

TENEX '18

Sustainable Development

Joint Stock Company "TENEX"

PUBLIC
ANNUAL REPORT



TENEX '18

Approved by the resolution
of the Board of Directors
dated 28.05.2019

Director General



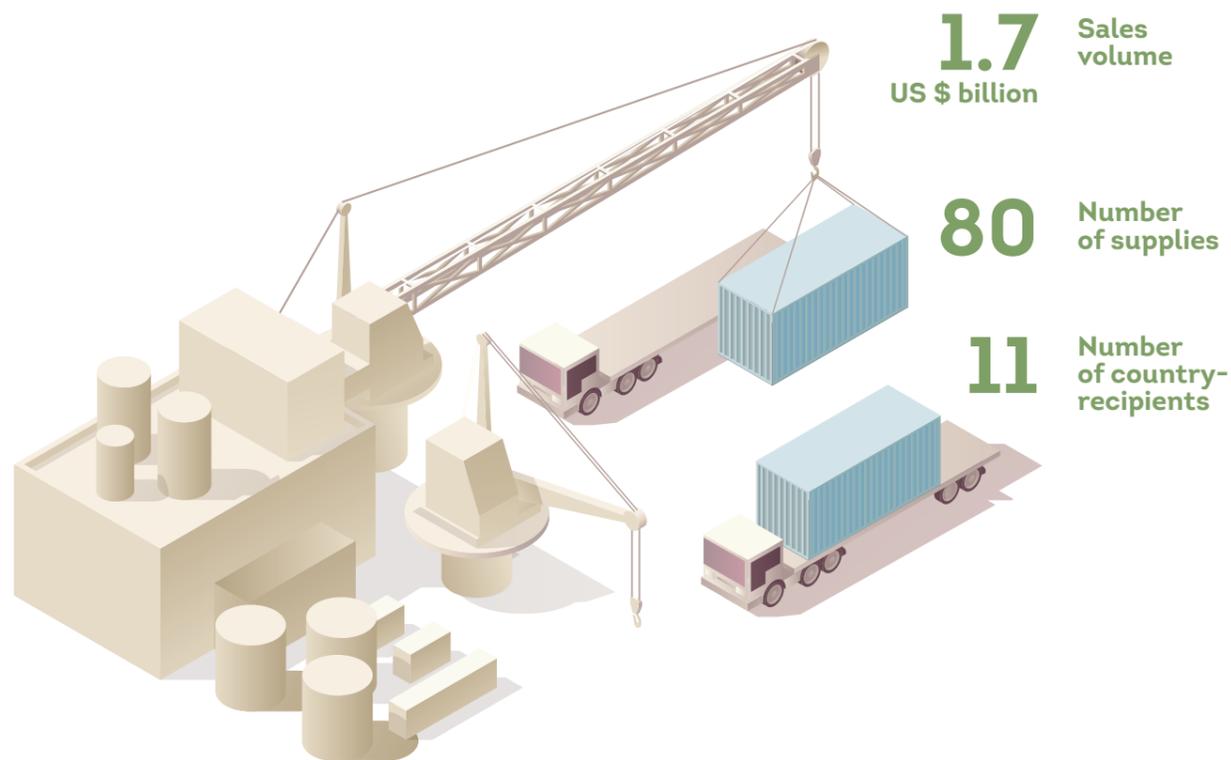
Sergey Polgorodnik

Key Indicators of 2018

Uranium contracting



Uranium sales



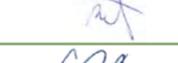
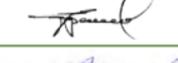
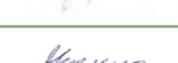
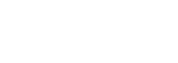
Financial results



HR and social policy



Stakeholder Public Assurance¹

Full name	Company and position	Signature
Akischeva Olga	Deputy Director General for Economics and Finance, JSC "UECC"	
Belyaeva Marina	Deputy Director for International Operation — Director of International Cooperation Department, ROSATOM	
Bochkin Oleg	Strategic Communications Director, LLC Rusatom Overseas	
Vasilyev Vladimir	Head of Department for Back-end Enterprises Management, ROSATOM	
Vlasov Alexander	Deputy Director of International Business Department, ROSATOM	
Golovachev Sergey	Adviser of the Department of Communications, ROSATOM	
Grigoriev Alexander	Project Manager, INPRO section, IAEA	
Davydova Natalya	Head of the Institute of Environmental Projects Consulting	
Dementsova Nina	Head of Communications Department, JSC IC ASE	
Efremov Gleb	Director General, JSC "IUEC"	
Fomichev Igor	Chairman, Russian Union of Nuclear Energy and Industry Employees	
Hitrov Andrey	Director General, All-Russian Employers' Organisation "Union of Nuclear Industry, Energy and Science Employers of Russia"	
Izmestyev Andrey	Director General, JSC Pilot and Demonstration Center for Decommissioning of Uranium-Graphite Reactors	
Karasev Andrey	Director of Global Projects Supporting Department, JSC Rusatom Energy International	
Karaulov Sergey	Deputy Director General for Non-nuclear Businesses Development, JSC "PA ECP"	
Khlopkov Anton	Director, NPO Center for Energy and Security Studies	
Kislov Andrey	Senior expert, Department for Safety Regulation of Nuclear Fuel Cycle Facilities, Nuclear Power Plants for Ships and Radiation-hazardous Facilities, Rostechnadzor	
Kolesov Andrey	General Director, JSC "UEC"	
Konchak Andrey	Director of Dangerous Cargo Department, CJSC BALTIC-MERKUR	
Konstantinov Vasilii	President, Uranium One Group	

¹ Public Assurance Statement is provided in [Appendix No. 8](#).

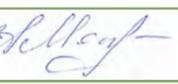
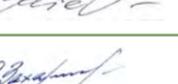
Full name	Company and position	Signature
Koryakin Konstantin	Head of Department for NFC Lifecycle Projects Integration with Sectorial Policies System, ROSATOM	
Krupnik Pavel	Director of International Programs, Centrus Energy Corp.	
Lavrinovich Andrey	Deputy Head, Department for Safety Regulation of Nuclear Fuel Cycle Facilities, Nuclear Power Plants for Ships and Radiation-hazardous Facilities, Rostechnadzor	
Linyaev Oleg	Head of the NFC Lifecycle Projects Department, ROSATOM	
Lychev Ilya	Director of Strategy and Development Department, JSC "Atomenergomash"	
Mamiy Ekaterina	Adviser of the Department of Communications, ROSATOM	
Muraviev Denis	Managing Director, TENEX-Korea Co. Ltd.	
Newton Fletcher	President, TENEX-USA Inc.	
Pluzhnik Sergey	Head of Moscow Branch, TENEX-Japan co.	
Plyamina Olga	Executive Director, Interregional Ecological Non-government Organization "GREENLIFE"	
Sinev Alexander	Director of Moscow office, NAC International Inc.	
Timonov Andrey	Director of the Department of Information and Public Relations, JSC "Concern Rosenergoatom"	
Titov Vadim	Senior Vice President, Private Institution Rusatom — International Network	
Yanko Leonid	Director of the Market Development Department, JSC "TVEL"	
Zatekina Dina	Director, Tradewill Limited	
Zakharov Sergey	Deputy Head of Department, FSTEC	
Zhelnin Alexander	Director, JSC "SPb "IZOTOP"	
Zulharneev Albert	Director, NPO PIR-Center	

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Address by Chief Executives

Dear Friends!

TENEX has successfully finished 2018 — the jubilee year for the Company founded 55 years ago by the governmental resolution. High business standards formed during the decades of operation in the area of foreign trade allow the Company to steadily maintain its positions within the global uranium market by offering a broad range of services in the front-end and back-end of the nuclear fuel cycle (NFC). In the reporting year, TENEX again demonstrated a flexible approach responding to the environment changes and the ability to concentrate forces on solving the industry's priority tasks.

Describing in brief the key outcomes of TENEX's activity, it is with satisfaction that we state that the key performance indicators established by ROSATOM were fulfilled by one hundred and more percent. The Company's sales volume amounted to US \$ 1.7 billion, and the total long-term order portfolio totaled US \$ 17.4 billion.

In the continuing low demand for uranium product and aggravation of competition among the suppliers, TENEX concluded deals with a total cost of US \$ 2 billion, including the large-scale long-term contracts with Electricite de France SA (EDF) for supply of uranium product from the French recovered uranium. Possessing expertise in rendering recovered uranium pro-

cessing services, which is a cost effective secondary feedstock for nuclear fuel, to foreign customers, TENEX considers this business area as perspective and competitive in the context of sustainable development implying the far-sighted use of resources.

This is the context to view the concept of the so-termed balanced nuclear fuel cycle promoted by TENEX, which is based on the customer-oriented approach giving an opportunity to tailor a kit of technological solutions, goods and services in the NFC front- and back-end meeting the current and perspective needs of any specific customer.

In the reporting year, the measures aimed at competitive growth of the Russian uranium product and modernization of its sectorial sales system included integration, as per the strategic goals of ROSATOM, of TENEX and JSC «U1 Group»'s commercial activities which resulted in the unity of the natural uranium sales management, optimization of the corporate structure of both companies, and reduction of the cumulative implicit costs.

TENEX's strategic plans foresee — along with the traditional contracting activity — work on a number of promising areas in the field of the balanced NFC and transportation and logistics of supplies, as well as initiation of renewables projects, some of which are planned for development in cooperation with foreign partners.

In 2018, the Company continued further advancement of its corporate management system: the German certification service TÜV Thüringen e.V. certified TENEX's occupational health and safety management system as meeting the international standard OHSAS 18001:2007 on rendering services of nuclear fuel cycle back-end.

Corporate social responsibility is a constituent of the Company's long-term success strategy. This is the context where TENEX carries out and intends to continue the practice of providing its staff with broad opportunities in education and development of competences, social and health care, and good labor conditions. An important element of the corporate social responsibility is target financing of the ecological, sports, education and cultural programs and projects in the framework of the joint sectorial charity initiatives carried out by TENEX in accordance with the ROSATOM's Charity Board resolutions.

TENEX's management focuses on ensuring transparency of the Company's activity. TENEX's Public annual reports being the main tool to bring the detailed information about the Company's operation to the stakeholders have on repeated occasions received highest awards of the authoritative specialized competitions. The 2018 was not exclusion. Having for the first time par-

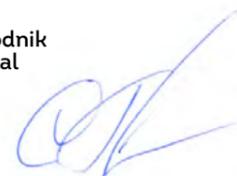
ticipated in the international contest of annual reports ARC Awards International run by MerComm Inc. (USA) for more than three decades, TENEX received the Grand Prix 'Best of Russia' for the best annual report for 2017 in Russia, according to the jury opinion.

We would like to wish TENEX's team to increase the gained results and thank all the Company's employees for their devoted work. We would also like to thank our Russian and foreign partners — the meaningful cooperation with them is the security of the Company's further successes.

17.4
US \$ billion
the total
order
portfolio

1.7
US \$ billion
sales
volume

Sergey Polgorodnik
Director General



Liudmila Zalimskaya
Chairman of the Board
of Directors



I. General Information

1.1. Information about TENEX

1.2. Corporate Governance System

1.3. The Company in the Structure of ROSATOM

1.4. Strategic Prospects



1.1. Information about TENEX

Joint Stock Company "TENEX" (the Company) is the oldest² foreign trade company in Russia and one of

the world's leading suppliers of NFC products that has been providing a significant share of uranium en-

richment services requirements for western-type nuclear reactors for nearly 50 years.

Full name of the Company in Russian	Акционерное общество «Техснабэкспорт»
Short name of the Company in Russian	АО «Техснабэкспорт»
Full name of the Company in English	Joint Stock Company "TENEX"
Short name of the Company in English	TENEX
Primary State Registration Number	1027700018290, registered on 11 July 2002 with the Department of the Ministry of Taxes and Levies of Russia for Moscow
Branches and representative offices	None

In the reporting year, TENEX's authorized capital was not changed and as of 31.12.2018 amounted to 638,118,652 rubles. The Company placed 26,636 registered ordinary shares at a par value of 23,957 rubles. The Company has no preferred shares.

The Joint Stock Company Atomic Energy Power Corporation (JSC "Atomenergoprom") is the TENEX Sole Shareholder. No changes in the authorized capital structure of the Company occurred in the reporting year. The Russian Federation has no special right ("golden share") to manage TENEX.

The TENEX Board of Directors resolved to approve FBK LLC³ as the Auditor of the Company for 2018 (Resolution No. 198 of 29.05.2018).

The Registrar of the Company's shareholders is maintained by the JSC IRC — R.O.S.T.⁴ Registrar.

Information about TENEX Subsidiaries as of 31.12.2018⁵

No.	Russian subsidiaries	Share (%)
1	JSC "SPb "IZOTOP"	100
2	JSC "TENEX-Logistics"	100
3	LLC "Kraun"	99.9998

² For details see: <http://tenex.ru/en/about/history/>.

³ TIN (Taxpayer Identification Number): 7701017140; PSRN (Primary State Registration Number): 1027700058286; 44/1, bld. 2 AB, Myasnitskaya st., Moscow 101990, Russia; +7 (495) 737-53-53; +7 (495) 737-53-47.

⁴ TIN (Taxpayer Identification Number): 7726030449; PSRN (Primary State Registration Number): 1027739216757; 18, bld. 13, Stromynka st., Moscow 107996, Russia; +7 (495) 780-73-363; +7 (495) 780-73-67.

⁵ In the reporting year, TENEX ceased its participation in JSC Atomenergopromsbyt by selling to JSC NovaWind 100,000 ordinary registered uncertificated shares of JSC Atomenergopromsbyt at the nominal of 100 rubles each that is 100% of the authorized capital of JSC Atomenergopromsbyt.

No.	Foreign subsidiaries	Share (%)
1	INTERNEXCO GmbH, Switzerland	100
2	TENEX-Korea Co., Ltd., Republic of Korea	100
3	TENEX-Japan Co., Japan	100
4	TRADEWILL LIMITED, UK	100
5	TENAM Corporation ⁶ , USA	100

TENEX is a member of authoritative international specialized organizations, including World Nuclear Association (WNA), Nuclear Energy Institute (NEI), World Nuclear Fuel Market (WNFM), World Nuclear Transport Institute (WNTI)⁷.

1.2. Corporate Governance System

TENEX builds its corporate governance system in compliance with the best Russian and international practices and standards. Information disclosure and dissemination (for details see **Section 4.4**) is part of the corporate governance system of the Company, which ensures an opportunity to get a factual insight of the Company and its activities for any stakeholders. Mandatory disclosure of information is carried out following the order and due dates established by legislation of the Russian Federation.

The Company actively participates in improvement of the corporate efficiency programs and projects carried out by ROSATOM; it implements the unified corporate rules and standards in all spheres of activity.

In 2018, all corporate procedures were carried out in full compliance with the requirements of the existing Russian legislation and the TENEX Charter. The Company applies the principles and recommendations of the Code of Corporate Governance⁸ considering

its particular features associated with, for example, the presence of the TENEX's Sole Shareholder, ROSATOM's legal status ensuring unity of management of the nuclear sector companies, as well as the circumstance that the Company's securities are not allowed for on-exchange trading.

In 2018, TENEX did not carry out transactions acknowledged⁹ as significant in accordance with the Federal Law "On Joint Stock Companies".

In accordance with the TENEX Charter, the governing bodies of the Company are:

- General Shareholders Meeting (in the person of the Sole Shareholder);
- Board of Directors;
- Director General (the Sole Executive Body).

General Shareholders Meeting

TENEX's highest governing body is the General Shareholders Meeting represented by the Sole Share-

holder, JSC "Atomenergoprom". The jurisdiction of the Sole Shareholder is to decide on the key as-

pects of the Company's activities.

⁶ Since 08.04.2019 — TENEX-USA, Inc.

⁷ For details see: http://tenex.ru/upload/iblock/1ee/membership_en.pdf.

⁸ Recommended for application by joint stock companies, the securities of which are allowed to on-exchange trading; Letter of the Central Bank of Russia No. 06-52/2463 of 10.04.2014.

⁹ In accordance with the Charter of the Company, the provisions of Chapter XI of the Federal Law "On the Joint Stock Companies" No. 208-FZ, which regulates interested party transactions, do not apply to the Company.

In the reporting year, the Sole Shareholder made the following resolutions:

- on revenue distribution and dividend payments to the Sole Shareholder following the results of 2017;
- on election of Sergey Polgorodnik as the Director General of TENEX;
- on election of the new Board of Directors of the Company.

Board of Directors

As per the Charter, the TENEX Board of Directors consists of five persons. The Chairman of the Board is not concurrently TENEX's sole executive body. The commissions and committees within the Board of Directors have not been set up.

Members of the Board do not hold the Company's shares.

In 2018, the members of the Board were not paid remuneration; no transactions related to the acquisition or carve-out of the Company's shares by them took place.

There exist no "independent" directors in the Board of Directors of the Company — all its members are representatives of ROSATOM and its organizations.

In the reporting year, the Board of Directors held 25 meetings which resulted in the following decisions:

- approved the 2018 Budget;
- approved the 2018 Gratis (Target) Financing Cost Estimates;
- approved the Annual Report and Annual Accounting Statements for 2017;
- worked out recommendations to the Sole Shareholder of TENEX on distribution of revenues, including payment (announcing) of dividends;
- ceased TENEX's participation in JSC "Atomenergopromsbyt";
- approved the Provision on Public Information Disclosure by TENEX.

In the period from 01.01.2018 to 10.05.2018, the Board of Directors operated in the following structure (elected 30.06.2017):

- Arseev Boris — Chairman of the Board
- Barabanov Oleg
- Zalimskaya Liudmila
- Korogodin Vladislav
- Olenin Yuri

By the resolution of the Sole Shareholder dated 10.05.2018 and 29.06.2018 the Board of Directors was elected in the following structure:

- Zalimskaya Liudmila — Chairman of the Board
- Arseev Boris
- Korogodin Vladislav
- Nikipelova Natalia
- Polgorodnik Sergey

Brief summary of the Board members is provided below.

Full name, Date of Birth	Education, Degree (if applicable)	Job Position	Membership in the Board of Directors
Arseev Boris, 22.09.1971	Ural State Technical University, 1993 Ph.D. in Engineering	ROSATOM, Deputy Director for Development and International Business — Director of International Business Department	Since 2017
Zalimskaya Liudmila, 31.07.1956	Moscow State Institute of International Relations of the Ministry of Foreign Affairs of the USSR, 1978 State University of Management, 2009	ROSATOM, Special Representative for International Projects ¹⁰	Since 2013 ¹¹
Korogodin Vladislav, 25.10.1969	Moscow Institute of Physics and Technology, 1992 Russian Presidential Academy of National Economy and Public Administration, 2011	ROSATOM, Director of the Department for NFC and NPP Life Cycle Management	Since 2008
Nikipelova Natalia, 17.11.1963	Lomonosov Moscow State University, 1987 Ph.D. in Economics	JSC "TVEL", President	Since 10.05.2018
Polgorodnik Sergey, 08.12.1963	Voroshilovgrad Higher Military Aviation School of Navigators, 1985 Moscow International University, 1994 State University of Management, 2012	TENEX, Director General ¹²	Since 10.05.2018

Director General

Competences of the Director General, as the sole executive body acting on the basis of the Company's Charter, include operational management of the Company's activities and organization of implementation of resolutions of the General Share-

holders' Meeting and the Board of Directors.

In the period 01.01.2018 until 30.04.2018 inclusive, Zalimskaya Liudmila¹³ was the TENEX Director General. The Sole Shareholder of the Company made Resolution

No. 56 of 28.04.2018 to elect Polgorodnik Sergey¹⁴ the Director General of TENEX commencing 01.05.2018.

¹⁰ Until 30.04.2018 — the Director General of TENEX.

¹¹ Since 11.05.2018 — the Chairman of the Board of Directors.

¹² Until 30.04.2018 — the First Deputy Director General for Commerce of TENEX.

¹³ Elected by the Sole Shareholder of the Company No. 30 dated 25.04.2013.

¹⁴ Biography and other information about the Director General and top executives of the Company are provided on the Internet site: <http://tenex.ru/en/about/management/>.

1.3. The Company in the Structure of ROSATOM

Being the leading organization of ROSATOM in promotion of NFC products and services to the global market, TENEX operates in the interests of the Russian nuclear industry while making the best possible use of its export potential and competitive advantages in com-

pliance with applicable legislation, as well as quality, safety and social responsibility standards.

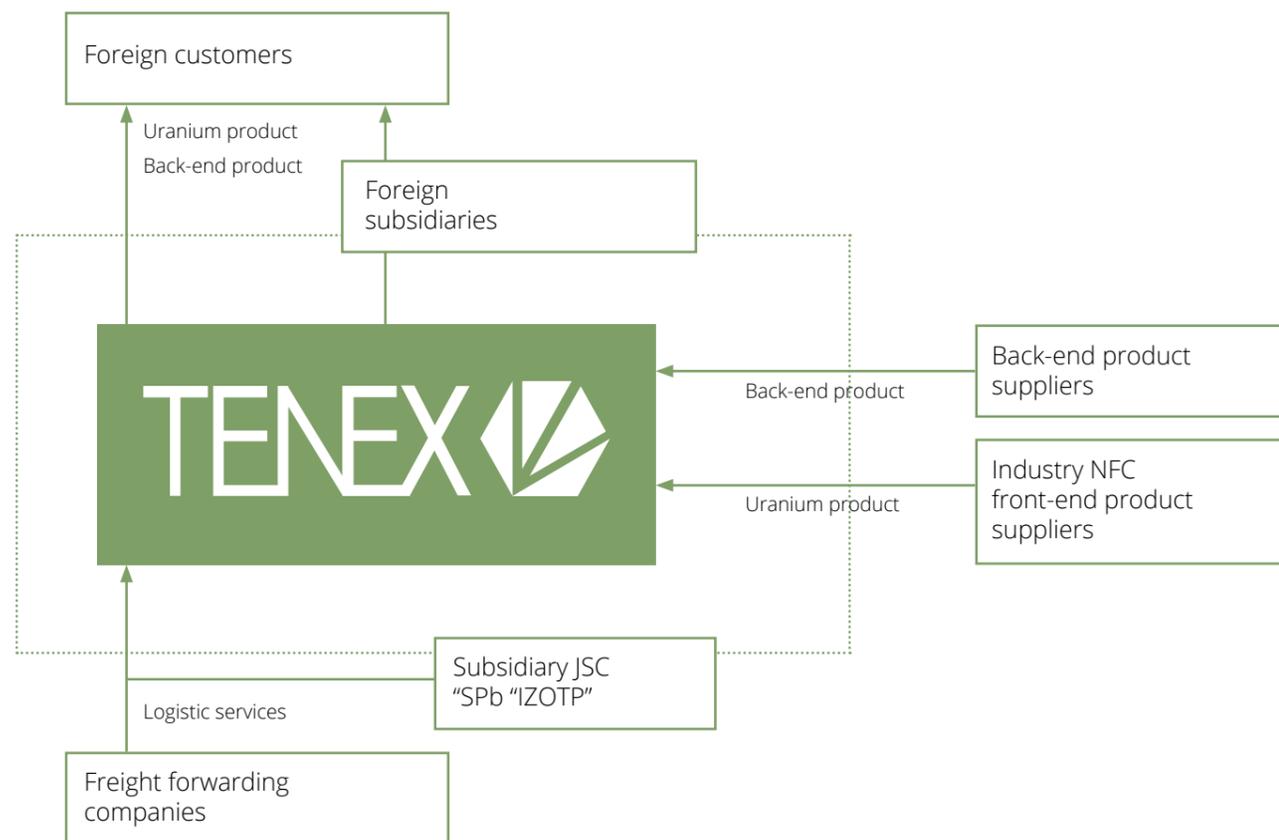
To implement the decisions adopted by ROSATOM in the end of 2017 aimed at enhancing competitiveness of the Russian nuclear fuel cycle products in the global

market, in the reporting year a set of measures was carried out to integrate the commercial activities of TENEX and JSC «U1 Group» that allowed to concentrate the strategic marketing of all types of uranium products in the Company.

Main activities of the Company in the reporting year:

- Foreign supplies of NFC front-end products produced by the sectorial companies (details in [Section 2.1.](#)),
- Promotion of back-end services to the global market (details in [Section 2.2.](#)),
- Logistics support of deliveries (details in [Section 2.3.](#)).

The business model is given below.



TENEX's proceeds from sales of NFC products are about 25% of the total proceeds that ROSATOM receives from the foreign operations and is the most important investment resource for the Russian nuclear industry. The Company directs its full net profit to finance general sectorial development programs.

The long-term foreign orders portfolio amounting to US \$17.4 billion built up by TENEX supports significant industry's workload, and as a consequence, keeps up several thousand jobs at ROSATOM's enterprises, most of which are city-forming ones.

The Company's export program is based on long-term contracts with suppliers of uranium feed, of conversion and enrichment services.

TENEX's main sectorial partners in supplies of uranium feed are JSC «U1 Group» and JSC «Atomred-metzoloto». Uranium conversion and enrichment services are rendered under the contracts with JSC «TVEL» at the production sites of JSC «SCC» (conversion), JSC «UECC» and JSC «PA ECP». In 2018, the export program of the Company gave nearly half of the workload to the enrichment capacities of JSC «TVEL». The share of products purchased from the Russian

suppliers amounted more than two thirds of the total procurement volume.

Traditionally, TENEX pays much attention to the analytical support of ROSATOM's activity to improve the national legislation and legal basis of the international cooperation. The Company's specialists are regularly engaged as experts in the development of sectorial policies, standards and regulations, as well as draft international intergovernmental and interagency agreements in the field of the peaceful use of atomic energy.

The key aspects of TENEX's participation in ROSATOM's international activity worth mentioning are the following.

In September 2018, being the authorized organization of ROSATOM, the Company signed the contract with the IAEA for transit of low-enriched uranium (LEU) through the territory of the Russian Federation in the framework of creation of the IAEA LEU Bank in the Republic of Kazakhstan.

The conference program of the 10th Jubilee International Forum ATOMEXPO-2018 (Forum) included the round-table discussions «The Life Cycle of Nuclear Fuel. Challenges and Forward-Looking Solu-

tions» and «Foundation for the Future Development of Nuclear Energy: Economic Efficiency, Safe Radwaste Management and the Decommissioning of Nuclear and Radiation Hazardous Facilities» organized by TENEX jointly with ROSATOM's related divisions. Representatives of the leading companies of the global nuclear industry, governmental structures and international organizations, non-governmental entities were given an opportunity to exchange opinions on approaches to solving problems of SNF and RAW management with the focus on NFC closure, decommissioning of NRHF and development of the international cooperation in these areas.

In the light of announcement of the cross-year 2018-2019 of Russia in Japan and Japan in Russia, special attention was paid to the business dialogue with Japanese partners, which included a discussion of current and future projects. Mr. Naohiro Masuda, Executive Vice President of Tokyo Electric Power Company Holdings, Inc., won the great interest of the Forum's participants with the special report «Lessons Learned from Experiences of the Great East Japan Earthquake at Fukushima Daini NPP».

1.4. Strategic Prospects

TENEX views its business prospects in the context of the sustainable development as directed by ROSATOM for the strategic planning horizon until 2050.

In the NFC products and services market, the Company's strategy is based on optimistic forecasts about the role of nuclear generation in ensuring energy demands of humanity and solving the global task of reducing carbon dioxide emissions in the atmosphere.

The installed capacity of the global NPP fleet, which was about 400 GW in the end of 2018¹⁵, by TENEX's estimation, may grow by 20% by 2050; that will lead to an increased demand for natural uranium, its conversion and enrichment services, which comprise the main export product of TENEX.

An additional factor of growth in the demand for uranium enrichment services may be the appearance of a new generation of reactors, including small modular reactors, which use higher enriched fuel as compared with the operating light-water reactors.

The projected expansion of the nuclear power industry predetermines the growth of requirements not only in nuclear fuel, but also in economically and environmentally efficient solutions

for SNF and RAW management, the accumulated volumes of which could increase more than twice by 2050. This sets a trend for widening of the sales market over the entire strategic planning horizon for both the SNF container storage systems most demanded today, and the SNF processing services with recycle of fissile materials and reduction of high-level waste volume.

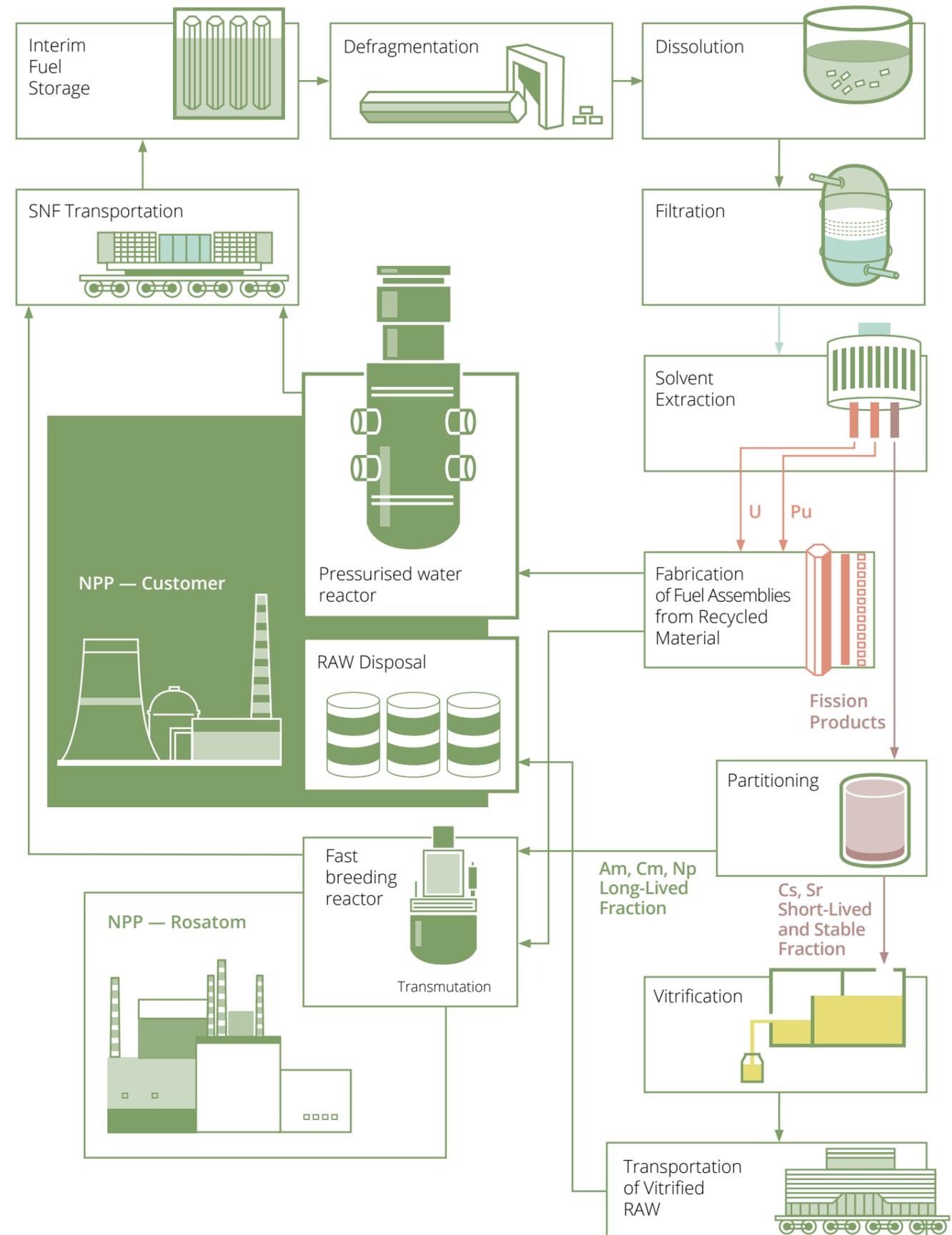
TENEX's strategic perspectives are not exhausted with traditional objectives of promotion of NFC products produced by the sectorial companies to the global market. The agenda includes development of new tools for increasing competitiveness of the Russian offer through customization of the rendered services over the entire NFC process line, i.e. achievement of their maximum compliance to the individual demands of any customer.

In ROSATOM, this work is carried out in the framework of the concept of the so-termed balanced NFC, which is aimed at substantial reduction of the cumulative costs of nuclear fuel management over the lifecycle. Along with accelerated implementation of innovations in the production of natural and enriched uranium, fuel assemblies and RAW and SNF management technologies, the balanced NFC concept provides for development

of a two-component nuclear energy system including thermal and fast neutron reactors. This will allow solving the task of drastic reduction of high-level waste volume subject to disposal in an economically efficient manner, as well as creating conditions for appearance of new competitive export products.

Taking into account the global macroeconomic, scientific and technological trends, including those associated with acceleration of innovations commercialization and, as a consequence, reduction of the current technologies lifecycle, TENEX actively searches for tools to enhance long-term financial and economic robustness of the Company based on the diversification of the product areas of business. In this context, it studies investment opportunities in alliance with foreign partners in production of chemical cells and energy accumulators, extraction of metal deposits and other resources required for fabrication of renewables.

Balanced nuclear fuel cycle



¹⁵ <https://pris.iaea.org/pris/>.

II. Main Activity Outcomes

- 2.1. Contracting and Sales in NFC Front-end
- 2.2. Promotion of Products in NFC Back-end
- 2.3. Logistics Support of Supplies
- 2.4. Financial Results



2.1. Contracting and Sales in NFC Front-end

Positive trends are recorded in the global uranium market, in spite of the remaining excess of offer over demand due to overcontracting of most part of the long-term needs of the utilities and large stocks.

As for the most significant market sector for TENEX — uranium enrichment — the growth of the spot price from US \$34 per SWU up to US \$39 per SWU was recorded in the IV quarter of 2018 for the first time since 2010. This happened in the background of continuing drop of long-term and spot prices from US \$45 per SWU to US \$41 per SWU and from US \$38 per SWU to US \$34 per SWU, correspondingly.

In 2018, spot market indicators of uranium conversion services demonstrated more than a twofold

growth due to upsurge of buying activity following the decision of ConverDyn (USA) to suspend uranium conversion until "a market conditions levelling" adopted in the end of 2017, and the final closure of the conversion plant Comurhex I by ORANO (France).

An improvement of the economic situation also happened in the natural uranium segment: the spot prices grew by about 20% and a slight growth in long-term prices was recorded. This was primarily based on a drop in the mining volume of the leading suppliers (NAC "Kazatomprom", Cameco, ORANO and ROSATOM) and on appearance of extra demand for natural uranium due to the interest of financial institutes.

TENEX managed to keep the position of one of the world's leading suppliers

of NFC front-end products that secures a significant part of western-design reactors requirements in SWU/EUP.

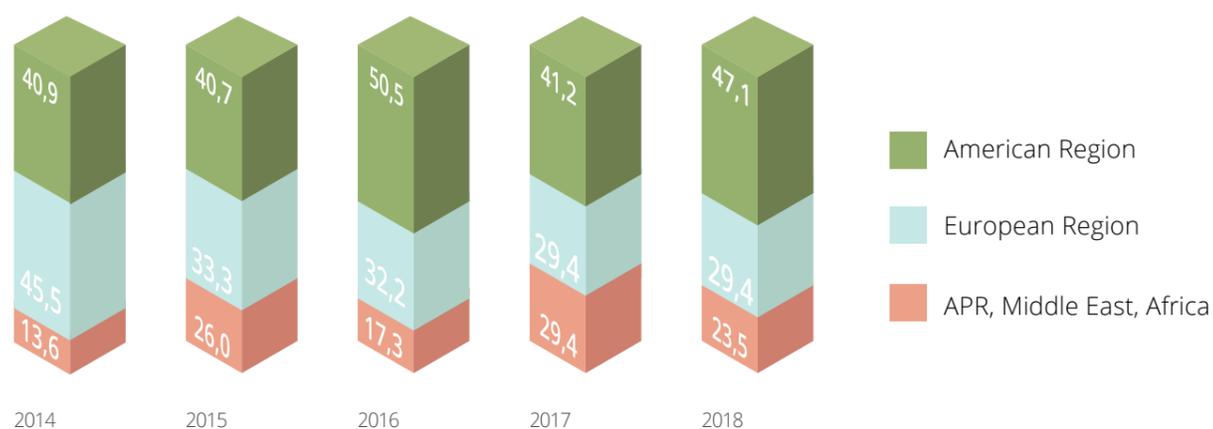
In the reporting year, 18 contracts¹⁶ were concluded with 12 customers from 6 countries totaling about US \$2 billion. That includes 7 contracts with the American companies¹⁷, and 11 — with customers from the U.K., France, Republic of Korea, Sweden, and Switzerland.

It is noteworthy that long-term contracts for supply of uranium product fabricated from the French reprocessed material to meet the requirements of the French NPPs were signed with EDF (France).

In the reporting year, TENEX fulfilled all obligations under the existing contracts timely and in full scope. The sales volume remained at the level of the previous year at US \$1.7 billion (about 55% of the total deliveries value were made by book transfer), including to:

- 19 American customers — in the amount of US \$0.8 billion (of them, ~78% by book transfer);
- 9 customers from Finland, France, Spain, Sweden, Switzerland, and UK — in the amount of US \$0.5 billion (of them, ~38% by book transfer);
- 4 customers from Japan, PRC, Republic of Korea, and UAE — in the amount of US \$0.4 billion (of them, ~30% by book transfer).

Dynamics of the sales structure by regions, %



¹⁶ Including supplements to the existing contracts implying increase of the supplies volumes.

¹⁷ As of late 2018, the cumulative limits for uranium product supplies to the US market in 2011-2020 set by the Amendment to ASAI of 2008 have been taken up at 100%.

In 2018, TENEX jointly with FSUE Scientific Research Institute SIA "LUCH" successfully completed the project related to processing of Orano's uranium compositions of

different forms and enrichment. It was undertaken in the framework of new businesses development. France received the processing end-product in the form of metal uranium

enriched to 19.75%. ORANO will use the metallic uranium in fabrication of research reactors fuel assemblies.

2.2. Promotion of Products in NFC Back-end

In the SNF and RAW management segment, the situation did not change substantially in 2018. In spite of the annual increase in the SNF volume globally, there is no unified management strategy. Most countries stick to the delayed solution strategy, i.e. SNF storage in casks or cooling pools for 50-60 years. Canada, Finland and Sweden opted for the open NFC concept, which assumes storing SNF in deep geological formations.

Russia and France proceed from the expediency of processing SNF and extracting commercially viable products for their further use (recycling). In this context, TENEX actively works on the product offer aimed at minimizing RAW subject to disposal received from processing of SNF by its fractioning and separate treatment of different fractions, including transmutation of minor actinides with bringing RAW to intermediate-level ones acceptable for near-surface disposal. In the conditions of low prices for natural uranium, customers' interest in SNF processing is increasingly conditioned by substantial reduction of RAW volume subject to disposal rather than by capability of reprocessing products recycling. India, Japan, PRC, and Republic of Korea have developed relevant technologies.

Decommissioning of NRHF is a promising back-end market segment. Experts estimate that by 2030, about 90 NPP reactors and other nuclear facilities will be shut down. The largest-in-scale decommissioning programs will be implemented in Japan, including the affected Fukushima Daiichi NPP, Germany, the UK, and the USA. At the same time, many local players switch from using foreign experience to developing their own competences aiming to obtain references in the domestic market and to enter the global one. They are driven by the growing cumulative demand for high-tech solutions in the said area taking into account the set dates of implementation of the NRHF decommissioning programs and budgetary constraints.

In the reporting year, TENEX continued working to promote Russian services and technological solutions for SNF and RAW management, NRHF decommissioning and rehabilitation of radiation-contaminated territories to the global market.

According to the ROSATOM's roadmap for NPP reactors construction abroad in the framework of integrated offers¹⁸, TENEX is the responsible contractor for SNF management of NPPs under construction. The Company's duties

include development of the necessary infrastructure for safe SNF and RAW management in the customer-country, supplies of the necessary technical tools and equipment as well as provision of services for removal¹⁹, temporary technological storage, SNF recycling and management of reprocessing products.

TENEX continues work on SNF management issues with the authorized organizations of Bangladesh, Hungary and Turkey within the integrated offers of ROSATOM.

To implement the long-term contract with AKKUYU NUKLEER A.Ş. (Turkey) on assurance of safe management of SNF from Akkuyu NPP, the 2019 work scope was agreed upon, the roadmap of implementation of the dual-use transportation package was signed, as well as the Quality Assurance Program (the Program) within the integrated management system (for details see Section 3.2) was worked out. In December of the reporting year, the representatives of AKKUYU NUKLEER A.Ş. carried out an audit of the Program for compliance with the contract terms and conditions.

In 2018, on demand of State Scientific Institution "The Joint Institute for Power and Nuclear Research" — Sosny, TENEX's specialists together with IBRAE RAS

¹⁸ The integrated offer of ROSATOM is a set of product solutions and services rendered by the Russian nuclear industry organizations, which ensures the sole supplier's full support of the consumer-country's national nuclear program at all its stages and renders access to the whole range of products and services over the whole life cycle of an NPP.

¹⁹ In February 2017, the Government of the Russian Federation issued the Regulation No. 211-r, which appointed TENEX the sole organization authorized to engage foreign trade transactions connected with imports into the Russian Federation of irradiated fuel assemblies of nuclear reactors.

and SEC NRS of Rostechnadzor carried out a feasibility study of options for management of SNF from Belarus NPP, the results of which were used for the draft national strategy of the Republic of Belarus on SNF management from Belarus NPP.

The Memorandum of Understanding was concluded with the Spanish company IDOM Consulting, Engineering, Architecture, S.A. U. The memorandum implies development of TENEX's cooperation with the Spanish partners in SNF and RAW management, NRHF decommissioning, and rehabilitation of radiation-contaminated territories in Spain and other countries.

The business dialogue with Japanese partners is actively developing. On the demand of Mitsubishi Research Institute, the consortium of TENEX and FSUE RosRAO carried

out projects to develop a neutron detector and analyze changes in the corium properties during aging to use the results in post-accident recovery works at Fukushima Daiichi NPP. In December of the reporting year, TENEX organized a technical tour to ROSATOM's enterprises for specialists of the Ministry of Economy, Trade and Industry of Japan, the Nuclear Damage Compensation and Decommissioning Facilitation Corporation (NDF), the operator of Fukushima Daiichi NPP, Tokyo Electric Power Company Holdings, Inc. (TEPCO), as well as the Mitsubishi Research Institute. During the visit to FSUE RosRAO and JSC Khlopin Radium Institute, the Japanese delegation learned about the Russian developments in RAW management, including the use of robotics and small neutron detector designed on the demand of the Japanese party, as well as

about the experience in NRHF decommissioning for the potential use in post-accident recovery works of Fukushima Daiichi NPP.

Being the sectorial integrator of international sales in back-end, the Company also carries out consolidated accounting of ROSATOM's companies foreign contracts in this area. The total volume of portfolio as of 31.12.2018 was about US \$1.8 billion. The portfolio includes contracts of the 9 sectorial enterprises with 20 customers from Europe, ATR, Middle East and Africa.

2.3. Logistics Support of Supplies

TENEX's priority goals in improving the transportation and logistics activity of the Company are to minimize the product delivery time, to improve the supply's reliability, and to reduce transportation costs.

Today, the Company has logistics capabilities for shipping uranium products to third party customers using the Far East transportation corridor. As a potential alternative, the Company considers use of the Northern Sea Route in the partnership with FSUE "Atomflot". This may be in demand very shortly given the aggravation of the situation in the marine shipment segment for APR²⁰ customers of

European NFC goods and services observed in the recent years.

In the reporting year, the Company fulfilled the export-import program in full scope and in due time with engagement of freight forwarding companies, which have all necessary permits, and licensed marine carriers. Transportation and logistics services on the territory of the Russian Federation were provided by the Company's subsidiary, JSC "SPb "IZOTOP".

80 deliveries of uranium products were carried out by sea (77 shipments through the seaports of Saint-Petersburg, Ust-Luga, Bronka, and Vostochny, and 3 through the

Zabaikalsk/Manchuria transborder station) and 21 uranium shipments by sea and rail. To optimize the transportation process and loading/unloading operations as well as to reduce transportation costs, some of shipments were made by 18 joint consignments.

In 2018, in-house Type 30B cylinders and UX-30 overpacks were used in the Company's delivery program in the amount of 26% and 72%, correspondingly. TENEX continuously monitors the needs in transportation equipment, timely purchases it and returns from abroad for further use in deliveries of uranium products²¹. At the end

Diversification of transportation routes



of the reporting year, the in-house fleet of transportation equipment comprised 343 UX-30 overpacks, 754 Type 30B cylinders and 486 Type 48Y cylinders.

TENEX is one of the first Russian companies, which in 2001 received a state accreditation certificate as the organization that had created an in-house export control program. The accreditation validity has been repeatedly prolonged. By the resolution of the Government of

the Russian Federation, over the accreditation validity period, the Company receives general licenses for export of uranium products that allow substantially reducing delivery formalization time.

In 2018, uranium products export to France, Germany, PRC, Republic of Korea, the UK, and the USA was carried out under the general license No. Л6436452061277 dated 03.08.2016, quarterly reports on implementation of which are sent

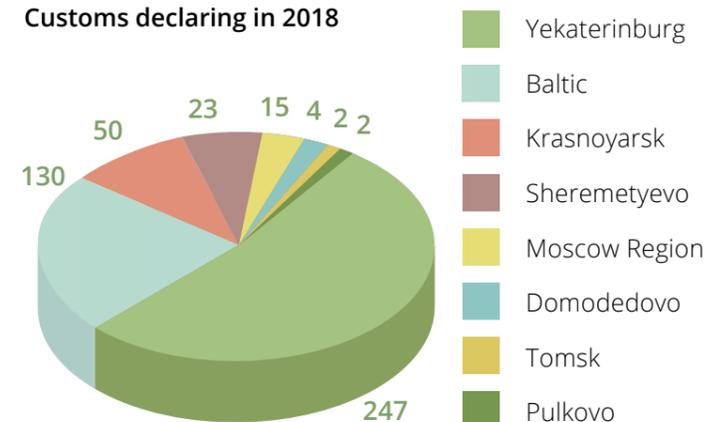
to FSTEC of Russia and to the Federal Agency on Intellectual Property Protection. In the reporting year, 51 single licenses were also received for export-import of nuclear material. The uranium products were cleared by the Baltic, Domodedovo, Yekaterinburg, Krasnoyarsk, Moscow Region, Pulkovo, Tomsk, and Sheremetyevo customs.

473 customs documents were issued: that is 5.1% up in comparison with 2017.

In 2018, the FSTEC of Russia for the Central Federal District carried out a planned on-site inspection, which did not reveal violations of the Russian Federation legislation in export control by TENEX.

In the reporting year, the Company was subject to no customs authorities' inspections of compliance with the customs and currency legislation.

Customs declaring in 2018



²⁰ For details see the Public Annual Report of TENEX for 2017: <http://tenex.ru/download/212/2017.pdf>

²¹ Maintenance of appropriate state of transportation equipment is carried out in accordance with the recommendations of its manufacturer, Columbiana Hi Tech LLC, which provides for annual inspections and training of specialists of the Company, JSC "SPb "IZOTOP", and conversion and enrichment enterprises.

2.4. Financial Results

The table below gives data on the key financial and economic performance indicators of the Company in a three-year retrospective.

Indicator	RUB million			
	2016	2017	2018	2018 YoY to 2017 in %
Total revenue	138,544	98,359	106,952	108.7
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	35,698	23,496	33,368	142.0
Net profit	30,509	14,768	21,050	142.5

The main factor that conditioned the growth of revenues by 8.7% as compared with 2017 is the weakening ruble exchange rate against foreign currencies. The growth of EBITDA and net profit is secured by the fact that as earnings grow the cumulative expenses were managed to keep at the level of 2017 in the reporting year.

The dividends, including the interim ones, are calculated and paid in accordance with the resolutions

of the Sole Stakeholder. The dividends calculation basis is the Company's net profit according to Russian Accounting Standards. The dividends were paid in cash.

In 2018, the final dividends in the amount of RUB 13,768 million²² were accrued and paid for 2017. Interim dividends were not accrued or paid in 2018. As of the end of 2018, the Company had no debt on dividends payout towards the shareholder. At the time of this

report, the Company's governing bodies had not made a resolution on paying dividends for 2018.

The growth of the main financial indicators (see the table below) mainly was conditioned by the growth of the revenue and the resolution of the Sole Shareholder not to pay interim dividends in 2018.

Indicator	2016	2017	2018
Gross profit margin, %	34	21 ²³	33
EBITDA margin, %	26	24	31
Return on assets, %*	34	21	30
Current ratio*	2.46	1.90	1.88
Quick ratio*	0.98	1.30	1.10
Net assets, RUB billion	32,577	28,902	36,196
Share of net assets in total assets, %	43.2	42.2	51.3
Debt/EBITDA**	0.57	1.18	0.50

* Average annual indicators

** As of the end of the year

²² Given the interim dividends in the amount of RUB 1,000 million paid in 2017, the total amount of dividends paid following the results of 2017 was 100% of the net profit.

²³ The indicator has been updated as compared to the one given in the Public Annual Report for 2017 (28%) due to updating of the Financial Results Report for 2017; in 2018, the changes were made to the Accounting Policy with regards to the procedure of reflecting the values of inventory reserve. In case of withdrawal of the abovementioned inventory, the recovery of the earlier set up reserve is to be reflected within the other earnings rather than in the cost of sales.

In the reporting year, the Company did not receive government financing.

Data on accrued and paid taxes and fees to the budgets of all levels and to extra-budgetary funds in 2018 are given below.

Indicator	RUB million	
	Accrued	Paid
Taxes and fees, total, including:	6,584.9	2,891.00
Taxes, including:	6,335.3	2,631.00
Regional budget (Moscow), including:	7.4	6.0
Profit tax	0	0
Property tax	7.4	6.0
Federal budget, including:	-11.4	-11.4
Profit tax ²⁴	-11.4	-11.4
Property tax within CTG ²⁵	6,339.3	2,636.4
Fees, including:	249.6	260.0
Extra-budgetary funds (insurance premiums)	249.6	260.0

No substantial fines for non-observance of the law and regulatory requirements in economy and social areas were imposed on TENEX.

²⁴ According to Federal Law No. 34-FZ dated 19.02.2018 "On making changes to Parts I and II of the Taxation Code of the Russian Federation (as regards relief of profits of controlled foreign companies (CFC) and revenues of foreign organizations)", in 2018 the Company received back from the budget the tax profit accrued in 2017 in connection with elimination of CFC.

²⁵ Since 2013, the Company has been part to the agreement on consolidated taxpayer group (CTG) aimed at paying the profit tax in accordance with Federal Law "On Amendment of the First and Second Parts of the Tax Code of the Russian Federation in Connection with Creation of the Consolidated Taxpayer Group" No. 321-FZ of 16.11.2011. The CTG participants are the companies within ROSATOM's control. The tax is paid to the Responsible Participant, JSC "Atomenergoprom".

III. Performance Management

3.1. Risk Management

3.2. Quality Management

3.3. Control System

3.4. Human Resources Management



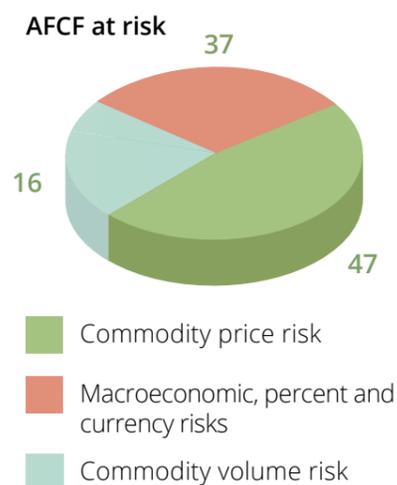
3.1. Risk Management

Since 2010, the Company has set up and operated a Risk Management System (RMS) that is harmonized with the sectorial risk management system²⁶. The goals and principles of RMS are formalized in the Standard "Regulation of Risk Management System, Basics and Methodology of Risk Management Organization in TENEX", including:

- unconditional priority of safety
- reasonable sufficiency²⁷
- integration in key business processes of the Company
- transparency of risk management processes

The Company carries out quantitative assessment (VaR) of risks, which are caused by uncertainty (volatility) of risk factors²⁸, first, in relation to the AFCF indicator, which determines the volume of the corporate investment resource.

The results of the VaR assessment done in 2018 for the business planning horizon (2019-2023) — on the diagram below — indicate that commodity price risks, as well as macroeconomic, percent and currency ones have the most significant influence on departure of the AFCF indicator from the planned values.



In the reporting year, the Company's investment projects were reviewed for identification and assessment of risks; an analysis of "situational" risks was carried out.

The details about the most significant risks for TENEX and responses to them are given in **Appendix No. 1**.

TENEX uses insurance tool to manage low likelihood risks, the consequences of which may be substantial for the Company, as well as in the cases provided by the law.

In 2018, the Company traditionally insured the civil liability risk for nuclear and radiation damage (mandatory insurance)²⁹ as well as risks of loss and damage of freight during shipment, and of goods and materials during the production process.

The ratio of the risk exposure of freight loss and damage (a product of probability and potential loss) to the insurance premium, considering that the Company bears this risk under all contracts to the destination of the customer, demonstrate the expediency of its insurance.

In spite of low probability of the risk of loss and damage to material assets of the Company (the feed owned by it) during the uranium production process at the sectorial enterprises, TENEX concluded that an extremely high value of potential damage could entail a discontinuity and sustainable development of its economic activity. In this connection, the decision to insure this risk was made.

Insurance is carried out following the Uniform Industrial Procurement Standard with preliminary justification of the risk-to-insurance premium ratio, including the impact of the potential damage on continuity, stability and sustainable development of the Company's business.

Counterparty credit risk insurance (the risk of inappropriate fulfillment of payment obligations by them)³⁰ was not applied in the reporting year. Counterparty financial standing monitoring is carried out regularly by the system of internal financial solvency ratings.

3.2. Quality Management

The contemporary market imposes high requirements on the quality of products and services, as well as on the level of competence and reliability of companies. The necessary conditions for creation and promotion of competitive products are focus on meeting the customers' requirements and work on gaining their further confidence. Implementation of management systems, their certification and development create a possibility for further broadening of business while ensuring the increasing level

of customers' satisfaction, reliability and safety of product supplies.

Traditionally, TENEX pays great attention to this activity. Since 2014, it has been implementing the concept of integration of the management systems meeting the requirements of the international standards into a unified corporate system. Now, the integrated management system includes: the quality management system (ISO 9001:2015), the environment management system (ISO 14001:2015), the supply chain

safety management system (ISO 28000:2007), and the occupational safety and health management system (OHSAS 18001:2007).

The corporate quality management system shaped in such way is customer-oriented and aims at ensuring that interest of all stakeholders is taken into account, as well as at continuous enhancing of business processes and carrying out the systemic approach to company management.

In the reporting year, the German certification service TÜV Thüringen e.V.:

- carried out a recertification audit of basic quality and environment management systems of the Company for compliance with requirements of new version of the standards ISO 9001:2015 and ISO 14001:2015;
- following the results of the audit, confirmed that the management system of safety of export-import supply chain complies with requirements of the international standard ISO 28000:2007;
- certified the occupational safety and health management system for compliance with requirements of the international standard OHSAS 18001:2007; its creation is evidence that TENEX strives to achieve sustainable performance in ensuring safe labor conditions for its employees through control of critical production factors and proper protection against harmful conditions.

During 2018, the Company's experts took part in the management systems audits carried out by the European customers at TENEX's supplier-companies, JSC "UECC" and JSC "SCC", which confirmed compliance of their management systems with requirements of the international standards ISO 9001:2015, ISO 14001:2015, OHSAS 18001:2007 and ISO 50001:2011³¹.

Annual polling of foreign contractor-companies is carried out within the integrated management system in order to determine the customer satisfaction level, which is the main indicator of the Company's performance quality. In the reporting year, this indicator again comprised 100%. This is an evidence of the fact that the quality of products and communication corresponds with the customers' expectations.

The Company has taken into account the received recommendations and comments on separate indicators of the quality of fulfillment of uranium product supply contracts. It has worked out and implements corresponding corrective and preventive measures.

²⁶ Detailed information is provided in preceding public annual reports of the Company at: <http://tenex.ru/en/disclosure/pa-reporting/>.

²⁷ The effect should exceed costs of functioning of the risk management system.

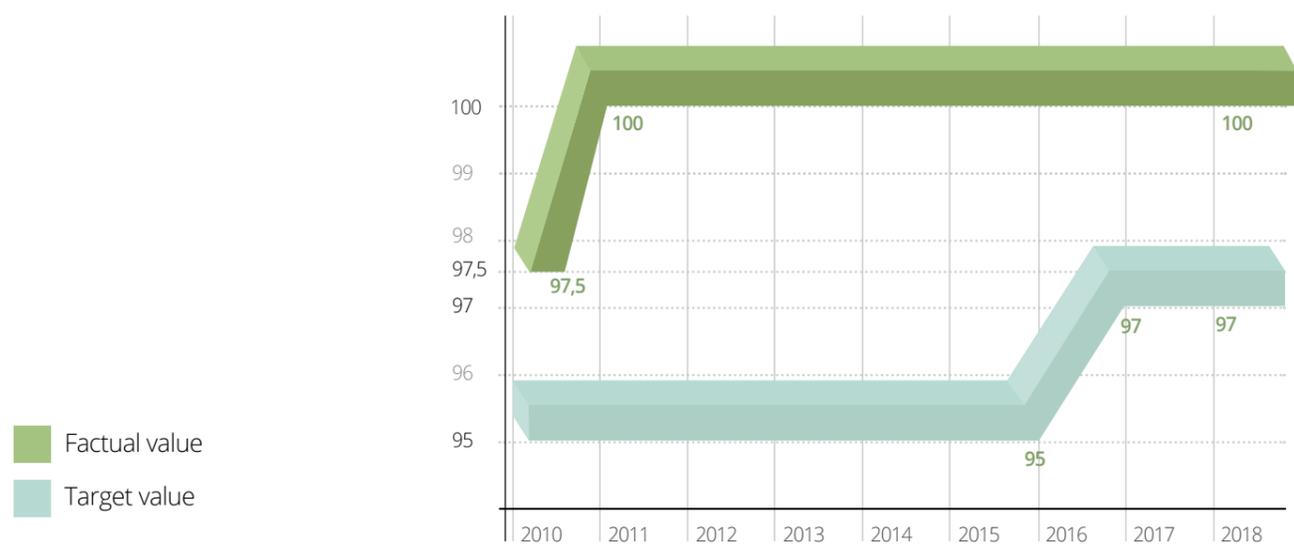
²⁸ Future market prices for natural uranium, uranium conversion and enrichment services, and macroeconomic parameters — inflation indices, interest rates and some other market uncertainties.

²⁹ As per the Uniform Sectorial Methodological Guide on Organization of Insurance of Civil Liability for Nuclear Damage introduced in the Company by order of Director General No. 006/27-P of 29.01.2014.

³⁰ According to the Counterparty Credit Risk Insurance Methodology with regard to contracts for uranium product supplies approved by Resolution of the Director General No. 006/346-P of 21.11.2014.

³¹ Energy management system.

Dynamics of changes in overall customers satisfaction index, %



3.3. Control System

Economic Security and Anti-corruption Practices

In order to ensure economic security and to prevent corruption-related offenses, TENEX has established and continuously enhances a corruption prevention system.

The information about TENEX's anti-corruption policies and procedures is available at the Company's official website³² and the intranet portal.

In the reporting year, the TENEX's Anti-corruption Plan for 2018-2020 was drafted and approved following the results of analysis of corruption risks in all Company's business units. This plan is based of the National Anti-corruption Plan and ROSATOM's

relevant plan. The Company's employees took part in the All-Russia Interactive Action tied up to the International Anti-corruption Day held by the Chamber of Commerce and Industry of the Russian Federation to implement the National Anti-corruption Plan for 2018-2020.

In 2018, the Company adopted the Code of Ethics and Conduct of ROSATOM Employees, updated the Procedure of Conflict of Interests Detection and Settlement in TENEX and a number of other regulatory documents.

In the framework of activities to exclude conflicts of interests and cor-

rupt practices, 1,421 contracts of the Company with its contractors were analyzed; the integrity of 99 potential contractors, and 47 competitive and 207 noncompetitive procurement procedures were evaluated in the reporting year. No corrupt schemes or fraudulent actions on the part of the Company's employees or contractors were revealed in the course of the contracted or procurement activity.

Two TENEX's specialists completed the advance training in "Prevention and Countering Corporate Corruption" program.

Internal Control and Audit

The internal control system of the Company is built in line with the ROSATOM Internal Control Policy and is aimed at ensuring that the Company meets

its objectives and enhances the efficiency of its corporate management, while strictly observing legislative norms and safety requirements.

The regulatory documents establishing how control procedures should be implemented over the course of business processes and

³² <http://tenex.ru/en/disclosure/pa-reporting/>.

stipulating the responsibility for their appropriate execution are applied in TENEX.

The internal control system subjects comprise: the governing bodies of the Company, the Internal Control and Audit Service (ICAS), the process owners, and the Company's employees.

According to the approved ICAS plans, in the reporting year, 7 ex-

pert-analytical sets of actions were conducted, as well as 6 inspections of financial and economic activities of TENEX and its subsidiaries, with no material breaches revealed. The heads of the audited objects and owners of the processes developed and approved action plans for the optimization of processes, elimination of the revealed violations and their prevention. The implemen-

tation of such plans is controlled by ICAS.

During the reporting year, ICAS specialists checked the procurement activities of the Company and its subsidiaries for compliance with the Unified Industrial Procurement Standard requirements.

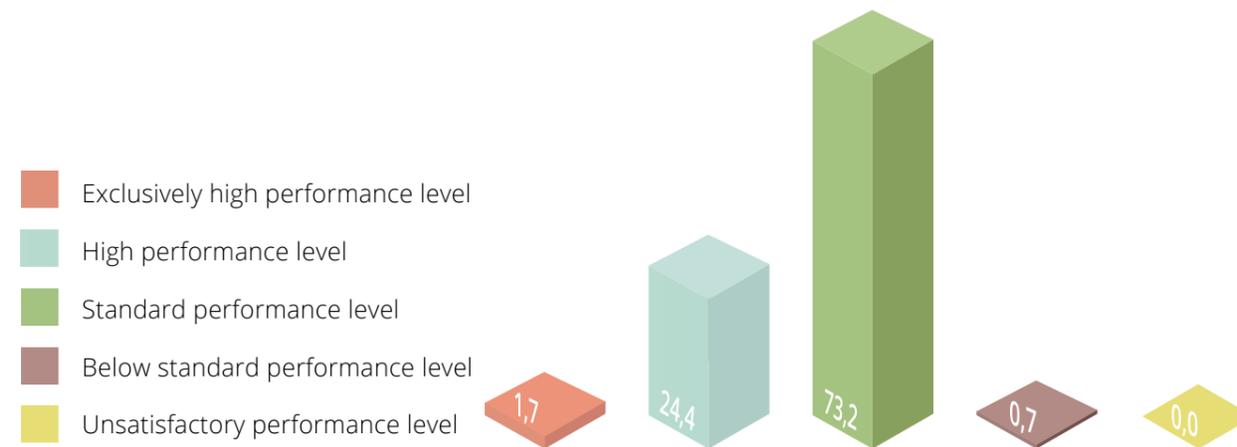
3.4. Human Resources Management

TENEX's highly skilled employees³³ have been and remain the key strategic resource and the core value of the Company.

Results of the regular annual assessment RECORD in 2018 are given in the diagram below³⁴.

In the reporting year, following the results of the annual employee engagement survey held by ROSATOM, the employee engagement rate reduced by 11% as compared to 2017 for TENEX and totaled 80%.

Employees' efficiency valuation breakdown



The average staff number of the Company decreased by two people totaling 324 people in the reporting

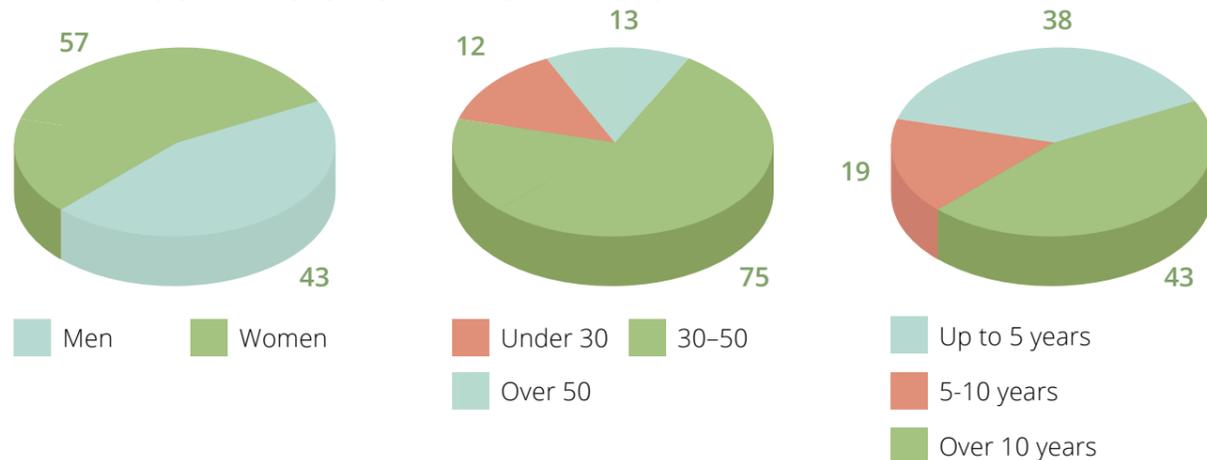
year. As of 31.12.2018, the actual (listed) payroll staff number was 374 employees³⁵.

³³ Details about staff number, personnel structure and movements are given in **Appendix No. 2** in the five-year retrospective.

³⁴ The evaluation was carried out for 295 people (54% women and 46% men), i.e. 84% of the list size at the date of the conduct.

³⁵ As of 31.12.2017 — 362 people.

Personnel by gender, age groups and length of employment, %



The personnel structure did not substantially change as compared to 2017.

In 2018, the Company newly employed 70 people; 60 people were dismissed. Traditionally, a significant share of employees has been working for the Company for a long time.

The total wage funds³⁶ were at the level of 2017 and amounted to RUB 1.2 billion. The minimum wage level of the Company's employees was RUB 50 thousand, which in the reporting year exceeded the mini-

mum wage level in Moscow³⁷ by 2.5 times. The average salary in TENEX comprised RUB 214 thousand in 2018, exceeding similar levels in Moscow by more than 3 times³⁸.

According to the Provision for Labor Remuneration and Incentive for TENEX's Employees, an employee's wage consists of a fixed official salary and an integrated incentive weighting set up according to their level of qualification and performance, and of annual bonuses dependent on meeting the established key performance indicators.

Basic salaries of men and women are similar: the ratio of the actual average annual remuneration of men and women in 2018 was 1.1 and 1.3 for managers and specialists, respectively.

In the reporting year, two thirds of the Company's employees completed training and advanced training programs. The total time of training in the reporting year amounted to 7.4 thousand hours³⁹. Detailed information in a five-year retrospective is given in the table below:

Indicator	2014	2015	2016	2017	2018
Average annual training hours	16,344	10,443	6,564	5,104	7,427
Average annual training hours per one employee of the average staffing number, hour/person	50	32	20	16	23

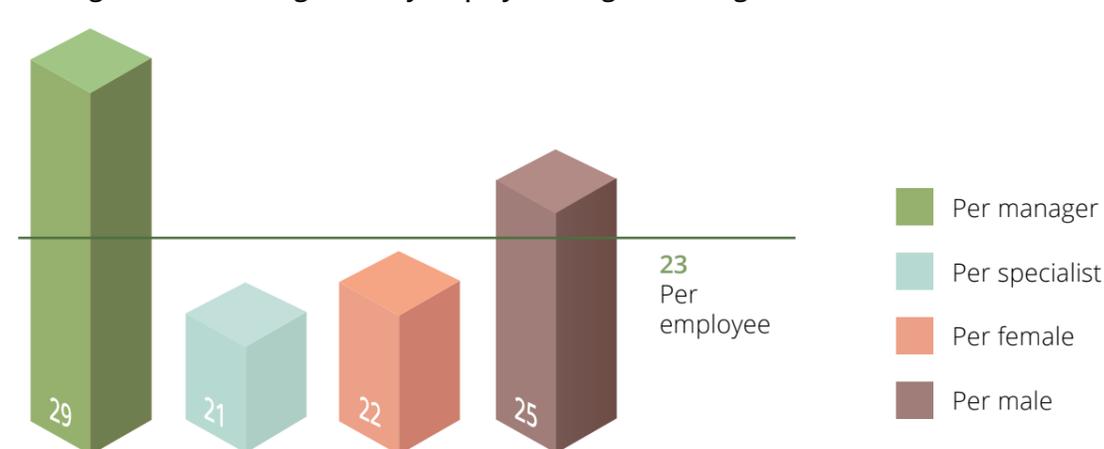
³⁶ Considering payments reserve for annual bonuses.

³⁷ Tripartite Agreement on Minimum Wage in Moscow for 2016-2018.

³⁸ http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/wages/.

³⁹ Including 796 hours of mandatory training and 6,631 hours of corporate training.

Average annual training hours by employee categories and gender



The dynamics of training costs in a five-year retrospective are shown in the table below.

Indicator	2014	2015	2016	2017	2018
Training costs, total, RUB million	10.0	9.7	4.3	4.1	7.0
Training costs for one employee of the average staffing number, RUB thousand/person	30.7	29.7	13.4	12.6	21.7

TENEX strictly observes the norms of labor relations being guided by the laws of the Russian Federation, sectoral and local regulations, the Sectoral Agreement of the Nuclear Industry, Energy and Science between ROSATOM, All-Russia Employers' Organization "Union of Nuclear Industry, Energy and Science Employers of Russia" and Russian Trade Union of Employees of the Nuclear Energy and Industry⁴⁰.

Labor protection of the Company's employees is carried out in accordance with the Labor Code of the Russian Federation, the ROSATOM and its organizations' Unified Sectoral Labor Protection Policy and the Provision for Organization of Labor Protection Work in TENEX STO-09-030-082-2009, as well as other regulatory

documents applicable in the Russian Federation. In 2018, the state control and supervision bodies did not conduct inspections of the Company's compliance with labor protection requirements.

No occupational injuries or diseases and industrial accidents, including fatalities, were recorded in the reporting year; the Lost Time Injury Frequency Rate (LTIFR) equaled zero.

Considering impeccable compliance by the Company to the requirements of the labor protection, the Social Insurance Fund of the Russian Federation set a 40% discount to the insurance tariff for the mandatory social insurance of employees of organizations against occupational injuries and diseases for 2019.

Following the certification audit of the occupational health and labor safety management system held by the Russian representation office of the German certification service TÜV Thüringen e.V., Intercertifica TÜV, in 2018, TENEX received a certificate of compliance to the requirements of the international standard OHSAS 18001:2007 on rendering services of nuclear fuel cycle the back-end.

In the reporting year, no complaints were received for labor relations practices; there were no recorded cases of discrimination or violation of the employees' rights during the reporting period.

⁴⁰ The Company notifies employees about the upcoming significant changes in the regulation of social and labor relations in two months prior to their effect.

IV. Corporate Social Responsibility

4.1. Environmental Policy

4.2. Social Policy

4.3. Charity

4.4. Information Openness



4.3

4.4

4.2

4.1



Corporate social responsibility (CSR) as management of economic, social and ecological impact is a part of TENEX's strategy of long-term success in the context of sustainable development.

In practice, TENEX regards CSR as not only strict obedience to the applicable legal requirements and

contractual obligations, but also as running business in accordance with common ethical norms, achievement of commercial goals only exclusively by means of fair competition⁴¹ methods, minimization of non-financial risks, assurance of economic efficiency, social justice and environmental safety.

The Company builds its CSR policy applying the principles of transparency and respect of the stakeholders' interests, while aiming to integrate these principles into its corporate culture by making them a part of the employees' informal values.

The Company's activities in the field of CSR are aimed at:

- development of economically robust and competitive business;
- shaping trustworthy partner relations with the stakeholders;
- introduction of modern resource saving technologies and appliance of the best practices in the field of ecological management;
- promotion of environmentally safe technologies;
- consideration of the staff interests and investment into the human resource potential development;
- sponsorship of ecological and social programs and projects;
- volunteer blood donation and corporate charity;
- promotion of CSR principles in the business community.

4.1. Environmental Policy

TENEX's environmental policy is aimed at creating safe conditions for the export-import deliveries of nuclear fuel cycle products within the territory of the Russian Federation and abroad.

The Company bases its environmental policy on the following principles:

- strict compliance with the applicable requirements of nuclear and radiation safety and environmental protection law;
- informing the broad circle of stakeholders and interaction with non-governmental environmentalist organizations on ecological aspects of the Company's activities;
- continuous monitoring of activity of manufacturers of products exported by the Company and the one of transportation services providers associated with environmental aspects;
- taking preventative measures to reduce the risk of adverse environmental impact.

As part of the Environmental Policy, the Company developed a system of goals, objectives, and indicators for 2015–2020, as well as a program for monitoring threats, risks and environmental aspects. The Company improves the corporate environmental management system certified for compliance with the ISO 14001:2015 standard, assuring continuous improvement of the

level of ecological education and environmental culture of TENEX and subsidiaries' employees.

Radiation safety activities in transportation of nuclear materials in accordance with Rostechnadzor⁴² license conditions is one of TENEX's key activities in the field of the environmental policy implementation.

The Company carries out transpor-

tation of products in the special fully compliant transportation packages, which were granted with Russian certificate-permits for the package design and transportation, as well as with national certificates of destination countries. TENEX controls the timing and validity of the contents of the certificate-permits. It also makes sure that Russian suppliers have Rostechnadzor licenses for

⁴¹ In particular, details about results of procurement in 2018 see [Appendix No. 3](#).

⁴² Dated 21.12.2016 No. FH-05-401-3306, valid until 2021.

activities in the field of nuclear energy use and plans of potential transport accidents' consequences elimination.

To maintain the supply chain safety, the Company includes special conditions in the contracts signed with its contractors. According to them, the partners are responsible for nuclear and radiation safety during the transportation and transit storage of nuclear materials; it is carried out on the basis of the relevant legislation as well as of the federal and sectorial standards and rules.

As the operating organization in the field of atomic energy use, in accordance with Federal Law No. 170-FZ of 21.11.1995 "On the Use of Atomic Energy", TENEX bears civil liability for losses and damage caused to legal entities and physical persons by any radiation impact when transporting nuclear material in possession of the Company. Distribution of loss and damage risk caused to third parties when transporting nuclear

material between the Company and its contractors is set in the corresponding contracts.

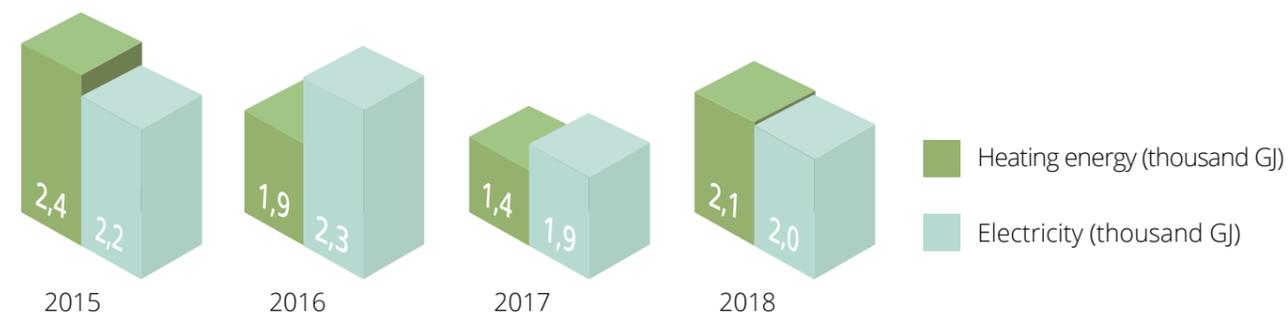
Insurance of the civil liability is made under third-party co-insurance and solidary liability guaranteed by General agreements for transportation of radioactive substances, nuclear materials and products. Based on the stated agreements, the Company receives relevant General Liability Insurance Policies. TENEX also gets a one-time third party liability insurance policy for each shipment of radioactive materials via the Russian Federation territory (including the country's territorial waters and air space), storage in transit and loading/unloading operations under contract agreements.

TENEX approved the Radiation Protection Program in Transportation of Nuclear Materials, carries out control and accounting of the nuclear materials owned by the Company (for details see [Appendix No. 4](#)), and ensures physical protection of the nuclear materials in transport.

The field inspection held by Rostechnadzor in March of the reporting year did not reveal violations of the applicable legislation or facts of non-compliance with notices of the state control (supervision) bodies by TENEX.

According to the applicable legislation⁴³ and as part of the sectorial program for energy consumption reduction for the period 2016-2020, TENEX carries out organizational measures that do not require substantial expenditures to improve energy efficiency and reduce indirect greenhouse gases release.

In 2018, the volume of energy actually consumed by the Company amounted to 3,649 GJ, which is by 19.5% lower than the baseline year⁴⁴ level. The consumption dynamics (in the comparable conditions⁴⁵) by types of energy in retrospective is given in the chart below.



In 2018, TENEX paid for energy resources (in 2015 prices, VAT exclusive) 26% less as compared to the baseline year to make RUB 2.6

million (of them about 77% were electricity costs).

In the reporting year, TENEX did not receive fines and non-financial

sanctions for non-compliance with the environmental legislation.

⁴³ Federal Law No. 261-FZ of 23.11.2009 "On energy saving and improvement of energy efficiency and on introducing changes in certain legislative acts of the Russian Federation".

⁴⁴ ROSATOM has set 2015 as the baseline year for calculation of energy efficiency indicators.

⁴⁵ I.e. in the conditions of the baseline year.

4.2. Social Policy

The Company's social policy is implemented as part of ROSATOM's approved Uniform Sectorial Policy⁴⁶. TENEX has the Provisions for Social Benefits and Employee Recognition for Awarding⁴⁷, which establish the types, the sizes and the terms of financial aid, additional payments over a period of temporary incapability, as well as a recognition procedure for the employees granted with the state awards of the Russian Federation.

The Company implements various social programs to retain and motivate employees as well as to improve attractiveness of the Company as an employer for young specialists.

Voluntary medical insurance (VMI) is provided for the Company's employees in accordance with the sectorial Standard of Voluntary Medical Insurance. It provides for qualified medical aid, including outpatient and polyclinic care, first aid and emergency medical services, dental service in specialized clinics, and hospital service.

In 2017, TENEX signed a voluntary medical insurance policy with SOGAZ Insurance Company. Total expenditures for the VMI of the Company's employees were RUB 7.9 million in the reporting year.

All employees of the Company are insured against injuries and illnesses. The insurance premium paid by the Company to SOGAZ Insurance Company's account was RUB 314,000 in 2018. No situations of the insured

being entailed to payments were recorded.

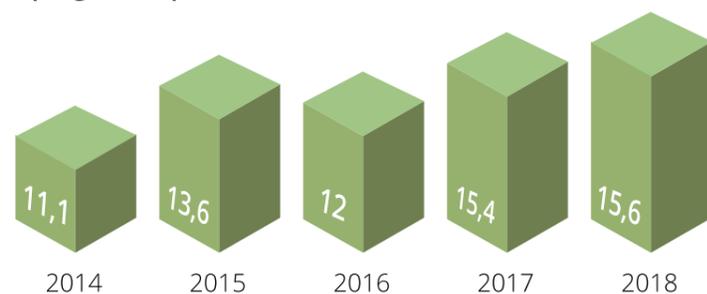
The corporate pension program implemented by the sectorial Non-State Pension Fund "Atomgarant" covered 76 people (20% of the actual staff number) as of 31.12.2018. All program participants have the sole pension scheme that assumes co-financing: each year, the Company transfers a fixed contribution (depending on the employee's work experience) to the individual retirement account, voluntary contribution is paid by the employee (not less than 25% of the Company's contribution). In the reporting year,

TENEX paid about RUB 2.0 million to the individual retirement accounts of the program participants.

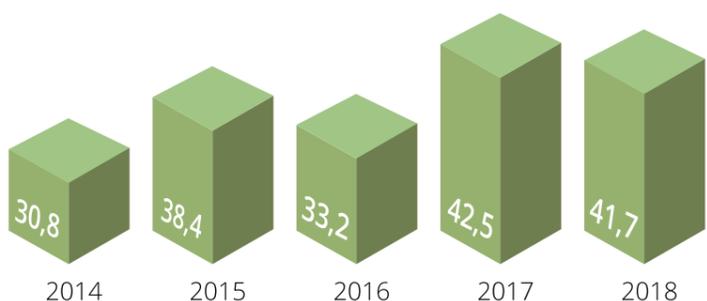
To render financial aid to non-working pensioners — former employees of the Company, who significantly contributed to the development of the industry, in the reporting year the Company paid about RUB 0.5 million as part of the ROSATOM's corporate social program.

Dynamics of the Company's expenditures for implementation of social programs in a five-year retrospective is given in the charts below:

Social program expenses, RUB million



Expenses for social programs recalculated for one employee of the actual staffing number, RUB thousand



⁴⁶ TENEX does not have a collective bargaining agreement.

⁴⁷ It covers all employees who signed labor contracts with the Company except for those in the probationary period or secondary employment and those whose labor contract is signed for up to one year.

4.3. Charity

TENEX paid about RUB 4.0 billion⁴⁸ as free-of-charge (targeted) financing for support of sectorial⁴⁹ charity initiatives in the reporting year.

TENEX rendered financial support⁵⁰ for programs and projects in ecology, culture, education and sports, including:

- renewal of infrastructure at Lazovskiy Wildlife Resort and National Park "Call of the Tiger", as well as at Sikhote-Alinskiy Federal Wildlife Biosphere Resort (Autonomous noncommercial organization Centre for Study and Preservation of the Amur Tiger Population);
- renovation of the facilities and equipment of the National Wildlife Resort "Land of the Leopard" and start of the first stage of the program to widen habitat of the Far Eastern leopard as part of the project "Support for nature protection initiatives to preserve the Far Eastern leopards and creation of the international gene and molecular database" (Autonomous noncommercial organization "Eurasian center of leopards population saving");
- preparation of the exhibition "Green Mosaic of Russia" dedicated to environment-friendly energy in the framework of the 24th Session of the UN Conference of the Parties to the Framework Convention on Climate Change, UN FCCC (Katowice, Poland) and organization of the exhibition tied up to the 155th anniversary of academician V. I. Vernadsky "V. I. Vernadsky; The way to sustainable development" in the UNESCO Headquarters (Paris, France) (International Ecological Public Organization "Greenlife");
- holding in the Bolshoi Theater of the International Ballet Festival "Benois de la Dans" patronized by UNESCO, which is one of the large-scale global events in the ballet community (Regional Public Organization "Ballet Veterans Protection Center Prize Benois de la Danse");
- arrangement of the tour as part of the program "ROSATOM's Territory of Culture" for leading Russian performers and teams as well as of events of the Musical Academy of Nuclear Cities under the patronage of People's Artist of the USSR Yuri Bashmet and the theaters' festival "First!" (Autonomous noncommercial organization "Territory of Culture");
- opening of women-in-crisis centers, rendering help to vulnerable social groups, publications of books and guides on patriotic, spiritual and moral upbringing of the younger generation, carrying out cultural and educational and recreational activities with children and youth as part of the project "Support of the Competition "Orthodox Initiative" (Humanitarian and Educational Programs Support Fund "Sorabotnichestvo");
- organization of the Annual Ceremony of the National Award in Martial Arts "Golden Belt" and carrying out the XI Open Youth Martial Arts Games (OSOO Russian Union of Martial Arts);
- carrying out All-Russia Forum "Russian Aikido — One Team" and Open All-Russia Youth Martial Arts Games; organization of the Europe-largest Open All-Russia Aikido Festival "Tornado" (All-Russia Union of Public Associations "National Aikido Board of Russia").

One of the major elements of TENEX's corporate culture is regular participation of the Company's employees in blood donation activities in favor of Moscow's medical facilities patients.

Three blood donation campaigns were organized in 2018. Employees of nuclear industry and partner-companies of TENEX took part in it. Over 90 liters of whole blood were donated to help the patients

of the National Research Center of Pediatric Hematology, Oncology and Immunology and of the A.N. Bakoulev Scientific Center for Cardiovascular Surgery.

During the blood donation actions, charitable fundraising in favor of purchasing costly medicine for treatment of the children with cancer in care of the "Gift of Life" foundation was organized.

In the reporting year, traditional corporate charity event was held to collect clothes for the charity store "Charity Shop", which directs profits to aid the low-income population, and transfer to persons under care of the charity Foundation "Second Breath".

⁴⁸ Under the agreement terms, the beneficiary submits reports to the Company on the targeted use of the funds, indicating the implemented measures and the gained outcomes.

⁴⁹ The Company's charitable initiatives are approved by the ROSATOM Charity Committee.

⁵⁰ Beneficiary organizations are given in brackets.

4.4. Information Openness

TENEX's information policy is aimed at minimizing the risk of causing harm to the image and business reputation of the Company, and at ensuring its sustainability, effectiveness and competitiveness.

Voluntary disclosure (publishing) of information promoting development of a full image of the Company, including its economic, social and ecological activity aspects is generally carried out by the Company in

both Russian and English with the use of communication channels corresponding to the theme and content of such information.

TENEX implements the information policy guided by the principles of:

- fairness and neutrality — usage of information channels equally accessible to all, providing equal opportunities to obtain the information;
- regularity and timeliness — system approach and steadiness in distribution of information;
- promptitude and accessibility — meeting the minimum terms of significant information sharing and use of the information channels with free, unburdensome and inexpensive access;
- trustworthiness and completeness — veracity of the shared information that is to be sufficient to fully understand the disclosed facts or events, voluntary disclosure of data on economic, social and ecological aspects of the Company's activity apart from the one subject to mandatory disclosure;
- sustainability and consistency — keeping reasonable balance between transparency and protection of commercial interests, prevention of ambivalent or false interpretation of information;
- security — prevention of unsanctioned dissemination of commercially sensitive, insider or other information subject to protection in accordance with the applicable law.

To disseminate information, TENEX uses the official Internet website www.tenex.ru; the official page in the social network Facebook — @JSCTENEX; corporate publications (press releases, articles, public annual reports, information bulletins, booklets, presentations etc.); electronic and printed media (dissemination of press releases and other information materials, provision of comments and responses to requests, interviews of top managers and leading specialists of the Company etc.); specialized printed publications and Internet resources; informational resource of

internal communications — Intranet portal; public events (conferences, exhibitions, seminars etc.).

In 2018, the Internet website of the Company posted 37 press releases and 52 news pieces on the Facebook page.

TENEX continued posting materials on its important events on the micro website of the Company on the Internet resource of the reputable business publishers Compelo Energy⁵¹.

Information about the Company is regularly published in the specialized Russian («Nuclear Club» and

«SECURITY INDEX») and foreign («Nuclear Engineering International») periodicals.

In 2018, over 1,300 materials in Russian mentioning the Company⁵² were published in mass media and posted in the Internet⁵³, predominantly of neutral and positive tone (69% and 22%, respectively); of them 77% were published by the federal mass media, 14% — by the regional ones, 9% — in Russian-language foreign periodicals.

Out of 225 publications in the English-language media segment⁵⁴,

50% were of neutral and 37% — of positive tone.

One of the key communication tools is public annual reporting, which presents overall information about the Company's sustainability activities (its economic, social and environmental impacts)⁵⁵ to a broad range of stakeholders.

Public annual reports of the Company have on repeated occasions received prizes and been awarded for special nominations at All-Russia and industry-wide completions. In 2018, TENEX for

the first time took part in the international annual reporting contest ARC Awards International⁵⁶ held by ARC MerComm Inc. (USA) and received the Grand Prix «Best of Russia» for the best annual report for 2017 in Russia, according to the jury opinion. Other companies from Russia also participating in the competition were PJSC «Aeroflot», PJSC «Gazprom-Neft», JSC «GMS Group», Group of Companies «Rusagro» LLC, JSC «Concern Rosenergoatom», PJSC «Lukoil», PJSC «MRSK North-West», PJSC GMK «Norilsk Nickel»,

PJSC «Sberbank», JSC «SUEK», and PJSC «Transcontainer».

TENEX brand is actively promoted at specialized exhibitions, taking place in Russia and abroad. In 2018, TENEX's advertising and information materials were present at the September symposium of the World Nuclear Association within the united sectorial exhibit of ROSATOM. The Company is a regular participant of the Annual International Forum ATOMEXPO organized by ROSATOM, which is one of the world's largest specialized exhibitions and business platforms.

⁵¹ Previously — Energy Business Review.

⁵² Data by information and analytical system SCAN-Interfax.

⁵³ Not counting social media.

⁵⁴ Data by information and analytical system LexisNexis.

⁵⁵ Public annual reports are issued in Russian and English and posted on the Company's Internet website: <http://tenex.ru/en/disclosure/pa-reporting/>.

⁵⁶ ARC Awards International holds the competition since the end of the 1980's; traditionally about 500 companies from more than 60 countries take part in it. The grand prix owners of 2018 include the largest global companies: Allianz Deutschland, Boeing, China Telecom Corp., Daimler, Hyundai Motor Group, Kumho Petrochemical, Volvo Car Group, Walmart.

Appendices

- Appendix No.1. Responses to Key Risks
- Appendix No.2. Information about Staff Number, Structure and Movement
- Appendix No.3. Procurement Activities
- Appendix No.4. Nuclear Material Control and Accounting
- Appendix No.5. Accounting (Financial) Statements
- Appendix No.6. Auditors' Conclusion on Accounting (Financial) Statement
- Appendix No.7. Information about the Report and its Preparation
- Appendix No.8. Public Assurance Statement
- Appendix No.9. Statement on Results of Independent Assurance of the Report
- Appendix No.10. Glossary, List of Abbreviations



Appendix No. 1. Responses to Key Risks

Risks on the business planning horizon	Responses ⁵⁷
Commodity price risk	Maintaining an optimum balance between the market-related and escalated (inflation-induced price growth) pricing in contracts. Reaching coherence on purchase pricing mechanisms and the pricing mechanism of contracts featuring high commodity risk.
Macroeconomic risks	
Commodity volume risk	Early adjustment of future contracted order volumes with customers. Setting quantity flexibilities and options in the suppliers contracts that harmonize volumes of procurements and sales. Creation of mechanisms that secure supplies.
Political risks	Development and implementation of an action plan in case of sanctions imposed, as well as of measures to prevent introduction or aggravation of trade restrictions on the target sales markets. Obtaining general export licenses (Subsection 2.3.). Consideration of political interests of the target market states.
Planned transaction failure risk	Achievement of the compromise with consumers concerning changes in their product delivery due dates as the best alternative to deal cancellation. Account of planned deals in the Company's performance indicators after a reasonable confidence in their feasibility is reached.
Competitive environment risks	Raising non-price competitiveness through rendering packaged services to consumers (in the NFC front-end and back-end) and finding new forms and tools of strategic marketing. Work on overcoming trade restraints active in foreign markets. Work on improving Russian legislation to ensure that foreign customers' contracts are fulfilled under the terms and conditions similar to those of competitors.
Market capacity reduction risk	Diversification of exports with a focus on growing markets. Search for new marketing tools and sales infrastructure. Promotion of the integrated offer (in the NFC front-end and backend).

⁵⁷ When managing operational risks, TENEX proceeds from a precautionary principle: if not confirmed as producing adverse impact on third parties or the environment, these risks are subject to identification, assessment, control and monitoring in the framework of the Company's management systems. In spite of the practice to insure a number of such risks (in particular, nuclear and radiation damage, loss and damage to freight), the Company also carries out preventive measures to reduce them.

Risks on the business planning horizon	Responses ⁵⁷
Currency risk	The "natural" hedging of the currency risk through loan agreements and purchases of goods and services (as far as possible) at the currency of the deal to reduce the Company's open currency interest. Financial hedging.
Risk of contracting efficiency reduction	Introduction of a situational risks prompt response system. Development of new marketing tools and sales infrastructure.
Operating failure of information systems	Implementation of back-up information systems.

Appendix No. 2. Information about Staff Number, Structure and Movement

Indicators/year	Unit of Measure	2014	2015	2016	2017	2018
Staff number	people	362	362	365	378	372
Average staff number	people	326	327	321	326	324
Actual (payroll) staff number of them:	people	361	356	360	362	374
women	%	60	58	58	57	57
men	%	40	42	42	43	43
under 30 years old	%	15	13	12	13	12
30-50 years old	%	69	71	74	73	75
over 50 years old	%	16	15	14	14	13
Employees under 35 years old	%	42	41	42	41	36
Average age of managers	years	44	44	45	45	45
Average age of specialists	years	37	38	38	38	38
Employed under part-time contracts, total of them:	people	0	1	3	4	4
women	people	0	1	3	4	4
men	people	0	0	0	0	0

Indicators/year	Unit of Measure	2014	2015	2016	2017	2018
Employed under terminal contracts, total of them:	people	25	33	22	27	16
women	people	18	22	12	13	10
men	people	7	11	10	14	6
Newly hired, total of them:	people	29	24	39	40	70
	%	8	7	11	11	19
women	people	17	8	18	23	36
men	people	12	16	21	17	34
under 30 years old	people	9	12	12	20	15
30-50 years old	people	17	12	23	19	47
over 50 years old	people	3	0	4	1	8
Dismissed employees, total of them:	people	29	29	41	35	60
	%	8	8	11	10	16
women	people	18	17	24	21	30
men	people	11	12	17	14	30
under 30 years old	people	4	5	14	2	10
30-50 years old	people	20	15	17	30	35
over 50 years old	people	5	9	10	3	15

Appendix No. 3. Procurement Activities

TENEX carries out procurement activities in accordance with the Federal Law No. 223-FZ of 18.07.2011 "On Procurement of Goods, Works and Services by Certain Types of Legal Entities" and the Unified Sectorial Procurement Standard. Detailed information about procurement procedures applied by the Company is posted on the Company's Internet website⁵⁸.

In the reporting year, the Company's total volume of procurement was more than RUB 3.2 billion with the economic effect of about RUB 0.8 billion reached.

TENEX's share of procurement from small and medium businesses (hereinafter referred to as SMB) was 50.4%⁵⁹ of the cumulative annual volume of the concluded contracts; the share of procurement from the

SMB subjects following the results of tenders amongst only SMB subjects was 41.6%⁶⁰.

During 2018, there were no claims on violations of the procurement procedures.

Appendix No. 4. Nuclear Material Control and Accounting

In the framework of the state system of nuclear materials accounting and monitoring operation, TENEX carries out continuous documentary accounting of all business and process operations with all nuclear materials in possession of the Company. This includes maintenance of a register based on collection, registration, systematization, generalization, archiving and analysis of data about the quantity of the nuclear materials and their movements, including export and import.

As a result of the nuclear materials inventory conducted in compliance with the TENEX Director General Decree dated 19.11.2018 No. 006/357-П, correspondence was detected between the data of the

Company's accounting of nuclear materials and the one provided by its subsidiaries.

In the framework of the activities to control nuclear materials movements in 2018, 12 notifications about TENEX-owned nuclear materials movements were prepared and sent to ROSATOM; as well as 4 reports about the movement of the special feed material and fissile materials by categories, and information about the outcomes of the inspections conducted by controlling and oversight bodies in the field of nuclear materials handling in TENEX and its subsidiary JSC "SPb "IZOTOP".

In 2018, 40 notices and confirmations of nuclear materials import to Russia

and its export abroad were sent to ROSATOM in pursuance of the intergovernmental agreements between the U.S. and Russia, Canada and Russia on cooperation in the peaceful use of nuclear energy and corresponding Administrative arrangements.

⁵⁸ <http://tenex.ru/en/#for-suppliers>.

⁵⁹ With the threshold value of 18% set up by the resolution of the Government of the Russian Federation No. 1352 of 11.12.2014 "On Particularities of Participation of Small and Medium Businesses Subjects in Procurement of Goods, Works and Services by Certain Types of Legal Entities".

⁶⁰ With the threshold value of 15% set up by the resolution of the Government of the Russian Federation No. 1352 of 11.12.2014.

Appendix No. 5. Accounting (Financial) Statements⁶¹

Statement of Assets and Liabilities as of 31 December 2018 r.

Organization **Joint Stock Company "TENEX"**
Taxpayer Identification Number _____
Type of economic activity **wholesale trade of industrial chemicals**
Form of incorporation / type of ownership **Non-Public Joint Stock Company / property of Public Corporation**
Unit of measure: RUB thousand
Location (address) **28-3 Ozerkovskaya naberezhnaya, Moscow 115184, Russia**

Form of OKUD _____
Date (day, month, year) _____
of OKPO _____
TIN _____
of _____
OKVED _____
of OKOPF / OKFS _____
of OKEI _____

Codes		
0710001		
31	12	2018
08843672		
7706039242		
46.75.2		
12267	61	
384		

Note	Indicator	Code	As of 31 December 2018	As of 31 December 2017	As of 31 December 2016
	ASSET				
	I. NON-CURRENT ASSETS				
5.1	Intangible assets	1110	1460	2 531	3 628
5.2	Results of research and development	1120			
	Intangible development assets	1130			
	Tangible development assets	1140			
5.2	Fixed assets	1150	377 113	382 982	401 994
	Buildings, machinery, equipment, and other	1151	377 029	376 842	401 994
	Capital investments in-progress	1152	84	6 140	
	Advances paid to suppliers and contractors of capital projects, suppliers of fixed asset items	1153			
	Income yielding investments into tangible assets	1160			
5.5	Financial investments	1170	5 917 851	5 954 444	6 160 520
5.16	Deferred tax assets	1180	579 776	369 186	1 634 792
	Other non-current assets	1190	122 864	162 472	119 982
	Total of Section I	1100	6 999 064	6 871 615	8 320 916
	II. CURRENT ASSETS				
5.4	Inventory	1210	27 132 976	20 764 971	22 077 944
	Raw, materials, and other similar inventories	1211	1 309 571	4 604 065	7 396 369
	Work-in-process	1212	19 631 202	14 496 525	12 493 347
	Finish products and goods for resale	1213	2 803 445	645 440	6 828
	Goods dispatched	1214	3 388 758	1 018 941	2 181 400
	Other inventories and costs	1219			
5.13	Value Added Tax on purchased values	1220	853 620	2 973 296	2 925 470
5.8	Accounts receivable	1230	23 453 708	34 887 522	37 837 913
	Settlements with purchasers and clients	1231	20 722 706	27 013 085	27 542 572
	Advances paid	1232	18 203	90 280	40 215
	Other debtors	1233	2 712 799	7 784 157	10 255 126
	Non-called accrued proceeds	1234			
5.5	Financial investments (excluding cash equivalents)	1240	3 220 000	1 120 000	
5.7	Cash and cash equivalents	1250	8 846 498	1 773 720	4 309 500
	Other current assets	1260	18 547	15 973	5 159
	Total of Section II	1200	63 525 349	61 535 482	67 155 986
	BALANCE	1600	70 524 413	68 407 097	75 476 902

⁶¹ The accounting (financial) statements prepared in accordance with the Russian accounting standards and international accounting standards are posted in full on the Company's Internet website: <http://tenex.ru/en/disclosure/financial-reporting/>.

Note	Indicator	Code	As of 31 December 2018	As of 31 December 2017	As of 31 December 2016
	LIABILITIES				
	III. EQUITY AND RESERVES				
	Equity (share capital, charter capital, contributions of partners)	1310	638 119	638 119	638 119
	Treasury shares	1320			
	Contribution to equity received from shareholders (participants) before registration of changes to article of association	1330			
	Revaluation of non-current assets	1340			
	Additional capital (without revaluation)	1350			
	Reserve capital	1360	31 906	31 906	31 906
	Statutory reserves	1361	31 906	31 906	31 906
	Reserves formed as per articles of association	1362			
	Retained earnings (uncovered loss)	1370	35 513 483	28 231 485	31 907 061
	Total for Section III	1300	36 183 508	28 901 510	32 577 086
	IV. FIXED LIABILITIES				
5.14	Borrowed funds	1410	2 383 815	3 794 561	9 694 433
5.16	Deferred tax liabilities	1420			
5.15	Estimated liabilities	1430			37 770
6.8	Other liabilities	1450	23 327	9 568	94 150
	Total for Section IV	1400	2 407 142	3 804 129	9 826 353
	V. CURRENT LIABILITIES				
5.14	Borrowed funds	1510	18 745 165	25 656 920	14 743 251
5.11	Accounts payable	1520	12 628 795	9 490 234	17 849 727
	Suppliers and contractors	1521	5 299 015	7 718 013	6 337 947
	Advances received	1522	144 660	1 350 968	951 078
	Payables to employees	1523	156	42	8
5.13	Payables to public non-budgetary funds	1524	37	11 714	
5.13	Tax and due payables	1525	1 326	2 481	527
	Other payables	1526	7 183 601	407 016	10 560 167
5.10	Deferred credits	1530	12 129		
5.15	Estimated liabilities	1540	492 773	554 304	480 485
5.10	Target financing	1546	54 901		
	Payables before customers	1547			
	Other liabilities	1550			
	Total for Section V	1500	31 933 763	35 701 458	33 073 463
	BALANCE	1700	70 524 413	68 407 097	75 476 902

Executive Head Ulyanin Yuri Aleksandrovich
(signature) (full name)

by Proxy No. 8/8/2018 of 29.10. 2018

" 14 " February 20 19

Chief Accountant Lysova Galina Aleksandrovna
(signature) (full name)

Profit and Loss Statement for 2018

		Codes	
Organization	Joint Stock Company "TENEX"	Form of OKUD	0710002
Taxpayer Identification Number		Date (day, month, year)	31 12 2018
Type of economic activity	wholesale of industrial chemicals	of OKPO	08843872
Form of incorporation / type of ownership	Joint Stock Company / property of Public Corporation	TIN	7706039242
		of OKVED	46.75.2
		of OKOPF / OKFS	12267 61
		of OKEI	384

Unit of measure: RUB thousand

Note	Indicator	Code	For 2018	For 2017
11-1	Revenue	2110	106 951 689	98 359 279
11-1	Cost of sales	2120	(71 364 585)	(78 031 309)
	Gross profit (loss)	2100	35 587 104	20 327 970
	Selling expenses	2210	(2 503 476)	(2 526 175)
	Administrative expenses	2220	(1 363 889)	(1 321 361)
	Profit (loss) from sales	2200	31 719 739	16 480 434
	Income from participation in other organizations	2310	124 841	92 982
	Interest income	2320	73 651	48 426
	Interest expense	2330	(434 211)	(478 775)
	Other income	2340	1 933 723	7 085 008
	Other expenses	2350	(6 810 390)	(4 407 585)
	Profit (loss) before income tax	2300	26 607 353	18 820 490
	Income tax expense	2410	(6 339 288)	(3 004 162)
	including permanent tax liabilities (assets)	2421	(857 567)	(561 804)
	Changes in deferred tax liabilities	2430	4 156	(8 845)
	Changes in deferred tax assets	2450	206 055	(1 264 356)
	Other	2460	15 610	(6 249)
	Reallocation of income tax within GGT	2465	555 665	230 675
	Net profit (loss)	2400	21 049 552	14 767 554
	Result of revaluation of non-current assets not included in net profit (loss) for the period	2510		
	Result of other operations not included in net profit (loss) for the period	2520		
	Total profit/loss for the period	2500	21 049 552	14 767 554
	For information:			
	Basic profit (loss) per share	2900	790	554
	Diluted profit (loss) per share	2910		

Executive Head Ulyanin Yuri Aleksandrovich
(signature) (full name)

by Proxy No. 8/8/2018 of 29.10. 2018

" 14 " February 20 19 г.

Chief Accountant Lysova Galina Aleksandrovna
(signature) (full name)

Appendix No. 6. Auditors' Conclusion on Accounting (Financial) Statement



Independent Auditor's Conclusion

To Shareholders
of the Joint Stock Company "TENEX"

Opinion

We have audited the attached annual financial statement of TENEX, which consists of the balance sheet as of 31 December 2018, the financial results report, the appendices to the balance sheet and the financial results report, including the statement of changes in equity and the cash flow report for 2018, explanations to the accounting (financial) statements for 2018.

In our opinion, the attached annual financial statement gives a true view in all material respects of the financial situation of TENEX as of 31 December 2018, of the financial results of its operation and of the cash flow for 2018 in accordance with the Russian rules for the preparation of financial statements.

Grounds for Expressing Opinion

We have carried out the audit in accordance with the International Audit Standards (IAS). Our responsibility in compliance with these standards is described in the Section "Auditor's Responsibility for Audit of Annual Accounting Statement" of this conclusion. We are independent of the Auditee in accordance with the Rules of Independence of Auditors and Auditing Organizations and Code of Ethics for Professional Auditors corresponding to the Code of Ethics for Professional Accountants worked out by the International Ethics Standards Board for Accountants; and we have met other obligations in accordance with these requirements of professional ethics. We believe that the auditors' proofs obtained by us are sufficient and appropriate to serve as grounds for expressing our opinion.

Other Information

The management is responsible for other information. Other information includes information contained in the annual report of TENEX for 2018 but does not include annual accounting statement and our conclusion about it. Admittedly, the annual report of TENEX for 2018 will be provided to us after the date of this conclusion.

Our opinion about the annual accounting statement does not cover other information, and we do not give a conclusion ensuring, in any form, confidence in this information.

Our responsibility in connection with our conduct of the annual accounting statement audit is to review other information and, with that, consider if there are any material discrepancies between the other information and the annual accounting statement or our knowledge obtained during the audit, and if the other information contains other signs of material misstatement.



In case we come to a conclusion that TENEX annual report for 2018 contains material misstatement while reviewing it, we shall bring this information to the members of the Board of Directors.

Responsibility of Management and Members of Board of Directors of Auditee for Annual Accounting Statements

The management of the Auditee is responsible for the preparation and reliability of this annual financial statement in accordance with the Russian rules for the preparation of financial statements and for the internal control system necessary to compile annual financial statements that do not contain material misstatement due to fraud or error.

In the preparation of the annual accounting statement, the management bears responsibility for evaluation of ability of the Auditee to continue its uninterrupted activity, for disclosure (in corresponding cases) of the information pertaining to continuity of the activity, and for compilation of reports based on the assumption of the continuity of activity, except for the cases where the management intends to eliminate the Auditee, to terminate its activity or when it lacks any real alternative except for elimination or termination of the activity.

The members of the Board of Directors are responsible for oversight of the preparation of annual accounting statement of the Auditee.

Auditor's Responsibility for Audit of Annual Accounting Statement

Our objective is to obtain reasonable assurance that the annual accounting statement does not contain material misstatements due to fraud or error and to compile an auditor's conclusion that contains our opinion. Reasonable assurance is a high degree of assurance, but it does not guarantee that the audit conducted in accordance with IAS always detects material misstatements, if any. Misstatements may result from unscrupulous practices or errors and are considered material if one can reasonably assume that, separately or in combination, they can affect economic decisions of the users taken on the basis of this annual accounting statement.

As part of the audit conducted in accordance with IAS, we use professional judgment and keep professional incredulity over the entire audit. Besides, we carry out the following:

- a) reveal and assess risks of material misstatements in the annual accounting statement due to unscrupulous practices or errors, work out and conduct auditing procedures in response to these risks; obtain auditing proofs sufficient and appropriate to serve as grounds for expressing our opinion. The risk of failure to detect material misstatements as a result of unscrupulous practices is higher than the risk of failure to detect material misstatements as a result of error because unscrupulous practices may include defamation, forgery, deliberate omission, distorted interpretation of information, or action to bypass the internal control system;
- b) understand the internal control system meaningful for the audit in order to work out the auditing procedures to meet the circumstances, but not to express an opinion on efficiency of the Auditee's internal control system;
- c) assess appropriateness of the accounting policy in use, whether the accounting assessment and corresponding information disclosure are justified as prepared by Auditee's management;
- d) conclude on eligibility of application of the assumption of continuity of activity by Auditee's management and, basing on the obtained auditing proofs, make conclusion on whether there is a material uncertainty in connection with events or conditions, which may result in material doubts in ability of the Auditee to continue its activity. If we conclude that there is material uncertainty, in our auditor's conclusion we shall attract attention to the corresponding information disclosure in



the annual accounting statement or (if the information disclosure is not appropriate) to modify our opinion. Our conclusions are based on the auditing proofs obtained before the date of our auditor's conclusion. However, future events or conditions may lead to the fact that the Auditee will lose the ability to continue its activity in an uninterrupted manner;

e) assess the overall presentation of the annual accounting statement, its structure and contents, including information disclosure, as well as decide whether the annual accounting statement represents operations and events underlying it in a reliable manner.

We carry out information interaction with the Board of Directors of the Auditee bringing to their attention, among other, the information about the planned scope and dates of the audit, as well as on material comments following the audit results, including the ones on substantial deficiencies of the internal control system, which we detect during the audit.

LLC "FBK" Executive Director

I.O. Livkin
Based on the Proxy
No. 13/19 of 09.01.2019
Statute Auditor's qualification certificat
06-000361,
ORNZ 21606020201

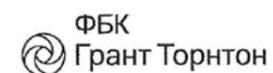
Audit Task Leader

A. A. Danilkin
Auditor's qualification certificate
06-000130,
ORNZ 21206022388

Auditor's report date
01 March 2019

TENEX. Auditors' Conclusion

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AUDITEE

Name:

Joint Stock Company "TENEX" (hereinafter referred to as JSC "TENEX").

Location address:

28, bld. 3, Ozerkovskaya naberezhnaya,
Moscow 115184, Russia

State Registration:

State Registration Certificate Series BZ No. 000697 of 28 January 1994 issued by the State Institution "Moscow Registration Chamber" on 28.01.1994, Certificate No. 029.427; Entered to the Unified State Register of Legal Entities, Principal State Registration Number: 1027700018290

AUDITOR

Name:

Limited liability company "Financial and accounting consultants" (LLC "FBK").

Location:

101990, Moscow, ul. Myasnitskaya, 44/1,
building 2AB.

State registration:

Registered by the Moscow Registration Chamber on November 15, 1993, certificate: series SW 3 No. 484.583 RP. It was entered in the Unified State Register of Legal Entities on July 24, 2002 for the main state number 1027700058286.

Membership in a self-regulatory organization of auditors:

Self-regulating organization of auditors Association "Sodruzhestvo" (SRO AAS).

Number in the register of audit organizations of a self-regulatory organization of auditors:

Certificate of membership in a self-regulatory organization of auditors Association "Sodruzhestvo" No. 7198,
ORNZ — 11506030481

TENEX. Auditors' Conclusion

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Appendix No. 7. Information about the Report and its Preparation

TENEX's Public Annual Report for 2018 (the Report) was prepared in accordance with the applicable Russian legislation⁶², the TENEX Public Reporting Standard STO-11-02.1-042-106-2011 (Revision No. 7) and the Sustainability Reporting Standards (the "core" option)⁶³ of the Global Reporting Initiative, GRI⁶⁴.

The Report discloses information on the production, financial and economic results of TENEX's activities in the context of sustainable development over the period 01.01.2018–31.12.2018⁶⁵. Data on the subsidiary companies is not consolidated. Information on the Company's largest subsidiary company, JSC "SPb "IZOTOP", is available in its annual reports⁶⁶, prepared with reference to certain GRI Standards.

There are no material changes in the scope and boundaries of the disclosed topics⁶⁷ and no indicators adjustment compared to the previous reports.

The Report was prepared in accordance with the TENEX Regulation for Public Reporting STO-11-01-042-106-2011 (Revision No. 8). The stakeholders were actively involved in the Report preparation at all key stages from the Report concept⁶⁸ development to the discussion of its final revision⁶⁹. They had an opportunity to present their expectations and recommendations.

The stakeholders' opinion on the Report as well as on the quality and efficiency of the Company's interaction with its stakeholders are stated in the Public Assurance Statement (**Appendix No. 8**).

Independent auditor Nexia Pacioli LLC conducted the compliance check of the Report towards the requirements of the Russian Federal legislation concerning the information disclosed in the annual reports of joint stock companies, GRI Standards, the local public reporting regulatory acts, and the nature and degree of conformance

with the Standard AA1000 APS 2008 principles (**Appendix No. 9**).

Any statements in this Report, which are not statements of facts, shall be considered as forwardlooking statements; they are relevant only at the time when they are made public. TENEX (excluding the cases directly provided by the law) does not undertake any obligation to revise or update the statements, as well as to take into account any effects of the newly published information.

⁶² Including requirements for the state and commercial secrets.

⁶³ Before 2016 — Sustainability Reporting Guidelines.

⁶⁴ The Company has been preparing annual reports in accordance with the GRI requirements since 2009.

⁶⁵ Future periods are mentioned in the Report when describing the Company's strategy; the preceding ones are mentioned when comparing results of activities and analysis of the dynamics of indicators.

⁶⁶ <http://www.izotop.ru/about/information/>.

⁶⁷ For further information, see TENEX Public Annual Report for 2016: <http://tenex.ru/download/213/2016.pdf>.

⁶⁸ In the period of 03.10.2018–12.10.2018, the questioning of stakeholders was carried out on the draft Report concept.

⁶⁹ Public consultations (in absentia) on the draft final revision the Report were held in the period of 10.04.2019–19.04.2019. All comments and suggestions were of editorial nature and are taken account of in working order.

Table of GRI Disclosures

Standard Disclosure	Page of the Report	Standard Disclosure	Page of the Report	Standard Disclosure	Page of the Report
GRI 102. General disclosures (2016)					
102-1	12	102-14	8	102-45	58
102-2	12; 16	102-15	30; 57	102-46	58
102-3	68	102-16	38	102-47	58
102-4	12	102-18	13	102-48	58
102-5	12	102-21	58	102-49	58
102-6	22-25	102-22	13	102-50	58
102-7	2-3	102-23	13	102-51	58
102-8	48	102-32	1	102-52	58
102-9	16	102-40	58	102-53	68
102-10	16	102-41	40	102-54	58
102-11	46	102-42	58	102-55	59
102-12	13; 58	102-43	58	102-56	63
102-13	13	102-44	58		
GRI 103. Management approach (2016)					
103-1; 103-2; 103-3		22; 23; 24; 26; 30; 31; 32; 33; 38; 40; 41; 42; 50;			
GRI 201. Economic performance (2016)					
201-3	34	201-4	27		
GRI 202. Market presence (2016)					
202-1	34				
GRI 203. Indirect economic impacts (2016)					
203-2	17				
GRI 204. Procurement practices (2016)					
204-1	17				
GRI 205. Anti-corruption (2016)					
205-1	32	205-2	32	205-3	32
GRI 302. Energy (2016)					
302-1	39	302-4	39		
GRI 307. Environmental compliance (2016)					
307-1	40				

Standard Disclosure	Page of the Report	Standard Disclosure	Page of the Report	Standard Disclosure	Page of the Report
GRI 401. Employment (2016)					
401-1	49	401-2	40		
GRI 402. Labor/management relations (2016)					
402-1	35				
GRI 403. Occupational health and safety (2018)					
403-2	35				
GRI 404. Training and education (2016)					
404-1	34	404-3 ⁷⁰	33		
GRI 405. Diversity and equal opportunities (2016)					
405-2	34				
GRI 406. Non-discrimination (2016)					
406-1	35				
GRI 419. Socioeconomic compliance (2016)					
419-1	27				

⁷⁰ Disclosed partially due to lack of accounting by personnel categories.

Appendix No. 8. Public Assurance Statement

Introductory Information

The management of TENEX (the Company) suggested that we verify the Company's Public Annual Report for 2018 (hereinafter referred to as the Report) in terms of the completeness and substantiality of the disclosed information, as well as the effectiveness of the Company's management response to the recommendations of the stakeholders.

Procedure for Evaluating the Draft Report

We were given the opportunity to participate in discussing the concept of the Report (October 2018), the draft Report (April 2019) and the final version of the Report (May 2019).

Verification of the authenticity of the factual data presented in the Report, as well as the adequacy of the Report to the requirements of the Global Reporting Initiative Sustainability Reporting Standards are not subject to public assurance.

The results of our work are formalized in the form of this Public Assurance Statement containing judgments, about which we came to a common agreement. We respect the ethical requirements of independence and objective assessment by expressing our personal expert opinion, and not the opinion of the organizations that we represent. We did not receive remuneration from the Company for this work.

On the basis of the analysis we have arrived at the following conclusions.

Materiality of Information

The report touches upon the topics that are of importance to the stakeholders.

There is no reason to doubt the reliability and relevance of the results of the topics prioritization.

Completeness of the Information Provided

The information is disclosed in the Report with the completeness necessary for the stakeholders to understand the current state and prospects for the development of the Company.

The results of the TENEX's activity are presented in the context of sustainable development. The Company has stated its basics of the policy in the area of the corporate social responsibility (CSR).

Appointment of an independent auditor to confirm the declared level of information disclosure (GRI Standards, the "core" option) was approved.

The Company's Response to the Recommendations of Stakeholders

TENEX collected the recommendations of the stakeholders, conducted an analysis and took them into account when preparing the final version of the Report, thus confirming the constructiveness of the dialogue with the stakeholders.

Traditionally, we note the high efficiency of the correspondence format for interaction of TENEX with stakeholders in the process of the Report preparation. TENEX stands out among the other organizations in terms of the breadth of the coverage of stakeholders, including those representing foreign companies.

Evaluation, Remarks and Recommendations

We are united in the positive assessment of the Report. The Company has prepared a well-structured document corresponding to our expectations, which is substantial but at the same time concise and not overloaded with redundant information.

We express our confidence that the gained experience will be fully utilized when improving corporate management tools as well as carrying out activities in the field of communications and CSR.

Appendix No. 9. Statement on Results of Independent Assurance of the Report



Nexia Pacioli
Limiting Liability Company
(Nexia Pacioli LLC)

TIN 7729142599 KPP 770601001 OGRN 1027739428716
Phone: +7 (495) 640-6452
E-mail: pacioli@pacioli.ru, http://www.pacioli.ru
2 Malaya Polyanka st., Moscow 119180, Russia



Statement on Results of Independent Assurance of the Report

Addressees of the Statement

To the TENEX's management.

Subject Matter of the Assurance

- (1) Information included in the TENEX Public Annual Report for 2018 (Report).
- (2) The process of stakeholder engagement during preparation of the Public Annual Report 2018.

Criteria

- (1) Information included in the TENEX Public Annual Report for 2018:
 - requirements of the Russian law to the content of annual reports of joint stock companies as regards to information disclosure;
 - requirements of the local public reporting regulations;
 - recommendations of standard AA1000 AccountAbility Principles Standard (AA1000APS) 2008 as regards to observance by TENEX of the principles of inclusiveness, materiality and responsiveness;
 - requirements of the GRI Standards (Core Option);
- (2) The process of stakeholder engagement during preparation of the Public Annual Report 2018:
 - recommendations of standard AA1000 Stakeholder Engagement Standard (AA1000SES) 2015.

Management Responsibility

The TENEX management is responsible for preparation and presentation of the Public Annual Report, and for the process of stakeholder engagement, including fulfillment of all related procedures and requirements, among other, to the internal control system.

This responsibility includes the organization and support of internal control system, which the management considers necessary to prepare the Report, by ensuring the absence of material misstatements due to frauds or errors.

This responsibility also includes the selection and application of relevant legal requirements, as well as development of internal documents, KPIs and appropriate measure methods used for the purposes of the Report preparation.

Auditor's responsibility

We have performed the audit in accordance with the International Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" as approved by the Order of the Minister of Finance of Russia No.2n dated 09.01.2019 (ISAE 3000).

Our responsibility comprises obtaining sufficient and appropriate evidence in order to form a limited assurance conclusion that the Report does not contain material misstatements due to frauds or errors.

As part of the limited audit, in order to form a conclusion, the auditor shall reduce the applicable risk to an acceptably low level given the circumstances in place.

Within our engagement performed in accordance with IASA 3000, we apply professional judgment and maintain professional skepticism throughout the entire audit process. In addition, we perform the following procedures:

- identify and evaluate the risks of the Report material misstatement due to frauds or errors; elaborate and implement the procedures in response to such risks; obtain evidence that is sufficient and appropriate to serve as the basis for our conclusion formation. The risk of non-detecting material misstatement due to frauds is higher than the risk of non-detecting material misstatement due to errors, since the frauds may include collusion, forgery, intentional omission, misrepresentation of information, or actions to avoid internal control system;
- obtain understanding of internal control system that is relevant to engagement in order to elaborate the procedures appropriate to the circumstances, rather than to form the conclusion on the customer's internal control system;
- assess the appropriateness of applied policies, internal documents and calculation methodologies, the reasonability of assessments and corresponding disclosures prepared by the management.

We communicate with the personnel responsible for the corporate governance, by informing them of, inter alia, the planned scope and deadlines of engagement and significant remarks on the engagement results.

Standards and Assurance Level

The assurance was conducted in accordance with the International Standard on Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (ISAE 3000) and AA1000AS (2008). The assurance corresponds to the level "limited" as per ISAE 3000 (2013) and "moderate" as per AA1000AS (2008). The assurance corresponds to Type 2 as per AA1000AS (2008).

Methodology

During the work, we implemented the following actions:

- random interviewing the representatives of the TENEX top-management, as well as the employees engaged in the Public Annual Report preparation process;
- analysis of the local public reporting regulations;
- random check of the data used in preparation of the Public Annual Report;
- review of the information on TENEX's activity posted on the website www.tenex.ru, including the sustainability context;
- random review of the information about TENEX published in the mass media;
- compliance assessment of the Public Annual Report preparation process with the local TENEX's regulations in this field;
- assessment of observance by TENEX of the principles of AA1000APS (2008);
- evaluation of compliance with GRI 101 standard in terms of requirements for the principles of determining the content of the report and ensuring its quality;
- the assessment of compliance with GRI 103 standard with regard to requirements for disclosure of approaches to management;
- compliance assessment of GRI 102, 201, 202, 203, 204, 205, 302, 303, 307, 401, 402, 403, 404, 405, 406, 419 with regard to the requirements for the reporting elements stated in the GRI index, as well as topical requirements for information disclosure on managerial approaches;
- assessment of information in the Public Annual Report for its compliance to requirements of the Russian law for content of annual reports of joint stock companies.

Conclusions

Based on the work done and the evidence received, we detected no facts that would make us believe that the subject of assurance (1) does not correspond in all material aspects to the requirements of the Russian law to the content of annual reports of joint stock companies; requirements of the local public reporting regulations; recommendations of standard AA1000APS (2008) as regards to observance by TENEX of the principles of inclusiveness, materiality and responsiveness; requirements of the GRI Standards (Core Option).

We note the requirements of GRI Standards in regard to indicator 404-3 were not considered in full scope (partial disclosure).

Concerning the subject matter of the audit (2), we conclude that the process is implemented using AA1000SES recommendations (2015) to the principles of cooperation, mutual linkage of goals, format and audience of engagement.

Inherent limitations

Without changing our opinion, we draw attention to the existence of inherent limitations of the Statement related to the nature of spot checks. As a result, unscrupulous actions, errors or violations may remain undetected.

The assurance was conducted exclusively in respect of the 2018 data. The assurance was not conducted in respect of forward-looking statements and statements expressing opinions, convictions and intentions.

The in-field audit procedures were limited to visits to TENEX's Headquarters.

The assurance was carried out exclusively based on the Public Annual Report 2018 revision provided in the Russian language in MS Word format.

We were unable to verify the fact of the publication of the Report's final revision (including Public Assurance Statement) on the corporate website of TENEX, because the date of signing of this statement came earlier.

Due to the same reason, we were unable to assure the fact of inclusion of the Public Assurance Statement of the Public Annual Report in the Report.

Recommendations

It is reasonable to exercise the disclosure of indicators with a link to the target values as well as to future plans.

Increase the degree of the disclosure of the indicators, the requirements of the GRI for which are not fully taken into account.

Given the global scale of TENEX's activity, we recommend considering inclusion of provisions to support additional international guidance documents in the area of responsible business practices, such as the UN Global Compact and the UN Sustainable Development Goals for the period up to 2030, when preparing the next public annual report.

Statement of Independence and Competence

Nexia Pacioli LLC is an independent audit and consultancy company that observes requirements of the Code of Ethics for Professional Auditors and Auditing Companies, as well as the Code of Ethics for Professional Auditors in the Russian Federation, based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior, and fulfilling the requirements of the International Quality Control Standard 1 «Quality control in auditing organizations conducting audit and review of financial reporting, as well as performing other tasks that provide confidence and tasks to provide related services». This way, Nexia Pacioli LLC supports the succinct system of quality control, confirmed by the documented policy and procedures regarding meeting the ethical requirements, professional standards and applicable legislation and norms. Nexia Pacioli LLC is a member of the self-regulating organization of auditors, the «Sodruzhestvo» association, included in the Register of auditors and auditing organizations noted by the self-regulatory organization of auditors on October 28, 2016 under the primary registration number 11606052374. The team of specialists that audited the TENEX Public Annual Report included competent employees of Nexia Pacioli LLC, who had done a special training in the GRI Standards, standards of the series AA1000, standard ISO 26000:2010, having many years of experience in consultancy on public nonfinancial reporting and assurance as per ISAE 3000. The Head of the Audit has a Uniform Qualification Certificate of the Auditor; there is a specialist in the team who has the existing certificate CSAP of Accountability.

General Director
S. I. Romanova



«08» May 2019

Appendix No. 10. Glossary, List of Abbreviations

Adjusted Free Cash Flow (AFCF) — core activity cash flow adjusted on non-monetary earnings and expenses; it characterizes the dynamics of the cash flows that can be invested in the company's development.

Back-end — SNF and RAW management, nuclear and radiation hazardous facilities decommissioning.

Book transfer — a mode of uranium sale and purchase transaction without physical delivery.

Conversion — a chemical process transforming U_3O_8 into UF_6 .

Enrichment (with isotope U^{235}) — a) technological process resulting in an increased content of isotope U^{235} in uranium; b) a fraction of isotope U^{235} in uranium (expressed in %).

Liquid extraction — a method of extracting valuable components from solutions. It is used in the technological process of UNF reprocessing to recover uranium, plutonium and other valuable components.

MOX fuel (MOX, mixed-oxide fuel) — mixed uranium-plutonium oxide fuel.

Natural uranium — a material with low activity and a uranium-235 content equal to 0.7%.

Nuclear Fuel Cycle (NFC) — a complex of technological processes of production of nuclear fuel for NPPs and spent nuclear fuel management.

Partitioning — a chemical process of separation of different groups of radionuclides from solution according to their chemical and physical properties.

Rostekhnadzor — Federal Environmental, Technological and Nuclear Supervision Service of Russia.

Stakeholders — individual persons and/or legal entities, as well as groups of persons, which by their actions affect activities of the Company and/or fall under its influence.

Transmutation — conversion of atoms of one chemical element into another as a result of radioactive decay or nuclear reactions, including long-lived minor actinides conversion into short-lived nuclides of lower activity by irradiation of either fast neutron spectrum (in fast neutron reactors) or accelerated elementary particles (in accelerators).

Value at Risk (VaR) — the value in monetary terms, which will not be exceeded by the loss caused by the implementation of risks during a period with a given probability.

Vitrification — a technology of high-level radioactive waste preparation for safe disposal by their inclusion in glass matrix.

CSR — Corporate Social Responsibility.

CTG — Consolidated Taxpayer Group.

EBITDA — Earnings before Interest, Taxes, Depreciation and Amortization.

FSBI FAPRID — Federal Agency on Intellectual Property Protection.

FSUE — Federal State Unitary Enterprise.

FSTEC — Federal Service for Technology and Export Control.

GRI — Global Reporting Initiative.

IAEA — International Atomic Energy Agency.

ICAS — Internal Control and Audit Service.

IFRS — International Financial Reporting Standards.

JSC "Atomenergoprom" — Joint Stock Company "Atomic Power Corporation".

JSC "IUEC" — Joint Stock Company "International Uranium Enrichment Centre".

JSC "PA ECP" — Joint Stock Company "Production Association Electrochemical Plant".

JSC "SCC" — Joint Stock Company "Siberian Chemical Combine".

JSC "SPb "IZOTOP" — Joint Stock Company "St. Petersburg "IZOTOP".

JSC "UEIP" — Joint Stock Company "Ural Electrochemical Integrated Plant".

LEU (low-enriched uranium) — uranium with uranium-235 content equaling to lower than 20%.

LTIFR — Lost Time Injury Frequency Rate.

NRHF — Nuclear and radiation hazardous facilities.

RAW — RadioActive Waste.

SNF — Spent Nuclear Fuel.

SWU — Separative Work Unit; the standard measure of the effort required to uranium isotope separation (uranium-235 and uranium-238) during its enrichment.

Contacts

Location and mailing address	28, bld. 3, Ozerkovskaya nab., Moscow, 115184 , Russia
Corporate website	http://www.tenex.ru
E-mail	tenex@tenex.ru
Contact telephone	+7 (495) 543-33-87 (office of the Director General)
Fax	+7 (495) 543-33-85
Strategic Communications Department (regarding public reporting)	press@tenex.ru