration and maintenance of the permits in the field of environmental protection. An additional effect is caused by excluding non-core businesses from the control contour, which led the independent enterprises to organize their own environment protection activities.

³³ See. Chapter IV. Interaction with the stakeholders

Water consumption, M m3.



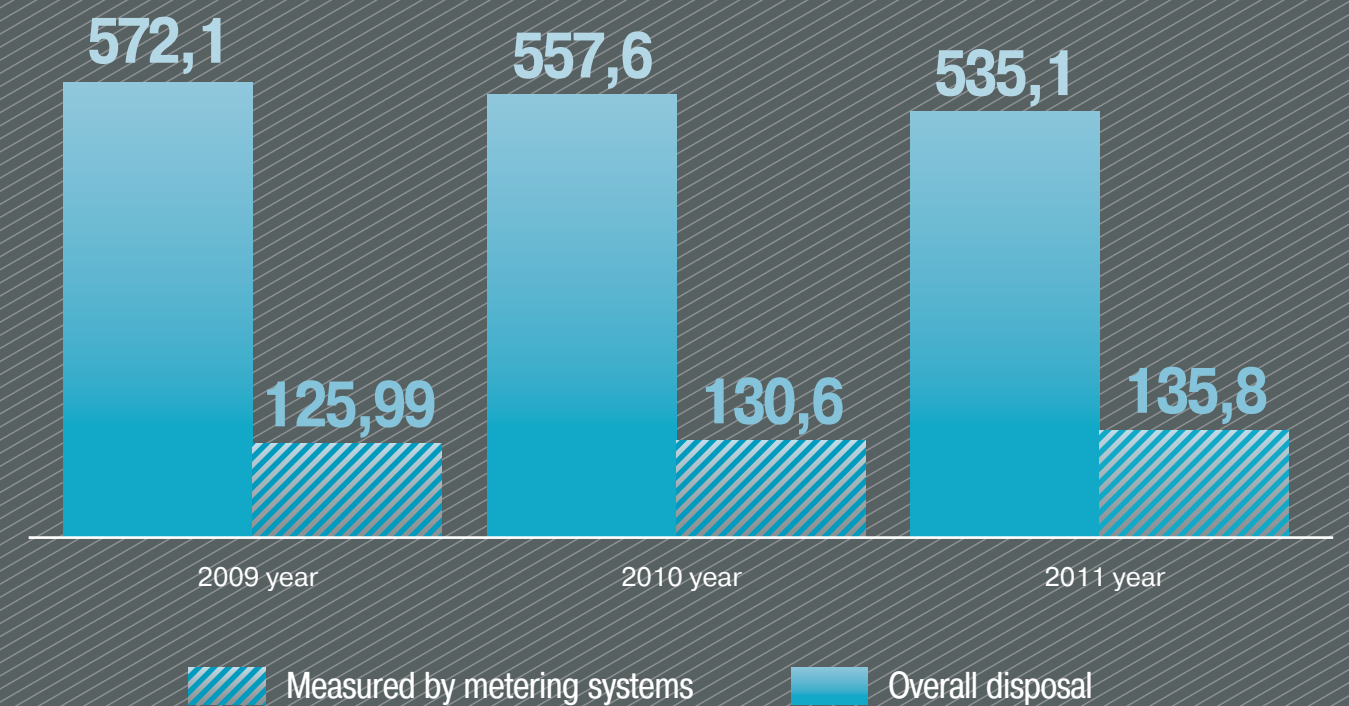
Recirculated and reused water volume, M m3



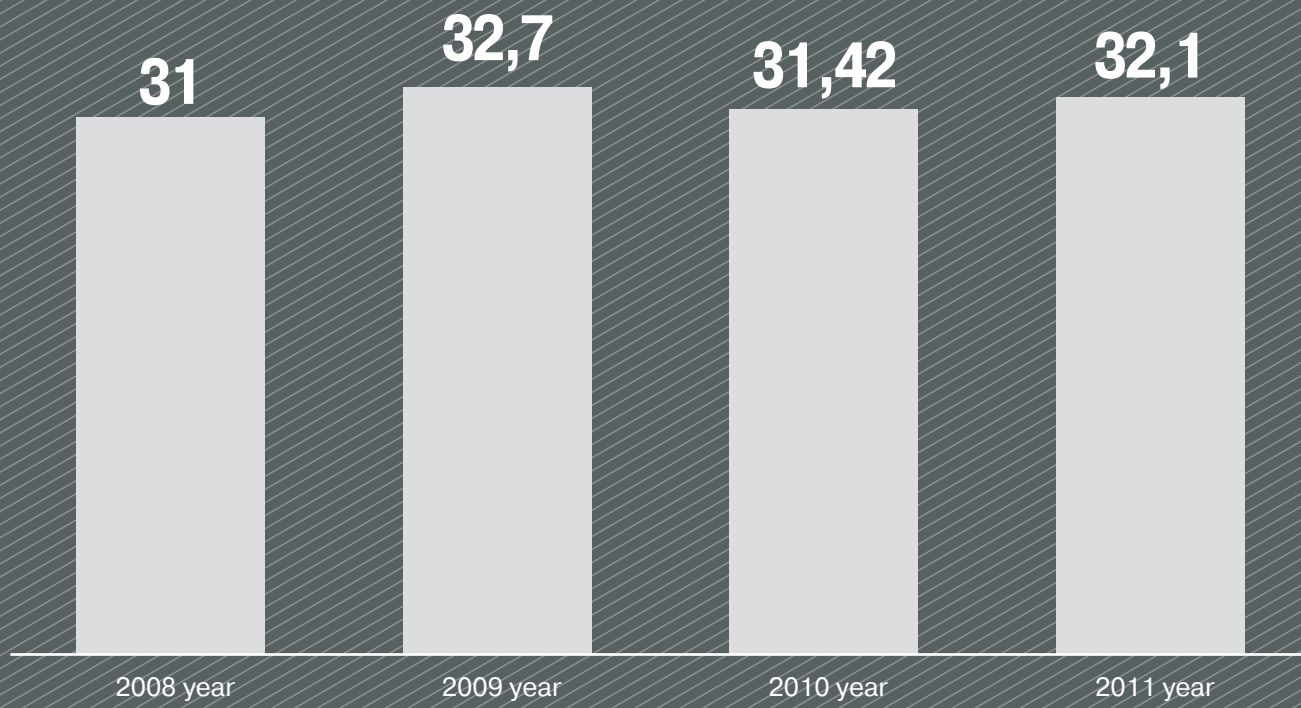
Contaminated waste water disposal by the TVEL FC control contour enterprises, M m3.



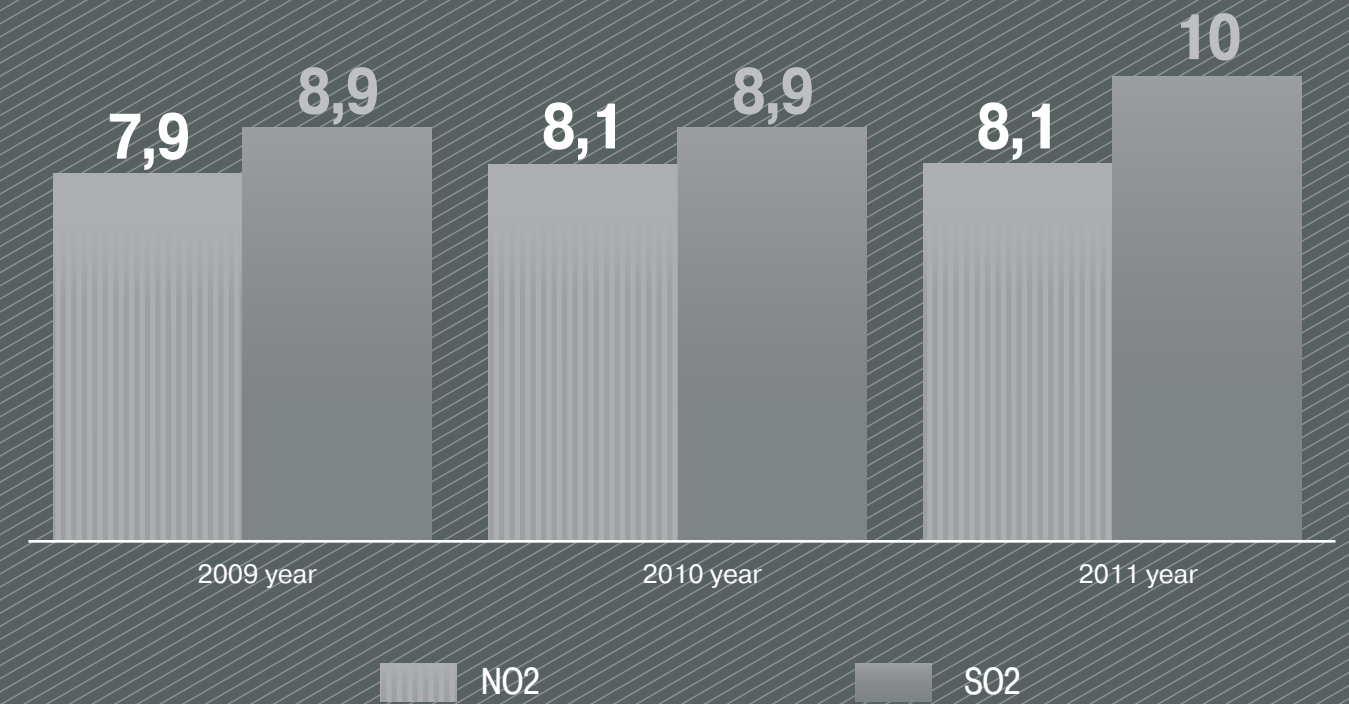
Water disposal of the TVEL FC control contour enterprises, mln.m3.



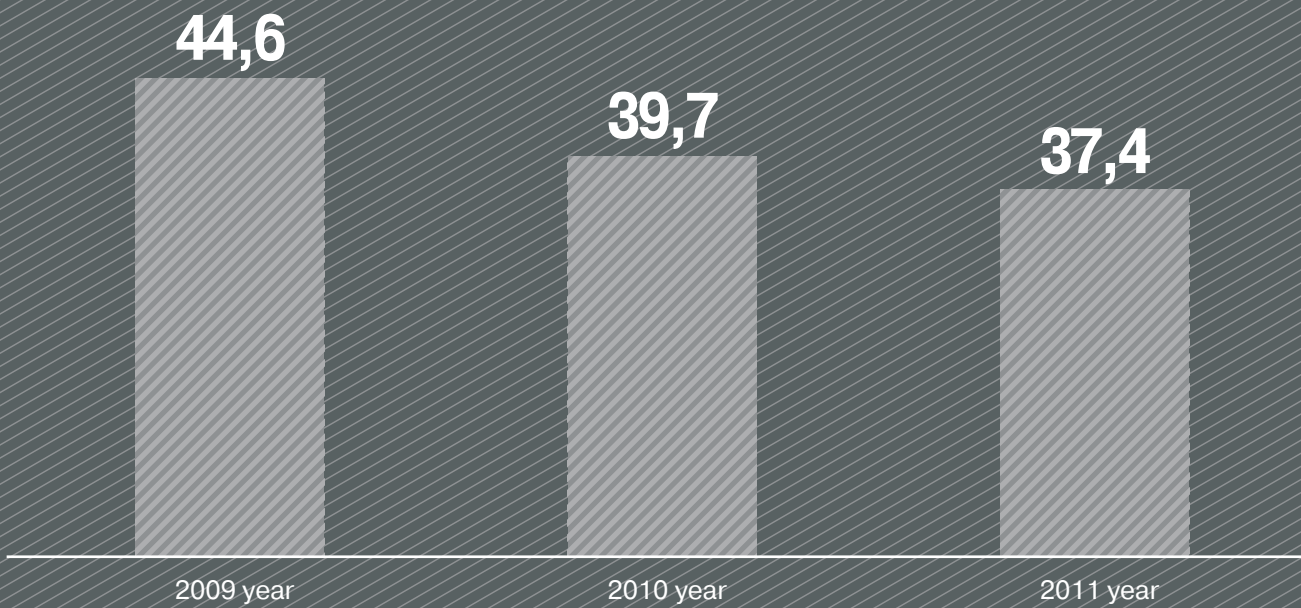
Total pollutants emission, thousand tonnes



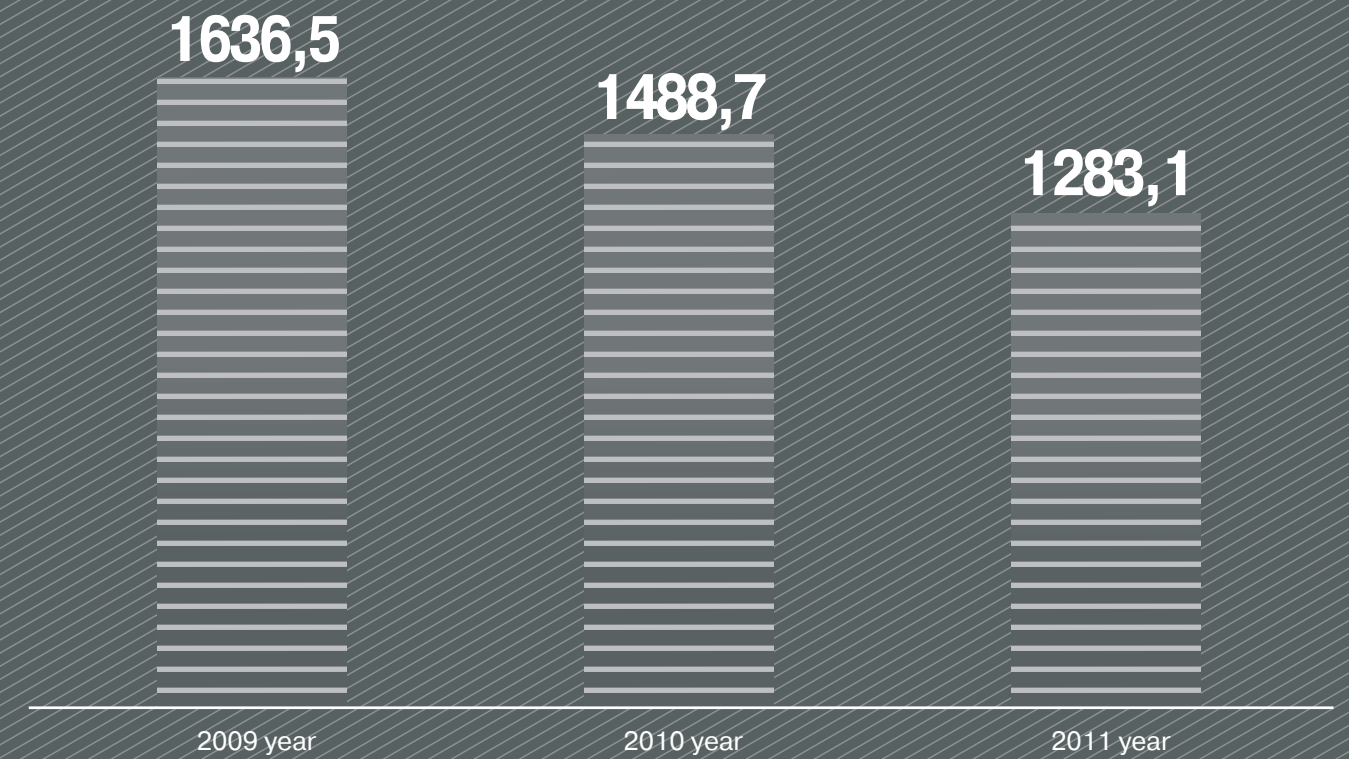
Specific pollutants emission, thousands of tonnes



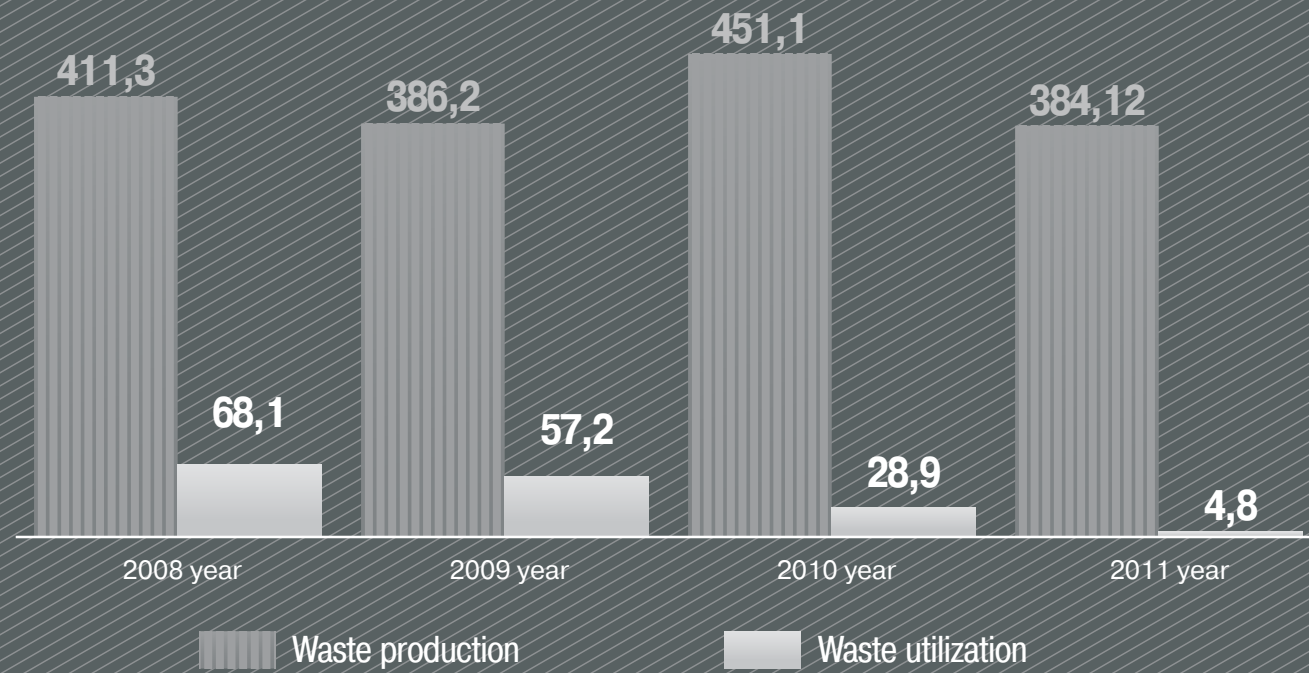
Ozone-depleting substances emission, tonnes



Carbon dioxide emission, tonnes



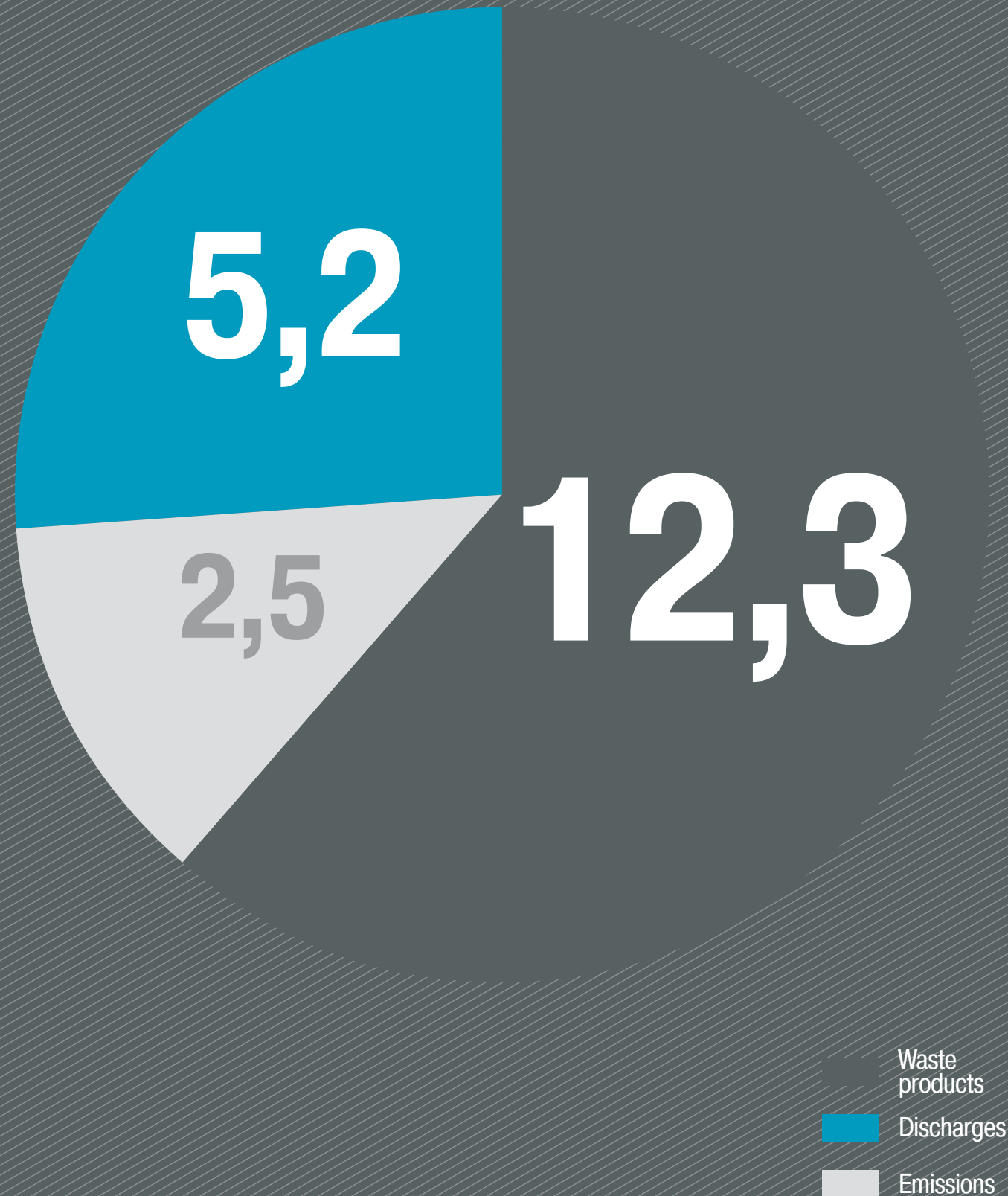
Production and consumption of waste products, thousand of tonnes



generation of the TVEL FC enterprises by the hazard rating category

| Waste generation (thousand tonnes) | 2009 year | 2010 year | 2011 year |
|------------------------------------|-----------|-----------|-----------|
| Total, including | 400,6 | 451,1 | 384,2 |
| I category | 6,4 | 0,17 | 0,07 |
| II category | 14,8 | 12,9 | 8,1 |
| III category | 22,1 | 6,6 | 1,3 |
| IV category | 42,4 | 32,7 | 31,8 |
| V category | 314,9 | 385,3 | 342,9 |
| Given to other organisations | 81,2 | 79,2 | 69,5 |
| for use | 30,1 | 31,6 | 33,8 |
| for storage | 9,2 | 10,6 | 9,5 |
| for burial | 25,9 | 23,4 | 17,6 |
| Placed at own facilities | 268,2 | 339,5 | 306,5 |

Negative environmental impact payments composition in 2011, mln. of roubles



8.3 Nuclear and radiation safety

Nuclear and radiation safety (NRS) maintenance at the enterprises' facilities and prevention of unacceptable radiation exposure risk for the personnel, population and the environment are among the top priorities of TVEL FC.

These priorities are considered when developing and implementing technological processes and equipment design, manufacture, installation, commissioning and operation (all such operation are performed by the organizations having the relevant Rostekhnadzor licenses concerning nuclear energy use). All the projects pass the State Expertise and approval by the State supervising institutions that control whether the principles and criteria are observed, calculations are correct, technical solutions and organizational measures are sufficient to maintain the NRS of the personnel, population and the environment. Acceptance and commissioning of the technological processes and equipment is implemented by the committees with the assistance of the observing institutions representatives.

The TVEL FC enterprises take systematic measures on radiation accidents prevention and avoidance, sustainability improvement of hazardous production facilities, personnel training and actions of the special units in case of accidents and emergency.

Prevention of radiation accidents includes permanent monitoring of compliance to norms, rules, regulations and observance of the technological discipline.

General management of nuclear and radiation safety related activities of the TVEL FC enterprises, as well as responsibility for compliance to the federal laws, regulatory requirements and Rostekhnadzor guidelines concerning NRS are assigned to Chief Technical Officers (chief engineers).

The enterprises develop annually updated lists of the existing laws and regulations on nuclear and radiation safety and environmental protection.

Nuclear safety (NS) on nuclear-hazardous areas of the enterprises is

maintained by NS requirements regulation and development of the necessary documentation concerning the NS of the carried out operations, staff training and monitoring compliance to the NS rules, regulations, and instructions.

For all nuclear-hazardous facilities there were lists of dangerous nuclear sites designed and approved by the Director of the NRS Department of "Rosatom" State Corporation. Technical documentation and solutions concerning the NS were provided by the Department of Nuclear Safety of FGUP GNC RF FEI (Federal State Unitary Enterprise "Russian Federation State Scientific Center — Institute of Physics & Power Engineering). All nuclear-hazardous sites are equipped with alarm system (AS) for the cases of self-sustaining fission chain reaction (SCR) occurrence.

Each enterprise annually develops and implements a "Plan of organizational and technical measures of nuclear safety state improvement".

Nuclear Safety on the TVEL FC enterprises is ensured by the NS requirements regulation, development of the necessary documentation on the current activities NS, staff training, implementation of NS rules, regulations and instructions compliance monitoring along with radiation control in the units, sanitary protection zone (SPZ) and the professional liability area of the enterprise.

All the enterprises' units, which process, store, and manufacture products utilizing the nuclear materials (NM) and radioactive substances (RS) or recycle the radioactive waste products (RW) have sanitary-epidemiological conclusions on the radiation sources working conditions compliance with the sanitary rules.

The effectiveness of steps taken

by the TVEL FC enterprises to maintain nuclear and radiation safety is confirmed by absence of violations that could be classified as accidents and incidents according to the INES scale; not exceeding the basic dose limits set by NRB-99/2009 Nuclear safety norms; reduction of radiation impact on the environment.

The contaminated areas are within MSZ JSC, JSC NCCP, CMP JSC, JSC SGChE professional responsibility zone. Contamination was the result of the country's defense improving actions of these enterprises during the first nuclear project.

Total radionuclides (RN) contaminated area of the TVEL FC enterprises which is subject to rehabilitation was 13205.99 thousand m² in the end of 2011 (including: JSC SGChE — 10393.0 thousand m², CMP JSC — 1987.0 thousand m², MSZ JSC — 405.36 thousand m², JSC NCCP — 420.63 thousand m²).

In 2011, a total of 3.025 thousand m² RN contaminated territories were rehabilitated, including: MSZ JSC — 0.35 thousand m², JSC NCCP — 3.190 thousand m². These measures are carried out within the framework of "Nuclear and Radiation Safety maintenance in 2008 and for the period till 2015" program and at the expense of a special reserve fund No. 3 "Decommissioning and R & D" of "Rosatom" State Corporation.

At VNIINM JSC one 420 m² off-design burial was eliminated and 43 m³ of radioactive waste were transported to the storage of specialized organizations. One previously buried source of ionizing radiation was detected and neutralized. Total costs of the carried out operations is RUB 6 M.

MSZ JSC has completed preparing the working documentation on "Rehabilitation of the Fryazevo state farm

pond" totaling 6 mln rubles, including RUB 1.8 M spent in 2011.

In 2001 JSC NCCP has achieved the target indicator of the Federal target program "Nuclear Nuclear and Radiation Safety maintenance in 2008 and for the period till 2015": that is 3190 m2 of radiation-contaminated areas were rehabilitated.

In 2011, all the planned steps aimed to develop project documentation for rehabilitation of radiation-contaminated sites of TC enterprises — MSZ JSC, JSC NCCP, AECC JSC, JSC SGChE — were fulfilled at the expense of special reserve fund No.3 of "Rosatom" State Corporation for 2009–2011.

A total of 69 routine checks were conducted by Rostekhnadzor at TVEL FC enterprises in 2011: one check was made by the Commission of the Central Office and 68 checks by the Interregional territorial bodies committees. Including the follow-

ing enterprises: TVEL JSC — 1 check, MSZ JSC — 6 checks, JSC NCCP — 1 check, CMP JSC — 2 checks, MPP JSC — 2 checks, VNIINM JSC — 1 check, AECC JSC — 14 checks, JSC UEIP — 24 checks, JSC SGChE — 15 checks, JSC "PA ECP" — 4 checks, "EDO-Nizhniy Novgorod" JSC — 1 check, Tochmash JSC — 2 checks, KMP OJSC — 1 check, UGCP LLC — 2 checks, NSEC LLC — 1 check.

The Rostekhnadzor Commissions concluded that radiation and nuclear safety at the Company's enterprises is broadly in line with the rules and regulations in the field of nuclear energy use. The Commissions have issued 45 instructions to eliminate minor violations. In order to eliminate the violations mentioned in these instructions, the enterprises have developed relevant action plans that should be implemented in accordance to the established timetable.

*In 2011 during the pre-project surveys by MSZ and NCCP 132.71 thousand m2 were found contaminated by radionuclide during the previous years' activities. 3.025 thousand m2 were rehabilitated in 2011

| NUMBER | INDICATOR | 2009 YEAR | 2010 YEAR | 2011 YEAR |
|--------|---|----------------------|----------------------|----------------------|
| 1. | Emissions of alpha-active radionuclides to atmosphere, Bq | 8,32*10 ⁹ | 9,66*10 ⁹ | 9,0*10 ⁹ |
| 2.* | Areas contaminated by radionuclides, thousand m2 | 13205,45 | 13085,02 | 13111,58 |
| 3. | Discharge of waste water containing radionuclides, Bq | 5,64*10 ⁹ | 5,23*10 ⁹ | 4,33*10 ⁹ |

Table 8.3.1.
Environmental contamination
with radionuclides

Environmental contamination with radionuclides, by enterprises

| Enterprise | MSZ JSC | NCCP JSC | CMP JSC | SGChE JSC | TOTAL |
|---|---------|----------|---------|-----------|---------|
| SPZ ³⁴ | 257,9 | 253,7 | — | 300,00 | 811,6 |
| Professional responsibility zone | 120,1 | — | — | — | 120,1 |
| Industrial sites | 26,9 | 167,0 | 1987,0 | 10093,0 | 12273,9 |
| Newly found contamination | 0,4 | 132,3 | — | — | 3,6 |
| TOTAL | 404,9 | 420,7 | 1987,0 | 10393,0 | 13205,6 |
| ↓ Area contaminated by radionuclides | | | | | |
| Rehabilitated areas | 0.4 | 3.2 | — | — | 3.6 |

³⁴ Sanitary protection zone is a special area with a special mode of use, which is set around the facilities and industries that cause impact on the environment and human health, and which separates the industrial area from the residential buildings, landscape and recreation area, recreation area or resort and its borders are obligatory designated by special information signs.

8.4 Energy saving and efficiency improvement

A total of 61.4 M GJ of primary energy sources were spent at the TVEL FC enterprises, including (by sources): natural gas — 22.6 M GJ; coal — 33.3 M GJ; fuel oil — 0.6 M GJ.

Among the TVEL FC control contour enterprises, JSC SGChE, CMP JSC, JSC UEIP, JSC NCCP have their own primary energy sources. Other enterprises acquire energy resources from third-party suppliers.

Indirect energy use by the Company control contour enterprises amounted to 16.3 M GJ.

In 2011, electric power consumption of the TVEL FC enterprises has reduced by 11.5% (447 M kWh), thermal energy consumption — by 23.4% (958 thousand Gcal). Energy consumption reduction (in comparable terms to 2009) was 15.3% in terms of value (RUB 1222 M), while the target indicator was 10%.

Energy consumption reduction has been achieved thanks to measures taken under the "Energy saving and energy efficiency program" acting on the TVEL FC enterprises. In 2011, the following projects were realized:

- thermal imaging surveys were conducted at the TVEL FC enterprises: JSC NCCP, MPP JSC, VNIINM JSC, JSC UEIP, JSC SGChE, VPA «Tochmash» JSC, KMP OJSC, JSC "PA ECP";
- energy inspections were conducted at Centrotekh-SPb CJSC;
- as a part of the energy saving and energy efficiency improvement program the following steps were taken by the TVEL FC enterprises:
- metering systems implementation (CAMSEPFM— Computer-Aided Measuring System for Electric Power Fiscal Metering, CAMSTEPFM — Computer-Aided Measuring System for Technical Electric Power Fiscal Metering, CAPEMS— Computer-Aided

Electric Power Measuring System, TIES — Technological Information Exchange System, DAPC — Data Acquisition and Processing Center;)

- lighting systems upgrade;
- replacement of utility networks and equipment, etc.

The amount of funding used to implement the "Energy saving and energy efficiency" Program was RUB 2892.7 M in 2011.

A pilot project for CMP JSC developed by the "Energy Efficiency Center of INTER RAO UES" and commissioned by the "Rosatom" State Corporation was an important step within the framework of Company's action plan on energy saving in 2011. The objective was to obtain practical experience in the energy-saving technologies implementation and assessing their economic effectiveness. The project included the following activities:

- introduction of variable frequency motor control devices with an option of electric motor replacement (FMC);
- replacing lighting devices with modern energy-efficient devices that have an automatic switch option;
- ventilation systems upgrade;
- air compressor or air supply systems replacement or upgrade.

Thanks to the activities carried out in accordance with the energy-saving programs, the TVEL FC control contour enterprises are reducing their electric power consumption. At the same time there is a slight increase in pollutants emission caused by fuel combustion for energy purposes. This is because the enterprises use not only electric power, but also thermal energy. Considering that the TVEL FC control contour enterprises (JSC SGChE, CMP JSC, JSC UEIP) provide energy to third parties (to resi-

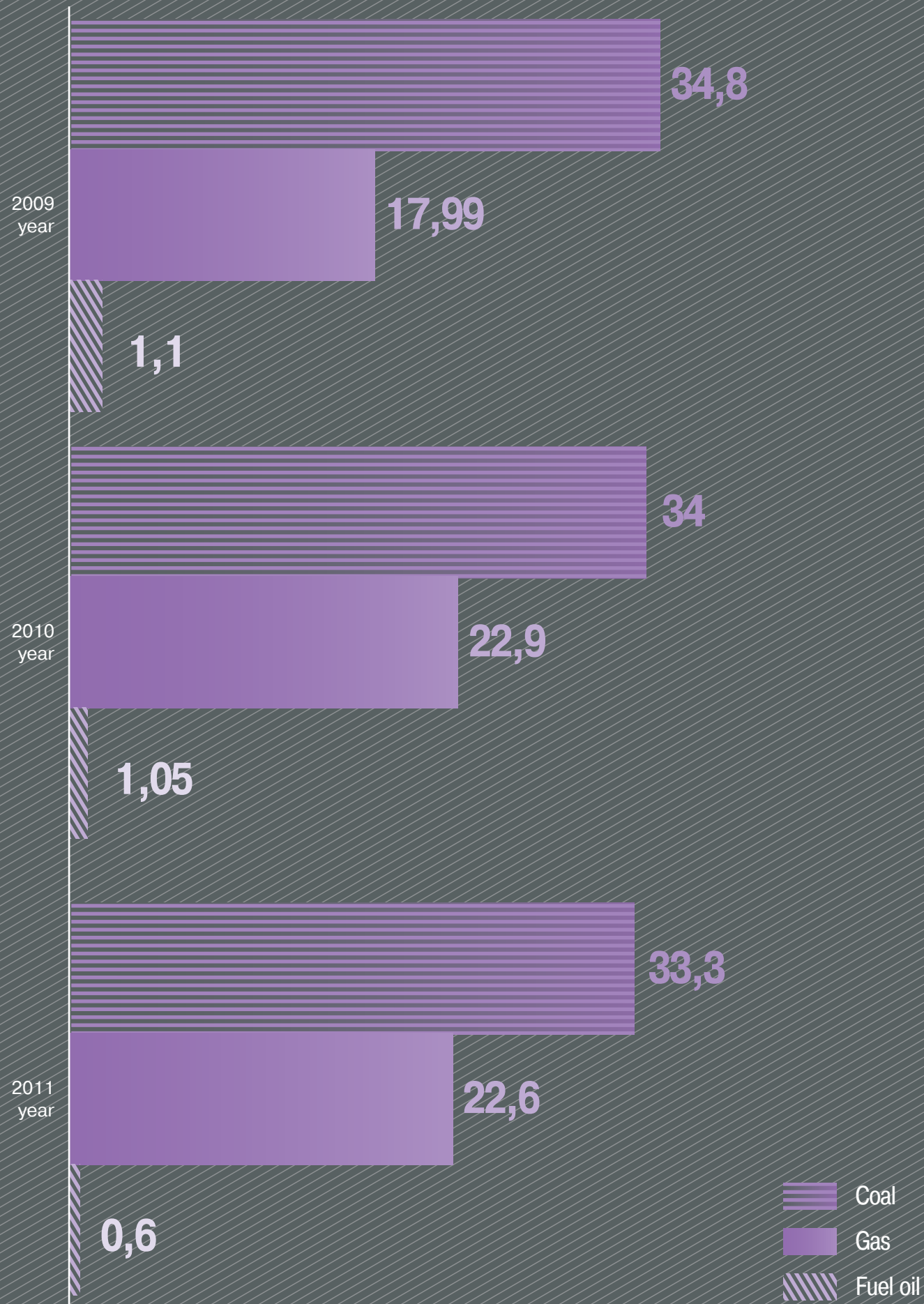
dents of cities where the enterprises are located) and the fact that there are restrictions for natural gas use, the enterprises have to use alternative fuels (coal, oil), which, in turn, leads to pollutants emission increase. Nevertheless, the existing pollutant emissions do not exceed normative limits. In 2011 SGChE JSC received solid fuel (coal) with higher initial sulfur content. Nevertheless, the established normative limits of pollutant emissions were not exceeded.

In the end of 2011 the planned effects of carrying out the energy saving and energy efficiency program actions of CMP JSC was set at 10% level to the base year of 2009. The actual energy consumption was reduced by 14%. Possibility of further replication of the project at the other enterprises of the sector in 2012 is being considered.

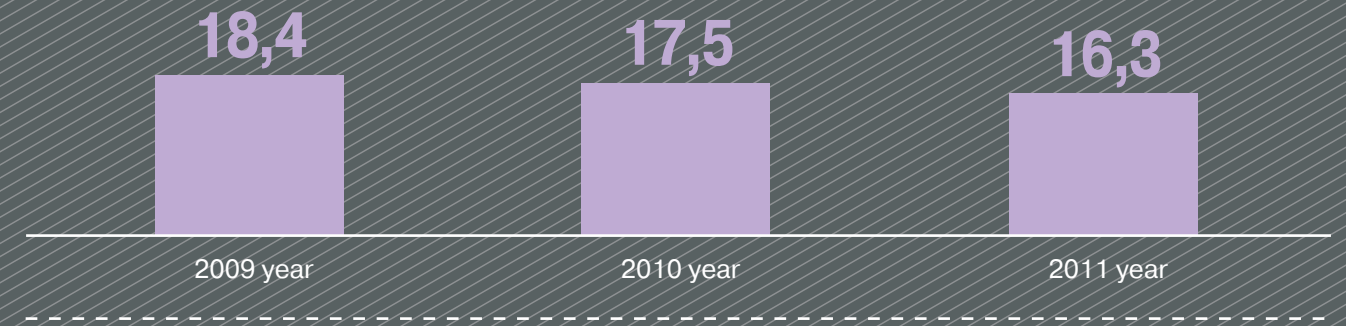
The following steps are planned for 2012 as part of the energy efficiency improvement measures:

- achieving the target values of 14.5% energy consumption reduction by the TVEL FC enterprises (in comparable terms to 2009);
- continued implementation of the "Energy saving and energy efficiency" Program by the TVEL FC enterprises. The planned funding of the "Energy saving and energy efficiency" Program implementation for 2012 will amount RUB 3 581.64 M.

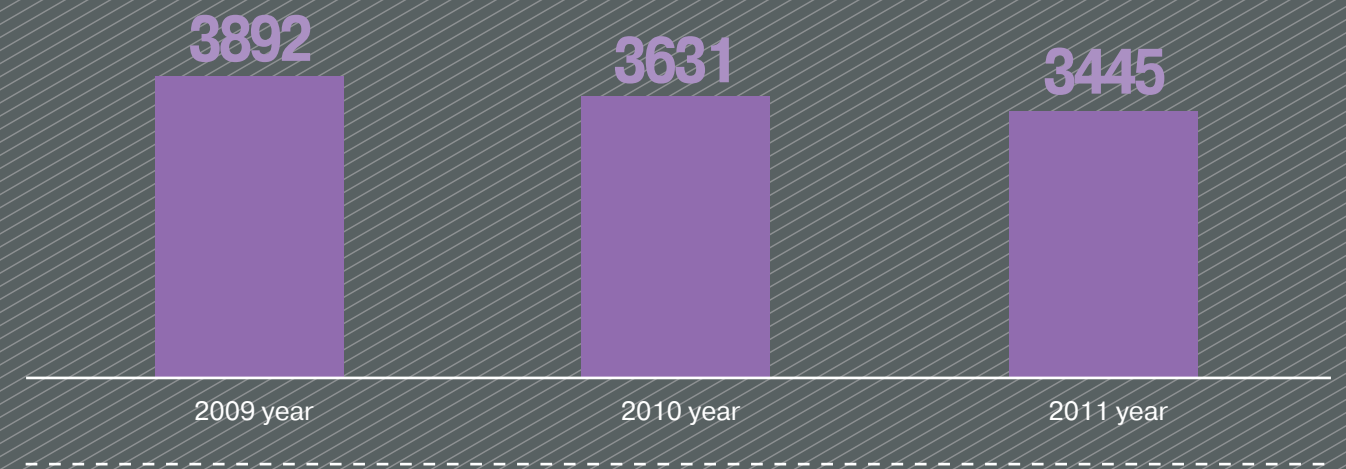
Primary energy sources usage at the TVEL FC enterprises, M GJ



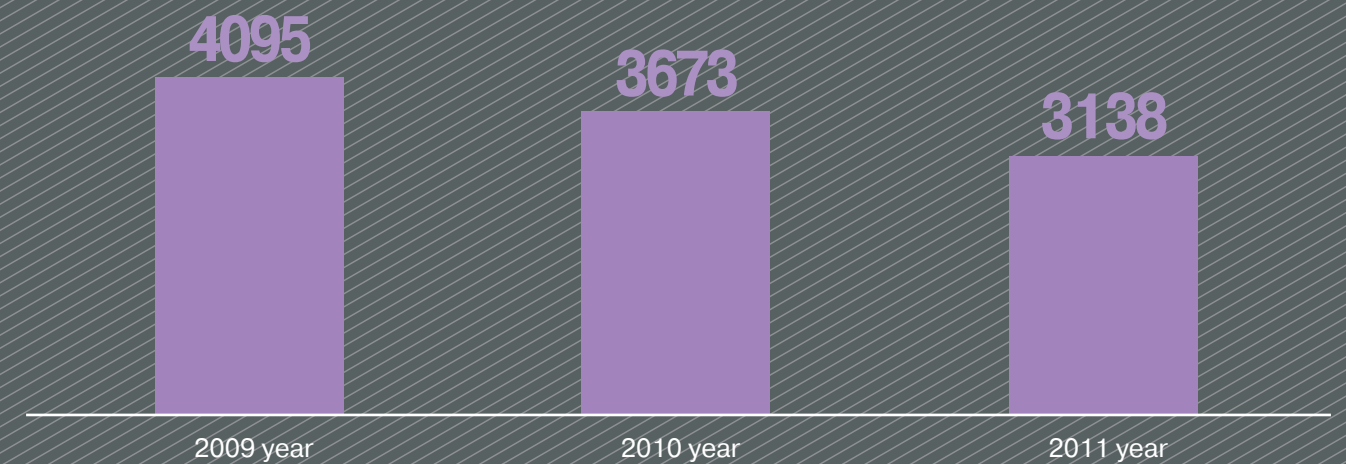
Indirect energy use by the TVEL FC enterprises, M GJ



Electric power consumption dynamics of the TVEL FC enterprises, M kWh



Thermal energy consumption dynamics at the TVEL FC enterprises, thousand GJ



8.5 Environmental protection activities planning

Key organizational objectives for 2012:

- As a part of the Scientific and Technical Council section's work of TVEL JSC – to consider the issues related to the decommissioning and rehabilitation of the contaminated areas and to discuss measures and technologies aimed to reduce the negative environmental impact.

- As part of solving the topical issues in the field of legal support for environmental protection - to take part in the examination of normative and legal acts prepared by the Ministry of Natural Resources of Russia in cooperation with the federal authorities and the State Corporation "Rosatom" (about 40 documents to be prepared in 2012).

- As part of the audit of the enterprises activities compliance to environmental legislation - to control the availability and validity of environmental documentation at the TVEL FC enterprises.

- To check the Ecological Management System (at MSZ JSC, CMP JSC, JSC NCCP, MPP JSC, KC OJSC) and to carry on implementation of the corporate and integrated environmental management system in order to im-

prove the environmental management system.

- To participate in meetings and conferences on the environmental issues, including the sectoral meetings with the Heads of the Environmental Protection departments conducted by the State Corporation "Rosatom" and in corporate meeting with representatives of all the TVEL FC companies to be held at NCCP JSC.

The following measures are planned to be taken within the current production activities framework:

- To continue working on decommissioning the former defense activity facilities (under the Federal target program and SC "Rosatom" reserve funds). In accordance with the guideline documents and projects, work in this area will be carried out by the following enterprises: JSC NCCP, MSZ JSC, CMP JSC, SGChE JSC, AECC JSC and VNIINM JSC.

- To implement production and technical activities by the enterprises in accordance with the TVEL FC Environmental Policy Implementation Plan for 2010-2015.

| AREAS OF ENVIRONMENTAL IMPACTS REDUCTION ACTIVITIES | ACTIVITIES PLANNED FOR 2012 |
|---|---|
| Further development of natural resources and environmental impact monitoring systems of the TVEL FC enterprises | Adjustment of the Facilities Subsurface Conditions Monitoring programs in accordance with the Methodology instructions prepared by FGUGP "Gidrospetsgeologiya" (Rosnedra). AECC JSC – Installation of energy resources metering devices with the possibility of their further consolidation into a single automated system (continued). JSC UEIP – Designing the system that samples emissions of chemical-metallurgical plant (ChMP) and is equipped with gas meters |
| Energy saving activities | JSC "PA ECP" – Optimizing the heating systems operation at the enterprise facilities by installing the devices for temperature and water flow rate adjustment |
| Efforts to reduce the environmental impact of the "past" damages | Rehabilitation project development for the JSC NCCP sites contaminated with mercury (continued) |
| Ozone-destroying pollutants emission reduction | JSC "PA ECP" – upgrading 2 refrigerating machines and switching them to a less environmentally hazardous collant (continued) |

Table 8.5.1. Key environmental protection activities planned for 2012



Chapter 9

ECONOMIC IMPACT OF TVEL FC ON THE SURROUNDINGS

- 9.1** Managing the social-economic impact on the regions of presence
- 9.2** Results of the enterprises reorganisation
- 9.3** Payments to the budget
- 9.4** Charitable activity and support of external social programs

9.1 Managing the social-economic impact on the regions of presence

One of the most important aspects of the economic impact of TVEL FC is the distribution by the Company of the created economic value of the products manufactured, for the production of which various resources are involved. The data of the economic value created and distributed show how the expenses of all production participants are compensated.

In 2011, 83% of the created economic value was distributed among various groups of interested parties. Figure 10.1 shows the correlation of the shares of charges incurred by TVEL FC in the process of activity by groups of interested parties - beneficiaries of expenses made.

At the beginning of 2011, the management of the companies being parts of TVEL FC, jointly with the Central Committee of the Russian Nuclear Power Industry Trade Union (CC RNPITU), made decision on the creation

of a trilateral committee for settling social issues on basis of TVEL JSC. The committee is composed of representatives of the Russian Nuclear Power Industry Trade Union (CC RNPITU), the Association of Closed Administrative-Territorial Units (CATU), and TVEL FC.

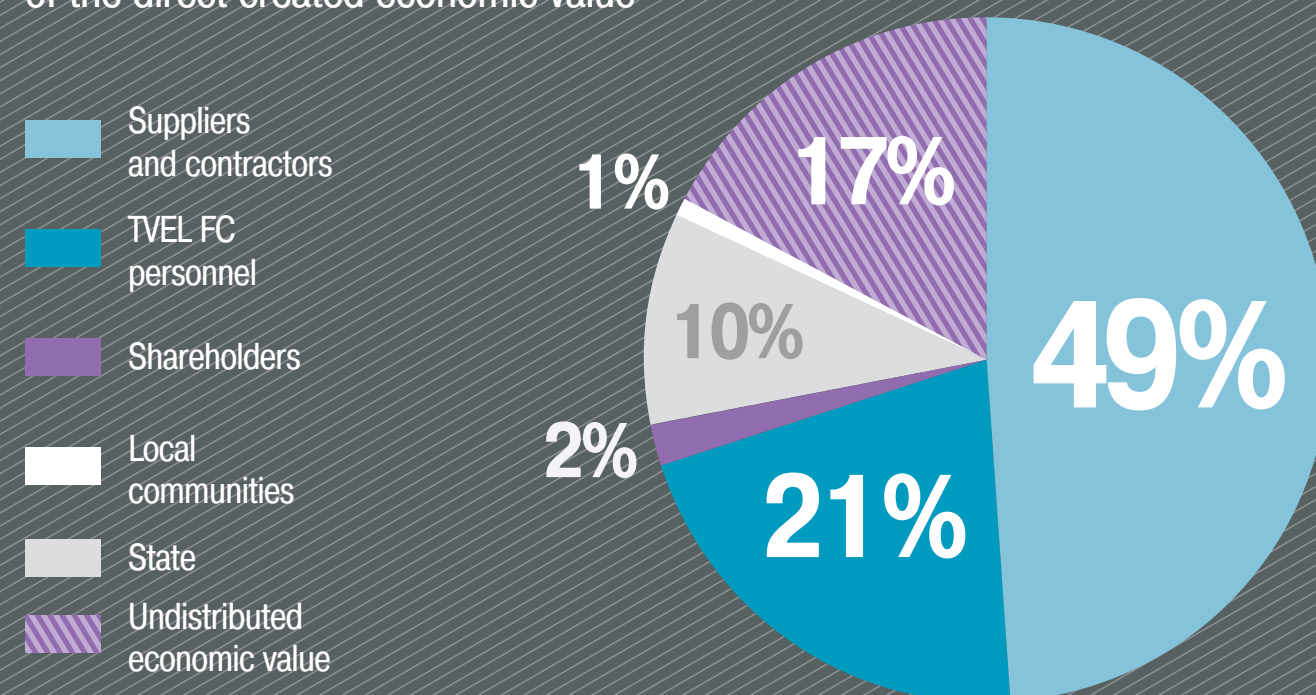
The trilateral committee for settling social issues was created due to the reorganisation of the TVEL FC enterprises for the purpose of elaborating proposals for perfecting the social policy at the TVEL FC enterprises and maintaining the social stability in the regions of presence of the FC enterprises. Social partnership is the basic principle of the committee's work.

The Committee's main activity lines include the consolidation of efforts aimed at providing the stable social-economic situation of the CATU, raising the welfare level of its population and workers of the city-forming enterprises, organisation and holding

Direct economic value created, distributed and undistributed (RUB M)

| Name of indicator (RUB M) | 2011 year |
|--|-----------|
| Direct created economic value: Net sales and incomes from sales of assets and financial investments | 151081 |
| Distributed economic value, including: | 125292 |
| Operating charges | 73405 |
| Salary and other payments and preferences for personnel | 32512 |
| Payments to capital suppliers | 3607 |
| Investments in communities and charitable activity | 792 |
| Gross tax payments | 14970 |
| Undistributed economic value | 25795 |

Structure of distribution of the direct created economic value



of joint meetings, explanatory work, preparation of proposals for social issues on social partnership principles including those arising during the implementation of programs of development of TVEL FC, and measures for preventing negative processes within the CATU. The supervision and coor-

dination of work of the trilateral committee are vested in Yakov Kop, Vice President for Personnel Management and Vladimir Kashkin, Deputy Chairman of the RNPITU.

In 2011, three sessions of the Committee took place with participation of

One of the requests of the local population concerned the improvement of the cities of presence of the TVEL FC enterprises. The most striking project in this field in 2011 was the project of TVEL JSC "My Yard. My House. My Family" for mounting 119 children's play complexes in 8 cities of presence of the TVEL FC enterprises at the value of over RUB 30 M. The project drew a wide response of the public, which led to the decision to continue the project in 2012 after addresses of the local government bodies.

representatives of primary trade union organisations, personnel management directors and leaders of FC and RNPITU, during which the quarterly results of the enterprises reorganisation were considered and issues of implementation of social issues were discussed. In 2011, the Committee considered appeals of employees of TVEL FC enterprises and of residents of municipal units; proposals and measures for eliminating the shortcomings were elaborated; talks with

personnel were held, and answers to 9 collective appeals were prepared. In addition, Agreements on cooperation of the "Rosatom" State Atomic Energy Corporation with federation subjects (Sverdlovsk Region, Tomsk Region, Krasnoyarsk Territory) were prepared with participation of members of the trilateral committees. The implementation of these agreements is planned for 2012, the main objective being the creation of new jobs.

The cooperation between the TVEL FC enterprises, local government bodies and trade union organisations is continuing within the frameworks of Coordination councils first created in 2010. Over 250 joint projects are being implemented now, trilateral agreements being their basis. The projects are subdivided into 4 directions:

- City improvement (financing of social projects aimed at the city improvement, installation of modern children's play complexes in cities of presence of the FC enterprises, etc.).
- Support and assistance to the small business development (finances for purchasing valuable prizes for the winners in the competitions "Businessman of the Year", participation in funds of support of small- and medium-scale businesses, etc.).
- Support and assistance to the development of sport and social organisations (support of social as-

sociations and general educational institutions (schools, kindergartens), co-financing of a number of paid services objects in 2010-2012, mass culture events, and sports development).

- Social lift (youth development, project "Creation of Physical-Mathematical Lyceums", holding of professional skill competitions).

The company uses the evaluation of the activity impact on local communities by means of quantitative studies (evaluation of the social tension level, analysis of statistical indicators such as unemployment level, budget provision, etc.), by means of participation in core associations, trade union conferences, meetings with the public, veteran and youth representatives, etc., and by means of activities within the Coordination council (composed of the leaders of the city, the city-forming enterprise and the trade union).

Enterprises of TVEL FC have received proposals or requests for joining the coordination council from other enterprises, which were not associated with TVEL FC. Those enterprises are motivated by the fact that coordination councils are a good place for a direct dialog in which the city administration participates.

9.2 Results of the enterprises reorganisation

The final stage of the active phase of reorganisation of the TVEL FC enterprises took place in 2011. The assets reorganisation has been conducted within the program for raising the efficiency of managing and production processes "New Look" since 2007 and includes withdrawing auxiliary and supporting works and secondary assets from the structure of the TVEL FC enterprises and creation of subsidiary companies on their basis, as well as transfer of social and cultural objects to the balance of municipal units. The

The creation of a new type cluster on basis of Novouralsk would yield additionally over 2 billion roubles yearly to the region's budget, the governor's information policy department reports. According to the declaration of Aleksandr Misharin, the region's governor, and Sergei Kirienko, Head of "Rosatom", during their meeting with inhabitants of Novouralsk, these additional revenues would be used for solving social issues of closed cities, such as construction of roads and kindergartens and support of employees of government-financed organisations, retired persons and youth. Sergei Kirienko emphasised that there were no more issues concerning the UEIP's future destiny. The existing number of workers in Novouralsk would not be decreased. Even more, it would almost double due to the appearing of new enterprises and development of the existing ones.

Results of TVEL FC reorganisation in 2011



Results of TVEL FC reorganisation in 2011

| Enterprises | R&D Service | Mechanical- Repair Department | Instrument Production | Tool Production | Gratuitous transfer | Outsourcing | Auxiliary Company | TOTAL |
|-----------------|-------------|-------------------------------------|--------------------------|--------------------|------------------------|-------------|----------------------|-----------|
| AECC | 1 | 1 | 1 | 0 | 1 | 4 | 0 | 8 |
| UEIP | 1 | 1 | 0 | 1 | 0 | 6 | 3 | 12 |
| PA ECP | 1 | 2 | 1 | 0 | 2 | 4 | 1 | 11 |
| SGChE | 1 | 1 | 0 | 0 | 1 | 3 | 5 | 11 |
| VPA Tochmash | 1 | 0 | 0 | 0 | 0 | 3 | 1 | 5 |
| KMP | 1 | 0 | 0 | 1 | 0 | 5 | 0 | 7 |
| UGCP | 0 | 0 | 0 | 1 | 0 | 4 | 0 | 5 |
| Uralpribor | 0 | 0 | 0 | 1 | 0 | 3 | 0 | 4 |
| NSEC | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 2 |
| MSZ | 1 | 0 | 0 | 0 | 0 | 2 | 0 | 3 |
| VNIINM | 0 | 0 | 0 | 0 | 0 | 2 | 2 | 4 |
| TOTAL | 7 | 5 | 2 | 4 | 4 | 38 | 12 | 72 |

purpose of withdrawing secondary assets from the composition of the property complex is lowering or exclusion of the burden for their support, receiving additional incomes, and concentration of resources and competences for the implementation of the Development strategy of TVEL FC and of the sector at large.

In 2011, the reorganisation measures concerned 72 divisions in 11 enterprises. Most of all, the reorganisation involved the enterprises of the separation-sublimation complex - AECC, UEIP, PA ECP, and SGChE.

In 2011, the reorganisation process involved project campaigns for production centralisation. R&D services, maintenance-repair departments, instrument and tool production works were centralised. These measures allowed introducing a clear specialisation of the TVEL FC enterprises in manufacturing individual products. After the reorganisation completed, each enterprise occupies a definite place within the Company and plays a definite role in the production structure.

In 2011, the transfer of social purpose objects to the regional and municipal property, which began in 2010, was completed. In 2010, TVEL FC financed 100% of the activities of these objects, including both payment of salaries and covering of all current expenses of each object. Beginning with 2011, the regions and cities started to bear part of expenses for the social objects - on the average 20%.

TVEL FC guarantees definite volumes of orders for five years to the outsourcing companies. Such transition period has been organised so that each outsourcing enterprise could rearrange its work. In 2012, the orders volume will not go under the level of 2011. Beginning with 2013, it will gradually decrease in the following propor-

tions: 75% will be guaranteed by the enterprises of TVEL FC, and 25% will be announced for open competition; then 60% by 40%, 50% by 50% and 25% by 75% respectively.

The reorganisation of the TVEL FC enterprises has influenced positively the three key indicators of development of the cities of presence: unemployment level, salary level and business activity.

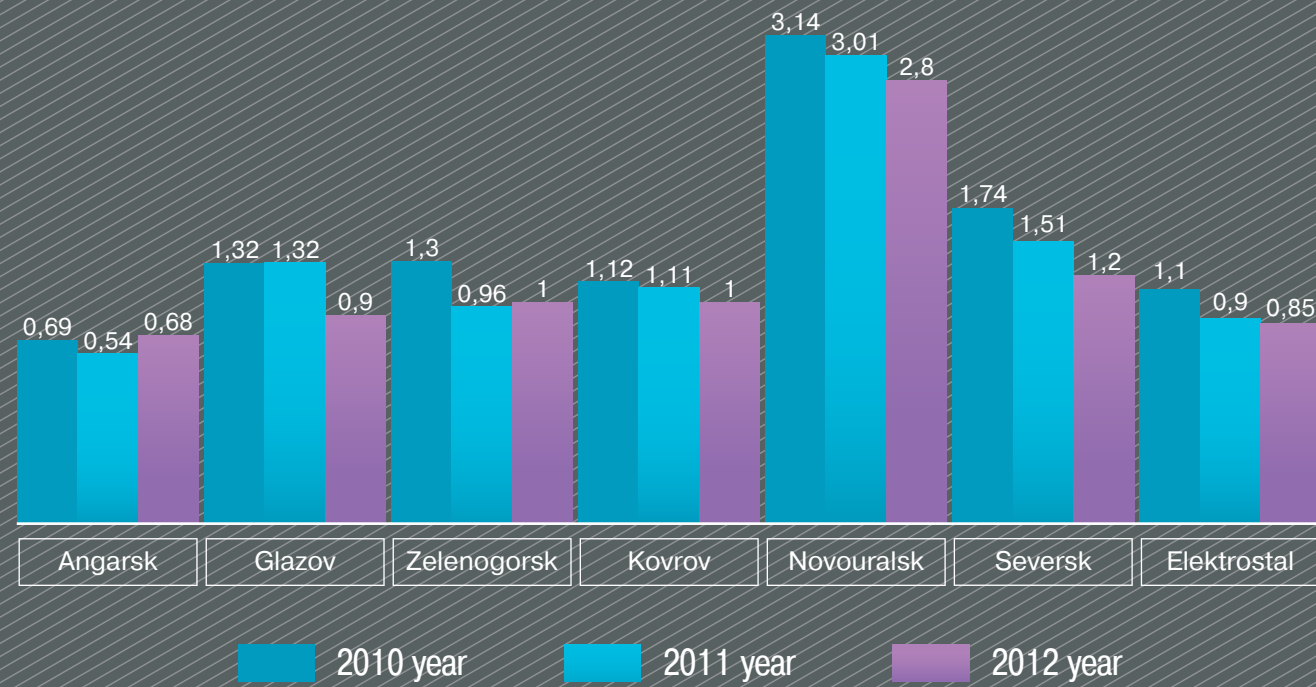
In 2011, the unemployment in the cities of presence of TVEL FC decreased as compared with 2010.

The unemployment reduction occurred in spite of the considerable optimisation of the personnel numbers carried out within the frameworks of the reorganisation in 2006. This is due to a number of specific measures taken by TVEL FC:

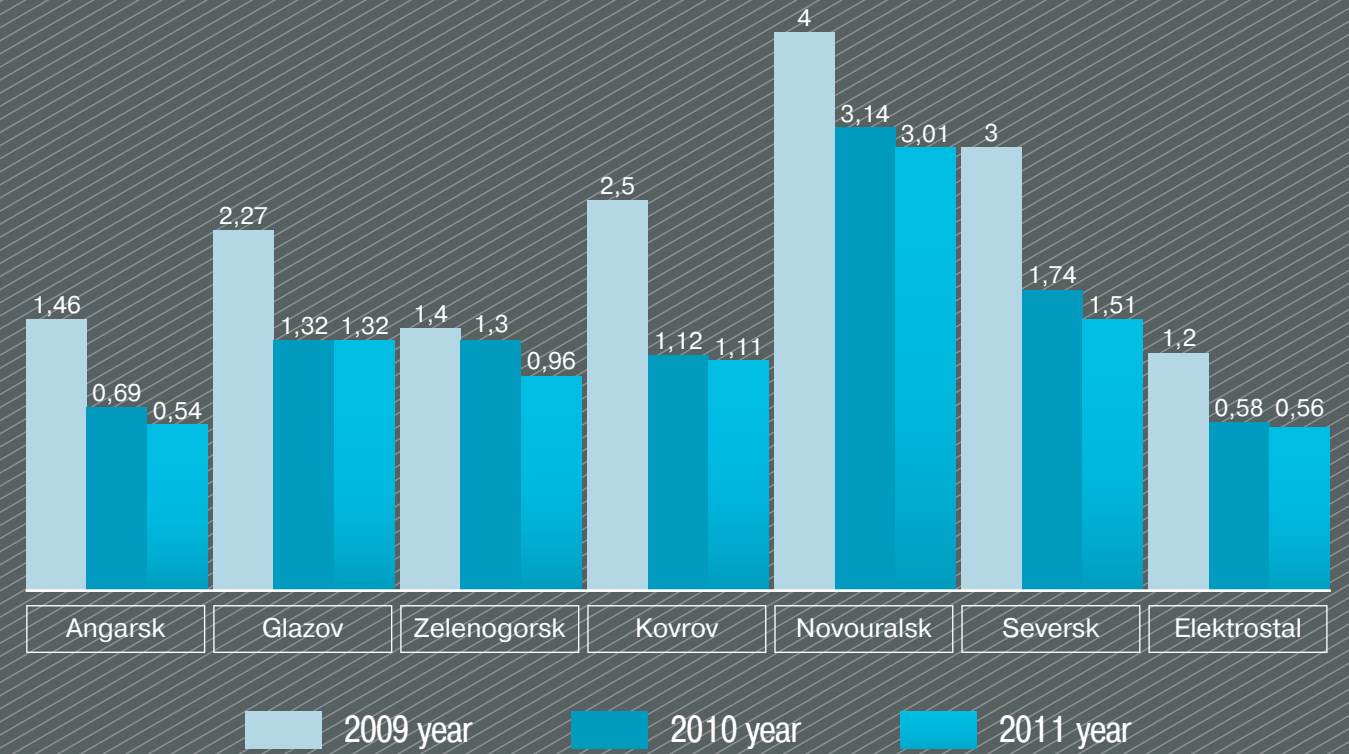
- personnel transfer to SAs and outsourcing companies;
- 12 thousand work places were preserved due to such transfer in 2011;
- creation of new work places within the enterprise centralisation projects;
- in 2011, the number of new work places was 620, and their doubling is expected in 2012;
- preservation of real income for former workers who were transferred to both subsidiaries and partner enterprises;
- inclusion of a social package for workers into the value of services of detached divisions;
- co-financing of social objects jointly with the administrations of the regions and cities of presence, including payments of salaries to employees.

As a result of reorganisation in 2011, the personnel numbers at the TVEL FC enterprises also decreased.

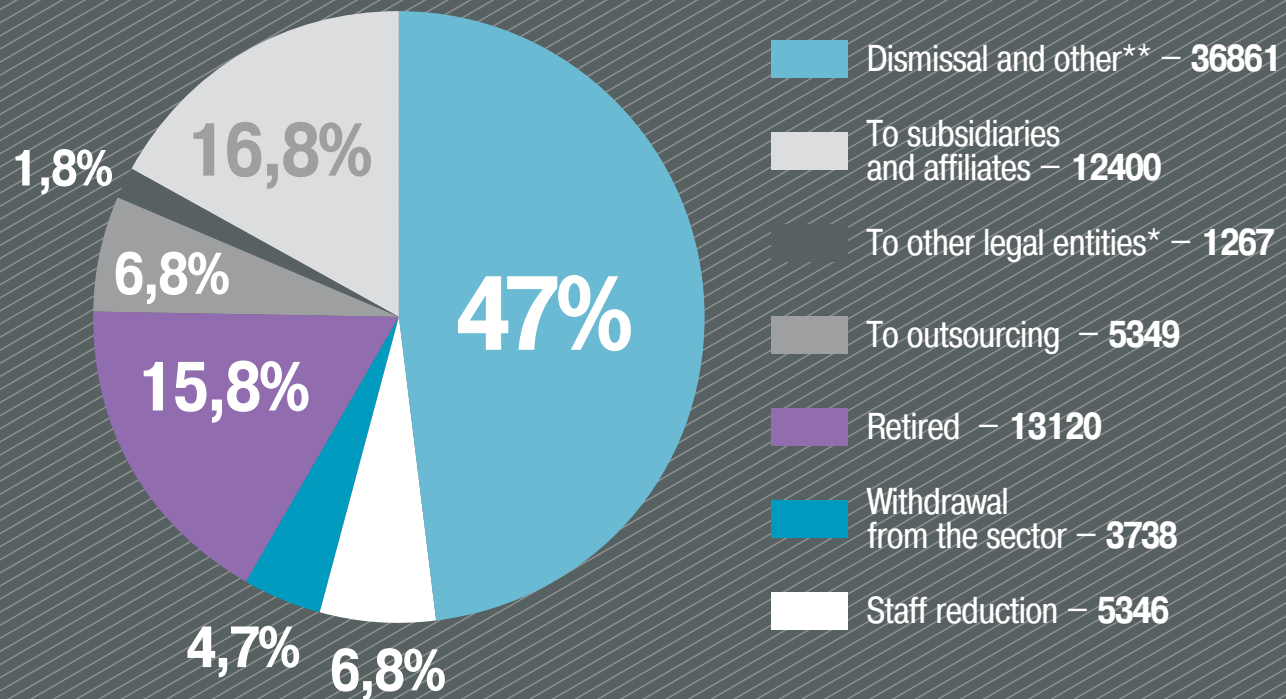
Unemployment level in the cities of presence of FC
(in % of the able-bodied population)



Decrease in personnel numbers at the enterprises
mostly affected by the reorganisation in 2011



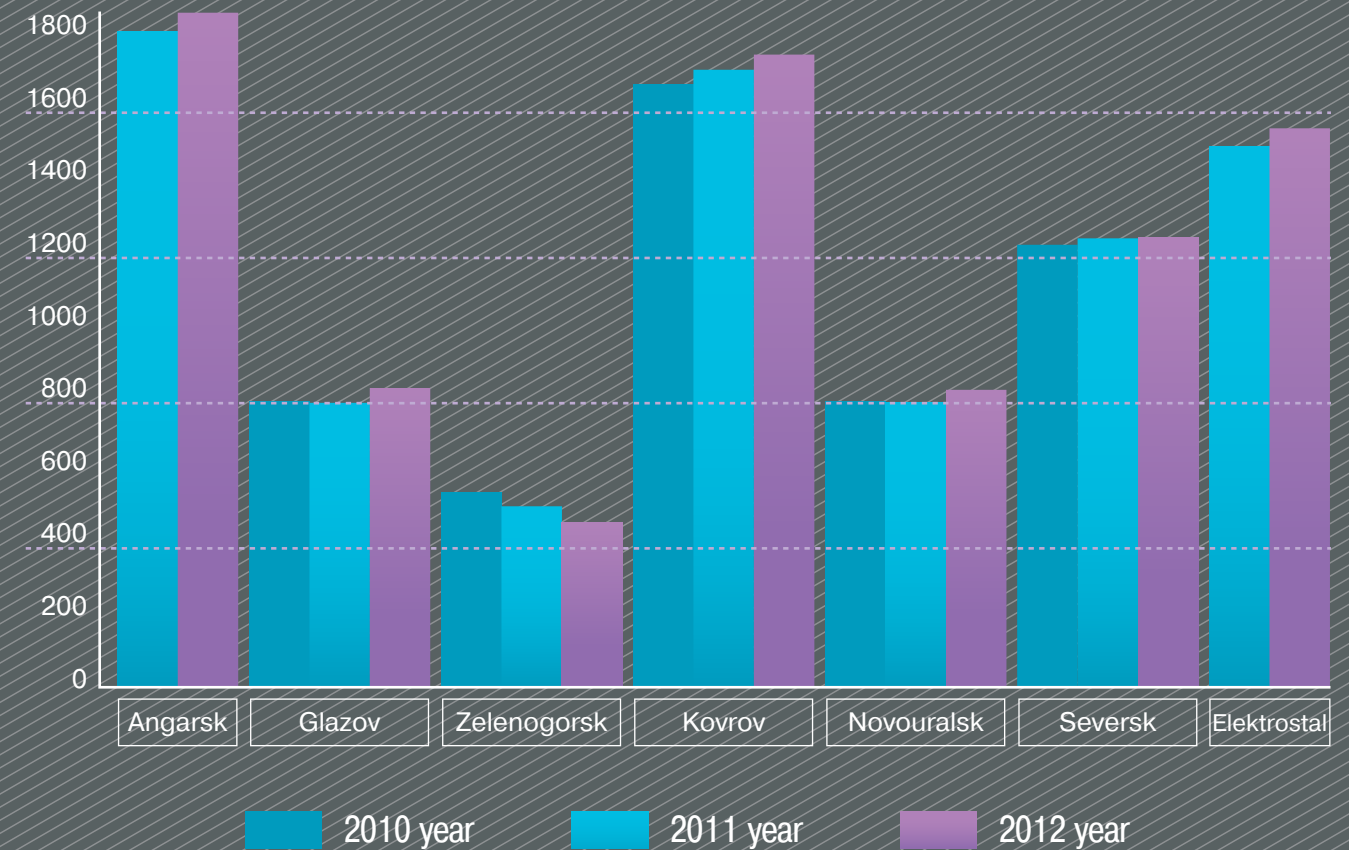
Personnel numbers optimisation



* Transfer to organisations passing to the municipal and regional holding, other organisations of Rosatom SC, third organisations

** voluntary dismissal, by agreement of parties, termination of fixed-term contracts

Number of small business agents



In its turn, the personnel number optimisation because of the assets reorganisation contributed to the increase of the average salary of the employees of the TVEL FC enterprises. In 2011, the average salary at TVEL FC was RUB 41584 (incl. RUB 52632 in science), which was 27% higher than in the previous year.

Finally, the reorganisation of the TVEL FC enterprises has influenced positively the development of the business environment in the cities of presence of TVEL FC. The number of small business agents has increased as compared with the previous year. Further growth is envisaged for 2012.

At present, the number of small business agents in the cities of presence of TVEL FC is on the average half the number in the region. New business entities formed because of the

reorganisation would contribute to the development of a competitive environment in the cities of presence of TVEL FC. The creation of conditions that will allow developing businesses in these cities is one of the main medium-term objectives of TVEL FC. For this purpose, TVEL FC finances the best business projects with grants. In 2011, 1.3 million roubles were allotted for entrepreneurship support. It is planned that approximately RUB 5 M will be invested for each city of presence in 2012.

The business environment development of will entail creation of new jobs on the one hand and will contribute to the competition for qualified labour, on the other. And this in turn will lead to the growth of the population's revenues.

For information

65,681 people in total were withdrawn from the Company during 2006–2011

Payments to the budget

9.3

Many enterprises of TVEL FC are located on the territory of CATE and monocities, where they are city forming and the cities' biggest taxpayers. Due to that, the fulfilment of taxing obligations by TVEL FC is an indispensable element for ensuring the stable functioning of the financial systems of the presence territories. The principles of TVEL FC's taxing policy consist in the full and timely payment of taxes and fees in accordance with the RF's current taxing legislation.

The maintenance of a high level of tax allocations and interaction with regional authorities and municipalities in the matter of purposeful use of such allocations for cities development are major principles of development of the presence territories. In this connection, cooperation agreements were signed with the governments of the RF subjects, according to which the organisations of the "Rosatom" State Atomic Energy Corporation would, among others, ensure an increase in tax allocations to the regional and local budgets due to the production growth including that in the subsidiaries and affiliates being created, and incomes from sales of products, and

the RF subjects would use additional tax allocations for developing entrepreneurship and creating new jobs in the corresponding region or city. The purposes of such agreements are as follows:

- creation of new jobs;
- diversification of the mono-economy of the cities, including CATE;
- reaching the required level of budget provision

The amount of tax payments made to the budgets of all levels including the federal budget without taking into account VAT settlements made up RUB 11.9 M in 2011, that is RUB 1.6 M more than in 2010.

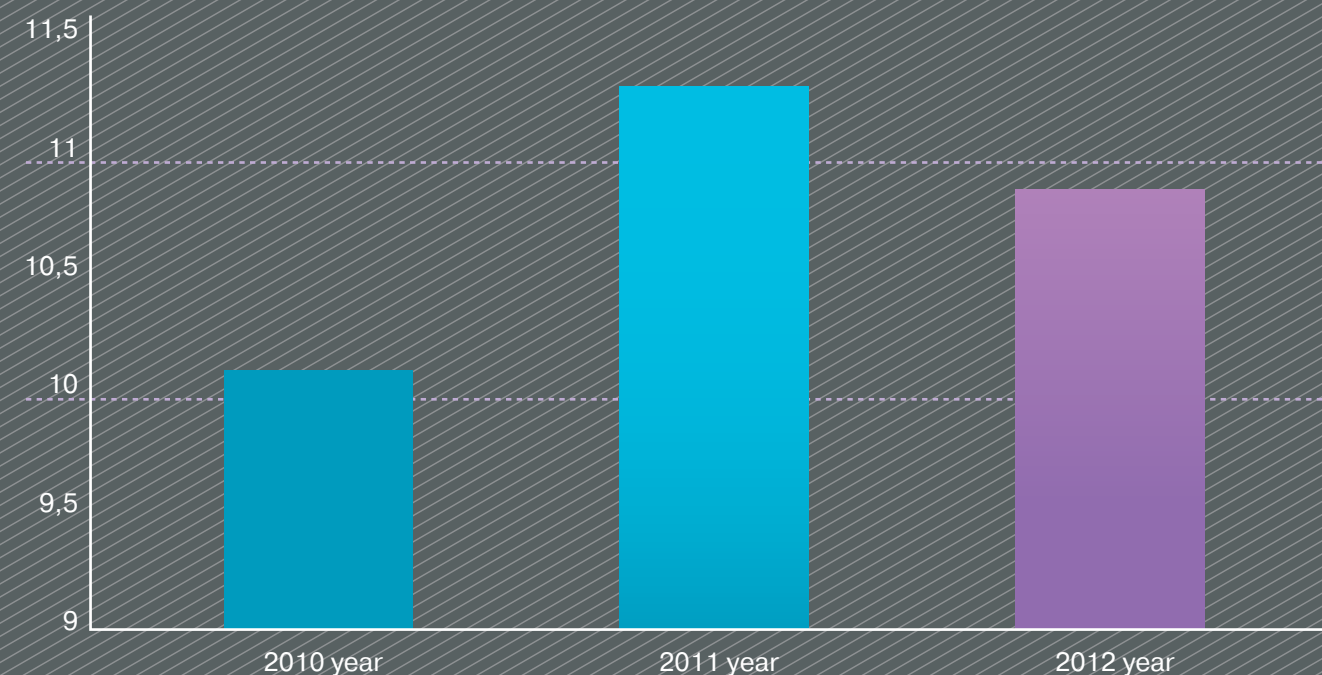
In 2011, tax allocations to the local budgets (property tax, land tax, transport tax, payments for negative influence on the environment) increased as compared with 2010 due to the beginning or expansion of the activities of the affiliates created during the reorganisation of enterprises of TVEL FC.

Taxes to the local and regional budgets, M RUB

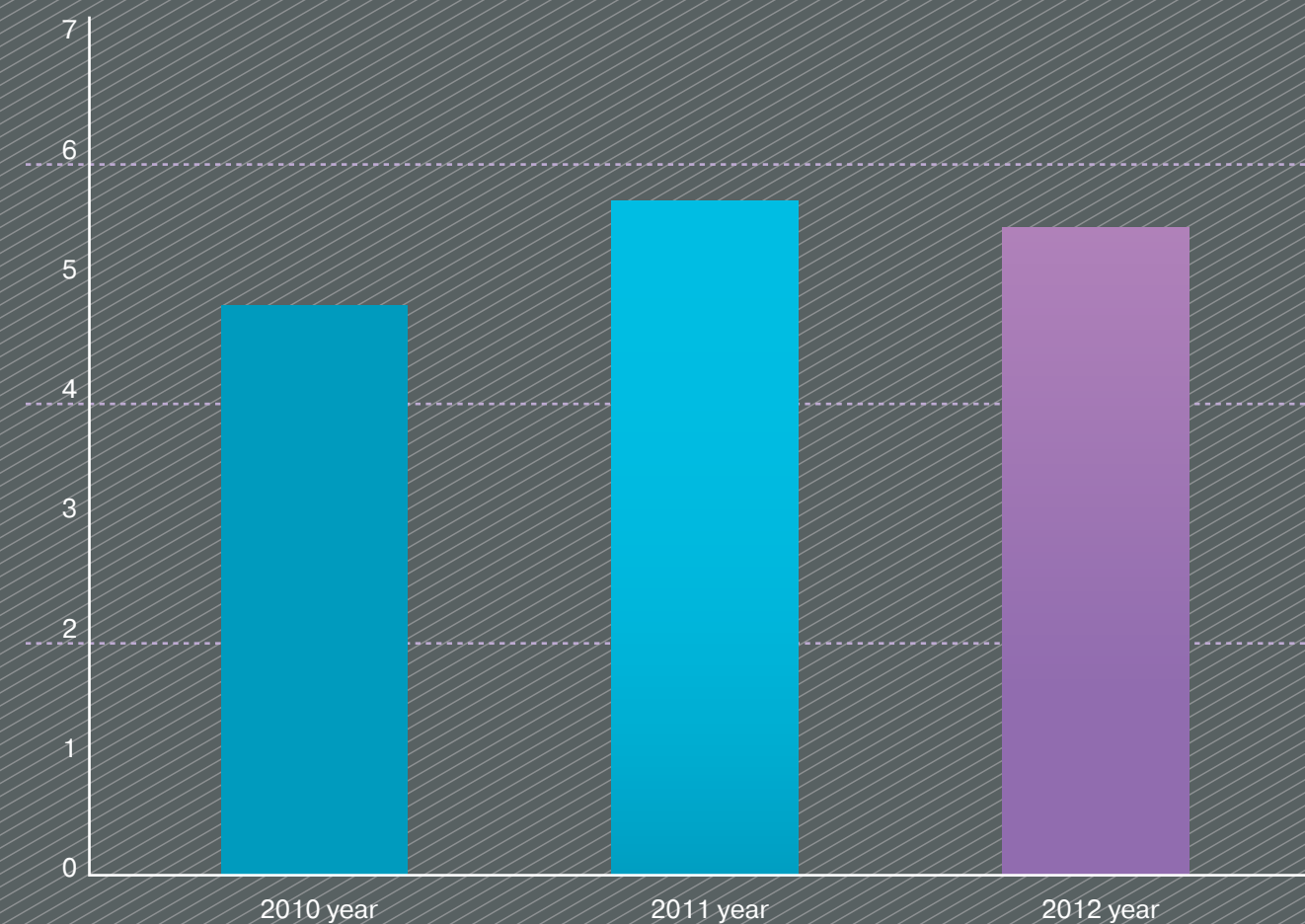
| Name of parameter | Plan 2010 | Actual 2010 | Deviation | Plan 2012 |
|-------------------|-------------|-------------|-------------------|-------------|
| Zelenogorsk | 961 | 1078 | 117 | 1360 |
| Angarsk | 675 | 922 | 247 | 840 |
| Seversk | 1044 | 1201 | 157 | 1252 |
| Novouralsk | 2164 | 2256 | 92 | 2406 |
| Glazov | 629 | 581 | -48 ³⁵ | 650 |
| TOTAL | 5473 | 6038 | 565 | 6508 |

³⁵ Reduction of the cadastral value of ground areas due to the invalidation of the Government Resolution UR No. 116 of 15.05.2009

Payments of TVEL FC to the consolidated budgets of the RF subjects, billion of RUB



Payments of TVEL FC to the off-budget insurance funds, billion of RUB



9.4 Charitable activity and support of external social programs

The charitable activity and social projects are an important line in the development of the social-economic environment of the regions of presence of TVEL FC.

Charitable programs are implemented by decision of the Charitable Council of "Rosatom" SC. For the purpose of supervision of the purposeful use of funds in financing charitable projects and external social programs, all beneficiaries are obliged to submit a report on the funds received:

- upon implementation of the objectives for which such funds were allocated;
- by request of TVEL JSC.

The main principles of the charitable activity are as follows:

- Support of universal values (development of education, public health, sports, culture; activation of business environment, creation of new jobs);
- Co-financing (parity co-financing) of charity programs by OMC, fed-

eration subjects and TVEL FC (or TVEL FC represented by a city-forming company).

The key principles of the Company's work in the regions of presence include the observation of the balance of interests, sharing of common values and long-term partnership.

By consolidating the efforts of all interested parties, it was possible to obtain a positive level of the social attitude in the cities of presence of the TVEL FC enterprises and social acceptability of the transformation being conducted in 2011, which had a positive effect both for the business stability and for the society. The results of this activity have laid a basis for the elaboration and implementation of development programs for 2012-2014.

| № | EVENTS | FUNDS TRANSFERRED |
|----|---|-------------------|
| 1. | <p>Project "My House. My House. My family" - installation of children's play complexes in the cities:</p> <p>Novouralsk — 20 pcs. Seversk — 20 pcs. Zelenogorsk — 20 pcs. Glazov — 20 pcs. Angarsk — 10 pcs. Elektrostal — 10 pcs. Kovrov — 10 pcs. Vladimir — 9 pcs.</p> | RUB 33 M |
| 2. | <p>GLAZOV</p> <p>Reconstruction of the Svobody Square, the city's central square</p> | RUB 30 M |
| 3. | <p>SEVERSK</p> <p>Sports support and development</p> <p>Provision of the city schools with training equipment</p> <p>Development of the material and technical base of educational institutions</p> | RUB 15 M |
| 4. | <p>NOVOSIBIRSK</p> | |
| | Sports support and development | RUB 15 M |
| | Support of public organisations | RUB 5 M |
| 5. | <p>NOVOURALSK</p> <p>Purchase of municipal equipment for the city</p> | RUB 15 M |

| № | EVENTS | FUNDS TRANSFERRED |
|-----------|--|--------------------------|
| 6. | ELEKTROSTAL | |
| | Sports support and development | RUB 4 M |
| | Construction of the Orthodox Temple of the Lord's Ascension | RUB 10 M |
| 7. | ZELENOGORSK | RUB 6 M |
| | Purchase of digital equipment for the city's movie theatre within the frameworks of creation of the "Training Information Centre" | |
| 8. | Financing of grants of the competition for the best business project "Businessman of the Year" in the cities of presence: | RUB 1 M |
| | Novouralsk | |
| | Zelenogorsk | |
| | Angarsk | |
| | Kovrov | |
| | Seversk | |
| | Support of international public-ecological initiatives on the territories of presence of the TVEL FC enterprises | RUB 4 M |
| | Support of the Internal Affairs Ministry veterans | RUB 0.2 M |
| | Implementation of social and cultural projects on the territories of presence of the TVEL FC enterprises | RUB 20 M |
| | (organisation of arts exhibitions, guest performances and master classes of academic actors and teams) | |
| | Opening and provision of activity of Nuclear sector information centres in the regions of presence of the TVEL FC enterprises | RUB 13 M |

| № | EVENTS | FUNDS TRANSFERRED |
|----------|--|--------------------------|
| | Support of mass amateur and children's sport in the cities of presence | RUB 20 M |
| | (support of the activity of sports clubs, groups, and schools in holding of events and strengthening of the material-technical base) | |
| | Support of youth's initiatives on the territories of presence of the TVEL FC enterprises | RUB 14 M |
| | ■ gathering of youth activists of the cities of presence of the TVEL FC enterprises, | |
| | ■ contest of youth's initiatives in the cities of presence of the TVEL FC enterprises | |
| | Support of projects of spiritual and patriotic education of the youth | RUB 12 M |
| | Initiation and support of the activity of "Atom-classes" in the cities of presence of the TVEL FC enterprises | RUB 14 M |
| | Support of parishes of the Russian Orthodox Church | RUB 11 M |
| | Purchase of diagnostic equipment for FMBA-85 (Moscow) | RUB 5 M |
| | TOTAL | RUB 250.2 M |

Table 9.2.1.
Charitable initiatives
and external social programs
of TVEL JSC in 2011



Chapter 10

PERSONNEL MANAGEMENT AND LABOUR SAFETY

- 10.1** Personnel management
- 10.2** Numbers and regular personnel
- 10.3** Implementation of social programs for personnel support
- 10.4** Labour protection and industrial safety.
Radiation safety of personnel

10.1 Personnel management

The personnel policy of TVEL FC is called to provide the rational use of the personnel potential for the implementation of the TVEL FC's objectives, the solution of which is necessary for the successful implementation of the development strategy of the fuel division up to 2030.

The main long-term objectives of the TVEL FC's personnel policy include:

- raising the personnel's level of involvement;
- raising the labour productivity level to a competitive level;
- development of common corporate values of the Company's personnel, including the philosophy of the "Rosatom" Production System;
- raising the development level of the personnel's strategic competences and qualifications to the personnel conformity to the requirements of global international companies.

All lines of the personnel management activity carried out for achieving the objectives set are arranged taking into account the necessity to preserve the values of TVEL FC, raise the efficiency of the enterprises' activity,

ensure the Division's personnel stability, the social acceptability of changes introduced, and the satisfaction of the parties involved.

Personnel employment

In 2011, the TVEL FC enterprises included in the consolidated report accepted for employment 2001 people. TVEL JSC employed 97 workers, 12 workers being transferred from the Company's enterprises and 2 workers from "Rosatom" SC. TVEL JSC employed personnel in line with the TVEL JSC Personnel Selection and Employment Regulation adopted in 2011.

One of the priority lines of the personnel policy is attraction of promising young people. Due to the employment of young specialists, the company expects strengthening its positions in the field of science and advanced nuclear technologies. For this purpose, students of core higher schools are offered field experience and pre-graduation practice at the TVEL FC enterprises and guided tours in the production facilities.

698 higher school students passed field experience at the TVEL FC enterprises in 2011. 602 higher school students are going to pass field experience at the company's enterprises in 2012.

Within the frameworks of work with students, a consolidated plan of acceptance of higher school graduates until 2015 has been formed, and agreements have been signed with core higher educational institutions for targeted personnel training:

- agreement on cooperation in the field of education, science and personnel training between MSZ JSC and NRNU MEPhI; an agreement on cooperation in the field of education, science and personnel training between TVEL FC and NRNU MEPhI is under consideration now;

- agreement on cooperation of the scientific and educational complex of Tomsk region and TVEL JSC for R&D and attraction of qualified scientific personnel for the TVEL FC enterprises.

| 2011 YEAR | 2012 YEAR | 2013 YEAR | 2014 YEAR | 2015 YEAR |
|-----------|-----------|-----------|-----------|-----------|
| 191 | 240 | 231 | 255 | 244 |

Table 10.1.1. Plan of acceptance of higher school graduates till 2015 (persons)

Raising the personnel's level of involvement

A considerable line in the personnel policy is raising the level of the personnel involvement, as the personnel's interest in the company's cause and success directly tells on the company's business indicators. A survey carried out at "Rosatom" State Corporation in May 2011 showed that the involvement of workers of the nuclear sector was higher than the average value for the Russian industrial enterprises. However, TVEL JSC is not leading if compared with other key enterprises.

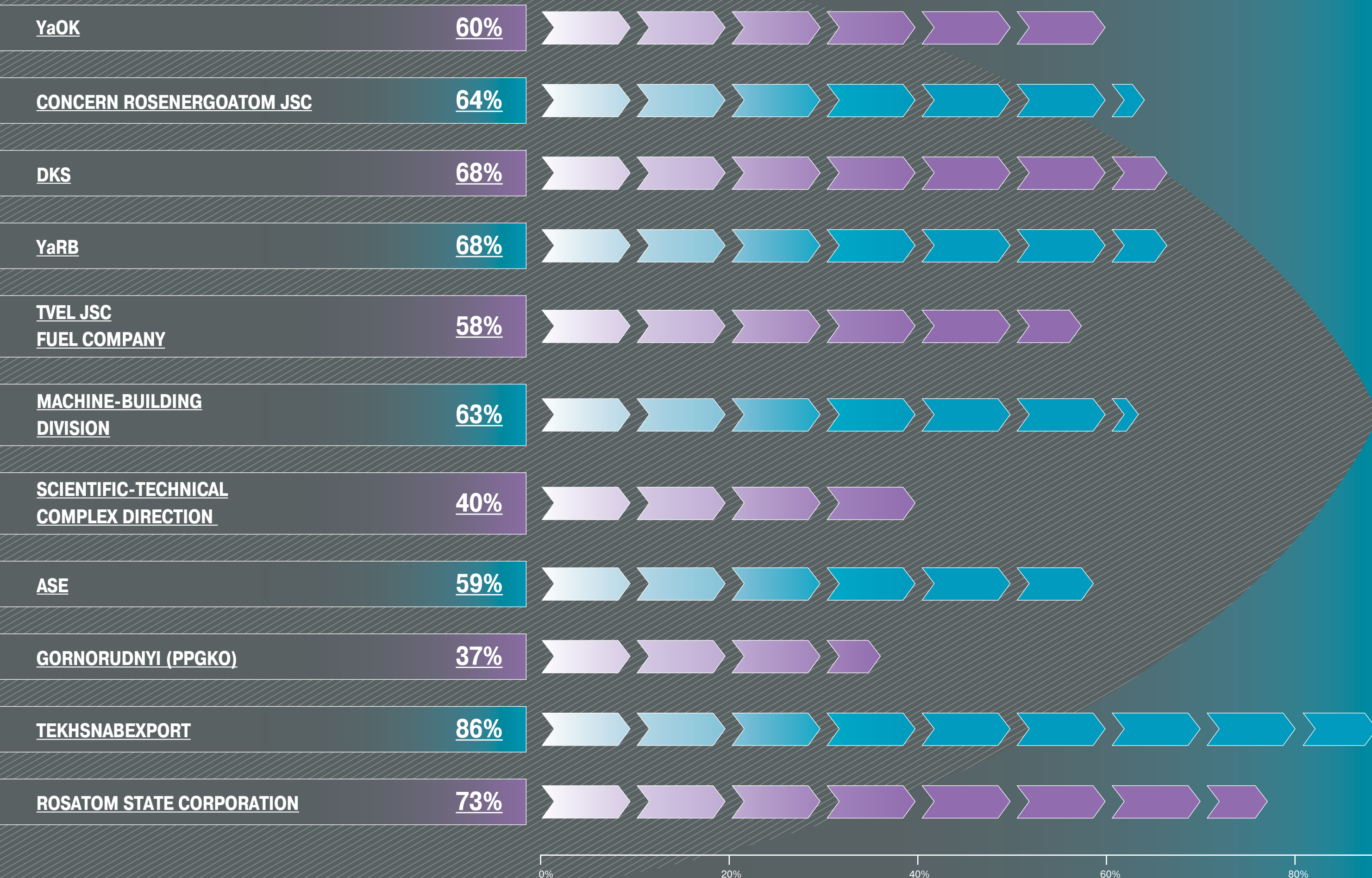
In this connection, TVEL FC specialists carried out a study into the principal factors influencing the personnel's motivation for establishing the most important ones. In autumn 2011, seminars took place at the biggest enterprises of TVEL FC with participation of general directors, their deputies, chiefs of divisions, and specialists of personnel departments, at which ideas were generated by results

of the study carried out on how to enhance the personnel's interest in their work, and a plan of measures for 2012 was made up.

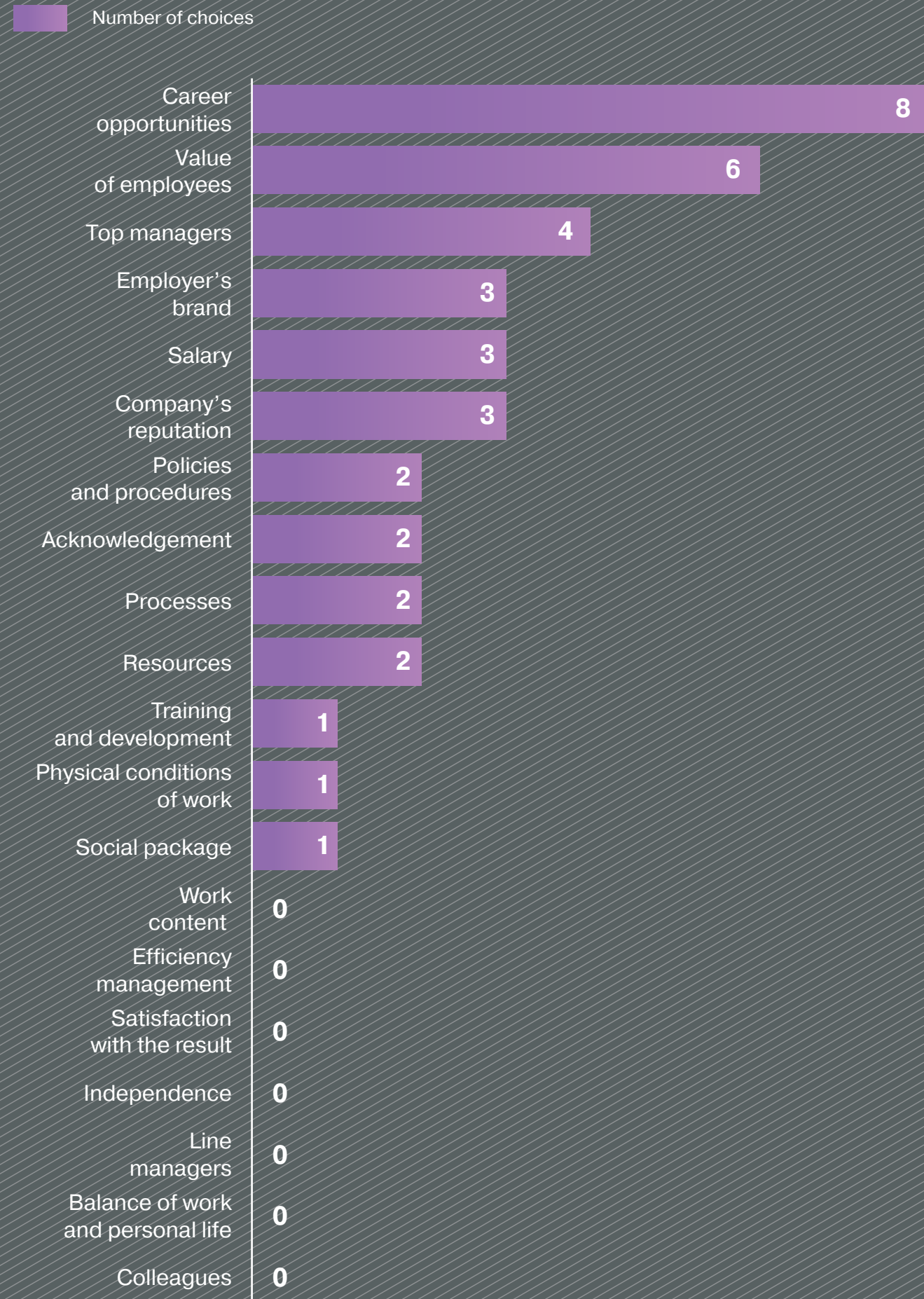
One of the projects aimed at raising the level of the personnel's involvement was the project for creating at internal communication system "From Heart to Heart" envisaging the existence of intracorporate speakers. In November 2011, TVEL JSC organised the training seminar "Building an internal communication system. Training for intracorporate speakers" (Novosibirsk, 8-9 November 2011), resulting in 500 trained speakers of the 1st and 2nd levels from the number of the TVEL FC personnel. The building of the internal communication system is aimed at the following aspects:

- assisting the workers in understanding the company's strategy, its corporate culture, goals and values with a view to translating the company's unified stable image;
- provision of continuous feedback in all directions;

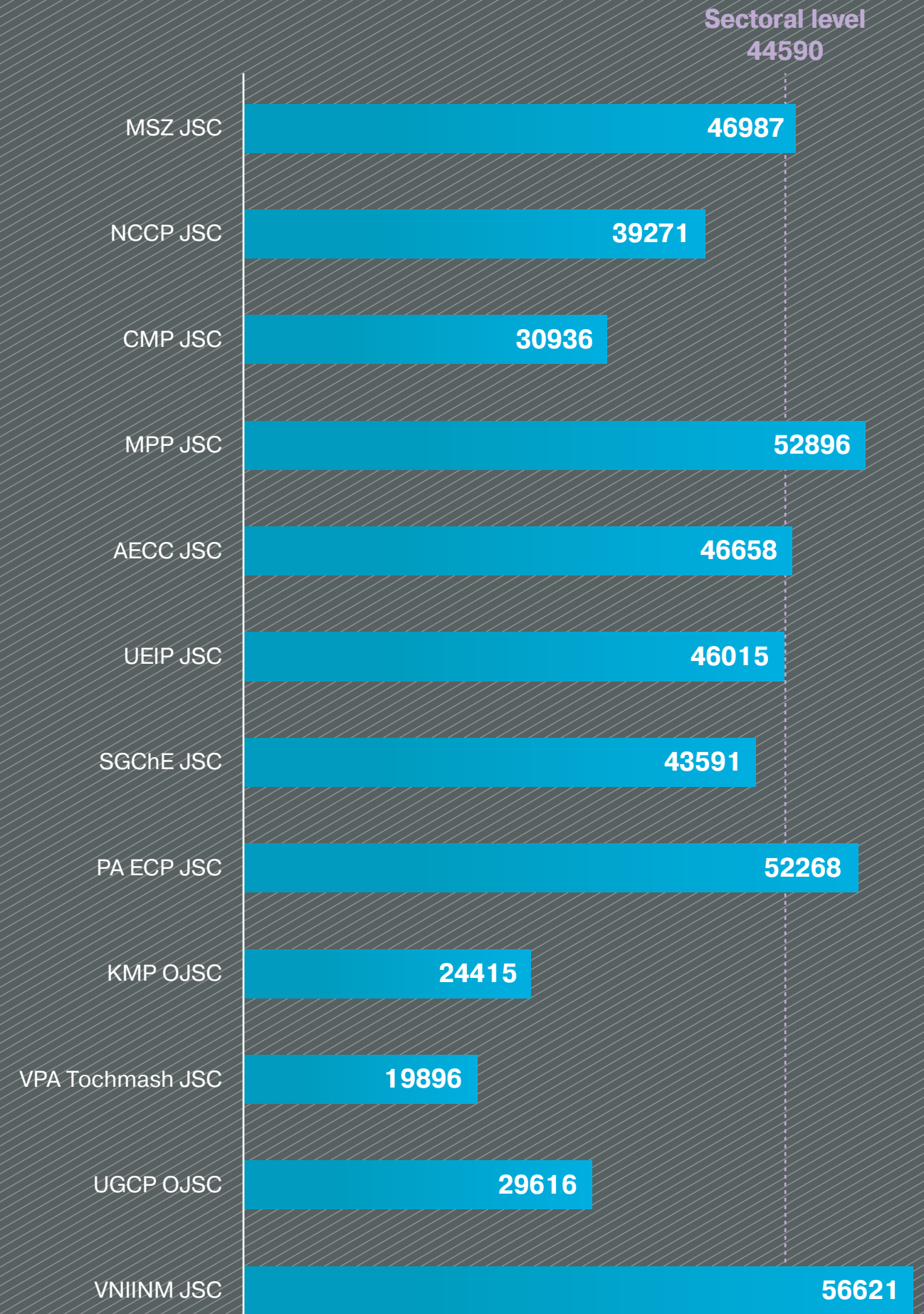
Involvement of workers of the nuclear field



Factors influencing the personnel's motivation



Labour remuneration level, thousands of RUB



- provision of the personnel's information in all working matters;
- provision of information relating to the enterprise's life and social programs;
- formation and preservation of the sense of community among the company's personnel.

A new study into the personnel's involvement in planned in 2012. The key performance indicators provide for positive dynamics of involvement at each enterprise by 1-7 percent.

Motivation and labour remuneration

In 2011, the transfer of the TVEL FC enterprises to the Unified labour remuneration system was completed (10 organisations were transferred, including: KMP OJSC, Uralpribor LCC, UGCP LTD, NSEC LLC, Centrotech Spb. CJSC, EDO-NN JSC, CPTI OJSC, KC OJSC, TVEL-Stroy CJSC, and Promyshlennye Innovatsii CJSC). The labour remuneration system harmonisation process began: the current salaries and wage rates were increased at all enterprises during the year; the amounts of integrated motivating bonuses established by results of the personnel evaluation were revised;

the personnel rating according to the intragrade zones (function types) was corrected. Due to the measures taken in 2011, the average salary at TVEL FC was RUB 41584 (incl. RUB 52632 in science), which was 27% higher than in the previous year.

The salary level at several enterprises of the main core and science was higher than the level in the sector in 2011 (RUB 44,590): MSZ JSC, MPP JSC», AECC JSC, JSC UEIP», JSC "PA ECP", VNIINM JSC.

Another important motivating factor is social programs implemented at the TVEL FC enterprises. Over 85% of employees are satisfied with the social package obtained. The social policy is unified at all TVEL FC enterprises and corresponds to that throughout the sector. 8 principal corporate social programs are implemented at the FC enterprises:

- medical services;
- non-state retirement insurance (NSRI);
- sanatorium-resort therapy;
- housing program;
- public catering;
- cultural and sports events;
- support of veterans and retired persons;
- material assistance.

Altogether, RUB 2.2 B were spent on the implementation of the TVEL FC social policy.

Contests organised at the TVEL FC enterprises are an additional personnel motivating factor. These include a Contest of works for the "Best solution/design" (over 70 representatives of the Company's enterprises were laureates in 2011) and the Contest for the best workers of mass professions (119 workers - representatives of the 16 TVEL FC enterprises - participated in the professional competitions). For the first time, the scientific and designing block of the Company's organisations (incl. VNIINM JSC), along with large production enterprises, sent their specialists. The contests function on basis of the Regulation for holding the contest of works for the "Best solution/design" at the TVEL FC enterprises and the Regulation for professional skill contests among the mass profession workers at the TVEL FC enterprises as adopted in 2010.

Personnel development and training

Possessing a rich resource, production and scientific-technological base, TVEL FC realises that the company's staff are the ground for the enter-

prise's successful activity. Therefore, great attention is paid to the development of the human capital. For this purpose, the TVEL FC enterprises regularly conduct educational programs within the frameworks of the Regulation on personnel development and training, aimed at increasing the competences of both the managers and rank-and-file workers of the TVEL FC enterprises.

Altogether, 266 persons were trained at TVEL JSC in 2011: employees trained for professional knowledge development – 191, training program in the sectoral model of competences – 75 persons. 34054 people were trained at the TVEL FC enterprises (incl. fabrication – 7026, SSC – 22584, RSC – 4444).

The average number of training hours per TVEL FC employee was 43.7 hours in 2011.

In 2011, TVEL FC managed to considerably increase the employees training scale to the introduction of the Internal Trainer Institute.

The TVEL FC personnel development and training diagram

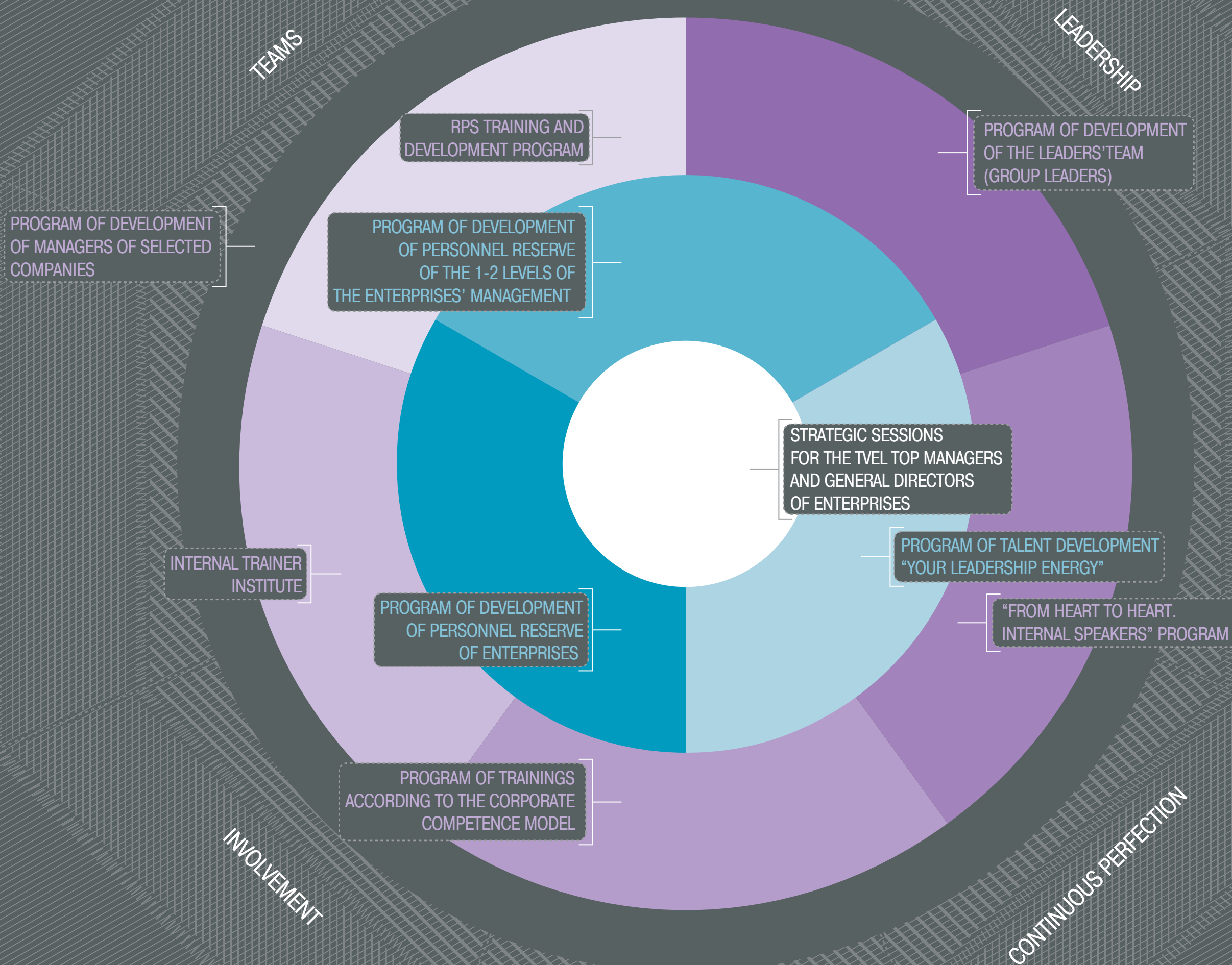


Table 10.1.2.
Average number of training
hours per employee in terms
of employee categories

| | 2010 YEAR | 2011 YEAR |
|-----------------------------------|-----------|-----------|
| Managers | 30,5 | 31 |
| Specialists and office workers | 19,2 | 41 |
| Workers | 4,9 | 47 |

Table 10.1.3.
TVEL FC training programs

| № | TRAINING PROGRAM | NUMBER OF PARTICIPANTS | NUMBER OF TRAINING HOURS |
|----|---|---------------------------|-----------------------------|
| 1. | Strategic developing sessions for top managers | 47 | 32 |
| 2. | Program of development of the first management level personnel reserve of the TVEL FC enterprises | 52 | 160 |
| 3. | Talent development program "Your Leadership Energy" | 48 | 40 |
| 4. | Program: "Internal Trainer Institute" | 52 | 64 |
| 5. | Program: "From Heart to Heart. Intracorporate speakers" | 316 | 41 |
| 6. | Training program in the sectoral model of competences | 76 | 144 |

Internal Trainer Institute formation

The implementation of the Regulation on the Internal Trainer Institute formation and development adopted in 2010 began in 2011. The Internal Trainer Institute being introduced now allows conducting direct professional experience exchange at the TVEL FC enterprises and using the knowledge, skills and experience of highly qualified employees with utmost efficiency. The project will allow giving impetus to the professional growth of the company's

workers due to the internal resources available (or the personnel's competences available) and finally ensuring its leadership in the market in the long-term prospect.

The following events are planned within the Internal Trainer Institute formation and development program in 2012:

- Carrying out of the "Training of trainers" according to the unified training program.
- Evaluation of candidates from the number of internal trainers for subse-

quent transmission of corporate training programs.

- Methodological coordination of programs elaborated by internal trainers.
- Organisation of intrasectoral communications (by means of meetings, workgroups) with a view to exchanging internal trainer experience and elaborating unified approaches for elaboration of programs within the functional directions.

Training of managers

Great attention is paid to the perfecting of the Company managers' managing skills. In order to form an efficient secondary business core and providing businesses of TVEL FC, a program of development of managers of isolated affiliates has been implemented (formation of a network of reliable highly efficient suppliers). 5 program modules have been carried out; the duration of each module was 4 training days, the total number of the program participants was 72 people (incl. VPA «Tochmash» JSC – 7 persons, KMP OJSC – 3 persons, CMP JSC – 7 persons, JSC UEIP – 24

| NAME OF ENTERPRISE | PERSONNEL INTERNAL TRAINING | |
|-----------------------|-----------------------------|----------------------|
| | PLAN 2011, PERSONS | ACTUAL 2011, PERSONS |
| CMP JSC | 2250 | 1940 |
| JSC NCCP | 180 | 271 |
| MSZ JSC | 450 | 750 |
| MPP JSC | – | 40 |
| AECC JSC | 30 | 896 |
| JSC SGChE | 150 | 610 |
| JSC UEIP | 300 | 842 |
| JSC "PA ECP" | 200 | 280 |
| UGCP OJSC | 350 | 121 |
| VPA «Tochmash» JSC | 100 | 323 |
| KMP OJSC | 900 | 145 |
| VNIINM JSC | – | 5 |
| TOTAL: | 4910 | 6223 |

Table 10.1.3.
Number of employees of the
TVEL FC enterprises trained
in RPS principles and tools

persons, SGChE JSC – 15 persons, JSC “PA ECP” – 16 persons).

Besides raising the business training level, the managers of the TVEL FC enterprises passed a course for formation of confident speech behaviour. Within the sectoral project, “Three-level speaker training”, specialists of three levels - from top managers to the enterprise’s activists - worked on the individual speech peculiarities, principles of argumentation and counter-argumentation, as well as on the methods creating the image of a successful communicator. The importance of this program for the implementation of the company’s strategy to increase its market share lies in the fact that speakers will learn to handle stereotypes about nuclear energy and the enterprise and correctly choose the conduct tactics in crises, which is

indispensable when working with new partners.

Youth development program “Your Leadership Energy”

Within the work with talented youth, the Talented Youth development and promotion program “Your Leadership Energy” was launched in 2011. 111 workers filled in and sent the motivation questionnaire for participation in the program; 89 workers participated in the Evaluation Centre elaborated for the program. 51 workers were selected for participation in the development program. The first program module dedicated to the project management has taken place.

| | 2009 YEAR | 2010 YEAR | 2011 YEAR |
|--------------------------------------|-----------|-----------|-----------|
| evaluated by REKORD, men, persons | 177 | 3728 | 3819 |
| evaluated by REKORD, men, % | 0,48% | 12% | 16% |
| evaluated by REKORD, women | 81 | 2759 | 2911 |
| evaluated by REKORD, women, % | 0,31% | 15% | 22% |

Table 10.1.4.
Coverage of the REKORD annual procedure for the activity efficiency evaluation (managers and specialists)

Training employees of the TVEL FC enterprises in RPS principles and tools

The efficient introduction of the “Rosatom” Production System at the TVEL FC enterprises is impossible without involving the staff into the transformation process. Therefore,

personnel training in RPS principles and tools was organised at the Company’s enterprises.

For the purpose of further development of the RPS training system, 20 specialists from 14 FC enterprises were trained within the internal trainer program in RPS in 2011. The main task of internal trainers in the coming year would be an increased involvement of

personnel through training and creation of conditions for the conscious use by workers of RPS tools.

For additional motivation and involvement of personnel into the transformation process, some enterprises of TVEL FC conducted a contest for RPS development. The contest consisted of 8 nominations which covered the development of the major tools of the production system: 5C, standardised work, introduction of improvement proposals, etc. As a result, RPS development leaders were revealed and the best practices and standards were selected, which were taken as a basis for replication in other divisions.

REKORD personnel activity efficiency evaluation

Based on the regulation on annual evaluation REKORD (results, competences, development and achievements) of the TVEL FC employees adopted in 2011, the TVEL FC personnel activity efficiency evaluation has been carried out. The REKORD person-

| | |
|--------|----|
| TVEL | 13 |
| MSZ | 1 |
| NCCP | 4 |
| CMP | 29 |
| MPP | 1 |
| VNIINM | 4 |
| AECC | 5 |

nel evaluation is designed to unify the evaluation criteria and approaches to the personnel rotation and development and contribute to increasing the analyticity of personnel information for precise perspective planning.

The attendance of the company’s enterprises to be evaluated as recommended by “Rosatom” State Corporation was expanded by 76% to include the enterprises’ managers of all levels. 6730 employees of the TVEL FC enterprises were evaluated by REKORD subject to the above provisions.

Personnel reserve formation and development

The Personnel reserve program is being implemented at the TVEL FC enterprises. 236 employees being part of the personnel reserve were promoted to higher positions.

Special attention is paid to the work with the first and second level Personnel reserve (general directors and their deputies), which included 322 persons in 2011. In 2011, the Strategic Person-

| | |
|----------|-----|
| UEIP | 49 |
| SGChE | 48 |
| PA ECP | 5 |
| Tochmash | 41 |
| UGCP | 7 |
| KMP | 29 |
| FC | 236 |

Table 10.1.5.
Number of employees being part of the personnel reserve who were promoted to higher positions

Comparison of labour productivity in 2010 and 2011

FACT 2011



LABOUR PRODUCTIVITY,
M RUB PER 1 WORKER

2,96



EXPENSES FOR PERSONNEL,
B RUB

32,5

25,8% OF PROCEEDS

FACT 2010

LABOUR PRODUCTIVITY,
M RUB PER 1 WORKER

2,12

EXPENSES FOR PERSONNEL,
B RUB

33,9

27,9% OF PROCEEDS

nel Reserve Development Program was realised on basis of SKOLKOVO Moscow Management School with the view of formation of the leaders' strategic vision. 52 reservists participated in the educational project. The program was composed of six modules, each including a number of aspects important for the training process:

- theoretical blocks with analysis of real situations from the TVEL FC practice supported by expert opinions of representatives of business, politics, sports and arts;
- practical tasks aimed at practicing and using the knowledge acquired and open discussion with the company's managers.

The final stage of each module was the work on the company's strategic projects and their final presentation to the managers of TVEL JSC. In 2011, 5 training modules took place.

The personnel transformations carried out in 2011 allowed achieving good results in raising the efficiency and competitiveness of enterprises by increasing the labour productivity, developing and involving personnel into the transformation processes. Thus, the labour productivity at TVEL FC grew by 40% in 2011; the structural transformation being carried out allowed decreasing the personnel expenses by RUB 1.4 B and increasing the Company's profitability.

10.2 Numbers and regular personnel

The TVEL FC enterprises accept personnel for employment in accordance with the RF Labour Code. In relation to the top managers, the policy of appointments from the number of participants of personnel reserve programs both within the enterprise and within TVEL FC.

Thus, the Company's top management is represented as follows.

The numbers of the TVEL FC personnel were 36,922 persons, as of December 31, 2011. The majority of employees are men (64%, 23,594 persons).

The considerable decrease in the number of the TVEL FC personnel in 2011 as compared with the previous period was due to the continuing reorganisation of the TVEL FC assets.

The absolute majority of the enterprise's personnel work under open-ended labour contracts. The share of open-ended labour contracts was 98.3% in 2011.

In 2011, the average salary at TVEL FC was RUB 41584 (incl. RUB 52632 in science), which was 27% higher than in the previous year. The correlation of salaries of men and women working at the Company is 1/1 for all categories of employees. Thus, it is possible to maintain that the Company respects the equality principle and has no sexist manifestations.

The share of specialists under 35 is 29.4%.

| | 2011 YEAR |
|---|---------------|
| Consolidated (total), persons including: | 36 922 |
| Regular workers | 13 553 |
| Helpers | 9 062 |
| Managers | 4 600 |
| Specialists | 9 024 |
| Office workers | 466 |
| Nonproductive group | 217 |

³⁶ The numbers are given in accordance with the Report limits. See Information on the Report and its preparation

Table 10.2.2. Total numbers of employees by categories ³⁶

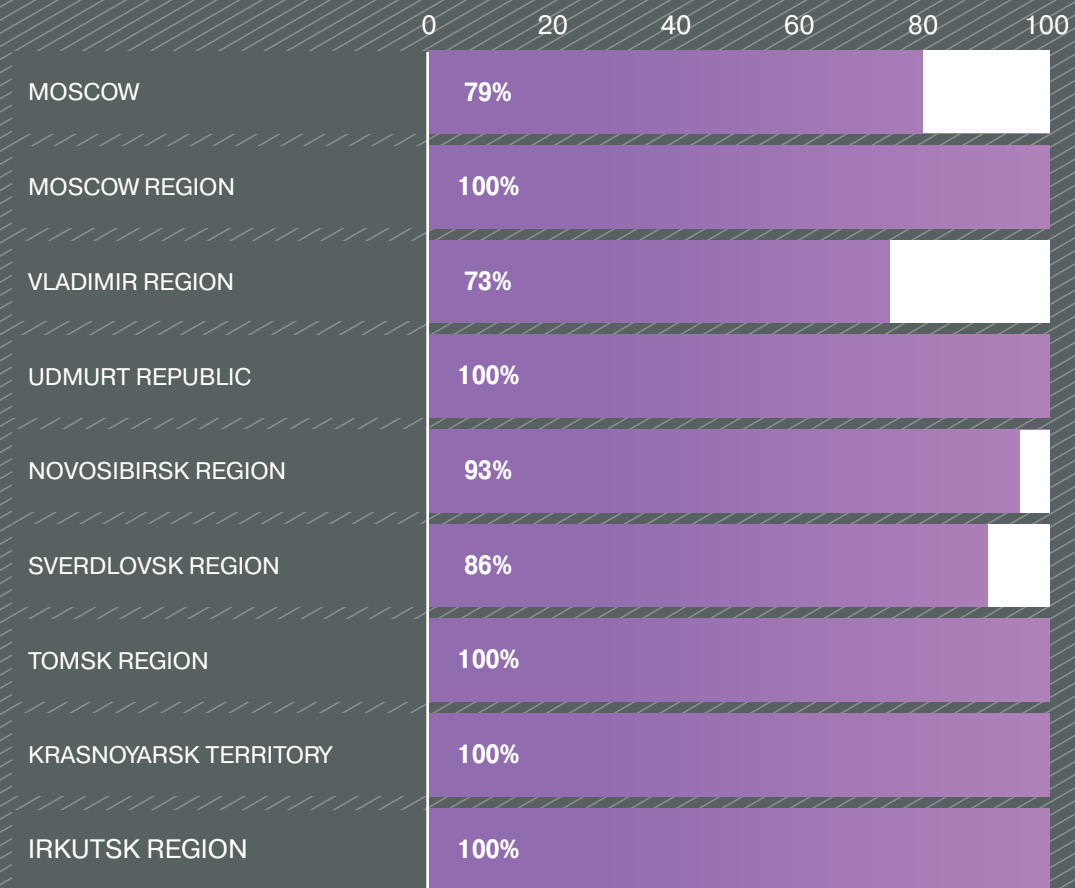
| | 2009 YEAR | 2010 YEAR | 2011 YEAR |
|-----------------------------|--|--|--|
| Open-ended labour contracts | 66 473 | 56 610 | 41 857 |
| | 98,65% (of the average list numbers) | 98,50% (of the average list numbers) | 98,30% (of the average list numbers) |
| Fixed-term labour contracts | 910 | 862 | 724 |
| | 1,35% (of the average list numbers) | 1,50% (of the average list numbers) | 1,70% (of the average list numbers) |

Table 10.2.3. Total number of employees by types of employment contracts

| NUMBER OF EMPLOYEES BY TYPE OF EMPLOYMENT | 2009 YEAR | 2010 YEAR | 2011 YEAR |
|---|--------------|--------------|--------------|
| Average list number of full-time employees, persons | 67 261 | 57 369 | 42 537 |
| Average list number of part-time employees, persons | 122 | 104 | 43 |
| Share in the total number, % | 0,18% | 0,18% | 0,10% |

Table 10.2.4. Total number of permanent employees by type of employment

Top management of the TVEL FC enterprises



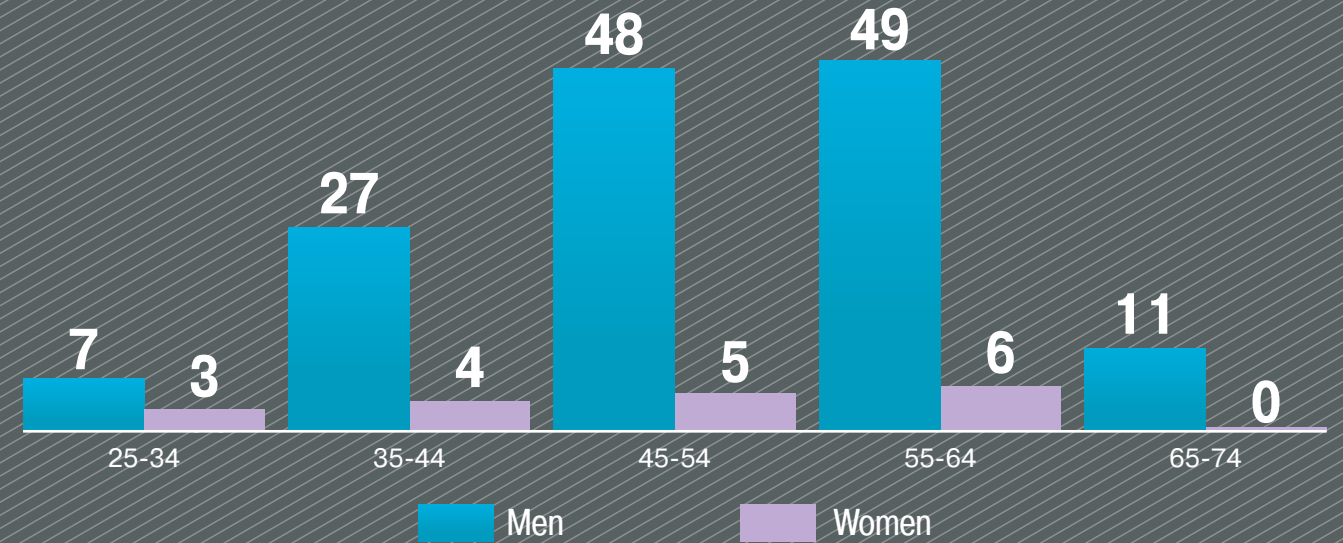
■ Local population, %
■ Rotated from other regions within the sector, %

Relative composition of the top management of the TVEL FC enterprises in terms of sex

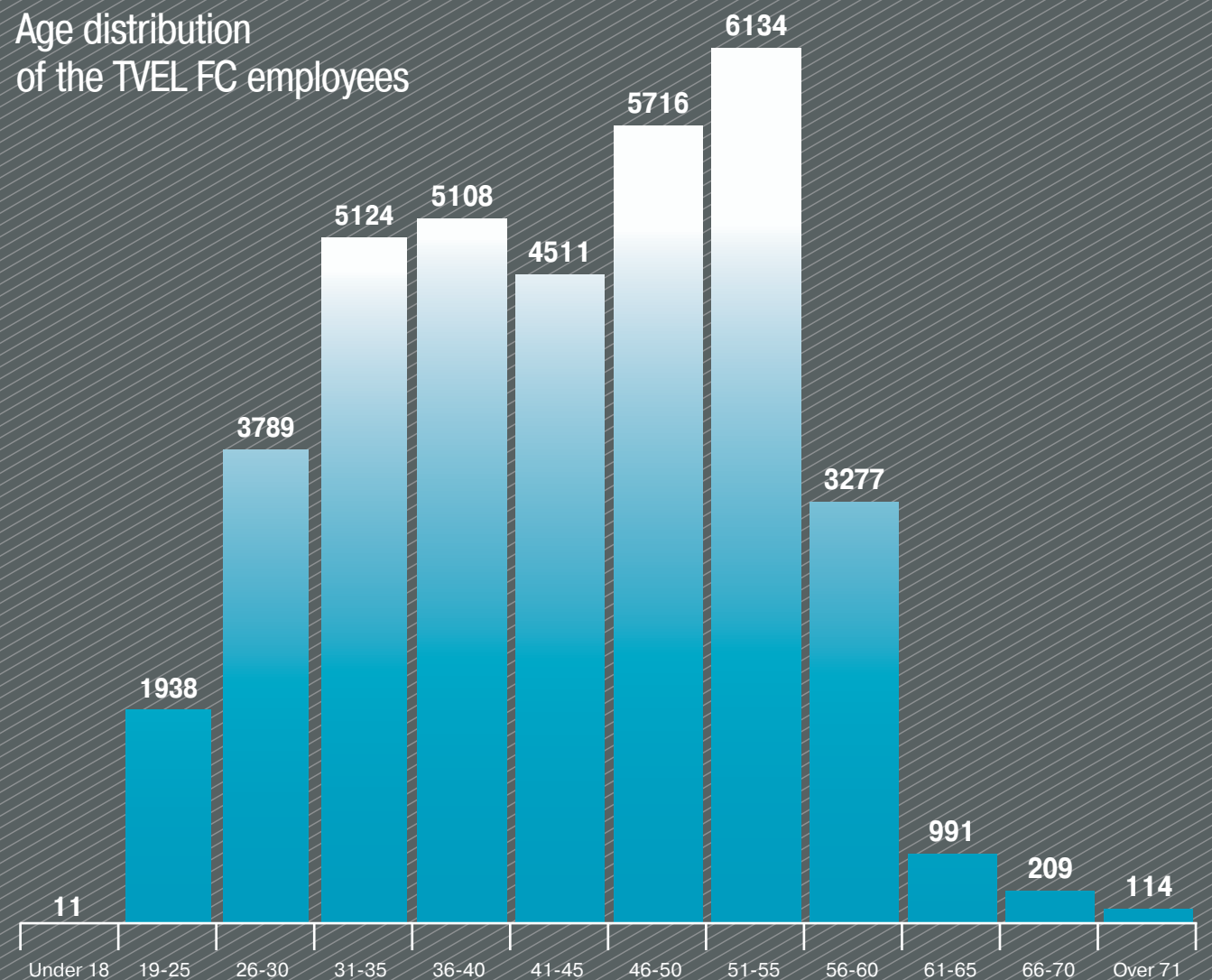
■ Men
■ Women



Top management of the TVEL FC enterprises in terms of sex and age



Age distribution of the TVEL FC employees



Top management of the TVEL FC enterprises

| | Moscow | Moscow region | Vladimir region | Udmurt Republic |
|---|------------|---------------|-----------------|-----------------|
| Total, 150 persons | 24 | 12 | 26 | 15 |
| Rotated from other regions within the sector, persons | 5 | 0 | 7 | 0 |
| Local population, persons | 19 | 12 | 19 | 15 |
| Local population, % | 79% | 100% | 73% | 100% |
| Rotated from other regions within the sector, % | 21% | 0% | 27% | 0% |

| | Novosibirsk region | Sverdlovsk region | Tomsk region | Krasnoyarsk Territory | Irkutsk region |
|---|--------------------|-------------------|--------------|-----------------------|----------------|
| Total, 150 persons | 14 | 22 | 13 | 11 | 13 |
| Rotated from other regions within the sector, persons | 1 | 3 | 0 | 0 | 0 |
| Local population, persons | 13 | 19 | 13 | 11 | 13 |
| Local population, % | 93% | 86% | 100% | 100% | 100% |
| Rotated from other regions within the sector, % | 7% | 14% | 0% | 0% | 0% |

Fluctuation of personnel by regions

| | Moscow | Moscow region | Vladimir region | Vladimir region |
|-----------------------|------------|---------------|-----------------|-----------------|
| Fluctuation factor, % | 6,2 | 1,6 | 7,9 | 1,0 |

| | Novosibirsk region | Sverdlovsk region | Tomsk region | Krasnoyarsk Territory | Irkutsk region |
|-----------------------|--------------------|-------------------|--------------|-----------------------|----------------|
| Fluctuation factor, % | 1,5 | 2,1 | 1,0 | 1,2 | 2,5 |

Correlation of the initial salary
and the minimum salary in the region (by sexes)

women

| Year | Moscow | Moscow region | Vladimir region | Udmurt Republic |
|------|--------|---------------|-----------------|-----------------|
| 2009 | 1,3 | 1,3 | 1,3 | 1,3 |
| 2010 | 1,3 | 1,3 | 1,3 | 1,3 |
| 2011 | 1,3 | 1,43 | 1,3 | 1,43 |

| Novosibirsk region | Sverdlovsk region | Tomsk region | Krasnoyarsk Territory | Irkutsk region |
|--------------------|-------------------|--------------|-----------------------|----------------|
| 1,3 | 1,3 | 1,3 | 1,3 | 1,3 |
| 1,3 | 1,3 | 1,3 | 1,3 | 1,3 |
| 1,43 | 1,3 | 1,43 | 1,43 | 1,43 |

men

| | | | | |
|------|-------|------|-----|------|
| 2009 | 1,3 | 1,3 | 1,3 | 1,3 |
| 2010 | 1,3 | 1,3 | 1,3 | 1,3 |
| 2011 | 1,573 | 1,43 | 1,3 | 1,43 |

| | | | | |
|------|------|------|------|------|
| 1,3 | 1,3 | 1,3 | 1,3 | 1,3 |
| 1,3 | 1,3 | 1,3 | 1,3 | 1,3 |
| 1,43 | 1,43 | 1,43 | 1,43 | 1,43 |

Level of average salary in relation to the average level
in the labour market

| Year | Moscow | Moscow region | Vladimir region | Udmurt Republic |
|------|--------|---------------|-----------------|-----------------|
| 2009 | 1,73 | 1,58 | 1,14 | 1,97 |
| 2010 | 1,98 | 1,70 | 1,20 | 2,04 |
| 2011 | 2,35 | 1,75 | 1,46 | 2,08 |

| Novosibirsk region | Sverdlovsk region | Tomsk region | Krasnoyarsk Territory | Irkutsk region |
|--------------------|-------------------|--------------|-----------------------|----------------|
| 1,76 | 1,68 | 1,36 | 1,36 | 1,56 |
| 1,85 | 1,79 | 1,48 | 1,58 | 1,71 |
| 2,04 | 2,07 | 1,91 | 2,15 | 2,16 |

Numbers of personnel by categories and regions in 2011

| | Moscow | Moscow region | Vladimir region | Udmurt Republic |
|---|-------------|---------------|-----------------|-----------------|
| Number according to lists, persons including: | 2048 | 4284 | 4214 | 4452 |
| Regular workers | 140 | 1335 | 1821 | 1906 |
| Auxiliary workers | 313 | 1284 | 967 | 1261 |
| Managers | 521 | 511 | 508 | 491 |
| Specialists | 1048 | 1145 | 875 | 767 |
| Office workers | 16 | 9 | 27 | 27 |
| Noncommercial group | 10 | 0 | 16 | 0 |

| | Novosibirsk region | Sverdlovsk region | Tomsk region | Krasnoyarsk Territory | Irkutsk region |
|--|--------------------|-------------------|--------------|-----------------------|----------------|
| | 2277 | 6156 | 7503 | 3680 | 2308 |
| | 641 | 2466 | 2758 | 1363 | 1123 |
| | 687 | 1366 | 2271 | 796 | 117 |
| | 346 | 657 | 795 | 484 | 287 |
| | 583 | 1449 | 1581 | 867 | 709 |
| | 20 | 147 | 80 | 83 | 57 |
| | 0 | 71 | 18 | 87 | 15 |

Average age of employees by categories, years

| | |
|---|-------------|
| Consolidated (total), years, including: | 43,0 |
| Regular workers | 41,7 |
| Auxiliary workers | 43,7 |
| Managers | 46,6 |
| Specialists | 42,8 |
| Office workers | 43,7 |
| Noncommercial group | 33,8 |

Number of employees returning from the maternity leave and share of employees remaining in the organisation after the maternity leave, by sexes

Number of employees returning to work from the maternity leave

| year | TVEL | MSZ | NCCP | CMP | MPP | VNIINM | AECC |
|------|------|-----|------|-----|-----|--------|------|
| 2009 | 4 | 19 | 15 | 13 | 2 | 3 | 20 |
| 2010 | 3 | 14 | 21 | 9 | 4 | 5 | 19 |
| 2011 | 2 | 23 | 13 | 22 | 1 | 14 | 16 |

| UEIP | SGChE | PA ECP | Tochmash | KMP | UGCP | FC without TVEL | FC with TVEL |
|------|-------|--------|----------|-----|------|-----------------|--------------|
| 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 |
| 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 |
| 23 | 23 | 23 | 23 | 23 | 23 | 23 | 23 |

Share of employees remaining in the organisation (from the total average list number)

| year | TVEL | MSZ | NCCP | CMP | MPP | VNIINM | AECC |
|------|------|------|------|------|------|--------|------|
| | — | 0,3% | 0,3% | 0,2% | 0,4% | 0,2% | 0,4% |
| 2009 | 4 | 16 | 13 | 10 | 2 | 3 | 20 |
| 2010 | 2 | 14 | 20 | 8 | 4 | 5 | 18 |
| 2011 | 2 | 22 | 13 | 21 | 1 | 14 | 14 |

| UEIP | SGChE | PA ECP | Tochmash | KMP | UGCP | FC without TVEL | FC with TVEL |
|------|-------|--------|----------|------|------|-----------------|--------------|
| 0,3% | 0,2% | 0,3% | 0,8% | 0,2% | 0,2% | 0,3% | 0,3% |
| 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 |
| 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 |
| 22 | 22 | 22 | 22 | 22 | 22 | 22 | 22 |

Share of employees remaining in the organisation (from the number of returning ones)

| year | TVEL | MSZ | NCCP | CMP | MPP | VNIINM | AECC |
|------|-------|-------|-------|-------|------|--------|-------|
| | 0,4% | 0,5% | 0,5% | 0,5% | 0,3% | 1,1% | 0,4% |
| 2009 | 100% | 84,2% | 86,7% | 76,9% | 100% | 100% | 100% |
| 2010 | 66,7% | 100% | 95,2% | 88,9% | 100% | 100% | 94,7% |
| 2011 | 100% | 95,7% | 100% | 95,5% | 109% | 100% | 87,5% |

| UEIP | SGChE | PA ECP | Tochmash | KMP | UGCP | FC without TVEL | FC with TVEL |
|-------|-------|--------|----------|-------|-------|-----------------|--------------|
| 1,2% | 0,4% | 0,8% | 2,4% | 0,4% | 0,3% | 0,7% | 0,7% |
| 84,2% | 84,2% | 84,2% | 84,2% | 84,2% | 84,2% | 84,2% | 84,2% |
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| 95,7% | 95,7% | 95,7% | 95,7% | 95,7% | 95,7% | 95,7% | 95,7% |

10.3 Implementation of social programs for personnel support

In addition to the compulsory social guarantees, compensations and benefits established by the labour legislation, the TVEL FC enterprises have elaborated corporate the social programs as follows:

- non-state retirement insurance;
- voluntary medical services;
- housing program;
- sanatorium-resort therapy and rest for employees and their children;
- public catering of employees;
- support of veterans and retired persons of the sector;
- organisation of cultural and sports events.

The total amount of expenses for the social measures at TVEL FC was RUB 2.3 B in 2011; the social expenses per employee amounted to RUB 52.9 thousand.

Retirement programs

4848 persons participated in the non-state retirement insurance program in 2011.

In 2011, the non-state retirement insurance program for the TVEL FC employees was brought to conformity with the sectoral standard of "Rosatom" State Corporation. 2 pension schemes for financing retirement savings underlie the program:

- based on the state program for co-financing the savings part of the pension, where the Company, the worker and the state are participants;
- joint financing of non-state retirement insurance by the worker and the Company.

In these programs, the employer and the worker bear joint responsibility for the formation of the retirement funds necessary for accrual and payment of non-state corporate pension to the worker. The Company pays pension contributions in parity to the worker's personal contributions.

In both programs, retirement savings are formed on the workers' indi-

vidual retirement accounts (IRA). The non-state pension is calculated on basis of the funds accumulated on IRA.

The costs for non-state retirement insurance made up RUB 186 M in 2011. In 2012, it is planned to increase the costs to RUB 213 M.

Medical services and sanatorium-resort therapy

Voluntary health insurance (VHI) provides for widening of services granted to employees under the state guarantee programs (OHI - obligatory health insurance) and budget assignments (FMBA).

The expenditure for additional medical insurance of employees amounted to RUB 262 M in 2011, which was 42% less than in 2010. The reduction in expenditure for the Voluntary health insurance (VHI) program is due to the reorganisation of enterprises, transfer of personnel to newly created companies and other legal entities, transfer to the sectoral standard of VHI, which foresees unified structures of insurance programs and police value by categories of workers, and due to the separation of the expenses for sanatorium-resort therapy from the VHI expenses group into a separate category. RUB 253.8 M is planned in the social expenses budget for the VHI program in 2012.

Within the program for additional insurance of employees against accidents (risk of radiation exposure, temporary and permanent professional disability, death) and diseases, the expenses amounted to RUB 14.5 M in 2011.

For improving the personnel's health, sanatorium vouchers are granted annually on preferential terms for rest and medical treatment of the TVEL FC employees. In accordance with the unified social standard for voucher purchases, 100 vouchers are distributed annually among 1000 employees working in harmful and dangerous work conditions and 35 vouchers for 1000 employees working in normal conditions.

Housing programs

Assistance to the TVEL FC employees in housing purchase is rendered in accordance with the Corporate social program for providing housing for employees of the organisations of "Rosatom" State Corporation. The following persons can participate in the program:

- young workers under 35 (inclusive) having a potential for growth and the final grade level not lower than B by results of the annual evaluation and the length of service in the Company at least 1 year;
- highly professional specialists - qualified key workers having profound knowledge and experience in a specific professional field.

Workers receive assistance in housing purchase as follows:

- compensation for part of expenses for payment of bank interests on the credit;
- provision of a targeted loan to the bank for the down-payment for the housing purchase on credit.

The expenses for the housing programs amounted to RUB 35 M in 2011.

Expenses for TVEL FC's social measures

5. VETERANS SUPPORT
852,6
Million of RUB
38%

6. FOOD SUBSIDIES
36,3
Million of RUB
2%

7. CULTURE AND SPORTS
212,2
Million of RUB
9%

8. HOUSING PROGRAMS
35,4
Million of RUB
1%

9. MATERIAL ASSISTANCE
39,8
Million of RUB
2%

10. OTHER EXPENSES
308
Million of RUB
13%

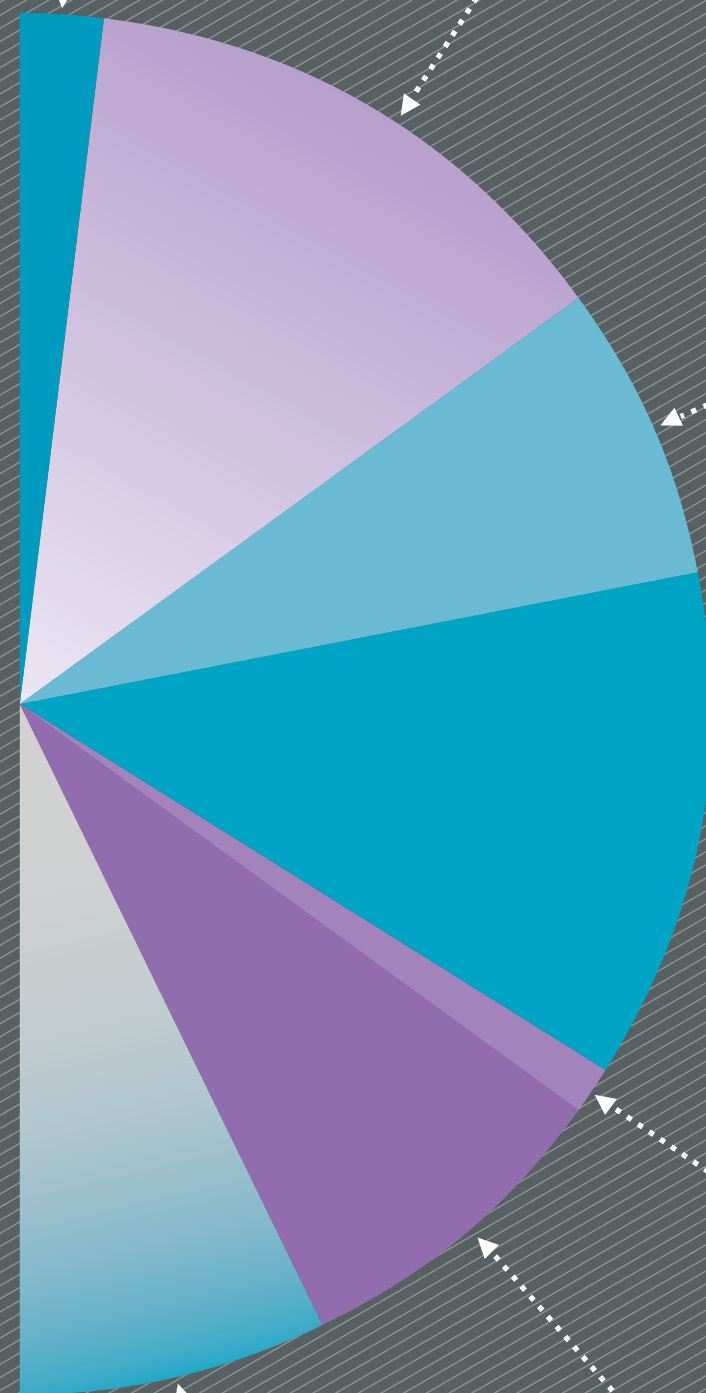
11. TAXES
157,1
Million of RUB
7%

1. VMI
265,2
Million of RUB
12%

2. ACCIDENT INSURANCE
14,5
Million of RUB
1%

4. SANATORIUM-RESORT THERAPY
161,4
Million of RUB
7%

3. NSRI
186,1
Million of RUB
8%



Youth programs

Great attention is now paid to the youth work at the TVEL FC enterprises. It is important that the company has highly professional workers; therefore, it is carrying out active work to attract and retain young talented workers. The Youth Program is being implemented at all big enterprises of the Company and includes a set of the following options (depending on the collective agreement):

- provision of rooms in family and youth dormitories;
- compensation for part of expenses for payment of interests on mortgage credits or granting of interest-free loans for housing improvement;
- lump-sum allowance at the first-time employment, after the military service and for young specialists;
- partial compensation for payment of housing and public services;
- financing of programs of the Youth organisations of enterprises;
- partial compensation for the children's attendance of preschool institutions;
- child birth payments.

TVEL FC veteran support programs

The management of TVEL FC highly appreciate the contribution of the veterans who dedicated many years of their lives to work at the Company's enterprises and render necessary material assistance to many of them. The expenses for the veteran support amounted to RUB 852 M in 2011, incl.:

- one-time payments at retirement: RUB 363 M;
- material assistance: RUB 437 M;
- purchase of vouchers to health-improving institutions: RUB 52 M.

Gratitude programs

For the purpose of motivating the workers for professional growth and enhancing the corporate spirit, TVEL FC awards the merits of its workers.

In 2011, over three thousand workers and veterans of TVEL FC were marked with prizes and rewards of "Rosatom" State Corporation and TVEL JSC for the successful work, contribution to the development of the enterprises and of the nuclear sector on occasion of memorable dates and anniversaries and of the 15th anniversary of the TVEL JSC creation. These awards include:

From "Rosatom" State Corporation:

- Badge "Academician I. V. Kurchatov" (1–4 st.) — 49 persons
- Badge "E. P. Slavski", "Academician A. P. Aleksandrov" — 3 persons
- Badge "For the Service to the Nuclear Sector" (1–3 st.) — 70 persons
- Badge "For International Cooperation in the Nuclear Sector" — 2 persons
- Badge for working merits "Veteran of Nuclear Energy and Industry" — over 1200 persons
- Badge "For Participation in Emergency Elimination" — 308 persons
- "Rosatom" SC Diploma of Merit — 162 persons
- Gratitude of "Rosatom" SC Director General — 292 persons
- Letters of Gratitude of "Rosatom" SC Director General — 343 persons
- TVEL JSC:

TVEL JSC:

- Title "Meritorious Worker of TVEL FC" — 9 persons
- TVEL JSC Diploma of Merit — 258 persons
- Gratitude of TVEL JSC President — 541 persons

10.4 Labour protection and industrial safety.

Radiation safety of personnel

Prophylactic work aimed at reducing the number of industrial accidents and occupational diseases as well as the analysis of industrial injuries at the TVEL FC enterprises are major tasks of the Directorate in nuclear, radiation and industrial safety.

Due to the prophylactic work for labour protection carried out, the tendency for reduction of occupational traumatism was preserved in 2011. The number of workers who were injured at work reduced by 42% as compared with 2010.

In addition, the traumatism coefficient reduced by 30% (Cf=0.44). The Coefficient of frequency of industrial

injuries is calculated as the number of industrial accidents per 1000 workers of the organisation.

In 2011, there were no accidents at the dangerous industrial objects. The number of incidents reduced.

In accordance with the requirements of the federal legislation, regular medical examinations of the TVEL FC workers exposed to harmful and dangerous production factors has been organised. Occupational diseases have not been detected among the workers of the Company's enterprises.

No excess of safe parameters and basic dose limits established by the

normative documents for nuclear and radiation safety or violations that could be considered as emergencies according to the INES scale were registered at the Company's enterprises in 2011. The value of the maximum effective dose does not exceed 20 mSv.

Issues of health and safety are set forth in the Collective agreements of the enterprises, in accordance to which the parties (the employer and the personnel representative - the trade union organisation) cooperate in the implementation of the main lines of the state policy in the field of labour protection and strive to increased labour safety and better work conditions for employees.

When solving organisational and technical issues, the observance of the fundamental principles of priority of life and health guaranteed versus the production activity results is guaranteed for all workers.

The administrations of the enterprises take measures to raise the safety level achieved and the guarantees of the workers' rights in the field of labour protection in force in the sector:

- funds are allotted for financing the measures to improve the labour conditions and protection,
- insurance is provided against industrial accidents and occupational diseases of workers occupied in heavy jobs and in jobs with harmful or dangerous or special work conditions,
- prophylactic work is being conducted for prevention of industrial injuries and occupational diseases,
- workers are trained in labour protection and pass all kinds of briefings and knowledge checks in accordance to GOST 12.0.004-90 and training, knowledge check and briefings in fire safety in accordance with the Federal law No. 69-FZ "On Fire Safety",

- workers are provided with personal protection equipment in accordance with the Labour code, art. 221 and current norms and receive additional overalls, protection footwear and personal protection equipment,

- the workers whose working conditions are connected with harmful or dangerous production factors pass regular medical examination at the employer's expense.

Voluntary medical insurance of all workers of the TVEL FC enterprises is provided at the employer's expense, and 80% of the price of vouchers for sanatorium-resort therapy is financed from the budget of the enterprises.

The employer, jointly with the trade union, analyses the disease incidence of the workers; plans of measures to reduce it are elaborated.

In accordance with the Labour code, art. 212, the work places are assessed according to the work conditions, and the work conditions are brought to conformity to the normative legal acts for labour protection by results of such assessment.

For work in harmful, especially harmful, difficult and especially difficult conditions, workers are granted preferences and compensations in accordance with the RF legislation and "List of occupations and positions of workers and managers, specialists and office workers having the right to pre-term state pension and preferences provided for the adverse labour conditions", incl. medioprophyllactic food, compensation payments, additional leaves, etc.

Permanent control of the content of harmful chemicals in wastewaters and ventilation exhausts and checks of radiation and chemical situation at in-

dustrial sites are carried out; all types of monitoring in accordance with the industrial control programs are organised and performed.

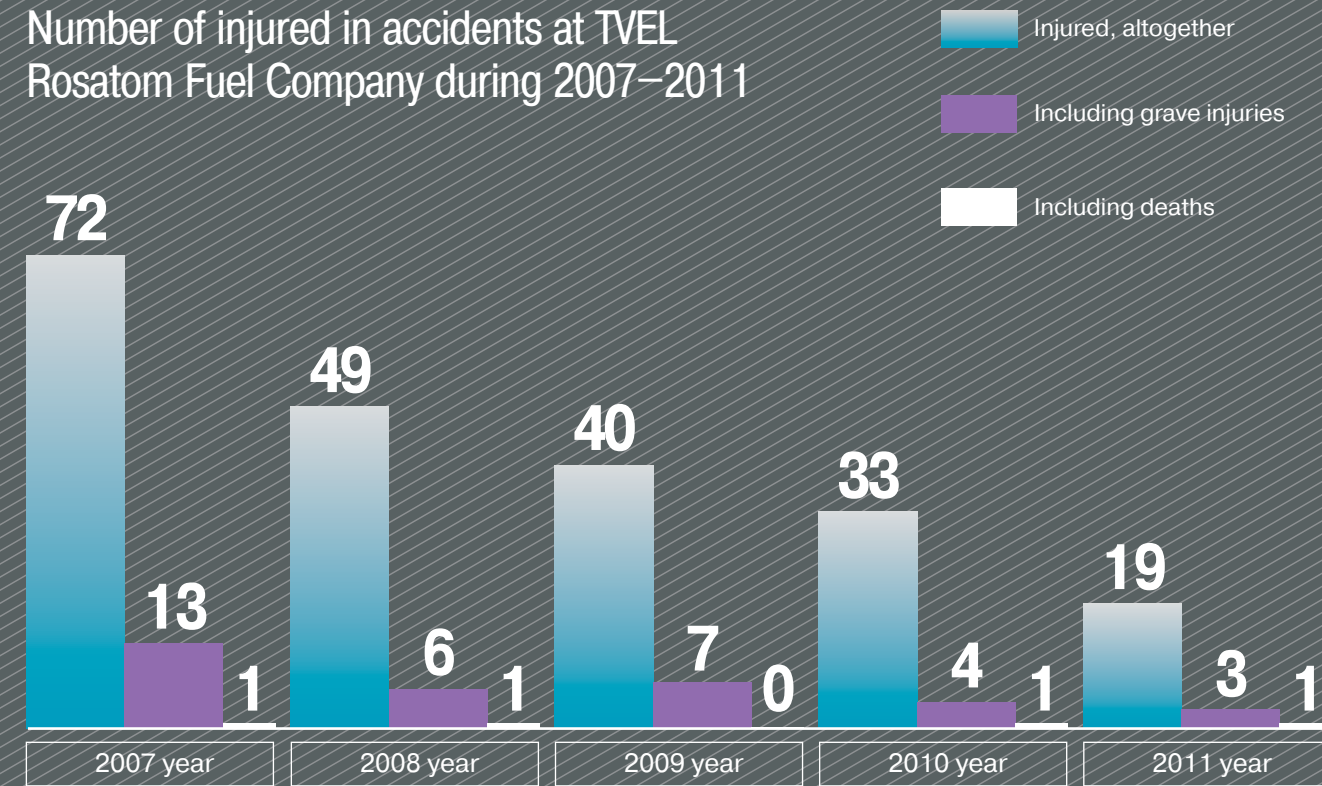
TVEL FC has elaborated and regularly carries out the program "Training of managers and specialists in labour protection." Training on the following topics is organised within this program:

- Principal dangerous and harmful industrial factors. Work conditions. Diseases and prophylactics. Compensations and benefits;
- objectives of production sanitation and industrial hygiene for diseases prevention;
- responsibility for violation of the labour protection legislation.

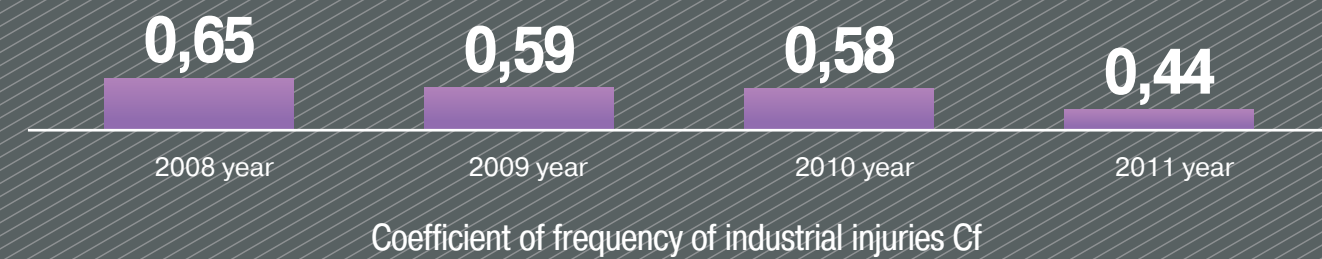
| VALUE | | 2011 YEAR | 2010 YEAR | 2009 YEAR |
|--|-----------------|-----------|-----------|-----------|
| Distribution of group A personnel by individual irradiation doses, % | less than 1 mSv | 58,1 | 60,2 | 50,9 |
| | 1–2 mSv | 25,2 | 19,8 | 25,9 |
| | 2–5 mSv | 12,65 | 14,6 | 17,8 |
| | 5–20 mSv | 4,05 | 5,4 | 5,4 |
| | 20–50 mSv | 0 | 0 | 0 |

Table 10.4.1. Distribution of group A personnel by individual irradiation doses in 2010

Number of injured in accidents at TVEL Rosatom Fuel Company during 2007–2011



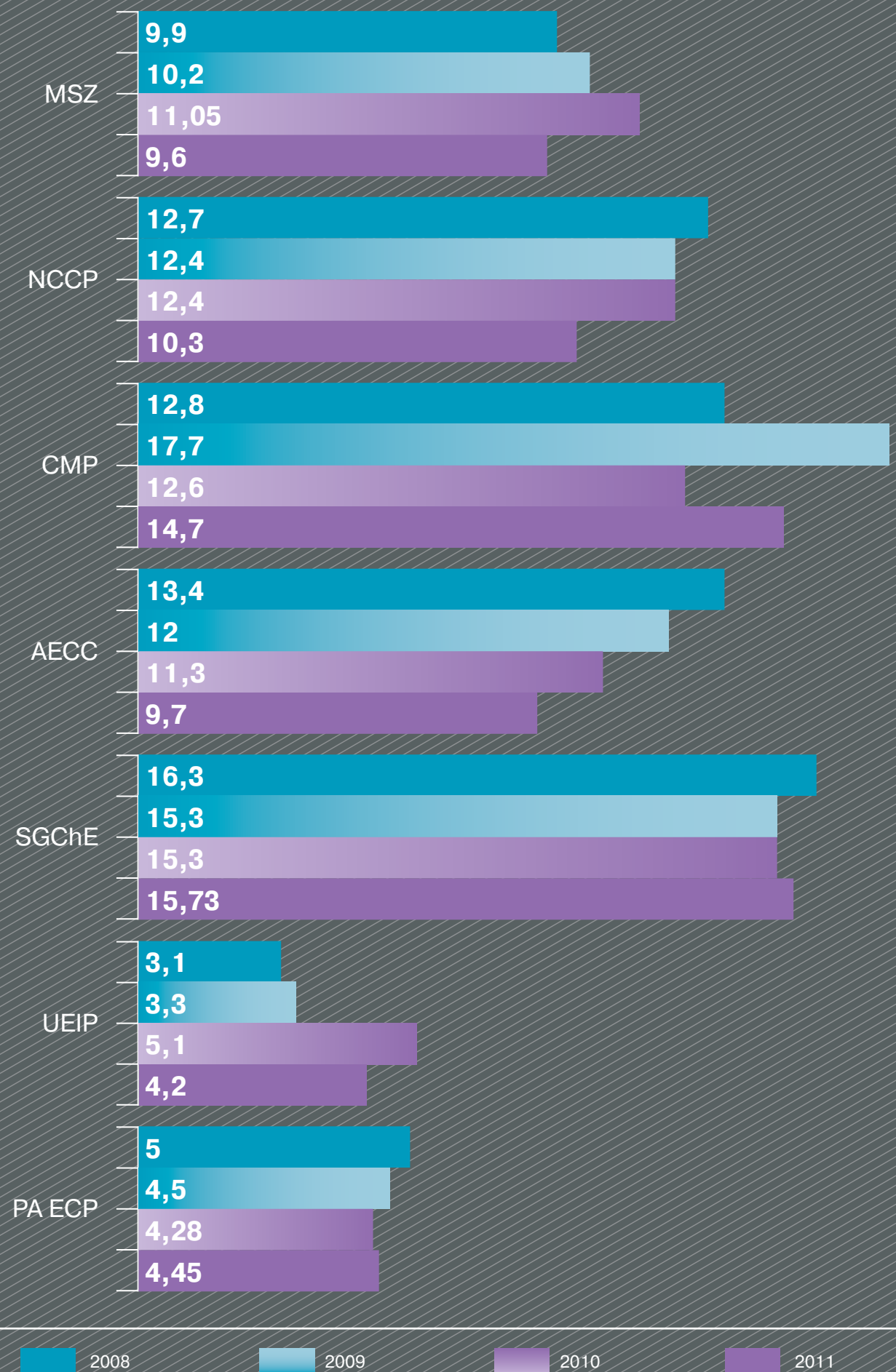
Coefficient of industrial injuries at the TVEL FC enterprises



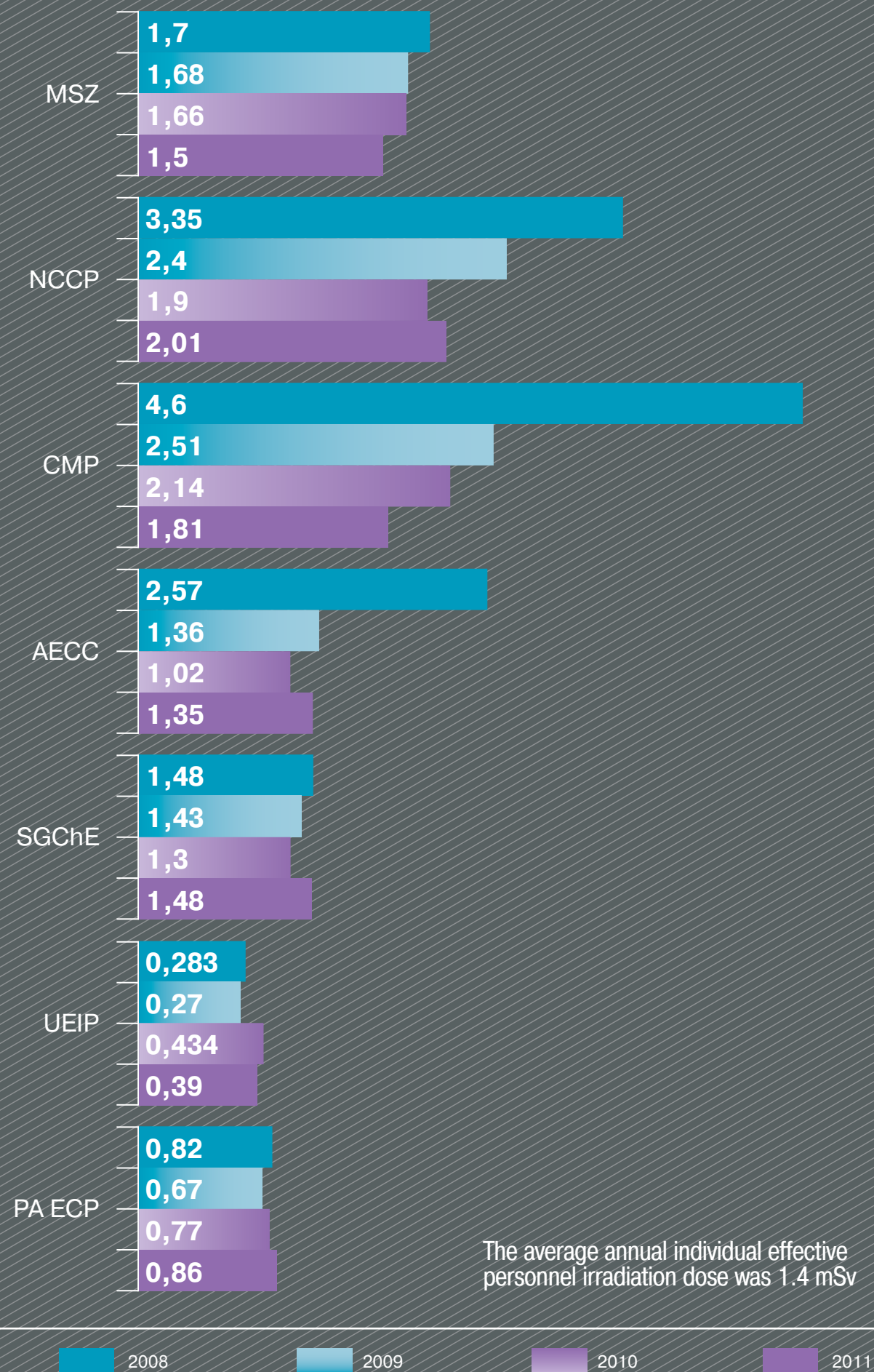
Number of incidents at the dangerous industrial objects



Values of the maximum effective doses at the enterprises



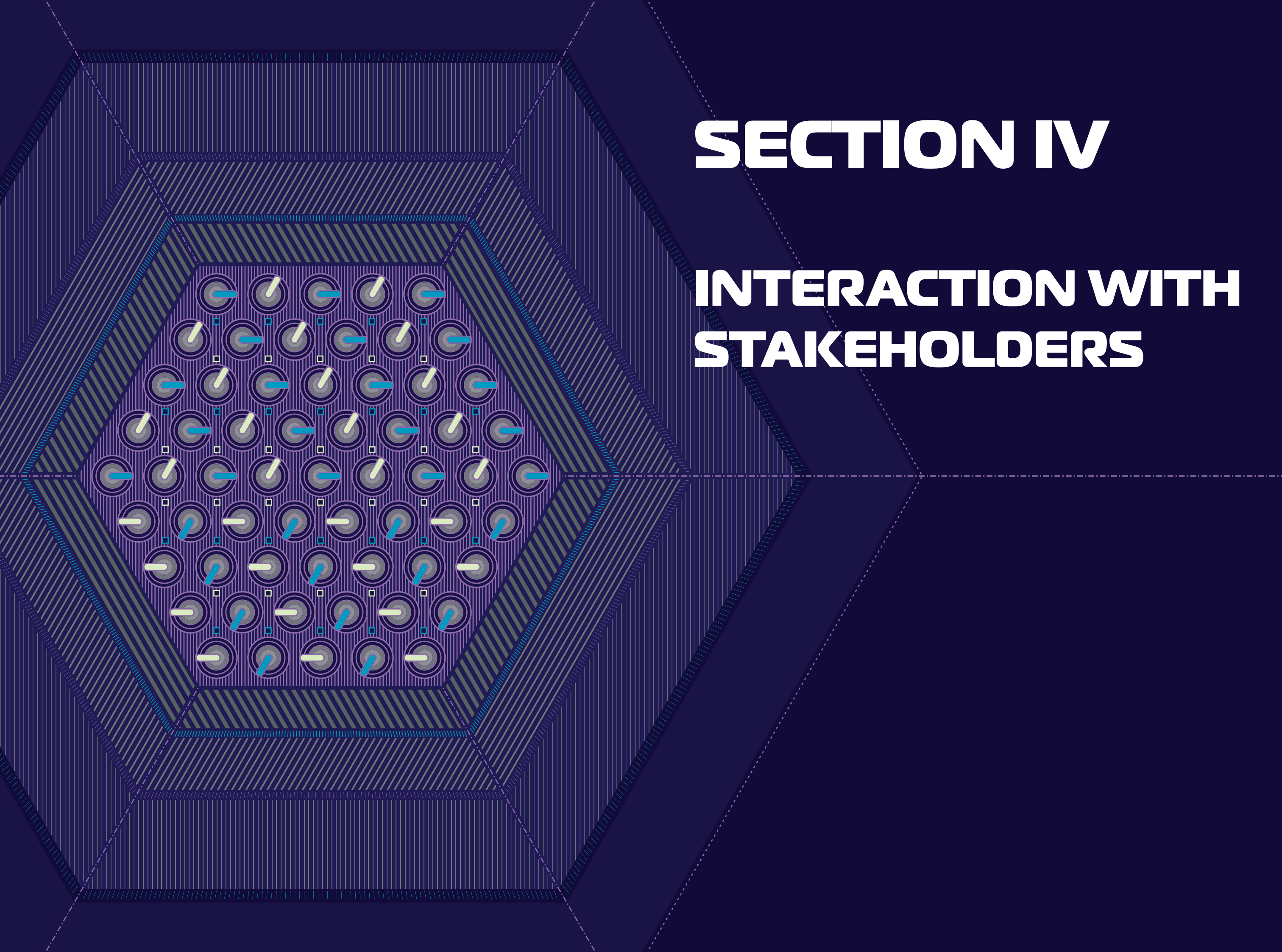
Average annual individual effective personnel irradiation dose



The average annual individual effective personnel irradiation dose was 1.4 mSv

SECTION IV

INTERACTION WITH STAKEHOLDERS





Chapter 11

INTERACTION WITH STAKEHOLDERS IN 2011

11.1 Interaction with stakeholders in 2011

11.1 Interaction with stakeholders in 2011

In the course of its activities TVEL FC is always guided by principle of openness and is constantly cooperating with stakeholders, as well as organizes, analyzes and takes into account their demands. Such approach allows to correct the company's activities in time and reduce the level of non-financial risks.

One of the tools for work organization with stakeholders for TVEL FC is a rank-map which makes it possible to divide the stakeholders according to their incidence and dependency from company.

Rank-map shown on the page number 292 is based on the interviews and surveys of the Company's top managers. The respondents answered the questions concerning the relationship of TVEL FC with partners, control organization, government authorities on the business sites of TVEL FC, public organizations, etc.

Interaction with "Rosatom" State Atomic Energy Corporation

"Rosatom" State Atomic Energy Corporation is a control organization of TVEL FC. Interaction is conducted on the system level. The Company's management regularly participates in "Rosatom" State Atomic Energy Corporation conferences. There is a balanced system of TVEL FC reporting for "Rosatom" State Atomic Energy Corporation, regulated by industry-specific regulatory documents.

Interaction with consumers

In order to improve the quality of products, TVEL FC undertakes an annual assessment of customer satisfaction with the survey, followed by an analysis of the results. The results are presented in Section 6.4. Quality management.

Interaction with staff and trade union organization

The discussion about the collective agreements regulating the social and labour relations takes place at the regular meetings of the TVEL FC staff at enterprises.

The Company has decided to praise the achievements of its employees. In 2011 about three thousands employees and veterans of TVEL FC were awarded with prizes and bonuses from "Rosatom" State Atomic Energy Corporation and TVEL JSC.³⁷

In order to establish a direct communication employee-director within the TVEL FC, all enterprises have the "mailboxes", through which any employee can confidentially refer to the management of TVEL FC. The feedback is mandatory: there is a record of each request and each response.

Interaction with regional authorities

On May, 17 in Vladimir region administration, the meeting of VPA "Tochmash" management and the first deputy of the head of the region Vladimir Veretennikov took place. The purpose of the meeting was to get acquaint-

ed with the company's development agenda and to exchange the information on further interaction of the plant management with the region's administration.

Interaction with environmental organizations

In 2011 the enterprises of TVEL FC, which had a significant effect on the environment,³⁸ attracted representatives from environmental organizations for expert advice in the preparation of environmental reports.

On July, 13 at "Novosibirsky zavod khimkontsentratorov" NCCP a press conference for the urban and regional media, which was dedicated to the implementation of the environmental programs at the enterprise, was held. On October, 20, JSC SGChE was visited by the representatives of the environmental community from Krasnoyarsk. Environmentalists had the opportunity to get acquainted with the activities of the Sibirsky chimkombinat. They visited the shut-down uranium-graphite production reactor EI-2 on the former site of the reactor plant and the History Museum of SGChE.

Participation in international conferences and forums

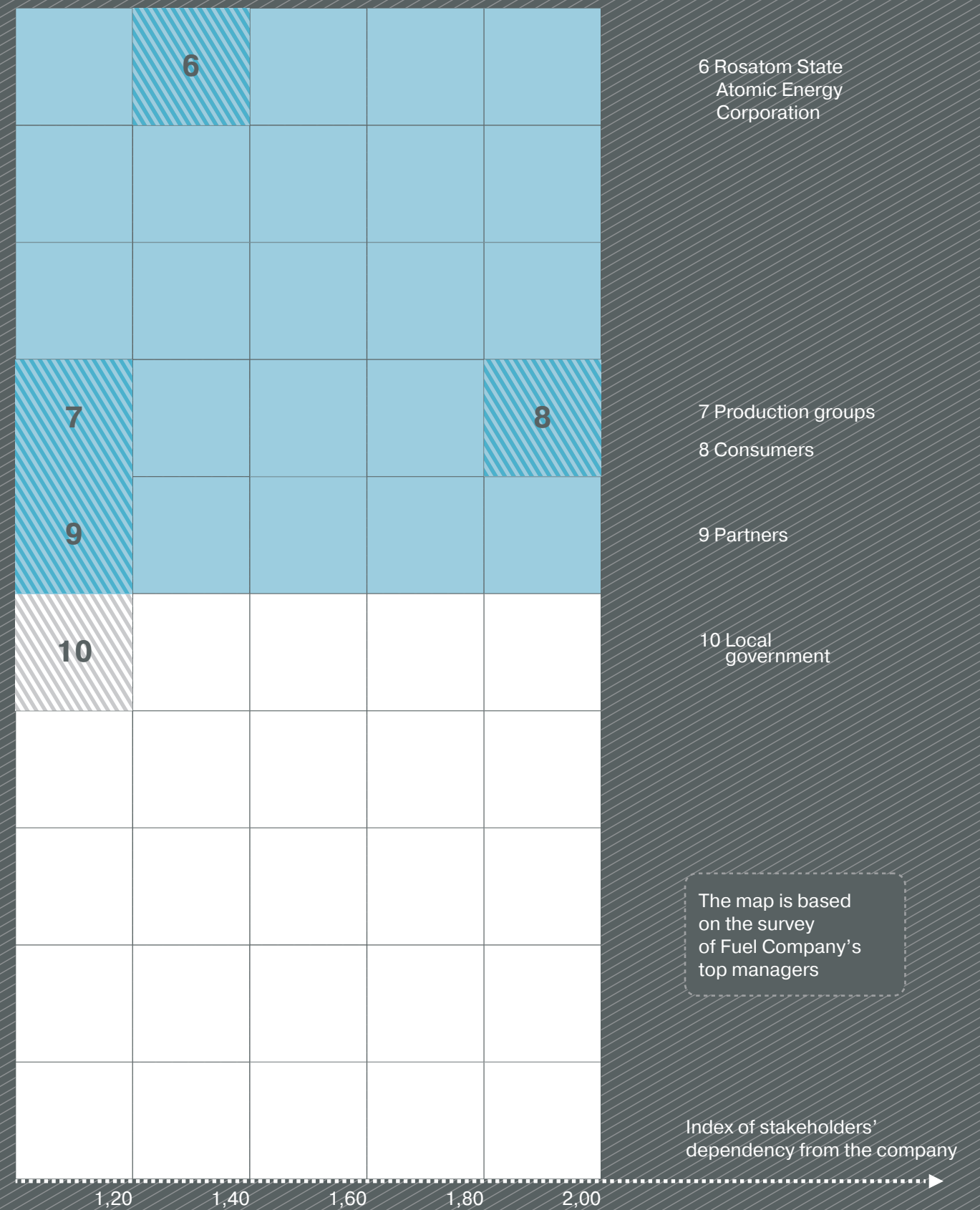
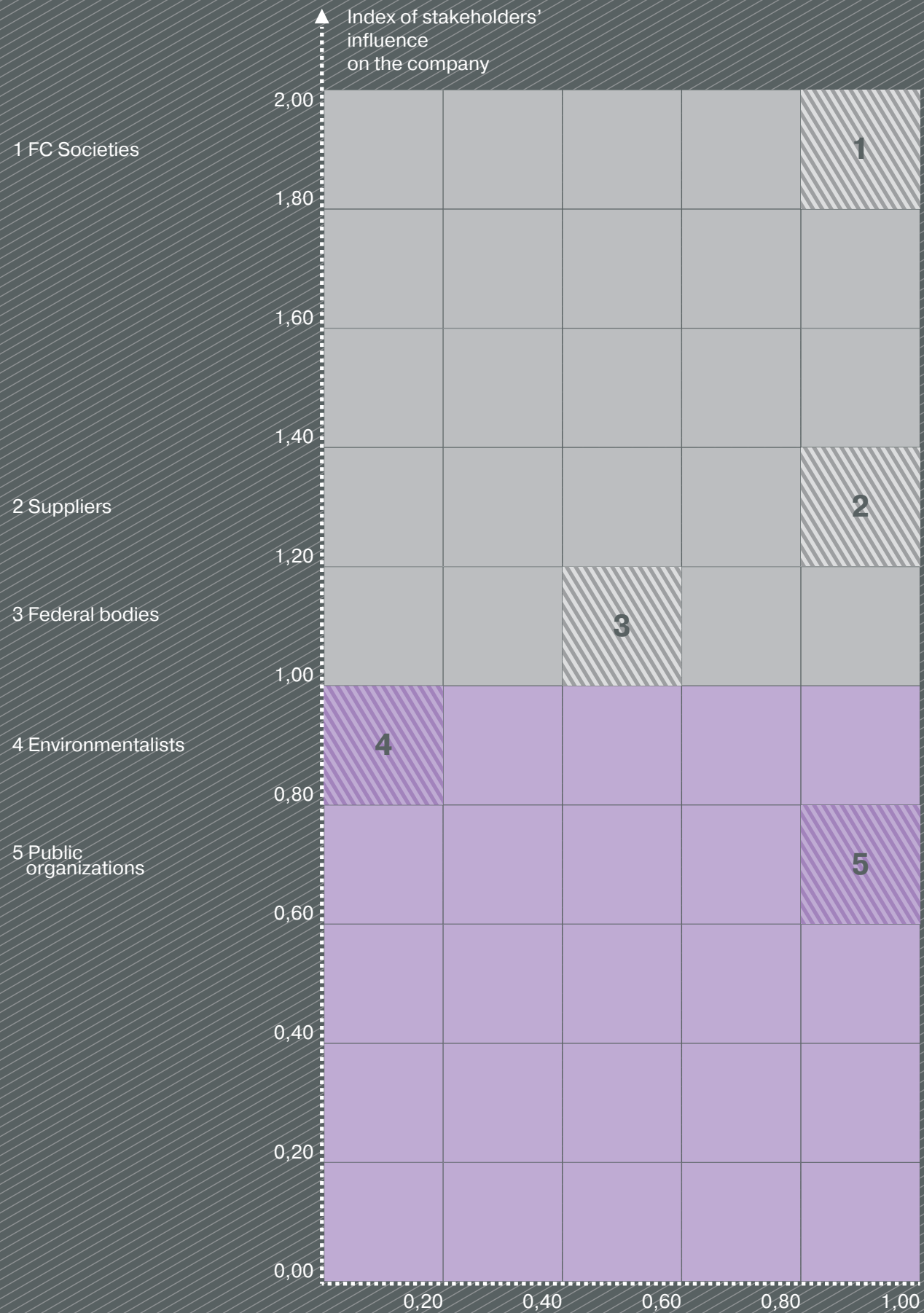
In 2011 TVEL FC took part in the following events:

- «ATOMEXPO 2011»,
- Thirty sixth annual Symposium of the World Nuclear Association,
- Forum «Atomex-Sofia» (Bulgaria),

³⁸ For details see chapter 8. Environmental Impact

³⁷ For details see paragraph 10.3. Implementation of social programs to support staff

Rank-map of TVEL FC



The map is based on the survey of Fuel Company's top managers

- Conference on the development of entrepreneurial activities within the atomic-energy projects in the European Union (Slovakia, the Information Centre of Mochovce NPP),
- "Energy security in the nuclear industry" (SES-2011, Slovakia),
- "Fuel and Energy Complex of Ukraine: Present and Future",
- IVth seminar-discussion of RAS-NASU "The development of nuclear energy - a factor of stable inter-state cooperation" (Ukraine).

Interaction with international partners

In 2011 TVEL JSC participated in the following international cooperation projects:

- The program for replacement of highly enriched uranium in research reactors to low-enriched ("RERTR");
- International Experimental Thermonuclear Reactor Project ("ITER");
- International Program "Organization of Economic Cooperation and Development Halden Reactor Project" (OECD Halden Reactor Project);
- Cooperation with Kazakhstan in construction of Uranium Enrichment Center in the Russian Federation, participation in other activities under the Comprehensive Program of Russian-Kazakh cooperation in the peaceful use of nuclear energy;
- Cooperation with AREVA for the production and supply of the fuel recovered from uranium for the reactors in Western Europe.

TVEL FC awards from the stakeholders

- Grand Prix of the rating agency "Expert" "For contribution to the development of integrated reporting";
- First place in the category "The best annual report of the state company/corporation" according to the RTS and MICEX;
- First place in the industry contest of the annual reports among the companies of nuclear energy civil sector;
- The winner in the category "For the development of non-financial reporting in the nuclear industry" of the National Competition "Best Russian Enterprises. Dynamics. Efficiency. Responsibility - 2011" organized by the Russian Union of Industrialists and Entrepreneurs.

| TARGET GROUP OF STAKEHOLDERS | KEY INTERESTS | INTERACTION |
|---|--|--|
| "Rosatom" State Atomic Energy Corporation | Stability, development, dividends, innovations, investments | Regular meetings with the management of State Atomic Energy Corporation |
| Consumers | Stability, quality and reliability of deliveries, customer appeal of the products | Customer feedback system |
| SA | Interaction efficiency | Feedback system and internal communications |
| Staff | Social responsibility, staff development | Studies, surveys of staff satisfaction |
| Partners | Stability and reliability of mutually beneficial cooperation | Implementation of co-projects, meetings, negotiations |
| Suppliers | Stability, quality and reliability of deliveries, customer appeal of the products | Purchasing website with feedback system |
| Local government and public organizations | Correlation of company's development with the interests of local communities and regions | Implementation of co-projects, constant communication within thematic meetings |
| Federal and regional authorities | Correlation of company's development with the interests of the state | Implementation of co-projects, dialogues within thematic conferences |
| Environmental organizations | Environmental protection, rational use of natural resources | Non-financial reporting, participation in special meetings, conferences |

Table 11.1.1. Stakeholders' key interests

Chapter 12

REPORTING SYSTEM AND THE INTERACTION WITH STAKEHOLDERS DURING PREPARATION OF THE REPORT

12.1 Reporting system

12.2 Events for interaction with the stakeholders

12.3 Conclusion on the public Report certification

12.1 Reporting system

In 2011 TVEL JSC established a reporting system, which is a set of elements, processes and interrelations between them, ensuring the activity of public reporting, its reproduction and development.

The basic elements of public reporting, specified by the Policy of "Rosatom" State Atomic Energy Corporation, are the functional centre responsible for public reporting of the TVEL FC, normative base, representatives of the stakeholders (involved in reporting) as well as infrastructure support (consulting support, auditing, academic support, etc.).

The main approaches to the system formation, as well as the drafts of normative documents were discussed with the stakeholders within the teleconference consulting in the third quarter of 2011. The majority of stakeholders' recommendations were taken into account when finalizing the draft documents.

Normative base

In 2011 by the president's order the following documents regulating the TVEL JSC public reporting were accepted:

- The Standard for TVEL JSC public annual reporting;
- The Regulation of public annual reporting;
- Statute about stakeholders' committee.

The Standard for public annual reporting fixes the basic requirements for information disclosure in the TVEL JSC report preparation. In the Appendix to the Standard the TVEL JSC system of indicators and parameters containing the main activity characteristics and performance indicators for sustainable development is presented. The main activity of the Company is reflected by 61 indicator (167 parameters), including the specifics of organization's activity which is reflected by 37 indicators (97 parameters). Company's effectiveness in sustainable development is reflected by 113 indicators (178 parameters).

The Regulation for Public annual reporting determines procedure and interaction of the TVEL JSC units in public annual report preparation, report promotion, ensuring the relevance and reliability of reporting information, interaction with the stakeholders, improvement of public reporting normative base, budgeting of public reporting system, as well as staff training in public reporting.

Statute about stakeholders' committee defines the parties' status, aims and objectives, functions and procedure for TVEL JSC Stakeholders' committee.

Stakeholders' committee was formed to address the following tasks:

- Assessment of the information relevance and completeness disclosed in public reporting for "Rosatom" State Atomic Energy Corporation;
- Making recommendations to improve the quality of public reporting;
- Participation in forming the agenda for "Rosatom" State Atomic Energy Corporation in sustainable development;
- Monitoring of "Rosatom" State Atomic Energy Corporation obligation performance to its stakeholders taken from the results of reporting campaigns;
- Discussion of the State Atomic Energy Corporation normative documents drafts for public reporting and making the recommendations for their improvement.

The Committee includes 22 representatives of various stakeholder groups. The Committee members are approved by the TVEL JSC President. In 2012 the Committee members will be specified.

Functional Responsibility Center

The functioning of the TVEL JSC public reporting system is based on the work of many departments. The main functions are distributed among the TVEL JSC Vice-President, TVEL JSC Public annual reporting Committee, Public relations management.

In 2011 in order to institutionalize the functional responsibility center, the members of Public Annual Reporting Committee were approved; the amendments to the Provision about Public Relations Management and job description of the employee and manager of the Public Relations Management were made. For the organization of the data collection process, the amendments to the Provision about the departments and job description of the employees responsible for the data collection were made.

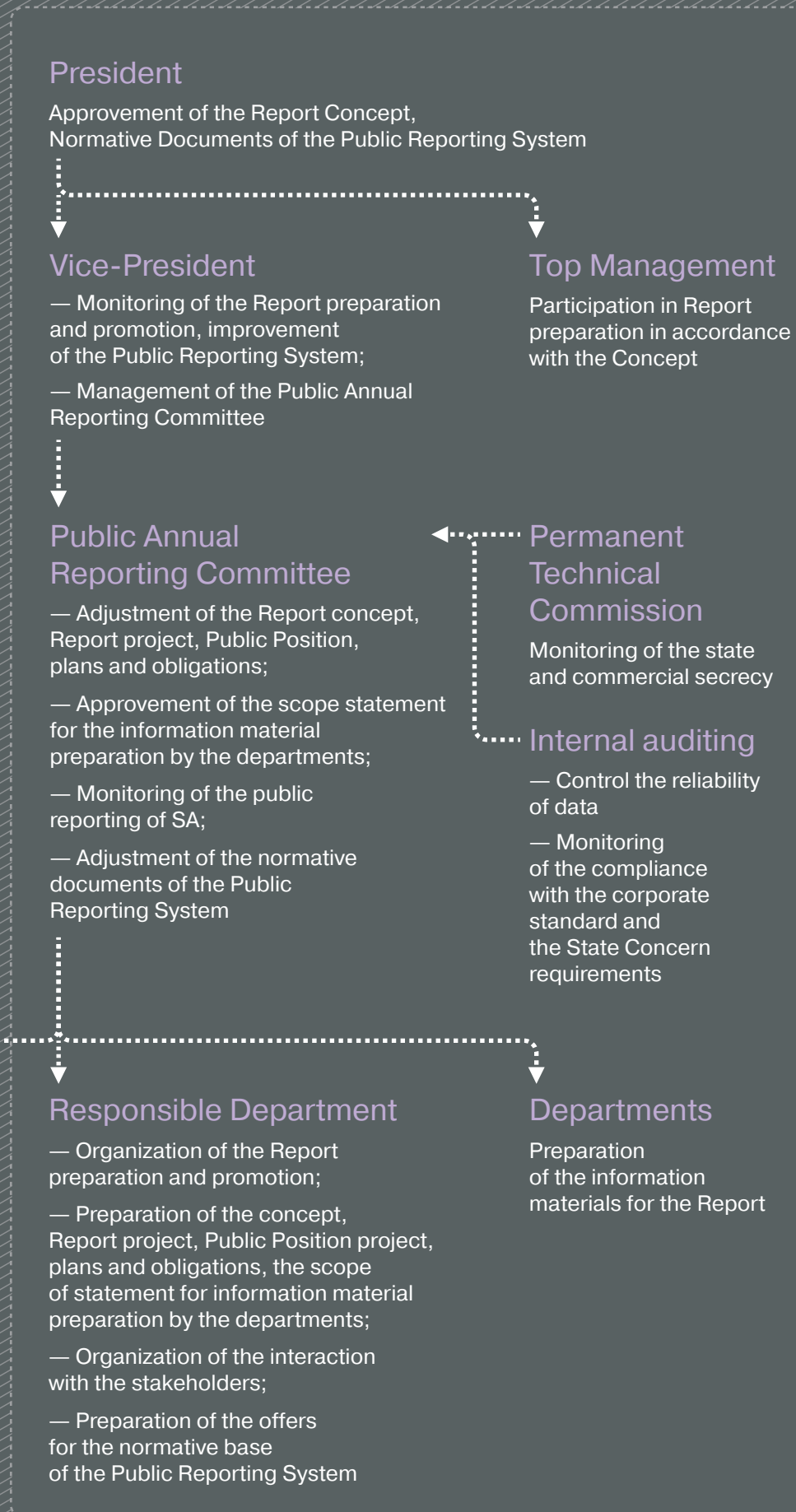
TVEL JSC Vice-President Sokolov K.K. is responsible for the TVEL JSC public annual reporting issue.

Plans for the improvement of the public reporting system

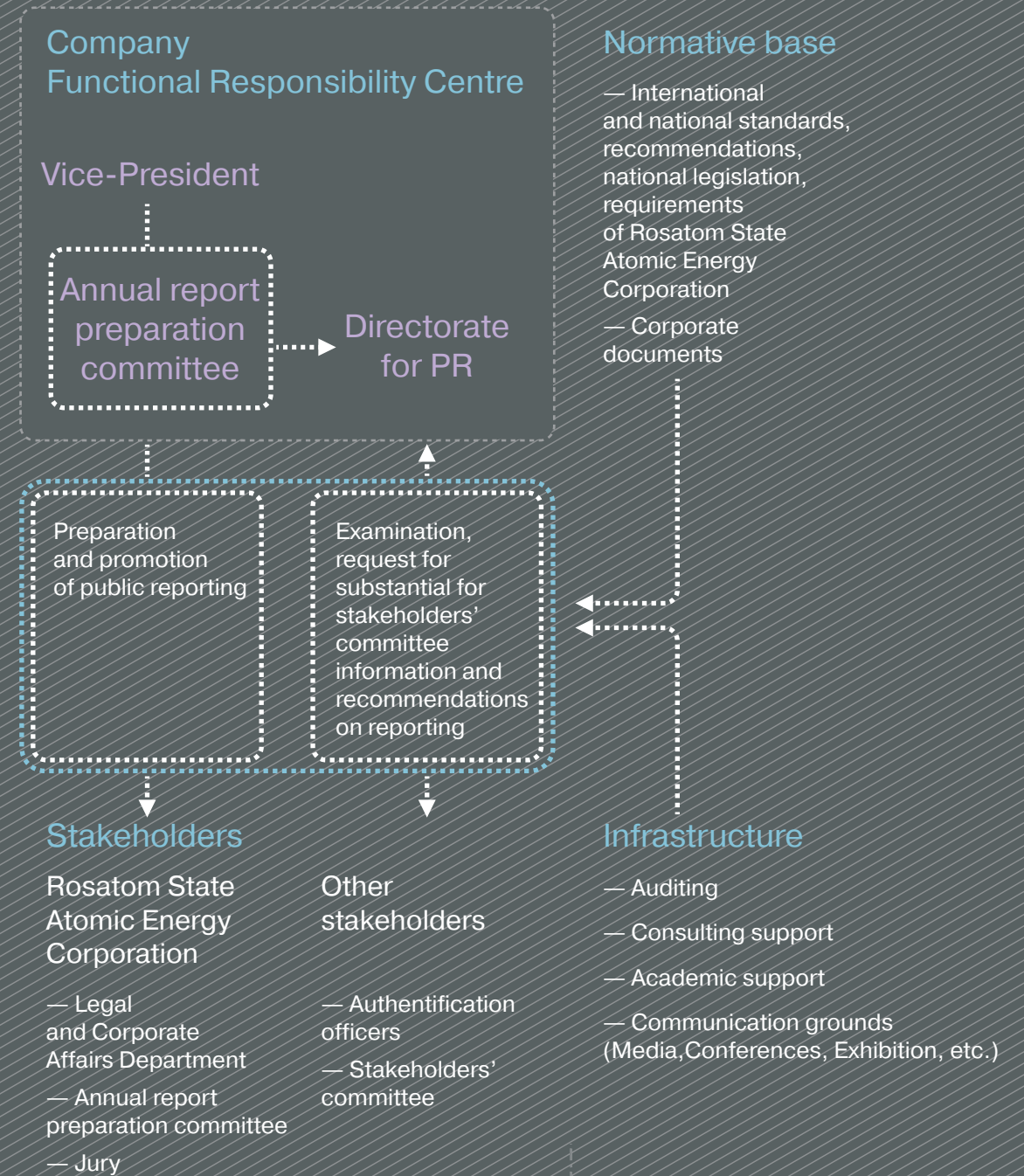
In 2012 it is planned to distribute the activities in the public annual reports preparation among the main enterprises of TVEL FC: SGChE JSC, CMP JSC, JSC UEIP, MSZ JSC, JSC "PA ECP", JSC NCCP.

Functional Responsibility Center scheme

PRS — public reporting system
 PAR — public annual reporting
 PP — public position
 PaO — plans and obligations
 SA — subsidiary and affiliate



Public reporting system scheme



12.2 Events for interaction with the stakeholders

In the TVEL JSC Report preparation the Standard of interaction with the stakeholders AA1000SES requiring to ensure the conformity of the published information to the stakeholders' needs was observed. To implement this principle the interaction with the Company's stakeholders within the process of Report preparation was organized. In particular, this year TVEL JSC held four dialogues devoted to the topics relevant for the Company's stakeholders.

Representatives of the "Rosatom" State Atomic Energy Corporation, industry-specific partner organizations (Techsnabeksport JSC, VNIINM JSC, NIAEP JSC, ARMZ JSC), affiliates, environmental, public and labour union organizations, HEIs, local government, media participate in the dialogues. The representatives of the organization of the nonfinancial auditor also took part in the dialogues.

Dialogue No. 1 "Concept of the TVEL FC Annual Report for 2011"

On January, 27 2012 the dialogue on the concept of the TVEL FC Annual Report for 2011 was held. In the course of the dialogue the stakeholders were presented the Report concept developed by the Company. After that the stakeholders were proposed to make recommendations on the priority topics of the Report and on the dialogue topics with the stakeholders.

This event allowed to refine and clarify the concept of the Report. In particular, recommendations of the stakeholders were taken into account when choosing the priority topics of the Report.

Dialogue No. 2 "Management of the environmental, social and economic impact on the business sites of the TVEL JSC enterprises"

On March, 16 2012 the dialogue on the issues of the environmental, social and economic impact on the business sites of TVEL JSC and management of this impact was held. A separate report from the representatives of the TVEL JSC top management was devoted to each aspect. In the course of the dialogue, the stakeholders were presented the ways of implementing the policies for the impact management, programs and events organized within these policies, TVEL FC contribution to the development of business activity territories. Special attention during the speeches was given to the restructuring of the TVEL FC enterprises and minimizing its negative effects.

As a result of the dialogue about 20 proposals from stakeholders' were collected for information disclosure in the Report 2011 on the issues of the environmental, social and economic impact on the business sites of TVEL JSC.

Dialogue No. 3 "Development of TVEL FC"

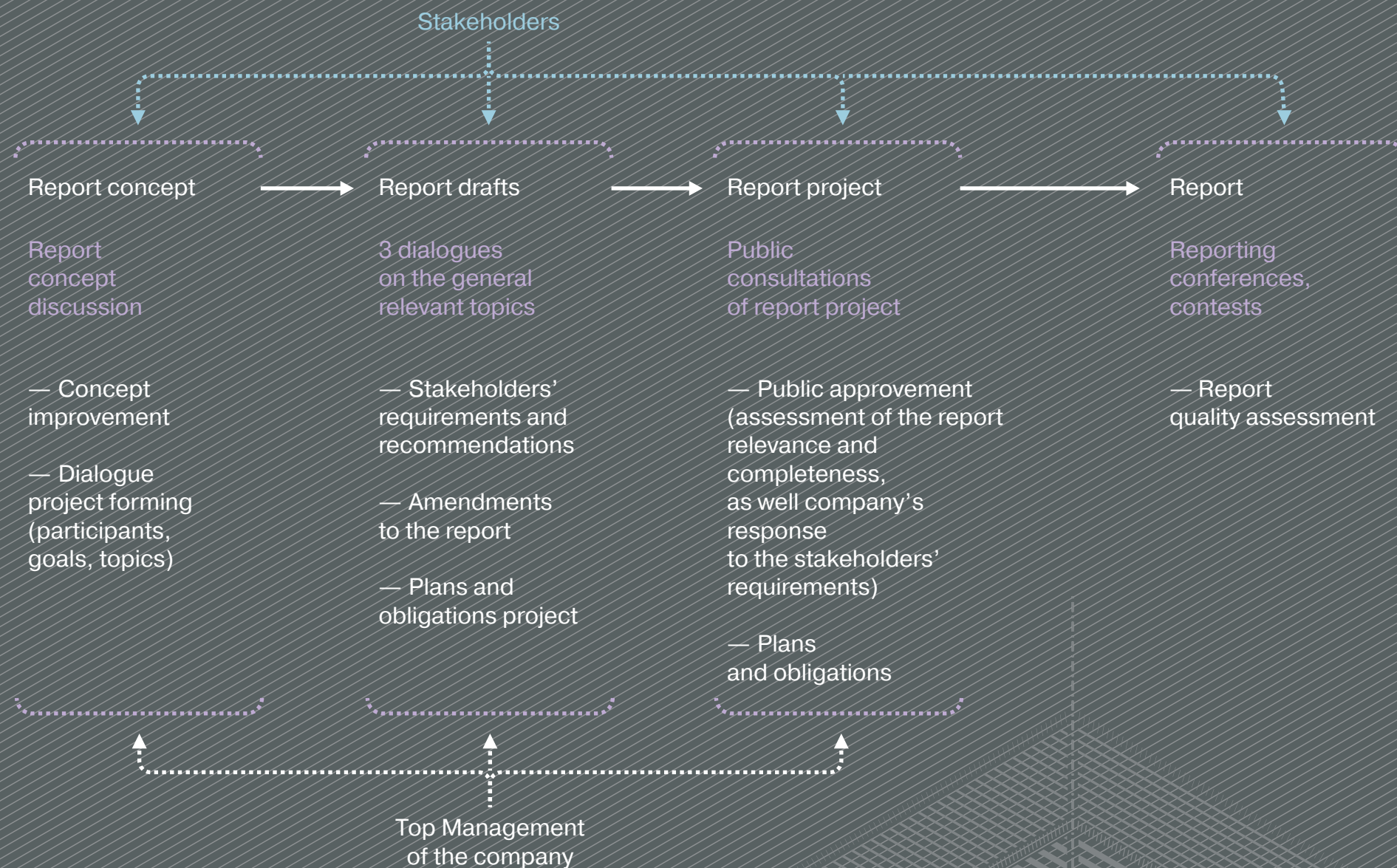
On March, 29 2012 the dialogue on the issues of the TVEL FC development was held. In the course of the dialogue, the stakeholders were presented the Company's development strategy till 2030, strategic initiatives aimed at achieving the objectives of the strategy, and current projects in the framework of these initiatives. Separate report was devoted to the formation of the second TVEL FC's business kernel providing the development of the Company's non-nuclear activity within the chemical, metallurgical and engineering clusters.

As a result of the dialogue about 10 proposals from the stakeholders were collected for information disclosure in the Report 2011 on the issues of the TVEL FC development.

Dialogue No. 4 "Disclosure of the TVEL FC business model"

On March, 29 2012 the dialogue on the issues of the TVEL FC business model disclosure in the Report was held. In the course of the dialogue, the stakeholders were presented the preliminary approach to the TVEL FC business model disclosure in the Report 2011. Participants of the dialogue have discussed the recommendations of the International Council for integrated reporting on the company's business model disclosure in the Report and gave their suggestions regarding the TVEL FC business model. As a result of the dialogue 10 proposal from the stakeholders on the given topic were collected.

Scheme of the Interaction with the stakeholders in the process of 2011 Report preparation



Public consultations on the annual report project

TVEL JSC Annual Report project 2011 prepared by taking into account the stakeholders' comments made in the course of the dialogues was presented during the Public consultations on April 25, 2011. The participants of the Public consultations were the representatives of the main Company's stakeholders from 22 organizations. On behalf of the Company, the performance results 2011 and the set aims were presented by S.A. Pavlov, Executive director of the TVEL JSC Organizational Development Management. During the TVEL JSC annual report project 2011 presentation the participants of the Public consultations were presented the Company's Plans and obligations project. As a result of the event the stakeholders have given significant recommendations for the Report text and interaction process improvement. All the suggestions were recorded.

Dialogues and public consultations protocols are available on the corporate web-site at www.tvel.ru.

12.3 Conclusion on the public Report certification

General information

TVEL JSC management (the main society of the FC "Rosatom" State Atomic Energy Corporation, hereinafter TVEL FC) suggested us to assess the annual report for 2011 (hereinafter Report) from the point of view of completeness and the relevance of the information disclosed in it, as well as to assess the TVEL JSC management activity in terms of response to recommendations and remarks of the stakeholders. In order to do this the Company gave us and our representatives the possibility to participate in the dialogues ("TVEL JSC Annual Report 2011 Concept", January, 27, 2012; "Management of the environmental, social and economic impact on the business sites of the TVEL JSC enterprises", March 16, 2012; "TVEL FC development", March 29, 2012) and in the Public consultations on the Report project (April 25, 2012) and freely express our views on the issues discussed.

Procedure of the Report assessment

Our conclusion is based on the study of the Project Report for Public consultations and the final Report as well as on the analysis of comments and answers to our questions that we have received from the management and the staff of TVEL FC in the course of dialogues and public consultations. We have also managed to assess the Company's response to the stakeholders' recommendations and remarks, which were expressed during Company's topical dialogues with the stakeholders.

During the assessment we had the following aim: to make the recommendations for the improvement of the future reports and the reporting in general. Verification of the presented in the Report evidential data is not the subject of the public reassurance, that is why we did not testified the relevance of the financial and non-financial indicators of the Company, that

are controlled by the independent auditors, the Company's Audit Commission, internal control and audit departments of the Company, tax authorities and other authorized organizations.

During the assessment we took into account the following criteria: Report orientation on the requirements of the selected standards and guidelines for the reporting in the sustainable development (GRI and AA1000SA); application of the main reporting principles: completeness and harmony of the information, conformity with context of sustainable development, response to the stakeholders' recommendations, relevance of the presented in the Report topics; credibility and consistency of the data presented in the main chapters of the Report.

The results of our work are finalized in the form of Conclusion about Public certification, where the opinions of our general consent are presented. Our own point of view is presented in the Conclusion. We express our opinions as individual members of society and not as representatives of organizations in which we are engaged. We did not receive compensation from the Company for the time spent on this job.

Assessment

Our Report assessment regarding its format and the amount of presented information is generally positive. Company's efforts in informing the public about its activity in sustainable development, which are expressed by the consistent increase of the included to the annual report non-financial reporting data, are approved. In order to improve the quality of reports, TVEL FC regularly organizes meetings with the stakeholders. This fact demonstrates the willingness to the open dialogue on the various aspects of their activity

and increases the Company's disclosure and the nuclear industry in general.

The apparent advantage of the report is the detailed description of the Company's management mechanisms in sustainable development. Special attention to the disclosure of the management of the environmental, social and economic impact on the business sites of the TVEL JSC enterprises was paid in connection with the selection of the appropriate priority topic in the Report.

In the second priority topic "TVEL FC development" the Company's detailed strategic initiatives necessary to achieve its strategic objectives and their realization during the reporting period are presented. In particular, it should be noted the initiative description on "The TVEL FC's second business kernel development". Thus, we can ascertain the completeness of information disclosure on the selected priority topics.

Another obvious advantage of the Report is the disclosure of all the main indicators of reporting in the sustainable development GRI (3.1), which also made it possible to expand the list of disclosed data that characterize the Company's environmental impact. It also made it possible for the first time to highlight the Company's activity aspects in the field of human rights and combating corruption.

Also, it should be noted that in the Report 2011 for the first time the TVEL FC business model is described in the separate section. This laid the foundation to the "business model" element development in accordance with the recommendations of International Council for integrated reporting.

Without diminishing the overall positive evaluation of the report, we advise the Company to pay attention

to a number of important aspects during the preparation of the next annual report. These proposals are presented below in the section "Recommendations".

Relevance of information

The report provides comprehensive information on the implementation of the TVEL FC strategies, innovative activity of the Company, its impact on the environment, society and the economy and management of this impact. Issues of the Company's socio-economic impact management, showed in the Report, is especially important in the view of the ongoing restructuring of the TVEL FC assets.

Most of the Report topics contribute to the continuation of the constant presentation of the information about the Company, started in previous reports. Continuity of the report content provides an understanding of the Company's activity to the reader.

Completeness of information

In our opinion, the information contained in the Report covers all the main aspects of the TVEL FC activity that provides an understanding of the current state and development prospects of the Company to the stakeholders. Further increase of the information amount seems inappropriate to us.

Harmony

We appreciate the achieved level of information harmony in the report 2011. Information on all key aspects of sustainable development, management approaches in this sphere, successful and problematic aspects of the Company's activity are adequately reflected in the Report. However, we believe that the Company needs to pay more attention to the effectiveness measures analysis to address the problems facing the company, both in ecological and socio-economic spheres.

Contribution of the stakeholders to the process of Report preparation

Interaction between the management of the Company and us, as representatives of interested parties, contributed to the growth of our involvement in the process of the Report preparation, which we believe have a positive impact on the quality of reporting information. We were given the opportunity to make comments and suggestions on the important aspects disclosure in the report in the form of the dialogue and in written form.

Company's response to the remarks and recommendations of the stakeholders

Company's Management responded to the remarks and questions of the stakeholders during the dialogue by giving answers to our questions and by adding the amendments and additional information to the final version of the Report 2011 according to our requirements. In particular, the Company completed the Report text with the following information:

- environmental impact control system, including the number of enterprise environmental services;
- TVEL FC contaminated territories that require rehabilitation in the future and rehabilitated areas in 2010 — 2011.;
- enterprise fines and payments for the impact on the environment;
- amount of waste by the class of the hazard;
- emissions of specific pollutants;

- the Company's second business kernel was added to the TVEL FC business model diagram;
- description of the social problems and challenges that the Company decided together with the local government in 2011;
- effectiveness of the main stage in the restructuring program "New Look", which ended in 2011;
- etc.

TVEL FC removed the inaccuracies in separate sections in the final version of the Report, to which the attention was paid during the consultations. Thus, during the Report final version 2011 preparation the Company's management has shown the ability to respond to the comments and suggestions of the stakeholders and to react constructively to the issues raised.

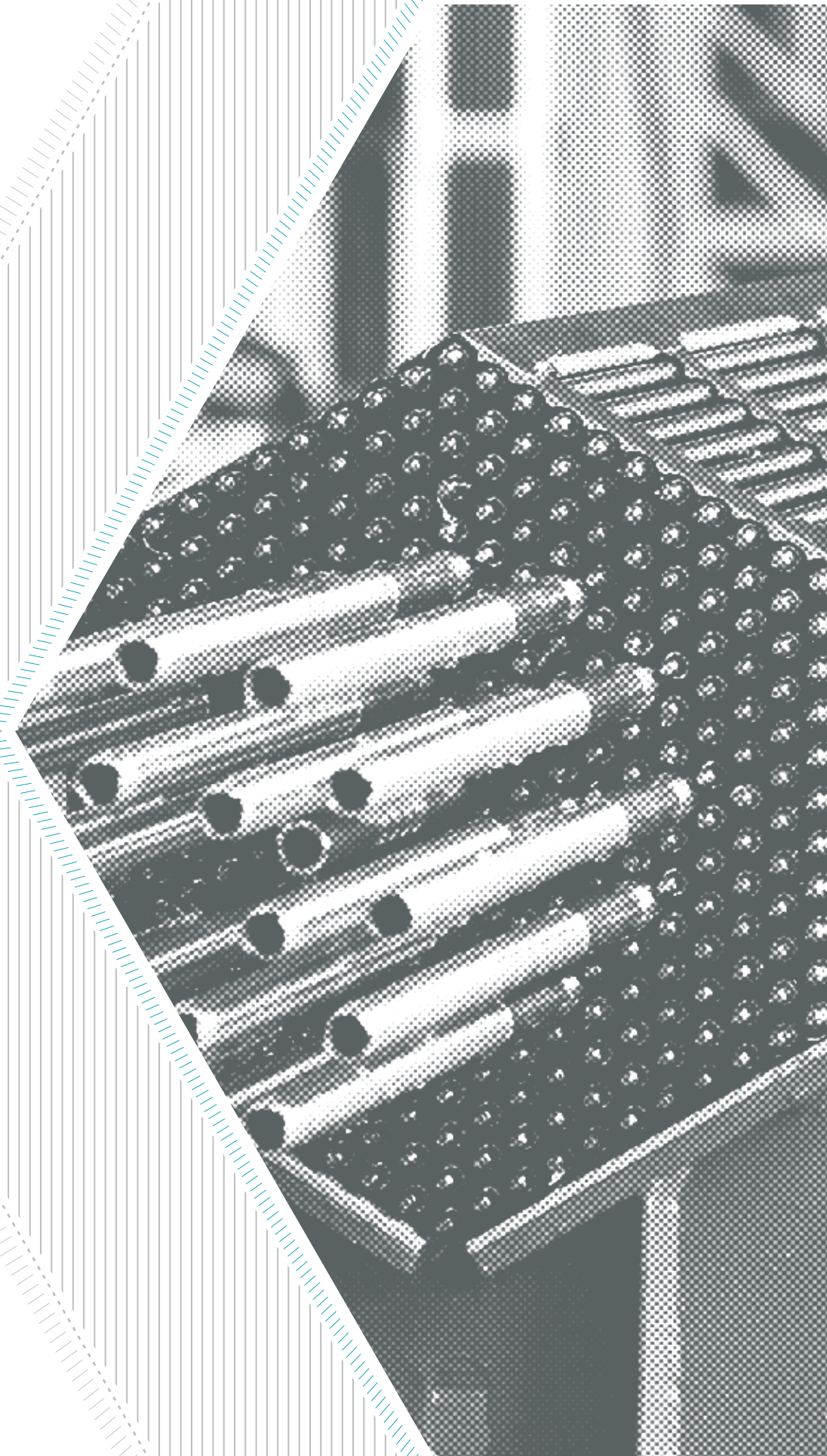
Recommendations

The Company should pay attention to the reflection of the following essential topics during the future report preparation:

- outcomes of the stakeholder interaction, including the Russian labour union of nuclear energy and industry and environmental organizations, as well as plans for future cooperation;
- system of social partnership;
- ensuring nuclear and radiation safety in enterprises and security of nuclear fuel;

- the number of jobs created;
- activities and programs within the interaction with the veterans;
- the Company's international activity;
- the consequences of the accident at the "Fukushima-1" nuclear power station in the context of the Company's activity;
- protected areas impacted by the Company's activity.

Our observations and recommendations do not diminish the advantages of the Report. We hope that TVEL JSC will consistently implement the plans and commitments for the sustainable development reflected in this report, and will develop the practice of stakeholder interaction.



TVEL JSC Annual Report 2011 authentication officers



Aleksandr Vanichkin,
Secretary of the Russian Trade Union of Nuclear Industry
and Power Generation Employees



Vadim Davidov,
Deputy Head of the Elektrostal city administration



Victor Kaurov,
Head of the Kovrov city administration



Andrey Kislov,
Head of the Federal Service for Environmental,
Technological and Nuclear Supervision

Nikolay Kuzelev,
Director of the Institute for Development of NRNU MEPhI



Oleg Linyaev,
Deputy Director of NFC Coordination
and Development Department of the NEC "Rosatom" State Atomic Energy Corporation



Aleksandr Makarenko,
Executive Director of the Closed Administrative-Territorial Entity for Nuclear Industry



Marina Medvedeva,
Head of children's environmental organization "Green Planet"



Olga Plyamina,
Executive Director of the International Environmental Organization "Greenlight"



Vladimir Ognev,
Chairman of the Interregional Public Movement
of Veterans of Nuclear Power and Industry



Andrey Khitrov,
Director General of the Union of Employers of the Nuclear Industry,
Power and Science of Russia





ADDITIONAL INFORMATION

Appendix 1.

Table recording the suggestions expressed in 2010 by the stakeholders regarding the the improvement of the Annual Report 2011

| | |
|---|--|
| To provide the number of environmental services of enterprises in the Report | 9.1. Management of the environmental impact on the territory of the TVEL FC presence |
| To provide the information regarding the cooperation with Closed administrative and territorial entity including the legislative initiatives of TVEL in this field, regarding the work tax revenues increase for the land management allocated to the local budgets | 10.1. Management of social and economic impact on the territory of presence; 10.2. Summary on reorganization of the enterprises owned by TVEL FC; 10.3. Payments to the budget |
| In order to show the effectiveness of staff reserve it is necessary to describe whether it is demanded including the number of reservists drawn | 11.1. Human resources management |
| To disclose Federal Target Program on Nuclear and Radiation Safety in the nonclassified part | 9.1. Management of the environmental impact on the territory of the TVEL FC presence» |
| To give the information about the arrangements between Tekhsnabexport JSC and TVEL FC, regarding the promotion of Russian nuclear products to the foreign markets | Chapter 4. Development strategy of TVEL FC |
| To provide the complete list of contaminated and polluted territories of Fuel Company, that require rehabilitation | 9.2. Indicators of environmental impact |
| It is necessary to provide plans for land rehabilitation in acreage and to compare the total area of polluted territories and the results of their rehabilitation for the reporting period | 9.2. Indicators of environmental impact; 9.1. Management of the environmental impact on the territory of presence of TVEL FC |

Appendix 2.

Table recording the suggestions expressed by the stakeholders regarding the improvement of the Annual Report 2011

| Nº | SUGGESTIONS BY THE STAKEHOLDERS | MEASURES | REFLECTION IN THE REPORT |
|----|---|----------|---|
| 1 | “Management of social, environmental and economic impact on the territory of presence of the Fuel Company enterprises” should be selected as the priority topic. The development of a socio-economic aspect of this topic is of prime importance in view of changes connected with the transfer of assets of the enterprises and the subsequent job cuts | 1 dialog | <i>Taken into account while choosing the priority topic.</i> 10.1. Management of social and economic impact on the territory of presence; 10.2. Results of reorganization of enterprises owned by TVEL FC |
| 2 | To specify the way, the results of the report year influence the effectiveness of business in the summary parts of sections on management, in particular human resources management and social and economic impact on the regions of presence | 2 dialog | <i>In progress</i> |
| 3 | To attempt to give qualitative (or even better quantitative) assessment of the overall (integrated, not for separate GRI aspects) input of TVEL FC into the sustainable development and evaluate the effectiveness of this input | 2 dialog | Methodology of the integrated assessment of input to the sustainable development made by TVEL FC is currently lacking. In the future, TVEL FC plans to develop its own approach to such an assessment and will discuss it with the interested parties |
| 4 | Not only the viewpoint of the Company regarding a certain issue, but also the viewpoint of those groups, persons, consumers, communities influenced by the activity of the Company in this filed should be also reflected in the Report. The comments of stakeholders, consumers, company’s interesants, etc. can be used for implementation of this suggestion | 2 dialog | 6.4. Quality control |

| Nº | SUGGESTIONS BY THE STAKEHOLDERS | MEASURES | REFLECTION IN THE REPORT |
|----|--|----------------------|---|
| 5 | To follow the principle of coherence the priority topic should be developed not only in the respective section but also in other sections; in particular while describing strategies and missions of the Company | 2 dialog | <i>Included</i> 4.1. Development strategy |
| 6 | While describing charitable activities of the Company it is necessary to disclose not only the financing of the programs, but also the very approach of the Company to charity | 2 dialog | <i>Partially included</i> 10.4. Charitable activity and external social programs support. This suggestion will be taken into account in the fuller extent while developing the Report for the next year |
| 7 | In the Section "Information about Report": <ul style="list-style-type: none"> ■ to add the context of occurrences at Fukushima; ■ to add the context of TVEL JSC participation in the project on integrated reporting development of International Integrated Reporting Council (IIRC); ■ to remove the subtitles "Key Topics of the Report" and "Normative Requirements"; ■ to add the table of self-declared claim of conformity with GRI level; ■ to restructure the paragraph "Disclosure" from the list format to the text format | Public consultations | <i>In progress</i> Information about the Report and its development Speech by the Chairman of the Board of Directors of TVEL JSC |
| 8 | To include the events, not the processes in the Key Events Schedule | Public consultations | <i>Included</i> Key Events Schedule for 2011 |
| 9 | To sort the list of suggestions of the interested parties. The table should contain the key sentences, and the statistics of what was implemented in 2011 and what will be implemented in 2012 should be given in the end of the Section | Public consultations | <i>Included</i> Appendix 2 |
| 10 | To point out the previous victories of TVEL JSC in the competitions of public annual reporting in the Report for the year 2011 | Public consultations | <i>In progress</i> 12.1 Reporting system |

| Nº | SUGGESTIONS BY THE STAKEHOLDERS | MEASURES | REFLECTION IN THE REPORT |
|--|--|----------------------|--|
| BY CONTROLLING AND SUPERVISORY ENTITIES | | | |
| 11 | To enhance the description of international activity. In particular, to spotlight the project of the plant for MOX-fuel | Public consultations | It was decided not to make the chapter about international activity, but to place the respective information in the following chapters: 2.1 Position on the world market 4 Strategy 5. Strategic initiatives implementation |
| BY LOCAL AUTHORITIES | | | |
| 12 | To report about those social problems and tasks, the Company solved in cooperation with local authorities in 2011 | 3 dialog | <i>Included</i> 10.1. Management of social and economic impact on the territory of presence; 10.3. Payments to budget |
| BY PUBLIC AND ENVIRONMENTAL ORGANIZATIONS | | | |
| 13 | To ensure that all residents of the region are supplied with the reporting information it is necessary to use the wide range of mass media: newspapers, local television, and the education system | 1 dialog | The suggestion will be included to the regulatory documents of the industry standard |
| 14 | To send presentation materials in advance, to improve the preparation of the participants to the event | 1 dialog | The suggestion will be included to the regulatory documents of the industry standard |
| 15 | The List of priority topics should be complemented with the topic of security in the broad sense of this word. The priority topic "Management of social, environmental and economic impact on the territory of presence of the Fuel Company enterprises" may be complemented with the following words "for the purpose of safety of the Fuel Company nuclear power facilities usage" | 1 dialog | The suggestion will be considered during the development of the Report for the next year |

| Nº | SUGGESTIONS BY THE STAKEHOLDERS | MEASURES | REFLECTION IN THE REPORT |
|----|---|----------|---|
| 16 | To explain in the Report the connection between the reported information about the growth of energy efficiency and the increased emissions | 2 dialog | <i>In progress</i> |
| 17 | To show fines and payments for environmental impact in the Report | 2 dialog | <i>Included</i> 9.2. Indicators of environmental impact |
| 18 | To show in the Report the breakdown of waste volumes, according to the classes of hazard in figures | 2 dialog | <i>Included</i> 9.2. Indicators of environmental impact |
| 19 | To present data on pollution and cleaning of the territories | 2 dialog | <i>Included</i> 9.3. Nuclear and Radiation Safety |
| 20 | To explain the sharp difference from the average indicator value, characterizing the volume of recycling water (very noticeable in 2008 in comparison to other periods) | 2 dialog | See TVEL JSC Annual Report for the year 2010 (6.3 Indicators of environmental impact) |
| 21 | For illustrative purposes, to choose zero instead of the step from 30 to 33 tons as the reference point in the bar diagram | 2 dialog | <i>In progress</i> |
| 22 | To show the volumes of specific polluting substances in addition to aggregate emissions in the Report | 2 dialog | <i>Included</i> 9.2. Indicators of environmental impact |
| 23 | To add the information about natural areas of special protection, affected by the Company's enterprises | 2 dialog | <i>It is planned to be included into the Report for the year 2013</i> |
| 24 | TVEL FC participation in conferences and meetings dedicated to environment protection should be more explicitly disclosed in the Report | 2 dialog | <i>It is planned to be included into the Report for the year 2013</i> |

| Nº | SUGGESTIONS BY THE STAKEHOLDERS | MEASURES | REFLECTION IN THE REPORT |
|----|---|----------------------|--|
| 25 | To verify the fact that ash-slag wastes has the fifth class of hazard (page 115): "The amount of waste of the fifth class of hazard directly depends on the duration of heating period and the fuels quality (such factors as sulfur and ash content) – mostly this is waste from burning coal (ash-slag wastes)" | Public consultations | Federal Waste Classification Catalogue is approved by the Order No.786 of the Ministry of Natural Resources of the Russian Federation dd. December 02, 2002. The above document contains the information regarding the main types of waste products with the classification of types and classes of hazard. In accordance to FWCC ash-slag wastes from coal burning are referred to the fifth class of hazard. Only ash-slag wastes from Berezovsk coal burning are referred to the 4th class of hazard. While determining the class of hazard of ash-slag wastes from coal burning at JSC SGChE Central Heating and Power Plant, the enterprise relied on FWCC and the results of biotesting, carried out additionally (carried out by the Centre of Laboratory Analysis and Technical Metrology in Kemerovo region). The enterprise uses Kuznetsk coal; ash-slag wastes from burning the abovementioned coal refer to the fifth class of hazard |
| 26 | To reflect not only the financial support but also the events and programs, carried out within the framework of work with veterans in the Section "TVEL FC Programs for Veterans Support" | Public consultations | <i>In progress</i> |
| 27 | To add the control element to the Section "Cooperation with environmental organizations". In particular, plans on cooperation with environmental organizations in 2012 | Public consultations | <i>In progress</i> |

| № | SUGGESTIONS BY THE STAKEHOLDERS | MEASURES | REFLECTION IN THE REPORT |
|----|--|----------|---|
| | BY TRADE UNION COMMITTEE AND INDUSTRY ORGANIZATIONS | | |
| 28 | To choose the topic "Management of social, environmental and economic impact on the territory of the Fuel Company enterprises presence" as the priority topic of the Report as the activity of every responsible company should be first and foremost measured by the benefits it brings to the society. This first of all relates to the enterprises carrying out such specific type of production activity as TVEL JSC | 1 dialog | Taken into account while choosing the priority topic |
| 29 | To focus on quantitative indicators (in "unit terms"), not on the indicators expressed in terms of value. For example: the number of socially relevant objects created with TVEL JSC participation; the number of created workplaces, etc. | 1 dialog | <i>Included</i> 10.2. Results of reorganization of enterprises owned by TVEL FC |
| 30 | To have a dialog in one of the regions of presence of TVEL Fuel Company, in particular in Seversk, where, on the one hand, the processes of JSC SGChE reorganization is taking place and, on the other hand, plans regarding new production and innovation projects are made. Date of the dialog should be moved to the beginning of April for the town to have time for preparation | 1 dialog | <i>The suggestion will be considered during the development of the Report for the next year</i> |
| 31 | To create a centralized management structure for the veterans councils in order to provide assistance in organization of local councils operation. This will help to create a favorable social climate within the company and among veterans | 1 dialog | <i>The suggestion is considered in order to be included to the plans and commitments</i> |
| 32 | To try to reflect in the Report the reaction of consumers of social "care", rendered to the presence territory population by the Company | 2 dialog | <i>In progress</i> |
| 33 | To reflect the activities regarding the arrangement of cooperation with veteran's organizations under the industry corporative program of veteran social support | 2 dialog | <i>In progress</i> |

| № | SUGGESTIONS BY THE STAKEHOLDERS | MEASURES | REFLECTION IN THE REPORT |
|----|--|----------------------|--|
| 34 | To arrange the activities on the creation of expert association consisting of TVEL FC not working veterans who do not work anymore, but possesses unique knowledge | 2 dialog | <i>In progress</i> |
| 35 | To disclose the information about the disposal of historical nuclear heritage in the Report | 3 dialog | <i>Included</i> 9.1. Management of the environmental impact on the territory of the TVEL FC presence 9.2. Indicators of environmental impact |
| 36 | To disclose the topic of social partnership in the Report. In particular, the relationship between the Association of Branch Trade Union Organizations and the TVEL FC senior management | 3 dialog | <i>Included</i> 10.1. Management of social and economic impact on the territory of presence |
| 37 | To systemize the presentation of social partnership system in the Report | Public consultations | <i>In progress</i> |
| 38 | The indicated salary is lower than the average industrial one. To give the comment that the salary at the enterprises of the main core is higher | Public consultations | <i>In progress</i> |
| 39 | Labor productivity, indicated for each company, is less than the aggregate figure for all the enterprises of TVEL FC. To make the comment | Public consultations | <i>In progress</i> |
| 40 | To show the number of workplaces created by TVEL FC | Public consultations | <i>In progress</i> |
| | BY INDUSTRY PARTNERS | | |
| 41 | To describe the efficiency of the first stage of reorganization program "New Image" finished in 2011 | 1 dialog | <i>Included</i> 7.4. Productive-economic results; 10.2. Results of reorganization of enterprises owned by TVEL FC |
| 42 | To provide the precise definition of "fuel division" as the notion is not institutionalized in the industry | 1 dialog | <i>In progress</i> |

| Nº | SUGGESTIONS BY THE STAKEHOLDERS | MEASURES | REFLECTION IN THE REPORT |
|---------------------------------|---|----------------------|---|
| 43 | To make the full list of abbreviations used in the Report | 1 dialog | <i>In progress</i> |
| 44 | Taking into account the fact that there exists a serious requirement regarding the environmental issue by European companies, it is necessary to give more specifics in the environment protection field, concerning enrichment plants that cooperate with Tekhsnabeksport JSC | 2 dialog | <i>Included</i> 9.1. Management of the environmental impact on the territory of the TVEL FC presence 9.2. Indicators of environmental impact |
| 45 | While describing the TVEL FC business model it is not enough to rely on the process flow. This will not allow making the business model unique and distinct. One cannot rely on the most significant single factor while establishing a business model. It is needed to present the smallest factors in order to make it unique | 4 dialog | Methods of business model description are not currently available. In the future, the TVEL FC plans to develop its approach to the business model description and will discuss it with the interested parties |
| 46 | The Report does not show the indicators of fuel safety and quality. Please add the information about fuel safety | Public consultations | The indicators of fuel safety and quality are standard and are specified in the Russian legislation. Fuel produced by TVEL FC complies fully to the specified requirements. We consider unreasonable to disclose this topic in greater detail |
| FROM EXPERT ASSOCIATIONS | | | |
| 47 | To reflect in the Report the information, regarding implementation of Development Strategy "Fuel Division" by 2030 during the reporting period, including the information regarding development of the second business-core | 3 dialog | <i>Included</i> Chapter 5. Implementation of the TVEL FC strategic initiatives; 8.3. Innovative activities in the non-nuclear field |
| 48 | To include the second business-core of the Company to the business model diagram in addition to the primary production | 4 dialog | <i>Included</i> Chapter 3. The TVEL FC business model |

| Nº | SUGGESTIONS BY THE STAKEHOLDERS | MEASURES | REFLECTION IN THE REPORT |
|--|---|----------------------|--|
| 49 | To add the administrative center to the business model diagram. This will help to explain how the elements of the model agree with each other | 4 dialog | Chapter 3. The TVEL FC business model |
| 50 | To add the TVEL FC strategy block to the business model diagram as far as these two elements are closely related | 4 dialog | <i>Included</i> Chapter 3. The TVEL FC business model |
| 51 | Taking into account the fact that IIRC understands the company's value not only in terms of money but also as its value, the output from the personnel sphere and other outputs should be added to the resource output in the form of main product | 4 dialog | The suggestion will be considered during the development of the Report for the year 2012 |
| FROM RESEARCH AND EDUCATION CENTERS | | | |
| 52 | To reflect the leadership of TVEL FC in the field of nuclear fuel production on the world market | 1 dialog | <i>Included</i> 2.3. Position on the world market; Chapter 4. Development strategy for TVEL FC |
| 53 | To emphasize the key indicators from the whole list of indicators and describe them to the fullest extent. The key indicators should be selected in accordance with the specificity of the TVEL FC activity | 1 dialog | <i>Included</i> Key performance indicators |
| 54 | To choose the topic "Fuel Company "Rosatom" State Atomic Energy Corporation" formation on the basis of TVEL JSC" as the priority topic inasmuch the partners in the broad sense of the word and the competitors should be clearly shown what the fuel company is and what its fundamental distinctions and advantages are | 1 dialog | <i>Included</i> Chapter 4. Development strategy for TVEL FC |
| 55 | To create the Section dedicated to Research and Advanced Development. The section should contain the results of research scientific work including intellectual property in the form of patents and know-how | Public consultations | <i>In progress</i> |

| Nº | SUGGESTIONS BY THE STAKEHOLDERS | MEASURES | REFLECTION IN THE REPORT |
|-------------------|---|----------------------|--|
| 56 | To show the indicators given in the Key Performance Indicators List of the approved Program for innovative development and technologic modernization of "Rosatom" State Atomic Energy Corporation for the period up to 2020 (in the public part), "Share of R&D financing in Institutions of Higher Education of the total amount spent on R&D financing" | Public consultations | <i>In progress</i> |
| MASS MEDIA | | | |
| 57 | To provide more detailed information on key forecasts and indicators in the Report. In particular, things that form the basis for these forecasts | 3 dialog | The suggestion will be considered during the development of the Report for the year 2012 |
| 58 | To increase the number of cross references in the Report | 4 dialog | <i>In progress</i> |

Appendix 3.

Report on implementation of plans and commitments regarding sustainable development issues adopted for 2011-2012

| Nº | 1. RESPONSIBILITY FOR THE RADIATION "HERITAGE" AND ECOLOGICAL SAFETY OF PRODUCTION | |
|----------------------------------|--|---|
| 1.1 | By the end of July 2011, the Company will post the reports on environmental safety of environmentally significant enterprises (MSZ JSC, JSC NCCP, CMP JSC, JSC "PA ECP", AECC JSC, JSC UEIP, SGChE JSC) on the corporate internet-site. The reports reflect environmental policy and environmental measures implementation plan completion. | The reports on environmental safety are placed on the website of "Rosatom" Public Council |
| 1.2 | By the end of 2011, the Company will carry out the analysis of international practice in the field of greenhouse gas emissions accounting and will consider the possibility of its use by the TVEL FC enterprises | The analysis of international practice in the field of greenhouse gas emissions accounting was carried out by the respective department of TVEL JSC |
| 2. RESPONSIBILITIES TO PERSONNEL | | |
| 2.1 | By the end of 2011, the Company will conclude the agreement on target personnel training with specialized Institutions of higher education, including NRNU MEPhI | The agreement on cooperation in the field of education, science and personnel training was concluded between MSZ JSC and NRNU MEPhI; The agreement on cooperation in the field of education, science and personnel training between the TVEL FC and NRNU MEPhI is currently on approval |
| 2.2 | By the end of 2011, the Company will develop the Plan of target employment of Universities' graduates till 2015 and post the relevant information on the Internet-site | The plan has been developed. The information is presented in Section 11.1 Human Resources Management |

| 1. RESPONSIBILITY FOR THE RADIATION "HERITAGE" AND ECOLOGICAL SAFETY OF PRODUCTION | | |
|---|--|---|
| 2.3 | By the end of 2011 , the Company will approve the personnel policy in the field of RPS ("Rosatom" Production System) development. The information will be presented in the Annual Report for 2011 | At present the Concept of this personnel policy is being formed |
| 3. RESPONSIBILITY FOR ENSURING THE ELIGIBILITY OF THE COMPANY'S REORGANIZATION | | |
| 3.1 | By the end of 2011 , the Company will develop the Program of workplaces creation in the regions of presence of the Fuel Company enterprises, the reorganization of which bear the greatest impact on the local social and economic environment, and will post it on the corporate website | <i>In progress</i> |
| 3.2 | By the end of September 2011 , the Company will calculate the economic impact of reorganization on the local territories, including tax revenues of local and regional budgets, and post the results on the corporate website | Information on tax deductions is provided in the financial chapter of the website |
| 4. RESPONSIBILITY FOR THE SOCIAL AND CULTURAL ENVIRONMENT AND THE INFRASTRUCTURE DEVELOPMENT IN THE REGIONS OF PRESENCE | | |
| 4.1 | By the end of 2011 , the Company will create the consolidated plan of measures and projects on the development of social and economic environment of the regions of presence and create the updateable chapter reporting on the plan implementation on the corporate website | <i>In progress</i> |
| 4.2 | By the end of 2011 , the Company will form the principles of interaction with the interested parties, regarding the social and cultural environment and the infrastructure development in the regions of presence under the unified regional policy of "Rosatom" State Atomic Energy Corporation and post them on the corporate website | <i>In progress</i> |

| 1. RESPONSIBILITY FOR THE RADIATION "HERITAGE" AND ECOLOGICAL SAFETY OF PRODUCTION | | |
|---|---|---|
| 5. RESPONSIBILITY FOR INNOVATIVE DEVELOPMENT AND QUALITY CONTROL OF THE FUEL PRODUCTS | | |
| 5.1 | By the end of 2011 , TVEL FC together with the Federal State Unitary Enterprise "Atomflot" will arrange and hold the joint meeting on the issues of development of new nuclear fuel types and its quality within the visit to the icebreaking fleet ship at the invitation of the Federal State Unitary Enterprise "Atomflot" | <i>In progress</i> |
| 5.2 | By the end of 2011 , TVEL FC will develop the R&D plan for 2012 on improving the fuel products and will submit it for consideration and approval by the interested parties at the scientific and technical Council of TVEL FC. Information on R&D plan implementation will be presented in the annual Report for 2011 | Principal trends of R&D plan on improving the characteristics of nuclear fuel are provided in Section 8.2. Innovative activities in the nuclear field |
| 6. RESPONSIBILITY FOR THE RELIABILITY OF FUEL SUPPLY | | |
| 6.1 | In 2011 the Company will continue the policy of strict compliance with its contractual obligations to supply nuclear fuel. Before the end of the 1st quarter of 2012, the Company will make the assessment of customer's satisfaction in 2012, and present the results in consolidated form in the annual Report of the Company for the year 2012 | Results of customer's satisfaction assessment are presented in Section 6.4. Quality control |
| 7. RESPONSIBILITY FOR THE COMPANY'S STRATEGY IMPLEMENTATION | | |
| 7.1 | By the end 2011 , TVEL FC (hereinafter "the Company") will define the risks of strategic projects implementation taking into account the sustainable development issues (including the risks connected with the implementation of the project of the TVEL FC enterprises reorganization). Information on the risks will be presented in the Company's Annual Report for 2011 | Information is provided in Section 6.5.2. Basic risks of strategy implementation and approach to their minimization |

| № | 1. RESPONSIBILITY FOR THE RADIATION “HERITAGE” AND ECOLOGICAL SAFETY OF PRODUCTION | |
|-----------------------------------|--|--|
| 8. ASSURANCE OF DISCLOSURE | | |
| 8.1 | In 2012 , the Company will continue to use the international reporting recommendations and standards in the field of sustainable development (GRI, AA1000) during the preparation of the public annual Report. The company seeks to increase the level of compliance of the future annual Reports to the level A + (GRI) | In 2012 the Company started the development of the public annual Report for 2011 in accordance with the concept focused on reaching the GRIA+ level of disclosure |
| 8.2 | In the 3rd quarter of 2011 , the Company will develop the project of public reporting indicators system and will held its public discussion with the interested parties. | Correspondence consultations with the interested parties on the subject: “The TVEL JSC public reporting system improvement” took place in the period from July 22 to July 29, 2011. Collection of the suggestions concerning the development of the normative base of the Company’s public reporting system and the improvement of figures and indicators system |
| 8.3 | By the end of June 2011 , the Company will post plans of stakeholders’ interaction for 2011-2012 on the corporate Internet-site | The relevant information has been posted on the corporate website |
| 8.4 | Within two months upon the publication of the Report for 2011 , the Company will issue the decree on organization of fulfillment monitoring of plans and commitments recorded in this Report and ensure the publication of information on the progress of the Company’s plans and commitments implementation (quarterly) on the corporate Internet-site | The Company assigned the responsibilities for fulfillment monitoring of plans and commitments to the interested parties to the members of public annual reporting Committee of TVEL JSC. Information about the key results of work is regularly published on the corporate Internet-site |
| 8.5 | By the end of 2011 , the Company will set forth the principles of relationships with the interested parties after enterprises reorganization and publish them in the Annual Report for 2011 | <i>In progress</i> |

Appendix 4.

Plans and commitments of TVEL FC egarding sustainable development

1. Social domain

1.1. To consider the development of the system of cooperation and support for veterans within TVEL FC managed from a single center till the end of 2012.

1.2. To arrange work on the creation of expert association consisting of TVEL FC veterans who do not work anymore, however, possess unique knowledge and are able to contribute to the Company’s development till the end of 2012.

1.3. The Company will approve the personnel policy in the field of RPS (“Rosatom” Production System) development by the end of 2012. The information will be provided in the Annual Report for 2012. (Outstanding commitment).

2. Environmental domain

2.1. Efficiency assessment of environmental management system of environmentally significant enterprises that are the part of the TVEL FC management framework will be carried out till the end of 2013.

2.2. To carry out the assessment, with the reporting depth of 10 years, of environmental impact of environmentally significant enterprises that are the part of the TVEL FC management framework till the end of 2012.

2.3. To develop the accounting system for greenhouse gas emissions by the enterprises of TVEL FC till the end of 2013, and to conduct a constant monitoring.

3. Economic domain

3.1. Till the end of 2012 the Company will develop and publish on the corporate website the Program of job creation in the regions of presence of the TVEL FC enterprises, the reorganization of which will bear the greatest impact on the local social and economic environment. (Outstanding commitment).

3.2. In 2012 the Company will continue the policy of strict compliance with its contractual obligations to supply nuclear fuel. Before the end of the 1st quarter of 2013, the Company will make the assessment of customer’s satisfaction in 2012, and present the results in consolidated form in the annual Report of the Company for the year 2012

4. Innovative development

4.1. Till the end of 2012 TVEL FC will prepare the R&D plan for 2013 aimed at the improvement of fuel products and will submit it for review and approval to the interested parties at the scientific and technical Council of TVEL FC. Information on the implementation of R&D plan in 2012 will be presented in the annual Report for the year 2012.

5. Disclosure

5.1. In 2013, the Company will continue to use the international reporting recommendations and standards in the field of sustainable development (GRI, AA1000) during the preparation of the public annual Report. The company seeks to maintain the highest level (A+, GRI) of compliance of the future annual Reports to GRI Guidelines.

5.2. To afforce the TVEL FC Committee of the stakeholders by means of involving more representatives of public organizations by the end of 2012.

5.3. To create the chapter on the website dedicated to interaction with the interested parties by the end of 2012.

5.4. Within two months upon the publication of the Report for 2012, the Company will issue the decree on organization of fulfillment monitoring of plans and commitments recorded in this Report.

Appendix 5.

List of regulatory legal acts regulating the activity of TVEL JSC and its subsidiaries and affiliates

The main regulatory legal acts regarding the activity of TVEL JSC and its subsidiaries and affiliates are the following:

Federal Laws

1. Federal Law No. 170-FZ "On Nuclear Energy Use" dd. November 21, 1995

2. Federal Law No. 317-FZ "On "Rosatom" State Atomic Energy Corporation" dd. December 01, 2007

3. Federal Law No. 13-FZ "On the peculiarities of management and disposition of assets and shares of organizations operating in the field of nuclear energy use, and on amendment of certain legislative acts of Russian Federation" dd. February 05, 2007

4. Federal Law No. 57-FZ "On the procedure of effectuation of foreign investments in economic companies, having the strategic importance for National Defense and State Security" dd. April 29, 2008

5. Federal Law No. 68-FZ "On population and territory protection from natural and man-made emergency situations" dd. December 21, 1994

6. Federal Law No. 190-FZ "On radioactive waste management and on amendment of certain legislative acts of Russian Federation" dd. July 11, 2011

7. Federal Law No. 152-FZ "On Personal Data" dd. July 27, 2006

8. Federal Law No. 39-FZ "On Securities Market" dd. April 22, 1996

9. Federal Law No. 208-FZ "On Joint-Stock Companies" dd. December 26, 1995

10. Federal Law No. 135-FZ "On Competition Protection" dd. July 26, 2006

11. Federal Law No. 183-FZ "On Export Control" dd. July 18, 1999

12. Russian Federation Law N 5485-1 "Concerning State Secrets" dd. July 21, 1993

13. Federal Law N 35-FZ "Discipline rules for the personnel of organizations operating highly radiation-hazardous and nuclear-hazardous productions and facilities in the field of nuclear energy use" dd. March 08, 2011

14. Russian Federation Law N 3297-1 "On Restricted Administrative and Territorial Entity" dd. July 14, 1992

15. Federal Law N 347-FZ “On amendment of certain legislative acts of Russian Federation for the purpose of safety regulation in the field of nuclear energy use” dd. November 30, 2011

Government Regulations

1. Russian Federation Government Regulation N 865 “On approval of the Regulation on licensing of the activities in the field of nuclear energy use” dd. July 14, 2007

2. Russian Federation Government Regulation No. 352 “On approval of the Regulation on the system of governmental accounting and control of nuclear material” dd. May 06, 2008

3. Russian Federation Government Regulation No. 794 “On the unified state system of emergency prevention and management” dd. December 30, 2003

4. Russian Federation Government Regulation No. 63 “On approval of the Instruction for the procedure of access of the officials and citizens of Russian Federation to the secretes of State” dd. February 06, 2010

The Russian Federation Presidential Decrees

The Russian Federation Presidential Decree N 556 “On reorganization of nuclear energy industrial complex of Russian Federation” dd. April 27, 2007

Appendix 6.

Report on performance of provisions of the Code of corporate governance

| PROVISION OF THE CODE OF CORPORATE GOVERNANCE | OBSERVED OR NOT OBSERVED |
|--|---|
| GENERAL MEETING OF SHAREHOLDERS | |
| Notification of shareholders of holding of a general meeting at least 30 days before the date of its holding despite the issues in its agenda, if the legislation does not stipulate a longer term | Not used, as the Company has the sole shareholder |

| PROVISION OF THE CODE OF CORPORATE GOVERNANCE | OBSERVED OR NOT OBSERVED |
|---|---|
| Availability to the shareholders of a possibility to study the list of persons entitled to participate in the general meeting of shareholders, starting from the day of notification on its holding and up to the ending of such meeting in person, and in case of an extra-mural general meeting of shareholders – up to the date of termination of voting bulletins acceptance term | Not used, as the Company has the sole shareholder |
| Availability to the shareholders of a possibility to study the information (materials) subject to presentation in the process of preparation of the general meeting of shareholders, using electronic means of communications, including the Internet | Observed |
| Availability to a shareholders of a possibility to introduce an issue to the agenda of a general meeting of shareholders or demand convocation of a general meeting of shareholders without presentation of an extract from the register of shareholders, in case registration of his rights to the shares is performed in the system of keeping of the register of shareholders, and if his rights to the shares are accounted at the deposit account - an extract from the deposit account for exercising of the mentioned rights | Not used, as the Company has the sole shareholder |
| Availability in the Articles or internal documents of the joint-stock company of a requirement on compulsory attendance of a general meeting of shareholders by the general director, members of the executive board, board directors, members of the Internal Audit Commission and auditor of the joint-stock company | Not used, as the Company has the sole shareholder |

| PROVISION OF THE CODE OF CORPORATE GOVERNANCE | OBSERVED OR NOT OBSERVED |
|---|---|
| Compulsory attendance by candidates during consideration at a general meeting of shareholders of issues on election of the board directors, the general director, members of the board, members of the Internal Audit Commission and approval of the auditor of the joint-stock company | Not used, as the Company has the sole shareholder |
| Availability in the internal documents of the joint-stock company of a procedure of registration of members of the general meeting of shareholders | Not used, as the Company has the sole shareholder |
| THE BOARD OF DIRECTORS | |
| Availability in the Articles of the joint-stock company of a power of the board of directors on annual approval of the financial and economic plan of the joint-stock company | Observed |
| Availability of the approved by the board of directors procedure of risk management in the joint-stock company | Observed |
| Availability in the Articles of the joint-stock company of the board of directors right to make a decision on suspension of powers of the general director, appointed by the general meeting of shareholders | Observed |
| Availability in the Articles of the joint-stock company of the board of directors right to establish requirements to qualification and amount of remuneration of the general manager, members of the board, managers of the main structural divisions of the joint-stock company | Observed |
| Availability in the Articles of the joint-stock company of the board of directors right to approve conditions of contracts with the general director and members of the executive board | Observed |

| PROVISION OF THE CODE OF CORPORATE GOVERNANCE | OBSERVED OR NOT OBSERVED |
|--|---|
| Availability in the Articles or internal documents of the joint-stock company of a requirement that in the processes of approval of conditions of contracts with the general director (managing organization, manager) and members of the executive board the votes of those members of the board of directors, who are the general director and members of the board, are not taken into account | Observed |
| Presence in the board of directors of the joint stock company of not less than 3 independent directors, who meet the requirements of the Code of corporate governance | Observed |
| Absence in the board of Director of the joint-stock company of persons who have been found guilty in commission of crime in the field of economic activities or crimes against state power, interests of state service and service in bodies of local government administration, or those against whom administrative penalties have been enforced for malefactions in the field of entrepreneurship or in the field of finance, taxation or securities market | Observed |
| Absence in the board of Director of the joint-stock company of persons who are participants, general director (managers), member of a management board or an employee of a legal entity, which is a competitor to the joint-stock company | Observed |
| Availability in the Articles of the joint-stock company of a requirement on election of the board of directors with the help of cumulative voting | Not used, as the Company has the only shareholder |

| PROVISION OF THE CODE OF CORPORATE GOVERNANCE | OBSERVED OR NOT OBSERVED |
|---|--------------------------|
| Availability in the internal documents of the joint-stock company of an obligation of members of the board of directors to refrain from those actions which may result in a conflict between their interests and the interests of the joint-stock company, and in case of such a conflict – an obligation to disclose to the board of director information on such conflict | Observed |
| Availability in the internal documents of the joint-stock company of an obligation of members of the board of directors to inform the board of the directors in writing on their intention to close a transaction with securities of the joint-stock company to which they are members of the board of directors, or its affiliated (dependant) companies, as well as to disclose information on their closed transactions with such securities | Observed |
| Availability in the internal documents of the joint-stock company of a requirement on holding of meeting of the board of directors at least once in six weeks | Observed |
| Holding of the joint-stock company's board of directors meetings throughout the year for which the annual statement of the joint-stock company is made with the periodicity of at least once in six weeks | Observed |
| Availability in the internal documents of the joint-stock company of the manner of holding of meeting of the board of directors | Observed |
| Availability in the internal documents of the joint-stock company of a provision on necessity of approval by the board of directors of transactions of the joint-stock company for the amount exceeding 10 percent of the amount of the company's assets, except for transactions, closed in the process of normal economic activities | Observed |

| PROVISION OF THE CODE OF CORPORATE GOVERNANCE | OBSERVED OR NOT OBSERVED |
|---|--|
| Availability in the internal documents of the joint-stock company of a right of members of the board of directors to receive from executive bodies and the managers of the main organisation departments of the joint stock company of information, necessary for performance of their functions, as well as responsibility for non-provision of such information | Observed |
| Availability of a committee of the board of directors for strategic planning or assigning of functions of said committee to another committee (except for the committee for audit and committee for human resources and remunerations) | The functions of the sole shareholder of TVEL JSC performs "Rosatom" State Atomic Energy Corporation, the Professional composition of the board of directors is formed by the sole shareholder with the account of his capability of dealing with the tasks assigned to him. The board of directors in general consists of external directors, who are not employees of the Company, professionals widely experienced in the field and deeply understanding the specific nature of the nuclear industry and the Company's activities. The functions of the board of directors committee are performed by specialized functional departments of "Rosatom" State Atomic Energy Corporation |
| Availability of a committee of the board of directors (committee for audit) which recommends to the board of directors an auditor of the joint stock company and interacts with him and the Audit Commission of the joint-stock company | |
| Presence in the committee for audit of only independent and non-executive directors | |
| Management of the committee for audit by an independent director | |

| PROVISION OF THE CODE OF CORPORATE GOVERNANCE | OBSERVED OR NOT OBSERVED |
|---|--------------------------|
| Availability in the internal documents of the joint-stock company of a right of access by all members of the committee for audit to any documents of the joint-stock company under the condition of non-disclosure by them of confidential information | |
| Creation of a committee of the board of directors (committee for human resources and remunerations), the function of which is determination of the criteria of selection of candidates to members of the board of directors and formulation of policy of the joint-stock company in the field of remuneration | |
| Creation of a committee of the board of directors for arrangement of corporate conflicts or assigning of functions of said committee to another committee (except for the committee for audit and committee for human resources and remunerations) | |
| Management of the committee for human resources and remunerations by an independent director | |
| Absence in the committee for human resources and remunerations of the joint-stock company's officers | |
| Creation of a committee of the board of directors for risk management or assigning of functions of the said committee to another committee (except for the committee for audit and committee for human resources and remunerations) | |
| Creation of a committee of the board of directors for arrangement of corporate conflicts or assigning of functions of said committee to another committee (except for the committee for audit and committee for human resources and remunerations) | |

| PROVISION OF THE CODE OF CORPORATE GOVERNANCE | OBSERVED OR NOT OBSERVED |
|---|--|
| Absence in the committee for arrangement of corporate conflicts of the joint-stock company's officers | |
| Management of the committee for arrangement of corporate conflicts by an independent director | |
| Availability of approved by the board of directors of the internal documents of the joint-stock company, providing the manner of creation and operation of the committees of the board of directors | |
| Availability in the Articles of the joint stock company of the manner of determination of the board of directors' quorum, securing obligatory participation of independent directors in meetings of the board of directors | |
| EXECUTIVE BODIES | |
| Availability of a collegial executive body (executive board) of the joint-stock company | A collegial executive body is not provided by the company's Articles |
| Availability in the Articles or internal documents of the joint-stock company of a provision on a necessity of approval by the executive board of real estate transactions, receipt of credits by the joint-stock company, if the said transactions do not refer to large transactions and their conclusion does not refer to normal economic activities of the joint-stock company | |
| Availability in the internal documents of the joint-stock company of a procedure for coordination of operation which exceed the limits of the financial and economic plan of the joint-stock company | Observed |

| PROVISION OF THE CODE OF CORPORATE GOVERNANCE | OBSERVED OR NOT OBSERVED |
|--|---|
| Absence in the composition of executive bodies of persons who are participants, general director (manager), member of a management board or an employee of a legal entity, which is a competitor to the joint-stock company | Observed |
| Absence in the composition of executive bodies of persons who have been found guilty in commission of crimes in the field of economic activities or crimes against state power, interests of state service and service in bodies of local government administration, or those against whom administrative penalties have been enforced for malefactions in the field of entrepreneurship or in the field of finance, taxation or securities market. If the functions of the sole executive body are performed by a managing organization or manager – correspondence of the general director and members of the executive board of the managing organization or manager to the requirements, imposed on the general director and members of executive board of the joint-stock company | Observed |
| Availability in the Articles or internal documents of the joint-stock company of a prohibition for the managing organization (manager) to perform the same functions in a competing body, as well as to be in property relations with the joint-stock company, except for rendering of services to the managing organization (manager) | The functions of the sole shareholder of TVEL JSC performs "Rosatom" State Atomic Energy Corporation. Assigning of functions of the executive body to a managing organization (manager) is not provided |
| Availability in the internal documents of the joint-stock company an obligation of the executive bodies to refrain from those actions which may result or potentially may result in a conflict between their interests and the interests of the joint-stock company, and in case of such a conflict – an obligation to notify the board of directors on such conflict | A collegial executive body is not provided by the company's Articles |

| PROVISION OF THE CODE OF CORPORATE GOVERNANCE | OBSERVED OR NOT OBSERVED |
|--|---|
| Availability in the Articles or internal documents of the joint-stock company of the criteria of selection of the managing organization (manager) | The functions of the sole shareholder of TVEL JSC performs "Rosatom" State Atomic Energy Corporation. Assigning of functions of the executive body to a managing organization (manager) is not provided |
| Presentation by the executive bodies of the joint-stock company of monthly reports on their performance to the board of directors | Observed |
| Establishment in contracts concluded by the joint-stock company with the general director (managing organization, manager) and members of the executive board of responsibility for violation of provisions on the use of confidential and insider information | Observed |
| THE COMPANY'S SECRETARY | |
| Availability in the joint-stock company of a special officer (secretary of the company), the function of which is security of observance by the bodies and officers of the joint-stock company of procedural requirements, which guarantee exercising of rights and legal interests of the joint-stock company | The functions of the corporate secretary in the company are performed by the secretary of the board of directors |
| Availability in the Articles or internal documents of the joint-stock company of the manner of appointment (election) of the company's secretary and determination of his/her functions | Observed |
| Availability in the Articles of the joint-stock company of the requirements to the candidacy of the company's secretary. | Observed |
| RELEVANT CORPORATE ACTIONS | |
| Availability in the Articles or internal documents of the joint-stock company of requirements on approval of a large transaction before its conclusion | Observed |

| PROVISION OF THE CODE OF CORPORATE GOVERNANCE | OBSERVED OR NOT OBSERVED |
|--|--|
| Obligatory engagement of an independent evaluator for estimation of the market value of the property, which is subject of a large transaction | Observed |
| Availability in the Articles of the joint stock company of a prohibition in case of purchase of a large parcel of shares (take-over) of the joint-stock company to take actions which are oriented at protection of the interests of the executive bodies (members of such bodies) and members of the joint-stock company's board of directors, as well as aggravating the situation in comparison to the existing one (in particular, a prohibition to make before termination of the existing term of shares acquisition of a decision on emission of additional shares, securities that can be converted into shares or securities which grant a right for acquisition of the company's shares, even if the right to make such a decision is granted by the Articles) | The Company's Articles do not provide prohibitions for taking in case of acquisition of large parcels of the Company's shares (take-over) of any actions, oriented at protection of the interests of the executive bodies (members of such bodies) and members of the joint-stock company's board of directors, as well as aggravating the situation in comparison to the existing one |
| Availability in the Articles of the joint-stock company of a requirement on obligatory engagement of an independent evaluator for estimation of the current market value of the shares and possible changes of their market value in the result of a take-over | The Company's Articles do not stipulate requirements on obligatory engagement of an independent evaluator for estimation of the current market value of the shares and possible changes of their market value in the result of a take-over |
| Absence in the Articles of the joint-stock company of relief of an acquirer from his obligation to offer the shareholders to sell the joint-stock company's ordinary shares owned by them (equity securities, converted into ordinary shares) in case of a take-over | Observed |

| PROVISION OF THE CODE OF CORPORATE GOVERNANCE | OBSERVED OR NOT OBSERVED |
|---|--|
| Availability in the Articles or internal documents of the joint-stock company of a requirement on obligatory engagement of an independent evaluator for determination of the shares conversion ratio in case of reorganization | The Company's Articles and internal documents of the Company do not stipulate requirements on obligatory engagement of an independent evaluator for determination of the shares conversion ratio in case of reorganization |
| DISCLOSURE OF INFORMATION | |
| Availability of the approved by the board of directors internal document, determining the rules and approaches of the joint-stock company to disclosure of information (Provisions on information policy) | Observed |
| Availability in the internal documents of the joint-stock company of a requirement on disclosure of information on the purpose of allocation of shares, persons who intend to acquire the allocated shares, including a large parcel of shares, as well as on the fact whether high officials of the joint-stock company are going to participate in acquisition of the company's allocated shares or not | Not used, as the Company has the sole shareholder |
| Availability in the internal documents of the joint-stock company of a list of information, documents and materials which shall be presented to the shareholders for finding solutions to the issues included to the agenda of a general meeting of shareholders | The functions of the sole shareholder of TVEL JSC performs "Rosatom" State Atomic Energy Corporation. In accordance with the Interaction regulations the Company provides "Rosatom" State Atomic Energy Corporation with information not limited by the volume, stipulated by the Federal Law "On joint-stock companies" |
| Availability in the joint-stock company of a web-site in the Internet and regular disclosure of information on the joint-stock company at this web-site | Observed |

| PROVISION OF THE CODE OF CORPORATE GOVERNANCE | OBSERVED OR NOT OBSERVED |
|---|---|
| Availability in the internal documents of the joint-stock company of a requirement on disclosure of information on transactions of the joint-stock company with the persons who have been high officials of the joint-stock company, as well as on transactions of the joint-stock company with organizations, in which the joint-stock company's high officials possess 20 or more percent of the authorized capital or on which such persons can have a significant influence | Not used, as the Company has the sole shareholder |
| Availability in the internal documents of the joint stock company of a requirement on disclosure of information on all transactions which may have influence on the market value of the joint-stock company's shares | Not used as the Company's shares are not at the securities market |
| Availability of the approved by the board of directors internal document on the use of significant information on the activities of the joint-stock company, shares and other securities, transactions with them, which is not public and disclosure of which can have a significant influence on the market value of the shares and other securities of the joint-stock company | Not used as the Company's shares are not at the securities market |
| CONTROL OF THE FINANCIAL AND ECONOMIC ACTIVITIES | |
| Availability of the approved by the board of directors' procedures of internal control of the joint-stock company's financial and economic activities | Observed |
| Availability of a special department of the joint-stock company which secures observance of the internal control procedures (supervision and auditing service) | Observed |

| PROVISION OF THE CODE OF CORPORATE GOVERNANCE | OBSERVED OR NOT OBSERVED |
|---|--------------------------|
| Availability in the internal documents of the joint-stock company of a requirement on determination of the structure and composition of the supervision and auditing service of the joint stock company by the board of directors | Observed |
| Absence in the composition of the supervision and auditing service of persons, who have been found guilty in commission of crimes in the field of economic activities or crimes against state power, interests of state service and service in bodies of local government administration, or those against whom administrative penalties have been enforced for malefactions in the field of entrepreneurship or in the field of finance, taxation or securities market | Observed |
| Absence in the composition of the supervision and auditing service of persons, who are members of the joint-stock company's executive bodies, as well as persons who are participants, general director (manager), member of a management board or an employee of a legal entity, which is a competitor to the joint-stock company | Observed |
| Availability in the internal documents of the joint stock company of the term of presentation to the supervision and auditing service of documents and materials for evaluation of the performed financial and economic operation, as well as responsibility of officials and employees of the joint-stock company for non-provision in time | Observed |
| Availability in the internal documents of the joint stock company of an obligation of the supervision and auditing service to inform on the found violations to the committee for audit, and if there is no such committee – to the board of directors of the joint-stock company | Observed |

| PROVISION OF THE CODE OF CORPORATE GOVERNANCE | OBSERVED OR NOT OBSERVED |
|--|---|
| Availability in the Articles of the joint-stock company of a requirement on preliminary estimation by the supervision and auditing service of advisability of closing of transactions, not provided by the financial and economic plan of the joint-stock company (substandard transactions) | The Company's Articles do not contain a requirement on preliminary estimation by the supervision and auditing service of advisability of closing of transactions, not provided by the financial and economic plan of the joint-stock company (substandard transactions). The indicated requirements are established by the provision on contractual labor, existing in the Company |
| Availability in the internal documents of the joint stock company of the manner of coordination of a substandard transaction with the board of directors | Observed |
| Availability of the approved by the board of directors internal document, establishing the manner of performance of inspection of the financial and economic activities of the joint-stock company by the supervision and auditing service | Observed |
| Performance by the committee for audit of estimation of an audit statement before its presentation to the shareholders at the general meeting of shareholders | The functions of the sole shareholder of TVEL JSC performs "Rosatom" State Atomic Energy Corporation. The Professional composition of the board of directors is formed by the sole shareholder with the account of the capability of solution of the tasks assigned to him. The board of directors in general consists of external directors, who are not employees of the Company, professionals widely experienced in the field and deeply understanding the specific nature of the nuclear industry and the Company's activities. The functions of the board of directors committee are performed by specialized functional departments of "Rosatom" State Atomic Energy Corporation |

| PROVISION OF THE CODE OF CORPORATE GOVERNANCE | OBSERVED OR NOT OBSERVED |
|--|---|
| DIVIDENDS | |
| Availability of the approved by the board of directors' internal document, which is used by the board of directors during making of recommendations on the amount of dividends (Provisions on dividend policy) | The Company's dividend policy is determined by "Rosatom" State Atomic Energy Corporation on the basis of the results of the Company's and industry investment plans |
| Availability in the Provision on dividend policy of the manner of determination of the minimal share of the joint-stock company's net profit, assigned to payment of dividends, and conditions, under which no dividends are paid or incompletely paid to preferred shares, the amount of the dividends to which is determined in the joint-stock company's Articles | |
| Publication of information on the dividend policy of the joint-stock company and changes into it in the periodic title, provided by the joint-stock company's Articles for informing on holding of general meetings of shareholders, as well as publishing of the mentioned information at joint-stock company's the web-site in the Internet | |

Appendix 7.

Report by the board of directors (supervisory board) of the joint-stock company on the results of the joint-stock company's development according to its activities priorities

In the reference year the main financial and economic indicators of the Company made:

- revenue (net) from selling of the goods, products, works, services (minus VAT, excise taxes and similar payments) – RUB 104 796.67 M.
- net profit – RUB 19 486.65 M;
- net assets value – RUB 275 884.67 M.

The increments of the Company's net assets in 2011 made RUB 15 729.38 M. The dynamics of the net assets value for all years of the Company's existence have been remaining positive.

For the end of 2011 the owned capital of TVEL JSC made RUB 273 867.7 M. A part of it in the amount of RUB 229 484.8 M is the source of formation of the noncurrent assets (capital investments). The volume of the active assets makes RUB 44 382.9 M. The own capital growth rates (6%) are ahead of the noncurrent assets growth rates (3%).

The dynamics of the market stability indicators in 2011 is positive. A decrease in these indicators in 2010 was caused by a significant changing of the Company's assets in favor of low-liquid ones, significant reduction of active own funds due to a large share of profits withdrawal in the form of dividends, and nearly complete capitalization of profits after payment of dividends into investments (noncurrent assets). For these reasons the own funds flexibility factor, although it has positive dynamics, for the end of the reference period fails to reach the normative value.

In 2011 a trend towards an increase in the coefficients of coverage by the own current assets and financial independence coefficient is observed. These indicators are reaching the recommended values due to an increase in undistributed profits at the Company's discretion, because of the increasing profitability and sales volume, as well as well-balanced dividend policy.

There are no overdue accounts payables as of December 31, 2011.

| INDICATOR NAME | NORMATIVE STANDARD | 2011 YEAR | 2010 YEAR | 2009 YEAR |
|---|------------------------------|-----------|-----------|-----------|
| Coefficient of coverage of the current assets by the own current assets | Equal or more than 0.1 | 0,53 | 0,44 | 0,49 |
| Coefficient of coverage of reserves by the own current assets** | 0,50–0,70 | 0,80 | 0,63 | 0,70 |
| Financial independence factor | Equal or more than 0.5 | 0,87 | 0,85 | 0,71 |
| The own funds flexibility factor | Within the limits of 0.2–0.5 | 0,16 | 0,13 | 0,41 |

As of December 31, 2011, 2010 and 2009 the overdue accounts receivable make (RUB thousand):

| AS OF DECEMBER 31, 2011 | | AS OF DECEMBER 31, 2010 | | AS OF DECEMBER 31, 2009 | |
|---------------------------------------|--------------|---------------------------------------|--------------|---------------------------------------|--------------|
| Included under contractual conditions | balance cost | Included under contractual conditions | balance cost | Included under contractual conditions | balance cost |
| 281 | 0 | 98 905 | 75 827 | 23 503 | 7 306 |

Existence and progression of the accounts payable (RUB thousand):

| PERIOD | BALANCE FOR THE BEGINNING OF THE YEAR | REVENUE | RETIREMENT | BALANCE FOR THE END OF THE YEAR |
|-----------|---------------------------------------|-------------|-------------|---------------------------------|
| 2010 year | 17 432 214 | 251 466 576 | 243 732 205 | 25 166 585 |
| 2011 year | 25 166 585 | 196 043 879 | 197 695 534 | 26 818 240 |

Annex 8.

Disclosure of public reporting indicators in the Report

| | | |
|-----------|--|--|
| 1 | 1.1.1. Meeting the demands of the country for electric energy using Russian nuclear fuel | 6.3. Productive-economic results |
| 2 | 2.1.1. Financial efficiency | 6.2. Financial results |
| 3 | 2.1.2. Productivity | |
| 4 | 2.1.3. Economical and financial efficiency | |
| 5 | 2.2.1. Diversification of activity | 3.2. Strategy and program of development |
| 6 | 2.2.2. Provision of orders | 6.3. Productive-economic results |
| 7 | 2.2.4. Risk management | 5.6. Risk management |
| 8 | 2.2.5. Development of production capacities | Chapter 6. Financial and production results |
| 9 | 2.2.6. Financial stability | |
| 10 | 2.3.1. Market situation at the initial stage of nuclear fuel cycle | 2.2. World market situation |
| 11 | 2.3.2. Export volume | Chapter 6. Financial and productive results |
| 12 | 2.4.1. International legal infrastructure for promotion of Russian companies on world markets of nuclear technologies and services | Chapter 3. Strategy |
| 13 | 2.4.2. Development of international cooperation | Chapter 4. Strategy; Chapter 11. Interaction with concerned parties in 2011 |
| 14 | 2.4.3. Strengthening of nuclear non-proliferation regime | Chapter 11 Interaction with concerned parties in 2011 |
| 15 | 4.1.1. Teaching the industry workers the nuclear and radiation safety norms | 10.4. Work safety |

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| 16 | 4.1.2. Emergency response and emergency preparedness | 8.1. Management of ecological effect in the territory of presence 8.3. Nuclear and radiation safety |
| 17 | 4.1.4. Development of the technology of handling of radioactive waste and spent nuclear fuel | 8.1. Management of ecological effect in the territory of presence |
| 18 | 4.2.1. Compliance with the license requirements related to nuclear and radiation safety | 8.3. Nuclear and radiation safety |
| 19 | 4.2.2. Violations during the handling of nuclear and radioactive materials | 8.3. Nuclear and radiation safety 10.4. Work safety |
| 20 | 4.3.1. Decommissioning | 8.1. Management of ecological effect in the territory of presence |
| 21 | 4.4.1. Recovery of contaminated and polluted land | 8.2. Effect indicators |
| 22 | 4.4.2. Alteration of radioactive waste accumulation volume | 8.2. Effect indicators |
| 23 | 5.1.1. Inventive work | Chapter 7. Innovative activities |
| 24 | 5.1.2. Efficiency of contributions to R&D | |
| 25 | 5.2.1. Efficiency of innovative activities | |
| 26 | 5.2.2. Development of technologies related to the current producing platform | |
| 27 | 5.2.3. Development work in related spheres | |
| 28 | 5.3.1. Development of infrastructure of scientific and technological complex | |
| 29 | 5.3.2. Participation in implementation of innovative projects | |
| 30 | 6.1.1. Implementation of projects related to the development of management system | Chapter 4. Implementation of strategic initiatives |
| 31 | 6.1.2. Implementation of projects related to efficiency upgrading | |

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|-----------|---|--|
| 32 | 6.1.3. Reorganization of financial and economic management | 5.9. Information technologies 6.1. Financial management |
| 33 | 6.1.4. Implementation of international management standards | 5.5. Quality management |
| 34 | 6.1.5. Management of procurement activities | 5.8. Procurement activity |
| 35 | 6.1.6. Development of internal communications | 10.1. Human resources management; 5.9. Information technologies |
| 36 | 6.1.7. Management informatization | 5.9. Information technologies |
| 37 | 6.1.8. Management of financial and economic activities | 5.7. Internal control and audit |
| 38 | 7.1.1. Public reporting | Information about the report and its preparation; 1.4. Public position related to sustainable development |
| 39 | 7.1.2. Information resources of the branch | 5.5. Quality management Chapter 11. Interaction with concerned parties |
| 40 | 7.2.1. Ecological examinations according to the legislation of the Russian Federation | 8.1. Management of ecological effect in the territory of presence |
| 41 | 8.1.1. Participation in development of regulatory framework | 2.4. Legal framework |
| 42 | 8.2.1. State control of nuclear environment, handling of nuclear materials, radioactive materials and radioactive waste | 8.3. Nuclear and radiation safety |
| 43 | 9.1.1. Provision of qualified personnel | 10.1. Human resources management |
| 44 | 9.1.2. Training of the personnel | |
| 45 | 9.1.3. Organization and use of personnel reserve | |

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| 46 | 10.1.1. Created and distributed direct economic value, including profits, operating costs, salaries, contributions and other investments to the companies, undistributed profits, payments to investors and countries | Chapter 9. Economic impact of TVEL FC on the environment |
| 47 | 10.1.2. Considerable financial aid from public authorities | 8.1. Management of ecological effect in the territory of presence |
| 48 | 10.1.3. Financial aspects and other risks and possibilities, related to the alteration of climate | Climatic effect attributed to the enterprises managed by TVEL FC is insignificant compared to the enterprises related to extractive industries and thermal power companies. That's why the management board has not evaluated financial aspects and other risks related to the alteration of the climate |
| 49 | 10.2.1. Policy, practical approach to purchases from local suppliers and the share of such purchases at important regions | 5.8. Procurement activity |
| 50 | 10.3.1. Development and influences of investments on the infrastructure and services provided primarily for the public good (not directly related to the production activities) by means of commercial, natural or beneficent participation | 9.4. Charities and support of external social programs |
| 51 | 10.3.2. Understanding and description of important indirect economic impacts including the impact areas | 9.2. Reorganization results for the TVEL FC enterprises |
| 52 | 11.1.1. Energy saved after the measures focused on energy saving and increasing of energy efficiency | 9.4. Energy saving and increasing of energy efficiency |
| 53 | 11.1.4. Measures for reduction of emission of hazardous substances to the atmosphere, the amount of reduction | 8.1. Management of ecological effect in the territory of presence of TVEL FC; 8.2. Effect indicators |
| 54 | 11.1.5. Measures for reduction of emission of hazardous substances to the water, the amount of reduction | 9.2. Effect indicators |
| 55 | 11.1.7. Measures for reduction of emission of greenhouse gases and the amount of reduction | 9.2. Effect indicators |

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| 56 | 11.1.8. Measures for reduction of influence of products and services on the environment and the amount of reduction | 8.1. Management of ecological effect in the territory of presence of TVEL FC 8.2. Effect indicators 8.4. Energy saving and increasing of energy efficiency |
| 57 | 11.1.9. Share of sold products and its packaging materials returned to the producer for recycling with subdivision into categories | Specific character of TVEL FC production does not allow returning products and its packaging materials into categories |
| 58 | 11.1.10. General expenses and investments for environmental protection with subdivision into categories | 9.1. Management of ecological effect in the territory of presence TVEL FC |
| 59 | 11.1.11. Implementation of environmental management system to the organizations of the Corporation | 9.1. Management of ecological effect in the territory of presence TVEL FC |
| 60 | 11.1.12. Share of recycled waste | 8.2. Effect indicators |
| 61 | 11.1.13. Share and volume of reusable and recycled water | 8.2. Effect indicators |
| 62 | 11.2.1. Used materials with the indication of weight and volume | 8.2. Effect indicators |
| 63 | 11.2.2. Direct use of energy with the indication of primary sources | 8.4. Energy saving and increasing of energy efficiency |
| 64 | 11.2.3. Indirect use of energy with the indication of primary sources | 8.4. Energy saving and increasing of energy efficiency |
| 65 | 11.2.4. Total water intake with the indication of sources | 8.2. Effect indicators |
| 66 | 11.2.5. Auxiliary water intake | 8.2. Effect indicators |
| 67 | 11.2.6. Location and area of land plots owned, rented or managed by the organization, land plots, located on conservation areas and areas with appreciated biological diversity beyond their boundaries, or adjoined areas | 8.2. Effect indicators |

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| 68 | 11.3.2. Description of significant impacts of activity, production and services on biological diversity of conservation areas and areas with appreciated biological diversity beyond their boundaries | Considering the fact that industrial sites of the enterprises included into control loop of TVEL FC do not affect the areas with biological diversity of high value, the activity, production and services do not influence rare and valuable species |
| 69 | 11.3.5. Full direct and indirect emissions of greenhouse gases with the indication of weight | 8.2. Effect indicators |
| 70 | 11.3.6. Other significant indirect emissions of greenhouse gases with the indication of weight | 8.2. Effect indicators |
| 71 | 11.3.7. Emissions of ozone ozone-destroying substances with the indication of weight | 8.2. Effect indicators |
| 72 | 11.3.8. Atmospheric emissions of NOX, SOX and other significant contaminants with the indication of type and weight | |
| 73 | 11.3.9. Total volume of emissions with the indication of waste water quality and receiving object | |
| 74 | 11.3.10. Total weight of waste divided by type and method of use | |
| 75 | 11.3.11. Total amount and volume of significant spills | In the period under report there were no incidents and extraordinary situations related to the environmental impact |
| 76 | 11.3.15. Payments for emission of contaminants into the atmosphere by stationary and moving sources, discharge of contaminants into surface and subsurface water, dumping of production and consumption waste | 8.2. Effect indicators |
| 77 | 11.4.1. Monetary value of large fines and total number of non-financial sanctions imposed for non-compliance with environmental law and regulatory requirements | In 2011 there were no fines and penalties related to compensation of damage for environmental impact of the enterprises included into control loop of TVEL FC |
| 78 | 11.5.1. Emission of radionuclides into the atmosphere | 8.3. Nuclear and radiation safety |

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| 79 | 11.5.2. Discharge of waste water with radionuclides | 8.3. Nuclear and radiation safety |
| 80 | 11.5.3. Pollution of territory with radionuclides | 8.3. Nuclear and radiation safety |
| 81 | 11.5.4. Financial support of radiation exposure mitigation measures | 8.1. Management of ecological effect in the territory of presence TVEL FC |
| 82 | 12.1.1. Total amount of man power according to employment patterns, work contract and region | 10.2. Number and active list of the personnel |
| 83 | 12.1.2. Total number and turnover of employees according to age, gender and region | 10.2. Number and active list of the personnel |
| 84 | 12.1.3. Composition of executive board and employees of the organization according to gender and age, representatives of minorities and other variety indexes | 10.2. Number and active list of the personnel |
| 85 | 12.1.4. Share of specialists up to 35 years | 10.2. Number and active list of the personnel |
| 86 | 12.1.5. Average age of the employees (according to the categories) | 10.2. Number and active list of the personnel |
| 87 | 12.1.6. Correlation of basic salary of men and women according to the category of the employees (at important regions) | 10.2. Number and active list of the personnel |
| 88 | 12.1.7. Correlation range of basic salary of the initial level and established minimum wage at important regions (according to gender) | 10.2. Number and active list of the personnel |
| 89 | 12.1.8. Average salary in ratio to average level of the labor market | 10.2. Number and active list of the personnel |
| 90 | 12.1.9. Number of new working places (per year) | 9.2. Restructuring results |
| 91 | 12.2.1. Share of employees bound by collective agreements | Collective agreements of the TVEL FC enterprises are signed with 100% of the employees |

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| 92 | 12.2.2. Minimal notification periods related to considerable changes in the work of the organization and their presence in collective arrangement | In case of considerable changes in the work of the organization the employees shall be notified not later than 2 months before. This norm is registered in the collective arrangement of every enterprise |
| 93 | 12.2.3. Correlation of average salary between 10% of employees with lowest salary and 10% of employees with highest salary | 10.2. Number and active list of the personnel |
| 94 | 12.3.2. Securing of obligations of the organization, related to pension scheme with fixed benefit | 10.3. Implementation of personnel support programs |
| 95 | 12.3.3. Number of employees, who returned after the maternity leave and the share of employees, who stayed at the organization after the maternity leave according to the gender | 10.2. Number and active list of the personnel |
| 96 | 12.3.4. Non-state pension coverage | 10.3. Implementation of personnel support programs |
| 97 | 12.3.5. Total costs related to personnel | 10.3. Implementation of personnel support programs |
| 98 | 12.3.6. Costs related to social programs for employees | 10.3. Implementation of personnel support programs |
| 99 | 12.4.2. Level of occupational traumatism, level of occupational diseases, ratio of missed days and absence, as well as total number of work-related fatal cases according to region | 10.4 Work safety and industrial safety. Radiation safety |
| 100 | 12.4.3. Existing education programs, training programs, consulting programs, programs related to risk prevention and management for employees, members of their families and general public related to serious diseases | 10.3 Implementation of personnel support programs 8.1. Management of ecological effect in the territory of presence |
| 101 | 12.4.4. Recognition of issues related to health and safety in formal agreements with trade unions | Responsibility of the FC enterprises for health and safety of the personnel is recognized in collective agreements |
| 102 | 12.4.5. Staff radiation exposure management | 10.4 Work safety and industrial safety. Radiation safety |

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| 103 | 12.4.6. Costs related to health and safety of the employees | 10.3. Implementation of personnel social support programs |
| 104 | 13.1.1. Share of operations with the participation of local public, impact assessment and availability of development programs | 9.1. Management of socioeconomic impact on the territory of presence |
| 105 | 13.1.2. Employment procedure and the share of top managers from local population in important regions | 10.2. Number and active list of the personnel |
| 106 | 13.1.3. Activity of the company with potential or real major negative impact on the local community | There is no activity of the company with potential or real major negative impact on the local community |
| 107 | 13.1.4. Prevention or mitigation of potential or real major negative impact on the local communities | 8.1. Management of ecological effect in the territory of presence TVEL FC; 9.1. Management of socioeconomic impact on the territory of presence; Chapter 3. Strategy |
| 108 | 13.2.1. Making of development programs for Closed Administrative Territorial Entities | Chapter 3. Strategy; Chapter 7. Innovative activities; 2.3. Special territories of presence |
| 109 | 13.2.2. Joint projects with non-commercial and non-state organizations related to socially important tasks | Chapter 11. Interaction with concerned parties |
| 110 | 13.3.1. Charitable project and amount of finance spent on these projects | 9.4. Charities and support of external social programs |
| 111 | 14.1.1. The share and total number of business units audited for risks related to the corruption | TVEL JSC participates in the program of "Rosatom" State Atomic Energy Corporation related to the control of embezzlement and fraud. Corruption risk analysis is conducted on the level of "Rosatom" State Atomic Energy Corporation. TVEL JSC is not auditing its business units |
| 112 | 14.1.2. Share of employees, who received training in anti-corruption policies and procedures of the organization | We have not conducted training related to anti-corruption policies in 2011 |

| | | |
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| 113 | 14.1.3. Measures taken to fight the corruption | No corruption cases were revealed in 2011 |
| 114 | 14.2.1. Total number of decisions (legal actions) related to prevention of antitrust offense prevention and prosecution for such violations in respect of reporting organization, practical approaches for exclusion of monopolistic practices and results of such approaches | In 2011 there were no such cases |
| 115 | 14.2.2. Monetary value of significant fines and total number of non-financial penalties imposed for violation of legislation and regulatory requirements | In 2011 there were no such penalties |
| 116 | 14.2.3. Total number of violations of regulatory requirements and voluntary laws related to marketing communications, including publicity, product promotion and sponsorship according to the type of consequences | There were no such cases |
| 117 | 14.2.4. Total number of validated complaints related to violation of privacy right and the loss of customer data | There were no such cases |
| 118 | 14.3.1. Life-cycle stages on which the impact on health and safety of products and services is evaluated for revelation of improvement opportunities and the share of important products and services entitled to such opportunities | 5.5. Quality management |
| 119 | 14.3.2. Total number of violations of regulatory requirements and voluntary certification related to impact of products and services on health and safety according to the type of consequences | There were no such cases. |

| | | |
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| 120 | 14.3.3. Forms of information on properties of products and services, which are required by the procedures and the share of important products and services with such requirements as to information | Main form of information on properties of products and services of TVEL JSC is the information on product quality, environment-related activities and activities related to health protection and work safety. Possible means of communication: mail communication, courier communication, electronic mail, mass media, meetings and seminars. The work is carried out according to STK 21–2009, developed on the basis of ISO 9001:2008, ISO 14001:2004, OHSAS 18001:2007 requirements |
| 121 | 14.3.4. Total number of violations of regulatory requirements related to information and marking of the products and services according to the type of consequences | There were no such cases |
| 122 | 14.3.5. Practices related to consumer satisfaction including the results of consumer satisfaction degree surveys | 5.5. Quality management |
| 123 | 14.3.6. Programs related to the provision of correspondence to the legislation, standards, requirements of voluntary certification related to marketing communications, including publicity, product promotion and sponsorship | Due to special nature of the activities of TVEL FC, there are no programs related to the provision of correspondence to the legislation, standards, requirements of voluntary certification related to marketing communications, including publicity, product promotion and sponsorship |
| 124 | 14.3.7. Monetary value of significant fines imposed for violation of legislation and regulatory requirements relates to the provision of products and services | In 2011 there were no such penalties |
| 125 | 14.4.1. Institutionalisation of ethical practice | Report on execution of provisions of Code of Corporate Conduct |
| 126 | 14.4.2. Ratio and total number of major investment agreements that include human rights provisions or that have passed the evaluation in the context of human rights | All investment agreements undergo evaluation for conformance with the Russian legislation related to human rights. All investment agreements are in conformance with the Russian legislation |

| | | |
|-----|--|---|
| 127 | 14.4.3. Share of important suppliers and contractors that have passed the evaluation in the context of human rights and measures taken | Suppliers and contractors undergo evaluation in the context of human rights |
| 128 | 14.4.4. Total duration (hours) of seminars related to the policies and procedures connected with the aspects of human rights that are important to the work of the organization including the share of trained employees | Total duration of seminars related to the policies and procedures connected with the aspects of human rights comprises 3 hours and includes the review of the following documents: <ul style="list-style-type: none"> ■ internal regulations ■ regulation for testing routine during the employment ■ order “On organization and carrying-out of medical examination of the employees” ■ regulation for remuneration and incentives ■ regulation for voluntary health insurance of the employees ■ work safety orientation training program This training is mandatory for all employees; the share of trained employees – 100% |
| 129 | 14.4.5. Number of discrimination cases and measures taken | There were no such cases in 2011 |
| 130 | 14.4.6. Activities that may violate the freedom of association and the right for collective negotiations, as well as the measures taken to support these rights | Every employee has the right to join the trade union that will represent his/her interests during the collective negotiations. This right is supported by the top management of “Rosatom” State Atomic Energy Corporation and TVEL FC |
| 131 | 14.4.7. Activities with the risk of employment of children and measures taken to prevent employment of children | We do not employ children. The employees should have at least post-secondary education, so there is no question of employment of children |
| 132 | 14.4.8. Activities with substantial risk of use of compulsory labor and measures taken to prevent such situations | The risk of use of compulsory labor is negligibly small |

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| 133 | 14.4.11. The share and total number of transactions evaluated in the context of human rights or transactions evaluated for impact on human rights | TVEL FC doesn't carry out such evaluation, because all rights that are important for all concerned parties are included into the collective labor agreement. TVEL FC provides reports regarding the observance of collective labor agreement on an annual basis and the trade union organization monitors this process |
| 134 | 14.4.12. The number of complaints related to human rights that were considered and handled by means of formal complaints procedure | Formal complaints procedure is represented by e-mails or messages sent to the Director General of FC. All complaints are considered and all letters are answered. In 2011 there were no complaints regarding the actions of the employer connected with the violation of the Labor Code of the Russian Federation |

Annex 9.

Disclosure of standard elements and indicators of the GRI Manual (G3.1) in the Report

| STANDARD ELEMENTS OF THE REPORTING (G3.1) | CHAPTER OF THE REPORT |
|---|---|
| 1. STRATEGY AND ANALYSIS | |
| 1.1. Statement of senior officer who makes decisions in the organization (e.g. CEO, chairman of the board or equivalent position), publishes the Report regarding the importance of sustainable development for the organization and its strategy | <i>Statement of chief executives</i> |
| 1.2. Characteristics of key influences, risks and possibilities | <i>Chapter 3. Strategy</i> <i>5.6. Risk management</i> <i>1.4. Public position related to sustainable development</i> |
| 2. CHARACTERISTICS OF THE ORGANIZATION | |
| 2.1. Name of the reporting organization | <i>1.1. General information on the company</i> |
| 2.2. Main brands, products and/or services | <i>1.1. General information on the company</i> |
| 2.3. Functional structure including main business units, operating companies, affiliated companies and joint ventures | <i>1.1. General information on the company</i> <i>5.1. Corporate governance</i> |
| 2.4. Location of headquarters | <i>General and contact information on TVEL JSC</i> |

| STANDARD ELEMENTS OF THE REPORTING (G3.1) | CHAPTER OF THE REPORT |
|--|---|
| 2.5. Number of countries, where the company operates and the countries where core activities are carried out or the countries that are important for sustainable development. | 2.2. <i>NFC IS world market</i> 2.3. <i>Special territories of presence</i> |
| 2.6. Ownership type and legal form | 1.1. <i>General information on the company</i> 5.1. <i>Corporate governance</i> |
| 2.7. Markets on which the organization operates (according to location, market segments, category of clients and beneficiaries) | 2.2. <i>NFC IS world market</i> |
| 2.8. Size of the organization including: ■ number of employees; ■ net sales (private organizations) or net profit (state organizations); ■ total capitalization with subdivision into credit capital and owned capital (private organizations); ■ quantitative characteristics of products or services | <i>Key performance indicators</i> 10.1. <i>Human resources management</i> 1.1. <i>General information on the company</i> <i>Chapter 6. Financial and productive activity</i> |
| 2.9. Major change of scale, structure or ownership during the reporting period | 1.1. <i>General information on the company</i> 5.1. <i>Corporate governance</i> |
| 2.10. Awards received during the reporting period | <i>Chapter 11. Interaction with concerned parties</i> |
| 3. REPORT PARAMETERS | |
| 3.1. Reporting period (e.g. financial/calendar year) | <i>Information about the report and its preparation</i> |
| 3.2. Publishing date of the previous report (if any) | <i>Annual report of TVEL JSC for 2010 (integrated format) was published in 2011</i> |
| 3.3. Reporting cycle (annual, biennial, etc.) | <i>Annual</i> |
| 3.4. Contact information for questions regarding the Report and its contents | <i>General and contact information on TVEL JSC</i> |

| STANDARD ELEMENTS OF THE REPORTING (G3.1) | CHAPTER OF THE REPORT |
|--|--|
| 3.5 Report contents definition process, including: ■ relevance definition; ■ prioritization of topics; ■ definition of concerned parties regarded as potential users of the report | <i>Information about the report and its preparation</i> <i>Chapter 12. Reporting system an interaction with concerned parties during report preparation</i> |
| 3.6. Limits of the report (e.g. countries, business units, affiliated companies, leased facilities, joint ventures, suppliers) | <i>Information about the report and its preparation</i> |
| 3.7. Report restrictions | <i>Information about the report and its preparation</i> |
| 3.8. Basis for inclusion the information on joint ventures, affiliated companies, lease of enterprises, transfer of certain functions to external contractors and other business units, who may have significant influence on comparability with previous reports and/or other organizations | <i>Information about the report and its preparation</i> |
| 3.9. Methods of evaluation of data and calculations including assumption and methods used for evaluation of other indicators and data included in the Report | <i>Information about the report and its preparation</i> |
| 3.10. Description of meaning of any alterations of the information from previous reports and the reasons for such alterations (e.g. mergers and acquisitions, alteration of reporting periods, business, evaluation methods) | <i>Information about the report</i> <i>8.3. Nuclear and radiation safety</i> |
| 3.11. Substantial alterations with regard to previous reporting periods as pertaining to range, boundaries and evaluation methods used in the Report | <i>Information about the report and its preparation</i> |
| 3.12. Table that shows the place of standard elements in the Report | <i>Disclosure of standard elements and indicators of the GRI Manual (G3.1) in the Report</i> |
| 3.13. Policy and approaches related to the external confirmation of the Report | <i>Information about the report and its preparation</i> |

| STANDARD ELEMENTS OF THE REPORTING (G3.1) | CHAPTER OF THE REPORT |
|--|---|
| 4. MANAGEMENT, OBLIGATIONS AND INTERACTION WITH CONCERNED PARTIES | |
| 4.1. Management structure organization, including all main committees of top executive board responsible for specific objective, e.g. strategy generation or general supervision over the activities of the organization | 5.1. <i>Corporate governance</i> 5.2. <i>TVEL JSC organizational framework</i> |
| 4.2. Is the chairman of top executive board the CEO of the company? (If yes, what is role in management of the organization and why?) | 5.1. <i>Corporate governance</i> |
| 4.3. For the organizations with unitary Board of Directors - specify the number of independent members of top executive board and/or members, who are not included to the executive management of the company (by gender). | 5.1. <i>Corporate governance</i> |
| 4.4. Mechanisms that may be used by the shareholders to direct the top executive board or to give it recommendations | 5.1. <i>Corporate governance</i> |
| 4.5. Relation of salary of the members of top executive board and senior managers (including retirement benefits) to the performance of the organization (including social and ecological results) | 5.1. <i>Corporate governance</i> |
| 4.6. Measures used for prevention of conflict of interests within the top executive board | 5.1. <i>Corporate governance</i> |
| 4.7. Methods used for evaluation of qualification and competence of top executive board members to direct the strategy of the organization, including economical, ecological and social efficiency | 5.1. <i>Корпоративное управление</i> 10.1 <i>Human resources management</i> |
| 4.8. Mission of the organization, its values, Codes of Corporate Conduct and principles, important from the point of view of economical, ecological and social efficiency, as well as the extent of their implementation | 1.3. <i>Mission, goals and values</i> |
| | 1.4. <i>Public position related to sustainable development</i> |
| | 5.1. <i>Corporate governance</i> |

| STANDARD ELEMENTS OF THE REPORTING (G3.1) | CHAPTER OF THE REPORT |
|---|--|
| 4.9. Procedures used by the top executive boards for monitoring and control of economical, ecological and social efficiency of the organization, including risks and possibilities, as well as observance and compliance with international standards, Codes of Corporate Conduct and principles | 5.1. <i>Corporate governance</i> <i>Information about the report and its preparation</i> 1.4. <i>Public position related to sustainable development</i> 9.1. <i>Management of socioeconomic impact on the regions of presence</i> |
| 4.10. Evaluation of its own efficiency by the top executive board, especially in the context of economical, ecological and social efficiency of the organization | 5.1. <i>Corporate governance</i> |
| 4.11. Does the organization use precautionary principle? If so – in which manner? | <i>The company that uses precautionary principle tries to avoid supposed damage to the environment even if there is no scientific evidence that certain activity inflicts this damage</i> |
| 4.12. Voluntary economical, ecological and social charters, principles or other initiatives developed by external parties and used or supported by the organization | <i>Reporting manual GRI G3.1</i> |
| 4.13. Membership in associations (e.g. industry associations) and/or national and international organizations related to the protection of interests where the organization: <ul style="list-style-type: none"> ■ is the part of regulatory body; ■ participates in projects or committees; ■ provides substantial financing above the membership fee; or considers its membership as a strategic move | <i>TVEL JSC is the member of the Union of Employers of Nuclear Power Industry and Science of Russia</i> |
| 4.14. List of stakeholders that collaborated with the organization | <i>Chapter 11. Interaction with stakeholders in 2011</i> |
| 4.15. Reasons for identification and selection of stakeholders for further collaboration | <i>Chapter 11. Interaction with stakeholders in 2011</i> |
| 4.16. Approaches of collaboration with stakeholders including the frequency of collaboration according to forms and concerned groups | <i>Chapter 11. Interaction with stakeholders in 2011</i> |

| STANDARD ELEMENTS OF THE REPORTING (G3.1) | CHAPTER OF THE REPORT |
|---|--|
| 4.17. Key topics and interests that were discussed or discovered during the collaboration with stakeholders and the opinion of the organization regarding these topics expressed by, e.g. the reports | <p><i>Table of proposals of stakeholders for 2010 regarding the improvement of annual report for 2011</i></p> <p><i>Table of proposals of stakeholders regarding the improvement of annual report for 2011</i></p> |
| 5. INFORMATION ON MANAGEMENT APPROACHES AND PERFORMANCE INDICATORS | |
| Information on management approaches | <p><i>1.4. Public position related to sustainable development</i></p> <p><i>5.5. Quality management</i></p> <p><i>8.1. Management of ecological effect in the territory of presence</i></p> <p><i>9.1. Management of socioeconomic impact on the regions of presence</i></p> |

| Nº | PERFORMANCE INDICATORS | CHAPTER OF THE REPORT | DISCLOSURE |
|-----------------------------------|---|--|------------------|
| PERFORMANCE INDICATORS – ECONOMIC | | | |
| 1 | EC1. Created and distributed direct economic value, including profits, operating costs, salaries, contributions and other investments to the companies, undistributed profits, payments to investors and countries | Chapter 9. Economic impact of TVEL FC on the environment | <i>Disclosed</i> |
| 2 | EC2. Financial aspects and other risks and possibilities, related to the alteration of climate | Climatic effect attributed to the enterprises managed by TVEL FC is insignificant compared to the enterprises related to extractive industries and thermal power companies. That's why the management board has not evaluated financial aspects and other risks related to the alteration of the climate | <i>Disclosed</i> |

| Nº | PERFORMANCE INDICATORS | CHAPTER OF THE REPORT | DISCLOSURE |
|--|---|--|------------------|
| 3 | EC3. Securing of obligations of the organization, related to pension scheme with fixed benefit | 10.3. Implementation of personnel support programs | <i>Disclosed</i> |
| 4 | EC4. Considerable financial aid from public authorities | 8.1. Management of ecological effect in the territory of presence | <i>Disclosed</i> |
| 5 | EC5. Correlation range of basic salary of the initial level and established minimum wage at important regions (by gender) | 10.2. Number and active list of the personnel | <i>Disclosed</i> |
| 6 | EC6. Policy, practical approach to purchases from local suppliers and the share of such purchases at important regions | 5.6. Procurement activity | <i>Disclosed</i> |
| 7 | EC7. Employment procedure and the share of top managers from local population in important regions | 10.2. Number and active list of the personnel | <i>Disclosed</i> |
| 8 | EC8. Development and influence of investments on infrastructure of services rendered primarily for the public good by means of commercial, natural or charitable participation | Management of socioeconomic impact on the territory of presence; 9.4. Charities and support of external social programs | <i>Disclosed</i> |
| 9 | EC9. Understanding and description of important indirect economic impacts including the impact areas | 9.2. Restructuring results предприятий 2.3. Special territories of presence | <i>Disclosed</i> |
| PERFORMANCE INDICATORS – ENVIRONMENTAL | | | |
| 10 | EN1. Materials used by weight or volume | 8.2. Effect Indicators | <i>Disclosed</i> |
| 11 | EN2. Percentage of materials used that are recycled input materials | 8.2. Effect Indicators | <i>Disclosed</i> |

| Nº | PERFORMANCE INDICATORS | CHAPTER OF THE REPORT | DISCLOSURE |
|----|---|---|------------------|
| 12 | EN3. Direct energy consumption by primary energy source | 9.4. Energy Saving and Improvement of Energy Efficiency | <i>Disclosed</i> |
| 13 | EN4. Indirect energy consumption by primary source | 8.4. Energy Saving and Improvement of Energy Efficiency | <i>Disclosed</i> |
| 14 | EN5. Energy saved due to conservation and efficiency improvements | 8.4. Energy Saving and Improvement of Energy Efficiency | <i>Disclosed</i> |
| 15 | EN6. Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives | Cathode Materials, a strategic project implemented by TVEL FC and Rusnano, is aimed at developing lithium-ion batteries that are used in electric cars Strategy and program of development Second business core development | <i>Disclosed</i> |
| 16 | EN8. Total water withdrawal by source | 8.2. Effect Indicators | <i>Disclosed</i> |
| 17 | EN10. Percentage and total volume of water recycled and reused | 8.2. Effect Indicators | <i>Disclosed</i> |
| 18 | EN11. Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas | 8.2. Effect Indicators | <i>Disclosed</i> |
| 19 | EN12. Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas | Taking into account that the industrial sites of the enterprises included in the management perimeter of TVEL Fuel Company do not affect any areas of high biodiversity value, there are no impacts of activities, products, and services on rare or valuable species | <i>Disclosed</i> |

| Nº | PERFORMANCE INDICATORS | CHAPTER OF THE REPORT | DISCLOSURE |
|----|--|---|----------------------------|
| 20 | EN13. Habitats protected or restored | 8.3. Nuclear and Radiation Safety 8.1 Management of Environmental Impact in TVEL FC's Territories of Presence | <i>Disclosed</i> |
| 21 | EN16. Total direct and indirect greenhouse gas emissions by weight | 8.2. Effect Indicators | <i>Disclosed</i> |
| 22 | EN17. Other relevant indirect greenhouse gas emissions by weight | 8.2. Effect Indicators | <i>Disclosed</i> |
| 23 | EN18. Initiatives to reduce greenhouse gas emissions and reductions achieved | 8.1. Management of Environmental Impact in the Territories of Presence | <i>Partially Disclosed</i> |
| 24 | EN19. Emissions of ozone-depleting substances by weight | 8.2. Effect Indicators | <i>Disclosed</i> |
| 25 | EN20. NO _x , SO _x , and other significant air emissions by type and weight | 8.2. Effect Indicators | <i>Disclosed</i> |
| 26 | EN21. Total water discharge by quality and destination | 8.2. Effect Indicators | <i>Partially Disclosed</i> |
| 27 | EN22. Total weight of waste by type and disposal method | 8.2. Effect Indicators | <i>Disclosed</i> |
| 28 | EN23. Total number and volume of significant spills | No incident or emergency connected with any environmental impact occurred during period under review | <i>Disclosed</i> |
| 29 | EN26. Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation | 8.1. Management of Environmental Impact in TVEL FC's Territories of Presence 8.2. Effect Indicators 8.4. Energy Saving and Improvement of Energy Efficiency | <i>Disclosed</i> |

| Nº | PERFORMANCE INDICATORS | CHAPTER OF THE REPORT | DISCLOSURE |
|--|--|---|------------------|
| 30 | EN27. Percentage of products sold and their packaging materials that are reclaimed by category | The peculiarities of TVEL FC's production operations make it impossible to reclaim products and materials for recycling | <i>Disclosed</i> |
| 31 | EN28. Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations | In 2011, no fines or sanctions to compensate damage resulting from environmental impact have been imposed in on any enterprises included in the management perimeter of TVEL Fuel Company | <i>Disclosed</i> |
| 32 | EN30. Total environmental protection expenditures and investments by type | 8.1. Management of Environmental Impact in TVEL FC's Territories of Presence | <i>Disclosed</i> |
| PERFORMANCE INDICATORS – SOCIAL, LABOUR PRACTICES AND DECENT WORK | | | |
| 33 | LA1. Total workforce by employment type, employment contract, region and gender | 10.1. Personnel Management | <i>Disclosed</i> |
| 34 | LA2. Total number and percentage of new employee hires and employee turnover by age group, gender, and region | 10.1. Personnel Management | <i>Disclosed</i> |
| 35 | LA4. Percentage of employees covered by collective bargaining agreements | Collective bargaining agreements of the TVEL FC enterprises cover 100% of their employees | <i>Disclosed</i> |
| 36 | LA5. Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements | In case of any significant operational changes employees are notified thereof with at least 2-month prior notice. Such provision is included in the collective bargaining agreement of every enterprise | <i>Disclosed</i> |

| Nº | PERFORMANCE INDICATORS | CHAPTER OF THE REPORT | DISCLOSURE |
|----|--|--|--|
| 37 | LA7. Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region and gender | 10.4. Health and Safety. Radiation Safety of Personnel | <i>Partially disclosed</i> <i>Data by gender shall be submitted in the Statement for 2012</i> |
| 38 | LA8. Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious disease | 10.3 Social Programs for Personnel 8.1. Management of Environmental Impact in the Territory of Presence | <i>Disclosed</i> |
| 39 | LA9. Health and safety topics covered in formal agreements with trade unions | The responsibility of the FC enterprises for health and safety of their personnel is covered by collective bargaining agreements | <i>Disclosed</i> |
| 40 | LA10. Average hours of training per year per employee by employee category and gender | 10.1. Personnel Management | <i>Partially Disclosed</i> <i>Data by gender shall be submitted in the Statement for 2012</i> |
| 41 | LA12. Percentage of employees receiving regular performance and career development reviews (broken down by gender) | 10.1. Personnel Management | <i>Disclosed</i> |
| 42 | LA13. Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity | 10.2. Headcount and Composition of Personnel | <i>Disclosed</i> |
| 43 | LA14. Ratio of basic salary of men to women by employee category | 10.2. Headcount and Composition of Personnel | <i>Disclosed</i> |

| Nº | PERFORMANCE INDICATORS | CHAPTER OF THE REPORT | DISCLOSURE |
|--|---|--|------------------|
| 44 | LA15. Return to work and retention rates after parental leave, by gender | 10.2. Headcount and Composition of Personnel | <i>Disclosed</i> |
| PERFORMANCE INDICATORS – HUMAN RIGHTS | | | |
| 45 | HR1. Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening | All investment agreements are subject to assessment for compliance with Russian legislation concerning aspects of human rights. All investment agreements comply with the requirements of Russian legislation | <i>Disclosed</i> |
| 46 | HR2. Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken | Suppliers and contractors do not undergo human rights screening | <i>Disclosed</i> |
| 47 | HR3. Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained | <p>Employee training on policies and procedures concerning aspects of human rights lasts for 3 hours and includes employee familiarization with the following documents:</p> <ul style="list-style-type: none"> ■ Internal work regulations ■ Probation regulations ■ Order on employee medical examination ■ Labour remuneration and employee incentives regulations ■ Employee voluntary medical insurance regulations ■ Induction safety training program <p>This training is mandatory for all employees, with 100% of employees trained</p> | <i>Disclosed</i> |

| Nº | PERFORMANCE INDICATORS | CHAPTER OF THE REPORT | DISCLOSURE |
|----|--|---|------------------|
| 48 | HR4. Total number of incidents of discrimination and corrective actions taken | No incidents of discrimination were identified in 2011. For incidents of discrimination to be identified, every employee of TVEL FC may report directly to the general director of the enterprise concerned or to the president of Fuel Company, using e-mail or through letter boxes | <i>Disclosed</i> |
| 49 | HR5. Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights | Every employee of Fuel Company enterprises has the right to join the trade union that represents the employees' interests during collective bargaining. The management of "Rosatom" State Corporation and TVEL Fuel Company encourages employees to join the trade union | <i>Disclosed</i> |
| 50 | HR6. Operations of the Company and its leading suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour | No child labour is used. The technical complexity of the company's operations requires at least secondary professional education and excludes the use of child labour | <i>Disclosed</i> |
| 51 | HR7. Operations of the Company and its leading suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour | The risk of forced or compulsory labour under the Labour Code is negligible | <i>Disclosed</i> |

| Nº | PERFORMANCE INDICATORS | CHAPTER OF THE REPORT | DISCLOSURE |
|---|--|--|------------------|
| 52 | HR10 (GRI 3.1). Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments | TVEL FC's processes are not subject to human rights reviews, since all rights that are material for the parties are laid down in the collective bargaining agreement. TVEL FC provides reports on compliance of the provision of its collective bargaining agreement. The fulfillment of the collective bargaining agreement is controlled by the trade union | <i>Disclosed</i> |
| 53 | HR11 (GRI 3.1). Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms | Formal grievance mechanism includes sending letter to the general director of the enterprise concerned or to Fuel Company's president by e-mail or through letter boxes. All grievances are reviewed by the addressee, and an official response is sent for every grievance. Letters received in 2011 contained no grievances regarding any actions of the employer in relation to its employees not stipulated by the Labour Code of Russia | <i>Disclosed</i> |
| PERFORMANCE INDICATORS – SOCIETY | | | |
| 54 | SO1. Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting | 9.1. Management of Social and Economic Impact in the Territory of Presence | <i>Disclosed</i> |

| Nº | PERFORMANCE INDICATORS | CHAPTER OF THE REPORT | DISCLOSURE |
|----|---|--|------------------|
| 55 | SO2. Percentage and total number of business units analyzed for risks related to corruption | TVEL JSC participates in "Rosatom" State Corporation's anti-theft and anti-fraud program. Corruption risk analysis is performed at the level of "Rosatom" State Corporation. TVEL JSC does not analyze business units with respect to corruption risks | <i>Disclosed</i> |
| 56 | SO3. Percentage of employees trained in organization's anti-corruption policies and procedures | No training in anti-corruption policies was conducted in 2011 | <i>Disclosed</i> |
| 57 | SO4. Actions taken in response to incidents of corruption | No incidents of corruption were discovered in 2011 | <i>Disclosed</i> |
| 58 | SO5. Public policy positions and participation in public policy development and lobbying | 2.4. Legal Framework of Operation. | <i>Disclosed</i> |
| 59 | SO7. Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes | There were no such cases in 2011 | <i>Disclosed</i> |
| 60 | SO8. Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations | No fines were imposed in 2011 | <i>Disclosed</i> |
| 61 | SO9. Operations with significant potential or actual negative impacts on local communities | The company has no operations with significant potential or actual negative impacts on local communities | <i>Disclosed</i> |

| Nº | PERFORMANCE INDICATORS | CHAPTER OF THE REPORT | DISCLOSURE |
|--|---|--|------------------|
| 62 | SO10. Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities | 8.1. Management of Environmental Impact in TVEL FC's Territories of Presence; 9.1. Management of Social and Economic Impact in the Territory of Presence; Chapter 3. Strategy | <i>Disclosed</i> |
| PERFORMANCE INDICATORS – PRODUCT RESPONSIBILITY | | | |
| 63 | PR1. Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures | 5.5. Quality Management | <i>Disclosed</i> |
| 64 | PR2. Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes | No incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services were identified | <i>Disclosed</i> |
| 65 | PR3. Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements | The main types of TVEL FC's product and service information include information about product quality and HSE activity. Communication tolls include mail or courier communication, e-mail, media, meetings and seminars. These activities are conducted in accordance with STK-21-2009 standards that are based on ISO 9001:2008, ISO 14001:2004, OHSAS 18001:2007 | <i>Disclosed</i> |

| Nº | PERFORMANCE INDICATORS | CHAPTER OF THE REPORT | DISCLOSURE |
|----|---|--|------------------|
| 66 | PR4. Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes | No incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling were identified | <i>Disclosed</i> |
| 67 | PR5. Practices related to customer satisfaction, including results of surveys measuring customer satisfaction | 5.5. Quality Management | <i>Disclosed</i> |
| 68 | PR6. Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship | Due to the peculiarities of TVEL FC's operations, there are no programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship | <i>Disclosed</i> |
| 69 | PR7. Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes | No such incidents were identified | <i>Disclosed</i> |
| 70 | PR8. Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data | No such incidents were identified | <i>Disclosed</i> |
| 71 | PR9. Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services | No fines were imposed in 2011 | <i>Disclosed</i> |

Annex 10.

Financial statements over 2011³⁹ Balance sheet as of December 31, 2011

| | | Codes |
|---|-------------------------|------------|
| Form No. 1 of OKUD | | 0710001 |
| Date (day, month, year) | | 31.12.2011 |
| Company TVEL JSC | According to OKPO | 45046040 |
| Taxpayer Identification Number | TIN | 7706123550 |
| Type of activity Industry (nuclearfuel processing) | According to OKVED | 23.30 |
| Legal form/form of ownership Open joint stock company | According to OKOPF/OKFS | 47/16 |
| Measure unit: thousand RUR | According to OKEI | 384(385) |

| | |
|---------|---|
| Address | Bolshaya Ordynka str., building 24, 119017, Moscow |
|---------|---|

| Notes | Item | Line code | as of December 31, 2011 | as of December 31, 2010 | as of December 31, 2009 |
|------------------------------|--|-----------|-------------------------|-------------------------|-------------------------|
| ASSETS | | | | | |
| I. NON-CURRENT ASSETS | | | | | |
| 6.1, 6.8 | Intangible assets | 1 110 | 28 685 | 8 749 | 9 277 |
| 6.2, 6.8 | Research and development results | 1 120 | 1 227 845 | 272 899 | 280 112 |
| 6.3 | Fixed assets | 1 150 | 299 510 | 1 930 421 | 2 078 325 |
| | Buildings, cars, equipment, and other fixed assets | 1 151 | 285 025 | 1 880 103 | 2 032 292 |
| | Incomplete capital investments | 1 152 | 11 752 | 41 621 | 6 886 |
| 6.8 | Advances to suppliers of fixed assets | 1 153 | 2 733 | 8 697 | 39 147 |
| 6.3, 6.8 | Income-bearing investments into tangible assets | 1160 | 319 414 | 435 445 | 489 226 |
| 6.6 | Financial investments | 1170 | 223 288 158 | 215 404 134 | 374 324 71 |

| Notes | Item | Line code | as of December 31, 2011 | as of December 31, 2010 | as of December 31, 2009 |
|---------------------------|---|--------------|-------------------------|-------------------------|-------------------------|
| 6.17 | Deferred tax assets | 1180 | 79 459 | 193 835 | 182 095 |
| 6.4 | Other non-current assets | 1190 | 136 698 3 | 730 798 | 604 595 |
| | TOTAL Section I | 1 100 | 229 484 754 | 222 895 291 | 45 484 101 |
| II. CURRENT ASSETS | | | | | |
| 6.5 | Inventories | 1 210 | 55 523 371 | 54 567 150 | 44 564 769 |
| | Raw materials, materials and other similar assets | 1 211 | 4 709 306 | 4 689 806 | 3 644 327 |
| | Animals being raised and fattened | 1 212 | 37 840 454 | 35 759 481 | 30 648 473 |
| | Finished goods and goods for sale | 1 213 | 12 973 611 | 13 198 841 | 10 219 094 |
| | Goods delivered | 1 214 | | 919 022 | 52 875 |
| | Pre-paid expenses | 1 215 | | | |
| | Not invoiced gross revenue | 1 216 | | | |
| | other inventories and expenses | 1 217 | | | |
| | VAT on acquired values | 1 220 | 7 701 108 | 7 734 415 | 7 674 511 |
| 6.8 | Accounts receivable | 1 230 | 12 937 645 | 12 100 348 | 7 675 112 |
| | Total long-term receivables | 1 231 | 361 113 | 310 216 | 348 988 |
| | Purchasers and customers | 1 232 | 107 932 | 208 088 | 246 443 |
| | Advance payments | 1 233 | | | |
| | Other receivables | 1 234 | 253 181 | 102 128 | 102 545 |
| | Total short-term receivables | 1 235 | 12 576 532 | 11 790 132 | 7 326 124 |
| | Purchasers and customers | 1 236 | 6 528 734 | 3 788 855 | 2 951 625 |
| | Advance payments | 1 237 | 2 931 694 | 3 220 432 | 794 780 |
| | Other receivables | 1 238 | 3 116 104 | 4 780 845 | 3 579 719 |
| 6.6 | Financial investments | 1 240 | 2 844 650 | 1 329 000 | 89 000 |
| 6.7 | Cash | 1 250 | 4 747 646 | 3 694 610 | 2 749 416 |
| | Other current assets | 1 260 | 65 521 | 117 744 | 86 942 |
| | TOTAL Section II | 1 200 | 83 819 941 | 79 543 267 | 62 839 750 |
| | BALANCE | 1 600 | 313 304 695 | 302 438 558 | 108 323 851 |

LIABILITIES

| III. EQUITY AND RESERVES | | | | | |
|---------------------------------|---|-------|-------------|-------------|------------|
| | Equity capital (share capital, charter fund, copartners' investments) | 1 310 | 22 962 | 22 962 | 6 963 |
| | Reacquired stock | 1 320 | () | () | () |
| | Non-current assets re-evaluation | 1 340 | | | |
| | Additional capital (excl. of re-evaluation) | 1 350 | 189 012 468 | 189 012 468 | 13 705 708 |
| | Reserve fund | 1 360 | 25 538 | 170 493 | 104 417 |

³⁹ Consolidated statements "TVEL" for 2011, prepared in accordance with International Financial Reporting Standards (IFRS), moreover, CJSC "KPMG" auditor's report on on these financial statements can be found at <http://www.tvel.ru/wps/wcm/connect/tvel/tvelsite/resources/60ab7d004c019cf481338bc2e353ce28/IFRS.pdf?MOD=AJPERES>

| Notes | Item | Line code | as of December 31, 2011 | as of December 31, 2010 | as of December 31, 2009 |
|----------------------------------|---|-------------|-------------------------|-------------------------|-------------------------|
| 6.15 | Reserve funds established in accordance with the laws | 1361 | 24390 | 169546 | 103470 |
| | Reserve funds established in accordance with the constitutive documents | 1362 | 1148 | 947 | 947 |
| | Retained earnings (uncovered loss) | 1370 | 84806708 | 68320255 | 62679551 |
| | TOTAL Section III | 1300 | 273867676 | 257526178 | 76496639 |
| IV. LONG-TERM LIABILITIES | | | | | |
| | Loans and Borrowings | 1410 | | 7691118 | 2601001 |
| | Deferred tax liabilities | 1420 | | | |
| | Estimated liabilities | 1430 | | | |
| | Other liabilities | 1450 | | | |
| | TOTAL Section IV | 1400 | | 7691118 | 2601001 |
| V. SHORT-TERM LIABILITIES | | | | | |
| 6.14 | Loans and Borrowings | 1510 | 11956933 | 10870169 | 10602085 |
| 6.11 | Accounts payable | 1520 | 26818242 | 25166584 | 17432216 |
| | Purchasers and customers | 1521 | 8055076 | 7351853 | 4090437 |
| | Advances received | 1522 | 18702484 | 15547004 | 13210036 |
| | Payables to employees | 1523 | 275 | 24 | 14 |
| | Payables to | 1524 | | | |
| | Taxes payable | 1525 | 16572 | 19038 | 28908 |
| | Other creditors | 1526 | 43835 | 2248665 | 102821 |
| 6.10 | Deferred income | 1530 | 16997 | 629119 | 729897 |
| 6.16 | Estimated liabilities | 1540 | 644847 | 555390 | 462013 |
| | Other liabilities | 1550 | | | |
| | TOTAL Section V | 1500 | 39437019 | 37221262 | 29228211 |
| | BALANCE | 1700 | 313304695 | 302438558 | 108323851 |

Director
Yu. A. Olenin

February 16, 2012

Accounting manager
S. A. Migalin

Profit and loss account for 12 month of 2011

| | | Codes |
|---|-------------------------|------------|
| Form No. 1 of OKUD | | 0710002 |
| Date (day, month, year) | | 31.12.2011 |
| Company TVEL JSC | According to OKPO | 45046040 |
| Taxpayer Identification Number | TIN | 7706123550 |
| Type of activity Industry (nuclearfuel processing) | According to OKVED | 23.30 |
| Legal form/form of ownership Open joint stock company | According to OKOPF/OKFS | 47/16 |
| Measure unit: thousand RUR | According to OKEI | 384 |

Address **Bolshaya Ordynka str., building 24, 119017, Moscow**

| Notes | Item | Line code | For 12 months of 2011 | For 12 months of 2010 |
|-------|------|-----------|-----------------------|-----------------------|
|-------|------|-----------|-----------------------|-----------------------|

ASSETS

| I. NON-CURRENT ASSETS | | | | |
|-----------------------|---|-------------|-----------------|----------------|
| 6.18 | Income | 2110 | 104796667 | 65136207 |
| 6.18 | Cost of sales | 2120 | (76909047) | (50104658) |
| | Gross income (loss) | 2100 | 27887620 | 15031549 |
| 6.18 | Business expenses | 2210 | (1342500) | (898191) |
| 6.18 | Management expenses | 2220 | (5240913) | (3748905) |
| | Sales profit(loss) | 2200 | 21304207 | 10384453 |
| 6.19 | Participation capital | 2310 | 3204818 | 41421 |
| 6.19 | Interest receivable | 2320 | 197923 | 75708 |
| 6.19 | Interest payable | 2330 | (641361) | (1007852) |
| 6.19 | Other income | 2340 | 3848029 | 2989645 |
| 6.19 | Other expenses | 2350 | (4494233) | (3219202) |
| | Pre-tax profit (loss) | 2300 | 23419383 | 9264173 |
| | Current income tax | 2410 | (3818304) | (1910028) |
| 6.17 | Incl. Deferred tax liabilities (assets) | 2421 | 112068 | (47264) |
| 6.17 | Adjustment of deferred tax liabilities | 2430 | (210525) | (16824) |
| 6.17 | Adjustment of deferred tax assets | 2450 | 96149 | 28564 |
| | Other | 2460 | (50) | 1649 |
| | Net profit/loss | 2400 | 19486653 | 7364236 |

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| | | | | |
|--|---|-------------|-----------------|----------------|
| | Result of the non-current assets re-evaluation not included in the net profit (loss) for the period | 2510 | | |
| | Result of other operations with the non-current assets not included in the net profit (loss) for the period | 2520 | | |
| | Total profit or loss for the period | 2500 | 19486653 | 7364236 |

| Notes | Item | Line code | For 12 months of 2011 | For 12 months of 2010 |
|-------|-------------------------------------|-----------|-----------------------|-----------------------|
| 6.20 | Basic earnings (losses) per share | 2900 | 1 | 1 |
| | Diluted earnings (losses) per share | 2910 | | |

Director
Yu. A. OleninAccounting manager
S. A. Migalin

February 16, 2012



Statement of changes in equity for 2011

| | | Codes |
|---|---|------------|
| Form No. 1 of OKUD | | 0710003 |
| Date (day, month, year) | | 31.12.2011 |
| Company TVEL JSC | According to OKPO | 45046040 |
| Taxpayer Identification Number | TIN | 7706123550 |
| Type of activity Industry (nuclearfuel processing) | According to OKVED | 23.30 |
| Legal form/form of ownership Open joint stock company | According to OKOPF/OKFS | 47/16 |
| Measure unit: thousand RUR | According to OKEI | 384(385) |
| Address | Bolshaya Ordynka str., building 24, 119017, Moscow | |

1. Capital flow

| Description | Code | Authorized capital | Treasury shares | Additional fund | Reserve capital | Retained profit (losses) | Total |
|---------------------------------|-------|--------------------|-----------------|-----------------|-----------------|--------------------------|-------------|
| Balance as of December 31, 2009 | 3 100 | 6 963 | | 13 705 709 | 104 417 | 62 679 551 | 76 496 640 |
| For 2010 | | | | | | | |
| Total income, incl. | 3 210 | 15 999 | | 175 306 759 | 1307006 | 7 364 235 | 183 993 999 |
| Net profit | 3 211 | | | | | 7 364 235 | 7 364 235 |

| Description | Code | Authorized capital | Treasury shares | Additional fund | Reserve capital | Retained profit (losses) | Total |
|---|-------|--------------------|-----------------|-----------------|-----------------|--------------------------|-------------|
| Results of revaluation of fixed assets | 3 212 | | | | | | |
| Income directly related to the capital increase | 3 213 | | | | 1 307 006 | | 1 307 006 |
| Additional share issue | 3 214 | 15 999 | | 175 306 759 | | | 175 322 758 |
| Increase of par value | 3 215 | | | | | | |
| Reorganization of the legal entity | 3 216 | | | | | | |
| Use of industry reserves for investment purposes | 3 217 | | | | | | |
| Decrease in capital value, Total: | 3 220 | | | | (1 240 930) | (1 723 530) | (2 964 460) |
| Losses | 3 221 | | | | | | |
| revaluation of assets | 3 222 | | | | | | |
| Expenditures directly related to the capital decrease | 3 223 | | | | (1 240 930) | | (1 240 930) |
| decrease in par value | 3 224 | | | | | | |
| decrease in number of shares | 3 225 | | | | | | |
| reorganization of the legal entity | 3 226 | | | | | | |
| dividends | 3 227 | | | | | (1 723 530) | (1 723 530) |
| Changes in Additional funds | 3 230 | | | | | | |
| Changes in reserve capital | 3 240 | | | | 66 076 | | 66 076 |
| Balance as of December, 31 2010 | 3 200 | 22 962 | | 189 012 468 | 170 493 | 68 320 256 | 257 526 178 |

| For 2011 | | | | | | | |
|--|-------|--|--|--|-----------|------------|------------|
| Total income, incl. | 3 310 | | | | 2 257 459 | 19 486 654 | 21 744 113 |
| Net profit | 3 311 | | | | | 19 486 654 | 19 486 654 |
| Results of revaluation of fixed assets | 3 312 | | | | | | |

| Description | Code | Authorized capital | Treasury shares | Additional fund | Reserve capital | Retained profit (losses) | Total |
|---|------|--------------------|-----------------|-----------------|-----------------|--------------------------|-------------|
| Income directly related to the capital increase | 3313 | | | | 2 257 459 | | 2 257 459 |
| additional share issue | 3314 | | | | | | |
| increase of par value | 3315 | | | | | | |
| reorganization of the legal entity | 3316 | | | | | | |
| use of industry reserves for investment purposes | 3317 | | | | | | |
| Decrease in capital value, Total: | 3320 | | | | (2 402 413) | (3 000 202) | (5 402 615) |
| Losses | 3321 | | | | | | |
| revaluation of assets | 3322 | | | | | | |
| Expenditures directly related to the capital decrease | 2223 | | | | (2 402 413) | (202) | (2 402 615) |
| decrease in par value | 3324 | | | | | | |
| decrease in number of shares | 3325 | | | | | | |
| reorganization of the legal entity | 3326 | | | | | | |
| dividends | 3327 | | | | | | |
| Changes in Additional funds | 3330 | | | | | | |
| Changes in Reserve capital | 3340 | | | | | | |
| Balance as of December, 31 2011 | 3300 | 22 962 | | 189 012 468 | 25 538 | 84 806 708 | 273 867 676 |

2. Adjustments due to changes in accounting policies and corrections of errors

Form 0710023 p. 3

| Item | As of December 31 2009 | Changes in capital in 2010 | | As of December 31 2010 |
|--|------------------------|----------------------------|----------------------|------------------------|
| | | from net profit (loss) | due to other factors | |
| Capital – total Before adjustments | 76 762 779 | 5 640 705 | 175 322 758 | 257 726 242 |
| Adjustment due to: changes in accounting policies | (266 141) | | 66 076 | (200 065) |
| correction of error | | | | |
| After adjustments | 76 496 638 | 5 640 705 | 175 493 251 | 257 526 178 |
| Including retained profit (uncovered loss): before adjustments | 63 049 162 | | | 63 049 162 |
| Adjustment due to: changes in accounting policies | (369 611) | | | (369 611) |
| correction of error | | | | |
| After adjustments | 62 679 551 | | | 62 679 551 |
| Other equity items | | | | |
| sufficient capital before adjustments | 13 705 708 | | 175 306 759 | 189 012 467 |
| Adjustment due to: changes in accounting policies | | | | |
| Correction of error | | | | |
| After adjustments | 13 705 708 | | 175 306 759 | 189 012 467 |
| Reserve capital before adjustments | 947 | | | 947 |
| Adjustment due to: changes in accounting policies | 103 470 | | 66 076 | 169 546 |
| correction of error | | | | |
| After adjustments Reserve capital | 104 417 | | 66 076 | 170 493 |

3. Net assets

Form 0710023 p. 4

| Item | code | As of December 31 2011 | As of December 31 2010 | As of December 31 2009 |
|------------|-----------|------------------------|------------------------|------------------------|
| Net assets | (266 141) | | 66 076 | (200 065) |

Director
Yu. A. Olenin

February 16, 2012

Accounting manager
S. A. Migalin

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Cash flow statements for 12 month of 2011

| | | Codes |
|---|-------------------------|------------|
| Form No. 1 of OKUD | | 0710004 |
| Date (day, month, year) | | 31.12.2011 |
| Company TVEL JSC | According to OKPO | 45046040 |
| Taxpayer Identification Number | TIN | 7706123550 |
| Type of activity Industry (nuclearfuel processing) | According to OKVED | 23.30 |
| Legal form/form of ownership Open joint stock company | According to OKOPF/OKFS | 47/16 |
| Measure unit: thousand RUR | According to OKEI | 384 |

| | |
|---------|---|
| Address | Bolshaya Ordynka str., building 24, 119017, Moscow |
|---------|---|

| Description | Code | For 12 month of 2011 | For 12 month of 2010 |
|-------------|------|----------------------|----------------------|
|-------------|------|----------------------|----------------------|

| Operating cash flow | | | |
|---|-------|--------------|--------------|
| Cash received — total | 4 110 | 108 804 534 | 66 552 659 |
| proceeds from goods, products, works and services sale | 4 111 | 106 159 036 | 65 694 141 |
| proceeds from lease rents, licence payments, royalty duty | 4 112 | 83 933 | 51 996 |
| proceeds from resale of resale of investments | 4 113 | | |
| other income | 4 119 | 2 561 565 | 806 522 |
| Cash allocated - total | 4 120 | (90 092 275) | (66 763 830) |
| to pay for acquisition of goods, works, services, raw materials | 4 121 | (81 026 335) | (60 444 639) |
| for remuneration of labour | 4 122 | (1 193 354) | (886 961) |
| for dividends distribution | 4 123 | (632 507) | (1 013 907) |
| for corporate profits tax | 4 124 | (392 429) | (1 298 731) |
| other expenses | 4 129 | (3 315 350) | (3 119 592) |
| Net operating cash flow | 4 100 | 18 712 259 | 211 171 |

| Cash flow from investing activities | | | |
|---|-------|--------------|-------------|
| Cash received — total, incl. | 4 210 | 13 204 410 | 5 926 889 |
| Proceeds from sale of fixed assets (except for investments) | 4 211 | 2 252 007 | 2 154 216 |
| Proceeds from sale of securities and other financial investments of other companies | 4 212 | | |
| Proceeds from redemption of loans | 4 213 | 7 581 000 | 3 680 000 |
| Dividends and Interest received | 4 214 | 3 371 403 | 92 673 |
| Payments — total | 4 219 | 28 167 | |
| Cash allocated — total, incl. in connection with the acquisition, construction, modernization | 4 220 | (21 344 121) | (9 041 978) |
| in connection with acquisition of securities and other financial investments | 4 221 | (2 834 761) | (2 901 991) |

| Description | Code | For 12 month of 2011 | For 12 month of 2010 |
|---|-------|----------------------|----------------------|
| in connection with acquisition of debt securities | 4 222 | (9 683 436) | (854 987) |
| Interest on debt | 4 223 | (8 769 530) | (5 285 000) |
| Other incomings | 4 224 | | |
| Cash allocated — total | 4 229 | (56 394) | |
| Net operating cash flow | 4 200 | (8 139 711) | (3 115 089) |

| Cash flow from financial activities | | | |
|---|-------|--------------|--------------|
| Cash received — total | 4 310 | 25 799 112 | 26 086 549 |
| Access to credit and loans | 4 311 | 25 799 112 | 25 378 542 |
| Monetary contributions of owners | 4 312 | | |
| Proceeds from shares issue and other equity securities | 4 313 | | |
| Proceeds from issue of bonds, long drafts and debt securities | 4 314 | | |
| budgetary allocation and other special purpose funding | 4 315 | | 708 007 |
| Other proceeds | 4 319 | | |
| Payments - total | 4 320 | (35 583 536) | (21 815 096) |
| To owners in connection with the repurchase of their shares | 4 321 | | |
| Payment of dividends and other payments on the distribution | 4 322 | (3 000 000) | (1 723 530) |
| Due to the maturity (redemption) of bills and other debt obligations, repayment of borrowings | 4 323 | (32 583 536) | (20 091 566) |
| Other payments, allocations | 4 329 | | |
| Net cash from financial activities | 4 300 | (9 784 424) | 4 271 453 |
| Net increase (decrease) of cash and its equivalents | 4 400 | 816 291 | 945 193 |
| Cash balance as at the beginning reporting period | 4 450 | 3 694 610 | 2 749 416 |
| Cash balance as of the end of the reporting period | 4 500 | 4 747 646 | 3 694 610 |
| Effect of exchange rate changes with regard to ruble | 4 490 | 236 745 | 129 764 |

Director
Yu. A. Olenin

February 16, 2012

Accounting manager
S. A. Migalin

Annex 11.

Auditors' Report on Accounting (Financial) Statements

To the Shareholder of TVEL
Open Joint-Stock Company

Audited entity

Name:

TVEL Open Joint-Stock Company
(hereinafter referred to as TVEL JSC)

Location:

24 Bolshaya Ordynka Street,
Moscow, 119017

State registration:

Registered by Moscow Registration Chamber on 16 September 1996, Certificate No. 061.775. Entered into the Uniform State Register of Legal Entities on 22 August 2002 under Primary State Number 1027739121475.

Membership in the self-regulatory auditors' organization:

Not-for-Profit Partnership
"Auditing Chamber of Russia"

Number in the register for auditing entities of the self-regulatory auditors' organization:

Certificate of Membership in the Not-for-Profit Partnership "Auditing Chamber of Russia" No. 5353, ORNZ – 10201039470.

Auditor

Name:

Limited Liability Company "Financial and Accounting Consultants" (OOO "FBK")

Location:

44/1 Myasnitskaya Street, Building 2AБ, Moscow, 101990

State registration:

Registered by Moscow Registration Chamber on 15 November 1993, Certificate Series Ю3 3 No. 484.583 ПП. Entered into the Uniform State Register of Legal Entities on 24 July 2002 under Primary State Number 1027700058286.

We have audited the accompanying accounting statements of TVEL JSC, which comprise the balance sheet as at 31 December 2011, the profit and loss statement, statement of changes in equity, cash flow statement for 2011 and the explanatory note.

Audited Entity's Responsibility for the Accounting Statements

Management of the audited entity is responsible for the preparation and reliability of the said accounting state-



ments in accordance with the Russian accounting reporting rules and for the system of internal control required to prepare accounting statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion about the reliability of the accounting statements based on the results of our audit. We conducted our audit in accordance with the federal standards on auditing. Those standards require that we comply with the applicable ethical requirements and plan and perform the audit to obtain reasonable assurance whether the accounting statements are free from material misstatement.

The audit involved performing audit procedures aimed to obtain the audit evidence confirming the amounts in the accounting statements and disclosure of information therein. The audit procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making these risk assessments we have considered the system of internal control relevant to the preparation and reliability of the accounting statements in order to select the appropriate audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the system of internal control.

The audit also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of the audited entity, as well as evaluating the overall presentation of the accounting statements.

We believe that the audit evidence we have obtained during the audit is sufficient to provide a basis for expressing the opinion about the reliability of the accounting statements.

Opinion

In our opinion, the accounting statements present fairly, in all material respects, the financial position of TVEL JSC as at 31 December 2011, its financial and economic performance and its cash flows for 2011 in accordance with the established rules for preparation of accounting statements.

Other Relevant Information

Accounting statements of TVEL JSC for the period from 01 January to 31 December 2010 inclusive were audited by other auditor – OOO "Nexia Pacioli", whose auditors' report is dated 18 February 2011 and contains an unmodified opinion.

Date of Auditors' Report:
February 27, 2012



OOO "FBK" President
S. M. Shapiguzov
(Pursuant to the Charter)

Report of the Audit Committee

Report of the Audit Committee on the results of the examination of the financial and economic activity and annual accounting (financial) statements of TVEL JSC of 2011

Moscow
April 11, 2012

The Audit Committee of TVEL JSC (hereinafter – the Company) guided by the authority provided to it by the Federal law “On joint-stock companies”, the Company’s Charter, the Statement on the Audit Committee of the Company, performed the examination of the financial and economic activity of the Company from 01.01.2011 through 31.12.2011. The examination was held from 09 through 11 of April, 2012.

The Audit Committee was chosen by the decision of the single stockholder of the Company, record of June 30, 2011, No.15. It consisted of:

- the Chairman of the Audit Committee — Oleg Ivanovich Linyaev — deputy director of the Department of coordination and development of the nuclear fuel cycle (NFC), the Head of the Division of the balanced NFC development management of “Rosatom” State Corporation;
- member of the Audit Committee — Galina Ivanovna Bobrova – the Executive director of the internal control and audit department of TVEL JSC;

- member of the Audit Committee — Dmitriy Vitalyevich Khomaza — the Head of the Department of Economy and Controlling of “Rosatom” State Corporation;

- member of the Audit Committee — Tatyana Anatolyevna Fokina – the Head of the Department of Risks of “Rosatom” State Corporation.

The Audit Committee did not receive any demands of executing unplanned examinations and revisions from the single stockholder or Board of directors throughout the year.

During the examination the Audit Committee studied the founding documents selectively, as well as accounting records, accounting (financial) statements, analytical materials, matters concerning compliance with corporate procedures and other documents, presented to the Audit Committee, which demonstrate important sides of the Company’s activities.

The result of the Audit Committee’s examination is based, among other things, on the report of the Company’s Auditor (“Financial and Accounting consultants” Ltd.) of February 27, 2012.

As the result of the examination, the Audit Committee confirms the Data, presented in the Company’s Annual Report:

1. The financial results of the Company’s activities in 2011 are reliable.
2. Accounting statements with the balance value 313 304 695 thousand rubles reliably demonstrate the assets and obligations as on 31.12.2011 and the financial results of the Company’s activities in 2011.
3. The net profit available for distribution for the examined period amounted to 19 486 653 thousand rubles.

Chairman of the Audit Committee

Oleg Ivanovich Linyaev



Members of the Committee

Galina Ivanovna Bobrova



Dmitriy Vitalyevich Khomaza

Tatyana Anatolyevna Fokina



The Conclusion of the Internal control and Audit Department of TVEL JSC

Conclusion of the Internal control and Audit Department of TVEL JSC based on the results of the audit of the process of forming a public annual report

The inner audit of the process of forming a public annual report of TVEL JSC (hereinafter the Company) of the year 2011 was held in accordance with the "Order of planning and executing of inner audits of business processes happening at TVEL JSC and the companies that form part of the control circle of the Fuel Company", affirmed by the order the President of TVEL JSC of 14.12.2011 No.271 in accordance with the politics of "Rosatom" State Corporation in the sphere of public reporting, affirmed by the CEO of "Rosatom" State Corporation on 13.05.2011 No.1/403-П, the Standard of annual public reporting of TVEL JSC, affirmed by the order of the President of TVEL JSC of 15.02.2011 No.28, the basic statements of the Guide to reporting on sustainable development of GRI (G3 version), the series of international standards AA1000, the recommendations of the Russian Union of Industrialists and Entrepreneurs on the usage in practice of the control and corporate non-financial report.

The purpose of the audit was to form the opinion about the effectiveness of the system of inner control of the process of forming public annual report and about the appropriateness of the order of forming public annual report to the demands of the current legislation, inner normative documents, the standards of "Rosatom" State Corporation and the Society of public accounting.

The audit included:

- analysis of the appropriateness of the order of forming the public annual report to the demands of the current legislation, the politics of "Rosatom" State Corporation, the standards of the Society of public accounting;
- evaluation of the appropriateness of the interaction of interested parties to the demands of international standards of the AA1000 series and the politics of "Rosatom" State Corporation on public accounting;
- classification and evaluation of the main risks that happen during the process of forming public annual report;
- evaluation of regulation and formalization of key processes that are part of the stage of planning and preparing public annual report (key controlling procedures were analyzed to identify the adequacy of their design and operating effectiveness);
- development of recommendations directed on the growth of and improvement of effectiveness of the system of inner control of the process of forming public annual account.

The management of inner control and audit did not register any facts of limiting the level of audit on behalf of the management and the employees of the Company.

The results of the examination include certain flaws connected to the introduction of control procedures that did not provide sufficient influence on the quality of public annual report of TVEL JSC of 2011.

The results of the audit provide a possibility to make certain conclusions on the effectiveness of the system of inner control of the process of forming public annual account and about the appropriateness of the order of forming 2011 public annual report by TVEL JSC to the current legislation, the politics of "Rosatom" State Corporation in the field of public reports and inner normative demands of TVEL JSC that regulate the process of forming public annual report.

The conclusion of the non-financial auditor. Independent certification of social reporting



To the consignment of TVEL JSC
and its stakeholders

Principle 1. Inclusivity

- Information presented in the Report, as well as direct and indirect evidence collected by the certifier allow to make a conclusion that the interests of the key stakeholders were taken into consideration during the preparation of information to be included in the Report.
- The Company identified 10 groups of stakeholders, with their status reflected in the ranking card, determined stakeholders' key interests and the best ways to interact with them, and also maintains a complex, logically consistent and coordinated approach to considering all material aspects identified in the course of interaction with its stakeholders and to identifying ways to solve them.
- The main means to keep stakeholders informed and interact with them include reports, including this Report, public consultations, thematic meetings and dialogues (including dialogues with the corporate management), information messages, press releases, interviews, negotiations, surveys, corporate website, mailboxes for corporate employees, publications in media, conferences and forums (including international ones), audits and verifications, as well as other open access mechanisms.

- Structured interaction with stakeholders is disclosed in the Report: see information about four special thematic dialogues dedicated to topics of importance for the Company's stakeholders.
- The processes of interaction with stakeholders, which are used for decision making during the preparation of Report, correspond to the coverage and boundaries of the Report. Plans to improve public accountability were provided.
- Engagement of regions of presence is reflected in published information about the implementation of 250 community projects within trilateral agreements made between the trade union of nuclear power sector and industry workers, the association of closed administrative-territorial formations and the Company.
- The Report provides evidence that corporate social programs covering the Company's employees were implemented.

Principle 2. Materiality

- The Company has implemented a process to identify material (important) aspects of its activity, which

process sets forth clear and understandable criteria of materiality taking into consideration the peculiarities of nuclear industry and GRI guidelines with respect to principles of accountability. During the period covered by the report, material aspects were updated on an ongoing basis.

- The Report provides a balanced and reasonable presentation of information about economic, social and environmental aspects of Company's activity, which aspects are important for its stakeholders and determine the indicators of Company's sustainable development. Identifying material aspects, the Company took into consideration external and internal performance factors and risks.
- The Report discloses material information about economic performance of the Company, top-priority areas in its activity, including investments. The amount of attention paid to various topics in the Report is proportionate to their relevant importance (materiality).
- The Company demonstrates understanding of the concept of corporate social responsibility and sustainable development and uses objective information to reflect various topics in its Report. The Report contains prospective goals, plans and commitments related to sustainable development in 2012, and partially, to future prospects.
- The information and data presentation format used in the Report allows users to trace the dynamics of Company's KPIs.
- Information about material aspects of Company's sustainable develop-

ment has adequate traceability in data selection, processing, transfer and presentation processes.

- Information presented in the Report is material for stakeholders, since it can affect their future decisions and behaviour in relation to the Company.
- Based on analysis of data in the Report and interviews, no material aspect of corporate social responsibility can be identified that has been omitted or unreasonably excluded from the report. The Report reflects significant events that took place during the period covered by the report.
- The Report provides sufficient information about Company's compliance with Russian law, regulations of "Rosatom" State Corporation and other statutory regulations.

Principle 3. Responsiveness

- The certifier is currently unaware of any areas that could be, but were not, disclosed in the Report, in which areas the Company is unable to respond to reasonable requests from its stakeholders.
- The Company identified and adequately disclosed top-priority topics in its Report: Development of TVEL Fuel Company, and Management of Social, Environmental and Economic Impact on the Territory of Presence of Fuel Company's Enterprises.
- Focus on consumer is a most important principle of Company's activ-



ity. Consumer requirements are met through scheduled supplies of nuclear fuel with the required characteristics. The following plays an important role in creating a positive image of the Company: a high level of competence of employees and continuous training; competitive product prices, efficient procedures governing relations with product consumers, including audits by third parties. The Company pays considerable attention to improving its corporate management system based on international standard ISO 9001:2008, as well as to implementing an investment program for technical upgrade and modernization with the introduction of innovative technology and know-how in the field of enrichment and fabrication. The Company organizes annual conferences dedicated to product and service quality. Also, consistent work is being done to implement an integrated corporate quality, environment and safety management system.

- The opinions and expectations of Company's shareholders are taken into consideration through the implementation of corporate governance principles.
- The interests of employees at Company's enterprises are taken into consideration through collective bargaining agreements made between the management and trade union committees (councils of work collectives) of enterprises included in the Company.
- Response to the needs of a region of presence is ensured through a wide range of community programs and projects. The Company is the

largest taxpayer and source of budget in the regions of its presence. In cooperation with regional administrations, the Company contributes to financing various sport events, health and cultural programs, and makes a considerable contribution to the development of social infrastructure, the condition of which affects the quality of life of employees and their families, as well of the entire population in the regions of its presence.

- The right of people to favourable environment is ensured through planned environmental activities of the Company and ongoing environmental risk assessment. The Company has implemented an environmental management system based on international standard ISO 14001:2004. The Company is guided by TVEL JSC's environmental policy and environmental policy implementation plan for 2010-2015. The federal target program entitled Nuclear and Radiation Safety in 2008 and through 2015 is being implemented. Environmental responsibility is among the basic principles behind the Company's activity.
- In its managerial and investment decisions the Company takes into consideration environmental aspects. Regular environmental control and atmospheric air monitoring are exercised in areas where its production sites are located. A wide range of ongoing organizational and technical activities help maintain a positive dynamics of key of environmental impact indicators.



Compliance of Report with GRI Guidelines

The Report was prepared in line with GRI G3.1 Sustainability Reporting Guidelines (hereinafter "Guidelines") and includes all information with respect to all applicable standard reporting elements, as well as GRI performance indicators, and satisfies A+ application level requirements.

Stakeholder engagement level and quality according to AA1000SES (2011)

The public reporting process in general complies with AA1000SES (2011) guidelines. The Company developed, implemented and maintains a stakeholder identification methodology based on a multi-criteria approach using the criteria of dependency, responsibility, influence level, etc. A stakeholder database is maintained. The responsibility and powers of corporate management and employees in relation to matters of interaction with stakeholders have been determined, and the necessary resources are allocated. The key interests, needs and expectations of stakeholders are monitored and updated from time to time. The results of interaction are communicated to stakeholders in due time.

Recommendations for the preparation of corporate public non-financial reports in future periods

- Clarify data measurement and calculation methods, including assumptions and techniques used for determining indicators and other information included in the Report.
- Broaden the practice of public dialogues with representatives of stakeholders on the most important issues pertaining to the Company's sustainable development, including dialogues in the regions of its presence.
- In cooperation with stakeholders compile a list of performance indicators reflecting the peculiarities of Company's business activities.
- Include public non-financial reports in the corporate integrated quality management system, safety and environment system to the extent of "internal audit" and "analysis by management" elements of the integrated management system.
- Clarify the list of stakeholders.
- Reflect both positive and negative trends in achievement of sustainable development goals during the reporting period.
- Improve justification of exclusion of standard reporting elements (performance indicators) stipulated by the Guidelines.



- Ensure succession of formal attributes (structure and contents) of reports, which will enable stakeholders to trace the areas of corporate social policy selected by the Company and correctly assess the dynamics of performance of obligations (events, programs, plans).
- Clarify plans for broadening reports in the future.

- Bureau Veritas Certification Rus CJSC officially states that this Certification is an independent third-party assessment. Bureau Veritas Certification Rus CJSC has no commercial interest in the Company's activity, except for our certification services.
- The auditors of Bureau Veritas Certification Rus CJSC engaged in this work possess the required level of competency on matters pertaining to certification of public non-financial reports and are guided by our internal procedures and world's best practices.

Statement by Bureau Veritas Certification Rus

- on independence, impartiality and competence
- Bureau Veritas Certification Rus CJSC is an independent international professional company specializing in providing services in the field of accredited certification of management systems (in particular quality management systems, HSE systems, social responsibility systems, etc.)

Certifier
Bureau Veritas Certification Rus CJSC
September 4, 2012

Vladimir Mityashin — Lead Auditor,
Ph.D. in Economics
IRCA No. 01191213
Moscow

Glossary and abbreviations

1. Terms

| TERM | DEFINITION |
|----------------------------------|---|
| <i>Active zone</i> | The main part of the reactor where the controlled chain reaction takes place This is where nuclear fuel is loaded |
| <i>Nuclear power engineering</i> | Sector of power engineering using nuclear energy for electrification and heat supply purposes |
| <i>Decommissioning</i> | Decommissioning of a reactor plant as well as subsequent actions for its safe dismantling, equipment disposal and future use of the site |
| <i>Depletion of nuclear fuel</i> | Impoverishment of any nuclide in nuclear fuel due to nuclear transformations of this nuclide during the reactor operation |
| <i>Highly-enriched uranium</i> | Uranium containing uranium-235 isotope with a mass of 20% or more |
| <i>Gas centrifuge</i> | Equipment designed for obtaining enriched uranium necessary for ensuring the operation of nuclear reactors of nuclear power plants |
| <i>Gas diffusion technology</i> | Gas diffusion technology of separation of uranium isotopes based on the molecular diffusion through the micropores of membranes (partitions) |
| <i>Uranium hexafluoride</i> | Chemical compound of uranium which can be in gaseous state under certain conditions. It is used as source material in uranium enrichment |
| <i>Burnup fraction</i> | Share of the initial quantity of number of nuclei of a certain type which have gone through nuclear transformation in the reactor at the neutron influence (expressed in MW x days/kg U) ODPE — Ore-dressing and processing enterprise |

| TERM | DEFINITION |
|-------------------------------------|---|
| <i>Dose</i> | Energy absorbed by the tissue from ionising radiation One gray equals one joule per kilogram, but the dose varies depending on the exposure to various types of radiation, and thus the sievert is a unity of dose equivalent used for establishing the radiation standards |
| <i>Natural radiation background</i> | Ionising radiation composed of space radiation and ionising radiation of naturally distributed natural radionuclides (on Earth surface, in the air, foodstuffs, water, human organism, etc.) |
| <i>Closed nuclear fuel cycle</i> | Nuclear fuel cycle in which used nuclear fuel discharged from the reactor is recycled for extraction of uranium and plutonium for reproduction of nuclear fuel |
| <i>Ash-and-slad</i> | Wastes generated from burning solid fuel |
| <i>Individual radiation dose</i> | Equivalent radiation dose per individual |
| <i>Research reactor</i> | Nuclear reactor used for fundamental and applied research and output of radioisotope products (see also experimental reactor) |
| <i>Conversion</i> | Chemical process of transformation of uranium oxides into hexafluoride at the preparation for enrichment |
| <i>Radiation control</i> | Obtaining of information on the radiation situation in the organisation and environment and on the levels of radiation of humans (including dosimetric control and radiometric surveillance) |
| <i>Indirect energy use</i> | Use of energy produced outside the organisational limits of the organisation preparing the report |
| <i>Light-water reactor</i> | Nuclear energy reactor in which normal (light) water is used both as decelerator and heat carrier. There are two types of such reactors: reactor with water under pressure and reactor with boiling water |
| <i>Production localisation</i> | Production organisation outside of the Russian Federation |

| TERM | DEFINITION |
|---|--|
| <i>Open nuclear fuel cycle</i> | Nuclear fuel cycle in which used nuclear fuel discharged from the reactor is not recycled and is considered as radioactive waste |
| <i>Neutron</i> | Uncharged elementary particle present in the nucleus of each atom except hydrogen. Single mobile neutrons moving at different speeds arise because of the fission reaction. Slow (heat) neutrons, in their turn, can easily cause fission of nuclei of "fissionable" isotopes, e.g., U-235, Pu-239, U-233; fast neutrons can cause fission of nuclei of a "fertile" isotope, e.g. U-238. Sometimes atomic nuclei just capture neutrons |
| <i>Low-enriched uranium</i> | Uranium containing uranium-235 isotope with a mass of under 20% |
| <i>Nuclide</i> | Type of atom with a definite number of protons and neutrons in the nucleus characterised by an atomic mass and atomic (order) number |
| <i>Depleted uranium</i> | Uranium in which the content of uranium-235 isotope is lower than in natural uranium (lower than 0.7%), a by-product of enrichment in the fuel cycle, can mix with highly-enriched uranium for nuclear fuel production |
| <i>Uranium (uranium ore) enrichment</i> | Totality of processes of treatment of mineral uranium-containing raw material for the purpose of separation of uranium from other minerals contained in the ore with increase of ratio of U-235 to U-238. The enrichment process includes ore reduction and regrinding and various chemical processes for separating uranium from wastes called tails. Enrichment by leaching on-site includes the chemical processes for separating uranium from the solution |
| <i>Enriched nuclear fuel</i> | Nuclear fuel in which the content of fissionable nuclides is higher than in natural raw material |

| TERM | DEFINITION |
|------------------------------------|---|
| <i>Enriched uranium</i> | Uranium in which the ratio of uranium-235 (to U-238) is higher than the natural ratio (0.7%). Reactor quality uranium is usually enriched approximately to 3.5% U-235, and the content of U-235 in weapon-grade uranium is over 90% |
| <i>Fuel element cans</i> | Metal pipes in the reactor active zone containing oxide fuel pellets |
| <i>Circulating water</i> | Water that has been used in the processing cycle and that is to be used for the same purposes after cooling or purification |
| <i>Radioactive waste treatment</i> | General term uniting all activities related to the processing, conditioning, transportation, storage and burial of radioactive waste |
| <i>Ozone-depleting substances</i> | Any substance with an ozone-depleting potential higher than 0, able to deplete the stratospheric ozone layer. Most of ozone-depleting substances, including CFC, halons and methylbromide, fall under the Montreal protocol as amended |
| <i>Trial performance</i> | Stage of PP commissioning from the beginning of the power launch till the PP acceptance for industrial operation |
| <i>Primary energy sources</i> | Source energy form used for satisfying the energy needs of the organisation preparing the report. Examples of primary sources include irreplaceable energy sources, e.g. coal, natural gas, oil and nuclear energy. They also include such replaceable sources as biomass, sun and wind energy, geothermal and hydraulic energy |
| <i>First nuclear project</i> | The USSR's nuclear project aimed at creating weapons of mass destruction with the use of nuclear energy |

| TERM | DEFINITION |
|---|---|
| <i>Fuel recharging</i> | Operation performed by material-handling machines for replacing used fuel; the fuel radiation degree at which the recharging is done depends on the fuel composition after radiation, on the allowable work duration and on the reactivity change |
| <i>Floating power unit</i> | The main element of floating nuclear power plants of low power developed by "Rosatom" State Corporation |
| <i>Maximum permissible dose</i> | The maximum value of the individual equivalent radiation dose per year, which does not cause unfavourable changes in the personnel's health after 50 years of uniform exposure |
| <i>Industrial park</i> | Special territory on which production and other enterprises are united by means of a common infrastructure and mutual production cooperation |
| <i>Fuel production</i> | Nuclear fuel production, generally in the form of ceramic buttons enclosed in metal pipes (fuel elements), which are later assembled in fuel assemblies (FA) |
| <i>Radioactive isotopes</i> | Isotopes with unstable nuclei under radioactive disintegration |
| <i>Radiation safety</i> | System of measures ensuring the protection of personnel of the nuclear sector organisations and population from radioactive consequences |
| <i>Radionuclides</i> | General name for radioactive atoms. Great danger for environment |
| <i>Regenerated uranium</i> | Uranium separated from used nuclear fuel in the process of chemical processing for reuse in nuclear fuel (regenerated fuel) |
| <i>Rehabilitation of contaminated territories</i> | Lowering of the radioactive contamination degree to the level ensuring the maximum protection of population and recovery of the condition of all elements of the ecosystem (waters, soils, air) to the current normative level |

| TERM | DEFINITION |
|--------------------------------------|--|
| <i>Social partnership</i> | System of institutes and mechanisms of coordination of the interests of the production process participants (workers, employers, state authorities, local government) based on equal cooperation |
| <i>Sublimation production</i> | Uranium hexafluoride production |
| <i>Heat monitoring</i> | Diagnostics of industrial equipment, buildings and constructions in the infrared spectrum of electromagnetic radiation for detecting defects and their analysis. Heat monitoring consists in displaying the condition of the object's thermal and hydraulic seal on a temperature map (thermogram) |
| <i>Fuel assembly</i> | Mechanical item containing nuclear materials and designed for obtaining nuclear energy in a nuclear reactor due to a controlled chain reaction. See FA |
| <i>Heat carrier</i> | Liquid or gas used for heat transfer from the reactor active zone to the steam generators or directly to the turbines |
| <i>Fuel company</i> | TVEL JSC and the enterprises managed by the Company |
| <i>Fuel pellet</i> | Pellet from compacted uranium dioxide, is the base of nuclear fuel and is placed inside fuel elements (see fuel element) |
| <i>Production placement topology</i> | Plan of territorial location of production facilities |
| <i>Uranium-233</i> | Artificial uranium isotope with half-life period 1.6×10^5 years obtained by transmutation of thorium-232 after neutron capturing; is a fissionable nuclide |
| <i>Uranium-235</i> | Natural uranium isotope with atomic mass 235 and half-life 7.1×10^8 years; is the only fissionable material existing in nature |
| <i>Uranium-238</i> | Natural uranium isotope with atomic mass 238 and half-life 4.5×10^9 years; can be used as fertile material to obtain plutonium-239 |

| TERM | DEFINITION |
|-----------------------------|---|
| <i>Background radiation</i> | Natural ionising radiation that impacts every human, originates in the Earth crust (including radon) and comes from space |
| <i>Backend</i> | Element (part) of fuel assembly |
| <i>Tail storage</i> | Complex of special structures and equipment designed for storage or burial of radioactive, toxic and other nonutilizable wastes of minerals enrichment called tails |
| <i>Power unit</i> | One of the NPP reactors with necessary additional equipment |
| <i>Nuclear facility</i> | Any installation, in which radioactive or fissionable materials are generated, processed or handled |
| <i>Nuclear energy</i> | Internal energy of atomic nuclei released in nuclear fission or nuclear reactions |
| <i>Nuclear fuel</i> | Fissionable material that has gone through the required processes of fabrication and formed so that it can be charged into the reactor |
| <i>Nuclear wastes</i> | Radioactive materials generated on various stages of the nuclear fuel cycle, including development of uranium deposits, enrichment, fuel production, reactor operation, fuel processing, etc. |
| <i>Nuclear reactor</i> | Unit in which the controlled chain nuclear reaction with energy release takes place. Reactors are classified by purpose, carrier type, design and other characteristics |

2. Abbreviation

| TERM | DESCRIPTION |
|----------------|---|
| <i>CAMSPeM</i> | Computer-Aided Measuring System for Production Environmental Monitoring |
| <i>ANeCS</i> | Automated Nuclear Environment Control System |
| <i>APCS</i> | Automated Process Control System |

| TERM | DESCRIPTION |
|--------------|---|
| <i>NPP</i> | Nuclear power plant, industrial enterprise producing electrical energy |
| <i>FN</i> | Fast neutron reactor where sodium is the carrier in the first and second loop and water and vapour in the third loop. In Russia, it is used at the Beloyarsk NPP |
| <i>VVER</i> | Water-water energy reactor in which water is used both as decelerator and heat carrier. The most widespread type of Russian NPP reactors has two modifications - VVER-440 и VVER-1000 |
| <i>RPH</i> | Regenerative pyrohydrolysis |
| <i>HTSC</i> | High-temperature superconductors |
| <i>GDO</i> | Government Defence Order |
| <i>ODPE</i> | Ore-dressing and processing enterprise |
| <i>UHF</i> | Uranium hexafluoride |
| <i>GC</i> | Gas centrifuge |
| <i>GCC</i> | Gas centrifuge complex |
| <i>ICAM</i> | Internal Control and Audit Management of TVEL JSC |
| <i>SA</i> | Subsidiary and affiliate |
| <i>USPS</i> | Unified sectoral purchase standard of "Rosatom" State Atomic Energy Corporation |
| <i>SWU</i> | Separative work unit |
| <i>CATE</i> | Closed Administrative-Territorial Entity |
| <i>UNO-O</i> | Uranium nitrous oxide-oxide |
| <i>IMS</i> | Integrated Management System for Quality, Ecology and Safety |

| TERM | DESCRIPTION |
|-----------------|--|
| <i>ITER</i> | (ITER, International Thermonuclear Experimental Reactor) – International Thermonuclear Experimental Reactor built on basis of a tokamak by an international group of scientists under the aegis of IAEA. It is supposed to be a type of the world's first DEMO thermonuclear power plant |
| <i>DD</i> | Design documentation |
| <i>KPI</i> | Key performance indicators |
| <i>CMQS</i> | Corporate quality management system |
| <i>CRMS</i> | Corporate risk management system |
| <i>IAEA</i> | (International Atomic Energy Agency, IAEA), international controlling body monitoring the observance of nuclear safety and non-proliferation of nuclear weapons in the world |
| <i>MW</i> | Megawatt - unit of power equaling to 10 ⁶ watts. MW(e) relates to electric power of a generator; MW(t) relates to thermal power of a reactor or heat source (e.g., the full thermal power of the reactor itself is generally three times more than the electric power) |
| <i>MOX-fuel</i> | From English: MOX, Mixed Oxide Nuclear Fuel (generally on basis of uranium and plutonium) |
| <i>R&D</i> | Research and development |
| <i>RE</i> | Research engineering |
| <i>UC</i> | Unturnable cascade |
| <i>NFC IS</i> | Nuclear fuel cycle initial stage |
| <i>STC</i> | Scientific and technical council |
| <i>IS</i> | Investment substantiation |
| <i>EP</i> | Environment protection |
| <i>EUP</i> | Enriched uranium product |
| <i>SNF</i> | Spent nuclear fuel |

| TERM | DESCRIPTION |
|-------------------|--|
| <i>PAR</i> | Public annual reports |
| <i>RPS</i> | "Rosatom" State Corporation Production System |
| <i>FPU</i> | Floating power unit |
| <i>HPCTR</i> | High-power channel-type reactor – a type of single loop power reactor where water is carrier and graphite is decelerator |
| <i>RN</i> | Radionuclides |
| <i>RTUAEIE</i> | Russian Trade Union of Atomic Energy and Industry Employees |
| <i>SSC</i> | Separation-sublimation complex |
| <i>SPZ</i> | Sanitary protection zone |
| <i>QMS</i> | Quality management system |
| <i>JV</i> | Joint venture |
| <i>PCS</i> | Reactor protection control system |
| <i>RMS</i> | Risk management system |
| <i>EMS</i> | Ecological management system |
| <i>FNF</i> | Fresh nuclear fuel – new (unirradiated) fuel |
| <i>FA</i> | Fuel assembly – form of nuclear fuel consisting of fuel element clusters, technological canals CPS (see CPS), distancing grates, backend and head (in some cases – also housing) |
| <i>FA-KVADRAT</i> | Name of a FA for PWR reactors developed in Russia |
| <i>FP</i> | Fuel pin, a sealed pipe containing fuel pellets made of uranium dioxide with gadolinium oxide admixture |
| <i>TS</i> | Target Specification |
| <i>TVEL FC</i> | TVEL JSC and the enterprises managed by the Company |
| <i>ZTTC</i> | Zirconium technical tetrachloride |
| <i>FS</i> | Feasibility study |

| TERM | DESCRIPTION |
|------------------------|---|
| <i>HPP</i> | Heat and power plant |
| <i>NMA</i> | Nuclear material accounting |
| <i>FTP</i> | Federal target program |
| <i>EGR</i> | Energy channel-type graphite reactor with vapour overheating, used at the Bilibinskaya NPP |
| <i>NMR – tomograph</i> | Medical diagnostic equipment based on the nuclear magnetic resonance principle |
| <i>NRS</i> | Nuclear and radiation safety |
| <i>NRDO</i> | Nuclear and radiation dangerous object |
| <i>NF</i> | Nuclear fuel |
| <i>NFC</i> | Nuclear fuel cycle, complex of measures for ensuring the functioning of nuclear energy engineering including extraction and processing of uranium ore, fuel fabrication, transportation to the NPP, storage and treatment of UNF. In the event of UNF burial, the NFC is called open; if fuel processing and reuse is provided, the cycle is closed |

3. English terms

| TERM | DESCRIPTION |
|----------------|--|
| <i>BWR</i> | Boiling water reactor – with water as heat carrier |
| <i>IAEA</i> | International Atomic Energy Agency |
| <i>ITER</i> | International Thermonuclear Experimental Reactor |
| <i>PWR</i> | Pressurized water reactor – type of foreign reactors with pressurized water, similar to VVER |
| <i>R&D</i> | Research and Development |

3. Editor's assumptions in the report text

| TERM | TEXT ASSUMPTION |
|---------------------------|--|
| <i>TVEL JSC SA</i> | TVEL FC enterprises Subsidiaries and affiliates Incorporated enterprises |
| <i>TVEL FC</i> | "Rosatom" State Corporation Fuel Company |
| <i>MSZ JSC</i> | JSC "Mashinostroitelny Zavod" |
| <i>JSC NCCP</i> | JSC "Novosibirsk Chemical Concentrates plant" |
| <i>CMP JSC</i> | JSC "Chepetsk Mechanical Plant" |
| <i>MPP JSC</i> | JSC "Moskov Polymetal plant" |
| <i>AECC JSC</i> | JSC "Angarsk Electrolysis chemical complex" |
| <i>JSC "PA ECP"</i> | JSC "Production Association "Electrochemical plant" |
| <i>JSC SGChE</i> | JSC "Siberian Group of chemical enterprises" |
| <i>JSC UEIP</i> | JSC "Ural Electrochemical Integrated plant" |
| <i>VPA «Tochmash» JSC</i> | JSC VPA Vladimir Production Amalgamation "Tochmash" |
| <i>KMP OJSC</i> | OJSC "Kovrov Mechanical plant" |
| <i>Uralpribor LCC</i> | Novouralsk instrument-making plant LCC |
| <i>UGCP LCC</i> | Ural Gas Centrifuge plant LCC |
| <i>VNIINM JSC</i> | JSC A. A. Bochvar High-Technology Research Institute of Inorganic Materials |
| <i>NRNU MEPhI</i> | Moscow Engineering Physics Institute (National Research Nuclear University MEPhI) |

TVEL JSC general and contact information

| | |
|---|--|
| Full name | in Russian — Открытое акционерное общество «ТВЭЛ» in English — Joint Stock Company «TVEL» |
| Number and date of certificate of state registration | № 061.775, 12 September, 1996 |
| Legal address of Company | Russian Federation, 119017, Moscow, ul. Bolshaya Ordynka, 24/26 |
| Company location | Russian Federation, 115409, Moscow, Kashirskoye Shosse, 49 |
| Contact tel. | (495) 988-82-82 |
| Fax | (495) 988-83-83 |
| Official site | www.tvel.ru |
| E-mail | info@tvel.ru |
| Main activity | Development, production and delivery of nuclear fuel |
| Full name and address of register holder | Registrar R.O.S.T., Open Joint-Stock Company, Russian Federation, 107996, Moscow, ul. Stromynka, 18 |
| Size of statutory capital, thousand roubles | 22961 |
| Total number of shares | 22961 |
| Number of ordinary shares | 22961 |
| Nominal value of ordinary share, RUB | 1 |
| State registry number of ordinary share issuance and date of state registration | 1-01-00917-A, December 30, 1997 |
| Company's sole shareholder | Atomnyi Energopromyshlennyi Kompleks, Joint Stock Company |
| Full name and address of Company's auditor | Nexia Pacioli Limited Liability Company, Russian Federation, 119180, Moscow, ul. Malaya Polianka 2 |

We are always glad to provide additional information on the TVEL FC activity

Darya Ozerova

Executive Director

Direction for Public Relations

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